IJEBAS
International Journal of Economic, Business, Accounting, Agriculture Management and Sharia Administration

THE DETERMINANTS OF VOLUNTARY DISCLOSURE IN INDONESIA: A LITERATURE STUDY

Syamsudin[1], Khairul Saleh L. Tobing[2], Ria[3], Kumba Digdowiseiso[4]
[1,2,3,4] Faculty of Economics and Business, Universitas National Jakarta
Corresponding E-mail: [1)]syamsudin@civitas.unas.ac.id, [2)]khairul.saleh@civitas.unas.ac.id, [3)]ria@civitas.unas.ac.id, [4)] kumba.digdo@civitas.unas.ac.id

Abstract

This study focuses on the exploration of voluntary disclosure, which refers to the practice of companies willingly sharing financial information with stakeholders. Scholars conducted a comprehensive analysis of existing literature to identify the main factors that affect this voluntary sharing of information. Four crucial factors have been identified as major catalysts for voluntary disclosure. Firstly, the size of a company is a significant factor, as larger companies are more likely to engage in extensive disclosure due to their ample resources and the need for transparency, particularly in complex business operations. Secondly, the importance of profitability cannot be overstated, as companies that are profitable are more likely to reveal information in order to enhance their reputation and build trust with investors and creditors. Thirdly, the degree of leverage, which indicates the extent to which a company relies on borrowed funds, can discourage the voluntary release of information. This is because high leverage increases financial risk, leading to a more cautious attitude towards disclosure. Lastly, the ownership structure has the ability to influence the disclosure practices. Companies that have family ownership or majority shareholders who prioritize privacy typically tend to refrain from engaging in extensive voluntary disclosure. Gaining insight into these factors is crucial, as they provide clarity on the reasons behind companies' disclosure strategies, addressing the requirements and anticipations of different stakeholders while managing the intricacies of financial openness.

Keywords: ***company ownership, determinants of voluntary disclosure, firm size, leverage, profitability***

1. INTRODUCTION

The company's voluntary disclosure pertains to the deliberate act of disseminating financial reports to stakeholders who have a significant interest in them (Wijayani et al., 2019). It alludes to the voluntary act of management providing tailored information to meet the needs of stakeholders. Every company has the right to clearly express specific principles in voluntary disclosure. Companies can utilize voluntary disclosure to bolster confidence among external stakeholders, including investors, lenders, and creditors, thereby facilitating the procurement of funding for business operations and expansion endeavors. Moreover, the implementation of voluntary disclosure will provide legal benefits for companies. Companies can showcase their adherence to specific regulations in a particular country by surpassing established norms and following predetermined standards. The implementation of voluntary disclosure varies significantly among countries worldwide. Additionally, even within companies operating in the same country, differences in disclosure practices can occur. Morris & Tronnes (2018) illustrates that there are disparities in the level of information disclosure among companies, both among different companies and across various regions within the United States. This disparity is divided into two classifications of causes. The initial factor to take into account is the discrepancy in company size and ownership status, as this could impact the voluntary disclosure practices. It is worthwhile to examine whether companies under private ownership and state-owned enterprises employ different strategies for voluntary disclosure. Based on these findings, larger companies employ different disclosure practices in comparison to medium-sized companies. Major corporations disclose information not only to secure funding, but also to shape public perception and as a strategic tactic to provoke a response from competitors. From the perspective of corporate proprietors, state-owned enterprises frequently opt to engage in voluntary disclosures in order to safeguard the company against the pernicious influence of organized crime and corruption, both of which have the potential to pose internal hazards and jeopardize the company's well-being.

In Indonesia, the act of voluntarily disclosing information is not a recent occurrence. Both private and state enterprises, irrespective of their scale, have implemented voluntary disclosure practices, despite the scarcity of public discussion on this matter. Companies that choose to disclose information voluntarily may also demonstrate differences in how they carry out this practice. Pontoh & Buleng (2021) conducted a study that illustrates the influence of profitability, leverage, liquidity, and the size of a public accounting firm on the voluntary disclosures made by the company. In addition, we conducted a thorough analysis of other academic publications, specifically focusing on those written by Purba (2018). Undoubtedly, it illustrates that the corporate ownership structure has a substantial influence on the level of voluntary information disclosure by a company. To fully understand the importance of voluntary disclosure, it is crucial to determine the factors that impact companies' choices to disclose information willingly. The identified determinants will aid in the examination of the underlying factors that influence companies' adoption of voluntary disclosure. This will be advantageous to various stakeholders, including academics and other interested parties.

