

Board Characteristics and Anti-Corruption Disclosure of Indonesian Companies

Fedi Ameraldo, Saiful, Husaini

Universitas Bengkulu, Indonesia

fediameraldo@gmail.com

Abstract

The purposes of this study is to assess the extent of Anti-Corruption Disclosure (ACD) practices of Indonesian Companies. Further, the study examines the board characteristics influencing the extent of ACD of Indonesian companies. A checklist consists of 40 items was adopted from Joseph et al. (2016) in order to assess the extent of ACD. Sustainability and annual reports of 2018 from 72 companies in Indonesia were used for the data of the study. The results showed that the extent of ACD were considerably good, as more than half of the sample companies scored more than 50% for extent of ACD. This results is also higher than other countries, such Malaysia and some Gulf Cooperative Council countries. The multiple regression analysis revealed that board meeting had an impact on the extent of ACD. The findings indicate that there should be more improvement for the content of sustainability report to accommodate the information relating to anti-corruption initiatives practiced by the companies. The regulatory authority may play significant role in advising and assisting the companies to enhance the content of sustainability report. In addition, the frequent of board meeting could be strategically managed to overcome the issues relating to anti-corruption and bribery initiatives.

Keywords: Board Characteritics, Anti-Corruption, Disclosure, Companies, Indonesia

Introduction

The global issues that have been imposing the scholars to improve the practice of business to be more sustainable has led to the notion of sustainable development. Sustainable Development Goals (SDGs) that introduced by United Nation (UN), have emerged as one of main topics discussed by the scholar recently, considering the importance of the issues for the better world (Hossain et al., 2017). Sustainable development aims to ensure the three important issues, such as poverty eradication, planet protection, and prosperity for all, are achieved. However, it is believed that those important issues are difficult to be achieved, if the practice of corruption is still as the main problem (Transparency International, 2017).

In addition, corruption also has been the most concerned of many parties, including government institutions and business organizations all over the world (Gopinath, 2008). In the past, corruption practices are mostly found in government institutions related to the procurement and dishonest behavior which affected to government financial (see, Neu et al., 2013). However, in the current business environment, business organizations also have been experiencing a great number of cases relating to the bribery and corruption. According to the report on bribery and corruption in Indonesia, it shows that in 2016, there are 96 examinations, 99 investigations and 76 prosecutions have been carried out throughout the year (Rahmansyah and Dewi, 2016). Those numbers at least show that there are many corruption cases in Indonesia. Hence, it can be concluded that Indonesia government has been putting serious effort to curb corruption, including corruption in business organizations.

Some researchers have shown their concern to what extent the business organizations applying anti-corruption initiatives and committing to fight the corruption, particularly in the side of corporate disclosure (see, Dissanayake et al., 2011; Joseph et al., 2016; Islam et al., 2017; Islam et al., 2018; Issa and Alleyne, 2018; Branco et al., 2019). For instance, study conducted by Dissanayake et al (2011), assessed the corporate disclosure on bribery of two global telecommunication companies and examined the influence of media scrutiny and a networked governance of National and International Government Organization

(IGOs) to its disclosure. Study of Dissanayake et al (2011) is argued as the early study that has constructed disclosure index for anti-corruption and bribery. The index was constructed by referring various guidelines that were developed by IGOs, such as the Organization for Economic Co-operation and Development (OECD), United Nation (UN), Transparency International (TI) and World Bank (WB).

Discussing the importance of corporate disclosure, some studies have concerned to assess how the board characteristics playing its roles to influence the management's commitment on particular issues which need to be informed to the stakeholders through reporting (Samaha et al., 2015; Alfarih, 2016). Samaha et al (2015) highlight that disclosure in theories is argued to have positive association with the corporate governance. However, in the context of board characteristics, prior studies empirically concluded a mix findings on the matters (see, Abdelsalam and Street, 2007; Prado-Lorenzo and Garcia-Sanchez, 2010).

It is interesting to study specific voluntary disclosure on anti-corruption, although many previous studies on voluntary disclosure associating with board characteristics, but it is found a very limited of previous studies that examine the association between anti-corruption disclosure and board characteristics, especially in the context of Indonesian companies. In addition, Chau and Gray (2010) argue that one of the main determinants of corporate decisions and policies on reporting is board characteristics. Thus, it is expected that by studying association between Anti-Corruption Disclosure (ACD) and board characteristics should be insightful that contributes to the body of knowledge in the area of particular research.