2. RESEARCH METHODS

The researcher will employ a systematic literature review research method to derive conclusions from the issues identified. A systematic literature review is a research methodology that involves accessing both online and offline literature studies to derive definitive conclusions about the subject of research (Xiao & Watson, 2019). The researchers utilized literature journals that focused on the factors influencing voluntary disclosure or the voluntary disclosure practices of companies as their research data. The data collection process is conducted methodically and comprehensively by filtering the obtained data to ensure its high relevance to the ongoing research.

3. RESULTS AND DISCUSSION

3.1. Results

Researchers obtained data from reputable journals, both online and offline, and compiled it in Table 1, displayed below.

Table 1. Data Collection Results

No.	Title	Writer	Research result
1.	Voluntary Disclosure of Annual Reports and Influencing Factors	(Neliana, 2018)	The factor that influences a company's decision to carry out voluntary disclosure is the size of the company because companies that have a large firm size can hire good quality public accountants in numbers that are needed to carry out voluntary disclosure.
2.	Factors That Influence Voluntary Disclosure in Financial Reports of	(Hasibuan & Sakdiah, 2019)	There are four factors that can influence a company's decision to carry out voluntary disclosure, namely company size or firm size, leverage, profitability, and

	Consumer Goods Companies Listed on the Indonesian Stock Exchange		type of company ownership with the profitability factor or variable being the strongest in encouraging companies to carry out voluntary disclosure.
3.	Analysis of Factors that Influence the Extent of Voluntary Disclosure in Company Annual Reports	(Puspasari & Rahmah, 2018)	In manufacturing companies listed on the Indonesia Stock Exchange, it was found that company size, company age, leverage, profitability, and company liquidity were the drivers for companies to make voluntary disclosures.
4.	Factors That Influence Voluntary Disclosure in Annual Reports for Companies Listed on the Jakarta Islamic Index	(Setianingsih & Yulianto, 2023)	If examined partially or separately using the factors of company size, liquidity and company profitability, only company size has a significant influence which can be a trigger for companies to implement voluntary disclosure, while other factors can only have an influence if tested together.
5.	Analysis of Factors that Influence the Extent of Voluntary Disclosure and Its Implications for Information Asymmetry (Empirical Study of Consumer Goods Industry Sector Companies Listed on the Indonesia Stock Exchange 2010-2011)	(Suwasono, 2018)	Company size is a strong factor that a company has in deciding whether the company will carry out voluntary disclosure or make limited disclosure.
6.	Analysis of Factors That Influence the Level of Voluntary Disclosure (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI) 2016-2021)	(Putra & Rochmatullah, 2023)	This research states that the factors that influence companies to make voluntary disclosures are company size, liquidity and the level of public ownership of the business in question which is listed on the Indonesia Stock Exchange.
7.	Analysis of Factors That Influence the Extent of Voluntary Disclosure in Annual Reports (Empirical Study of LQ 45 Companies Listed on the Indonesian Stock Exchange in 2016-2017)	(Dewantari, 2019)	The profitability factor is the only factor that influences a company's decision to carry out voluntary disclosure and other factors such as liquidity and leverage actually have a negative relationship with voluntary disclosure and firm size has no relationship whatsoever.
8.	Analysis of Factors Influencing Voluntary Disclosure of Annual Reports of Manufacturing Companies on the Indonesian Stock Exchange for the 2015-2017 Period	(Princess, 2018)	Both profitability factors, public share ownership, company debt and company size have an influence on the company's decision to carry out voluntary disclosure, but based on these factors, only profitability and public share ownership have a significant impact on the company's decision to make voluntary disclosure. .
9.	Factor Analysis of Voluntary Disclosure Levels (Empirical Study of Companies Listed on the Indonesian Stock Exchange for the 2017 Period)	(Anggraeni, 2018)	Based on this research, it was found that company size is a significant factor in influencing the company's decision to implement voluntary disclosure.
10.	Determinant Factors of	(Marfuah et al.,	From the foundation's point of view, it was concluded

	Voluntary Disclosure by Foundations in Indonesia	2021)	that the size of the foundation was an important factor in the foundation's decision to carry out voluntary disclosure, while donations given by the public and the age of the foundation did not have any influence on the decision to carry out voluntary disclosure.

3.2. Discussion

Voluntary disclosure is a crucial practice that companies must undertake when conducting their operations on both domestic and global scales. The company will derive numerous advantages from voluntary disclosure. Through the implementation of voluntary disclosure, the company will establish trust and cultivate a favorable reputation among stakeholders such as investors, lenders, creditors, and the general public, particularly those who possess a comprehensive understanding of the company and engage in investments on behalf of the company's public offering. Voluntary disclosure offers numerous advantages to external parties, including the general public and non-affiliated organizations. Voluntary disclosure enables the public, particularly potential investors in public companies, to access supplementary information that is valuable for making investment choices. In addition, voluntary disclosure allows the general public to evaluate the company's operational performance and assess the diverse effects it has, particularly the environmental impact in the vicinity of the company.

Regulators, including both central and regional governments, view voluntary disclosure as a means to effectively monitor the operations and finances of a company. This enables them to make necessary adjustments or minimize the occurrence of violations, particularly those related to taxation. Wardani & Susilowati (2020) demonstrate that the voluntary disclosure decision made by a company has a significant impact on regulators. This phenomenon pertains to tax compliance, wherein the presence of voluntary disclosure facilitates the government's ability to scrutinize the correlation between a company's tax history and its financial status when engaging in voluntary disclosure. An analysis conducted by Irawan & Raras (2021) revealed a significant impact of voluntary disclosure on taxation. It was found that voluntary disclosure during the COVID-19 pandemic effectively increased the state's tax revenue. Consequently, the government acquired supplementary funds that could be allocated towards offering healthcare coverage to the general population amidst the pandemic. These funds would support the provision of medical facilities and the distribution of vaccines, enabling the community to safeguard their well-being against the impacts of COVID-19.

Regrettably, despite the wide-ranging and beneficial impacts, certain companies do not embrace this voluntary disclosure. Numerous companies have yet to adopt voluntary disclosure due to a variety of factors that warrant consideration. Nevertheless, it is important to emphasize that these companies are capable of engaging in deceitful behaviors under the pretext of being unwilling to make voluntary disclosures. Hence, it is crucial for the general public to comprehend the factors that serve as the foundation for companies to engage in voluntary disclosures. This understanding will help limit the opportunities for companies that are hesitant to make such disclosures. According to the researcher's data analysis, it was generally observed that four factors had an impact on the company's decision to make voluntary disclosures. The factors encompassed in this analysis are the company's size, profitability, leverage, and share ownership.

1. The Relationship Between Company Size and Voluntary Disclosure

Researchers discovered that the size of a company is the most influential factor in determining whether a company chooses to engage in voluntary disclosure. Researchers have found that larger companies are more inclined to engage in voluntary disclosure compared to smaller companies. Company size in this instance is determined by evaluating the number of assets possessed by the company (Dang et al., 2018). Large companies offer a range of incentives to encourage voluntary disclosure, which smaller companies do not have access to. Large companies typically have a higher quantity of managers and stakeholders. This sum will incentivize all companies to promptly adopt voluntary transparency measures, encompassing both investors and lenders. The company's dominance is reinforced by both the larger number of managers or office holders and their vested interests, as well as the substantial value of the company's assets. Companies with substantial asset values are more likely to promptly adopt voluntary disclosure practices due to their ample financial resources. In addition, it is important to note that large businesses often exhibit significant intricacy. Therefore, it is imperative to promptly adopt voluntary disclosure practices in order to ensure transparency and evaluate the company's potential risks.

2. The Relationship Between Profitability and Voluntary Disclosure

Profitability is a metric used to evaluate a company's capacity to generate or acquire profits through its business activities (Alabdullah et al., 2021). Profitability serves as an indicator of the company's performance during a specific time frame. A high level of profitability signifies that the company is performing well and generating ample profits to sustain its operations. The analysis revealed that profitability positively impacts the company's decision to engage in voluntary disclosure. The company's high profitability will enable it to acquire additional resources in the form of funds, which can be utilized to fulfill stakeholders' requirements for voluntary disclosure. Based on the outcomes of these revelations, individuals with a vested interest, particularly those in positions of authority, can establish rigorous benchmarks for voluntary disclosures. Furthermore, by achieving substantial profitability, companies can utilize voluntary disclosure as a means to uphold and enhance their reputation and standing among investors, credit providers, and the general public, particularly those involved in investment endeavors.

3. The Relationship Between Leverage and Voluntary Disclosure

Leverage exerts a detrimental impact on a company's inclination to engage in open disclosures, thereby acting as a deterrent for companies to make voluntary disclosures. Leverage refers to the evaluation of the extent to which a company utilizes debt to fund its operations (Fischer & Riechers, 2019). Researchers discovered that the use of leverage significantly influences a company's choice to engage in voluntary disclosures. This occurs due to the company's significant leverage, which increases its vulnerability to financial issues, such as a decrease in share prices caused by negative sentiment resulting from the company's high leverage. Furthermore, a significant level of leverage compels policy makers, including management, to exercise caution when engaging in voluntary disclosure. This is because any misstep by the company could result in intense pressure from creditors to promptly restrict or even prohibit the dissemination of information through voluntary disclosure.

4. The Relationship Between Share Ownership and Voluntary Disclosure

The relationship between share ownership and voluntary disclosure pertains to the inclination of shareholders to influence the manner in which a company reveals its current operational status. Regarding this disclosure, shareholders will possess significant authority in determining whether the company will engage in voluntary disclosure or not. Shareholders' decision-making process is influenced by various factors, which include the following:

a) Decision of Majority Shareholders or 50% + 1

When determining whether the company will engage in voluntary disclosure, the decision is ultimately controlled by the majority or dominant shareholder. The analysis conducted by researchers reveals that companies under family ownership or with a majority of shares held by the family exhibit a tendency to refrain from implementing voluntary disclosure. This phenomenon can occur due to the inherent tendency of family-owned companies to uphold their privacy and control, thereby treating various aspects of the business as confidential information that must be safeguarded, particularly from the public. In addition, family-owned companies tend to avoid voluntary disclosure due to a prevailing sense of distrust towards external parties.

b) Level of Interests Held by Relevant Shareholders.

Shareholders who lack an inclination towards voluntary disclosure are likely to opt for limited disclosure in compliance with relevant laws. During this decision-making process, the company will demonstrate the inclinations of its shareholders. If a greater number of shareholders perceive transparency as unnecessary, the possibility for companies to adopt voluntary disclosure will diminish.

4. CONCLUSION

The analysis conducted by researchers revealed numerous advantages of voluntary disclosure. Voluntary disclosure by companies can enhance trust and reputation among investors, creditors, and the general public, particularly individuals who frequently engage in investment activities with companies. In addition, voluntary disclosure offers advantages to external stakeholders and regulators in order to guarantee company tax compliance. Nevertheless, despite the manifold advantages, not all companies opt to engage in voluntary disclosure. Companies with significant leverage and those controlled by family ownership, where the majority of shares are held by the family, often refrain from voluntary disclosure for several reasons. These include the desire to mitigate substantial financial risks, maintain privacy, and prevent distrust from external parties. Meanwhile, companies that opt for voluntary disclosure are those with significant profitability and whose assets fall under the category of large companies. This is because office holders must enhance the trust of other parties in order to enhance the company's reputation in the presence of external entities.

REFERENCES

Alabdullah, TTY, Ahmed, ER, & Ahmed, RR (2021). Organization features and profitability: Implications for a sample of Emerging Countries. Journal of Accounting and Business Education, 5(2), 43–52.

Anggraeni, N. (2018). Factor Analysis of Voluntary Disclosure Levels (Empirical Study of Companies Listed on the Indonesian Stock Exchange for the 2017 Period) [Doctoral dissertation]. Gadjah Mada University.

Dang, C., Li, Z.F., & Yang, C. (2018). Measuring firm size in empirical corporate finance. Journal of Banking & Finance, 86, 159–176.

Dewantari, M. (2019). Analysis of factors influencing the extent of voluntary disclosure in annual reports (empirical study of LQ 45 companies listed on the Indonesian Stock Exchange in 2016-2017) [Doctoral dissertation]. Widya Mandala Madiun Catholic University.

Fischer, J., & Riechers, M. (2019). A leverage perspective points on sustainability. People and Nature, 1(1), 115–120.

Hasibuan, MZ, & Sakdiah, K. (2019). Factors That Influence Voluntary Disclosure in the Financial Reports of Consumer Goods Companies Listed on the Indonesian Stock Exchange. National Seminar on Information Science and Technology (SENSASI), 2(1).

Irawan, F., & Raras, P. (2021). Voluntary disclosure program in order to increase tax compliance during the Covid-19 pandemic. Community Service, 1(2), 86–93.

Marfuah, M., Diani, AR, & Ayuntari, CG (2021). DETERMINANT FACTORS OF VOLUNTARY DISCLOSURE BY FOUNDATIONS IN INDONESIA. Accounting, Auditing & Information Research Media, 21(1), 1–16.

Morris, R.D., & Tronnes, P.C. (2018). The determinants of voluntary strategy disclosure: An international comparison. Accounting Research Journal, 31(3), 423–441.

Neliana, T. (2018). Voluntary disclosure of annual reports and influencing factors. Journal of Accounting and Finance, 7(1), 79–98.

Pontoh, GT, & Buleng, AADL (2021). The Influence of Company Characteristics, Audit Committee Effectiveness, and Audit Quality on Voluntary Disclosure. Accounting Profession Journal (APAJI), 3(1), 36–53.

Purba, B. (2018). The Influence of Institutional Ownership Structure, Managerial Ownership, Family Ownership, Voluntary Disclosure and Leverage on the Cost of Debt. Journal of Accounting and Finance, Bandar Lampung University, 9(2), 42–65.

Puspasari, MA, & Rahmah, ASM (2018). Analysis of Factors that Influence the Extent of Voluntary Disclosure in Company Annual Reports. IMWI Repository Horizons, 1(2), 53–71.

Putra, EDNS, & Rochmatullah, MR (2023). Analysis of Factors That Influence the Level of Voluntary Disclosure (Empirical Study of Manufacturing Companies Listed on the Indonesia Stock Exchange (BEI) 2016-2021) [Doctoral dissertation]. Muhammadiyah Surakarta university.

Putri, MY (2018). Analysis of factors influencing the voluntary disclosure of manufacturing companies' annual reports on the Indonesia Stock Exchange for the 2015-2017 period. Widya Mandala Catholic University Surabaya.

Setianingsih, S., & Yulianto, Y. (2023). FACTORS AFFECTING VOLUNTARY DISCLOSURE IN ANNUAL REPORTS IN COMPANIES LISTED ON THE JAKARTA ISLAMIC INDEX. Journal of Accounting, Economics and Business Management, 3(2), 186–193.

Suwasono, H. (2018). Analysis of Factors that Influence the Extent of Voluntary Disclosure and Its Implications for Information Asymmetry (Empirical Study of Consumer Goods Industry Sector Companies Listed on the Indonesia Stock Exchange in 2010-2011). Angewandte Chemie International Edition, 30(02), 106–126.

Wardani, DK, & Susilowati, WT (2020). The urgency of information transparency in tax resistance. Journal of Multiparadigm Accounting, 11(1), 127–137.

Wijayani, DR, Budiman, NA, & Mulyani, S. (2019). The influence of corporate governance on voluntary disclosure (case study of manufacturing companies on the Indonesia Stock Exchange in 2015-2017). Solutions, 17(4).

Xiao, Y., & Watson, M. (2019). Guidance on conducting a systematic literature review. Journal of Planning Education and Research, 39(1), 93–112.