According to the background of study above, the following are the research questions of the study: 1) What is the extent of ACD in sustainability reports of Indonesian Companies?, 2) Is there any influence of independent director (commissioner) to the extent of ACD in sustainability reports of Indonesian Companies?, 3) Is there any influence of board gender to the extent of ACD in sustainability reports of Indonesian Companies?, 4) Is there any influence of board size to the extent of ACD in sustainability reports of Indonesian Companies?, 5) Is

there any influence of board meeting to the extent of ACD in sustainability reports of Indonesian Companies?

Theoretical Framework

This study examines ACD of Indonesian companies by using the lens of legitimacy theory and using agency theory to explain the association between board characteristics and ACD of Indonesian companies. The overview of these theories is provided below.

Legitimacy Theory

One of the major theories used in explaining the concept of disclosure relating to social information is legitimacy theory (Ahmed Haji, 2013). Legitimacy theory provides an insightful explanation on why companies have motivation to perform social disclosure (Deegan, 2002). According to legitimacy theory, the companies have its value system in which should be congruent with the value system existed in the societies whereby the companies are operating. In this theory lens, companies should have ability to conform the expectation of society at large, as consequences of 'social contract'.

In conforming the expectations of society, companies are needed to show that they are legitimated by doing a right things in the eye of society. It has consequences that could be a threat for the companies to continue their operations if they are failed in doing so (Ahmed Haji, 2013, Islam et al., 2018). In addition, social disclosure should be done to legitimate companies' action as a form of an ethical decision on what information should be informed to the public at large.

It is argued that many corruption cases rose recently that involved companies in Indonesia, has been seen as motivation for Indonesian companies to increase the level of their disclosure in terms of anti-corruption information. Its motivations are expected as a form of legitimating their corporate actions and maintaining their legitimacy status as same as society's values on anti-corruption perspectives, rather than doing ACD as ethical behavior by deciding to disclose anti-corruption information as a form of accountability.

Thus, this study uses legitimacy theory lens to expect that Indonesian companies doing ACD for maintaining their legitimacy status to ensure their continue operations as society citizen. Prior, there are some studies have used legitimacy theory to explain on companies' motivation in disclosing corporate social information (Ahmed Haji, 2013; Islam et al., 2017). It is also expected that the concern of companies to ACD is motivated by the emergence of big corporate corruption scandals that have been the most discussed issue in the society. Stakeholders as a part of society at large is waiting for the commitment of the companies to respond the corruption scandal whether they are concerned or not to the issue through their corporate disclosure, for this case on Indonesian companies, it should be assessing the sustainability reports.

Agency Theory

Agency theory is one of the most used theories in corporate governance literatures (Shamil et al., 2014). Agency theory is used to explain the association between board characteristics and corporate disclosure on social information. Agency theory relied on agency relationship which defined by Jensen and Meckling (1976) as "a contract under which one or more persons (the principals) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent". However, it is difficult to assume that the relationship of both parties would be far from conflict of interest. Both parties are assumed as utility maximizers where the agent may not act as what the principals expected and on behalf of principal interest (Jensen and Meckling, 1976). In other side, principals establish an appropriate incentive and compensation to reduce the potential damage for the interest of principals as the owner of resources.

To limit the potential conflict of interest between agent and principals, one thing that is commonly done by the companies is that by increasing the level of disclosure on corporate reporting. It is also applied in the social disclosure, including ACD. Board characteristics is representing the interest of shareholders of the companies that is expected could increase the disclosure with objective to minimizing the conflict of interest with management (Shamil et al., 2014). In this case, the principals want to be assured that agent is concern to the corruption

practice in companies by implementing the anti-corruption initiatives and inform it to public through its corporate reporting.

Corporate Reporting on Anti-Corruption Practices

The notion of Corporate Social Responsibility (CSR) has been discussed overtime by many scholars (see, Cho et al., 2015; Huang and Watson, 2015). However, the issues discussed in the literatures shift to more comprehensive and detail related to the components of CSR. For example, in the first stage of development, CSR only focuses on the environmental issues. According to KPMG (2005), in the early emergence of CSR issues up until 1999, environmental reporting were the main focus on CSR studies. In the next stage, the focus of CSR moves to emerging of others issues relating to sustainable development which cover social, environmental, and economic aspects (Branco and Matos, 2016). This evolvement of issues imply that CSR components are broadening and following the global issue.

As the global issue recently focusing on the sustainable development, companies have been urged to show their commitment on combating corruption initiatives and programs through their corporate disclosure. Since anti-corruption and sustainable development initiative is linear, companies have motivation to increase their level of disclosure. Previously, information on social and environment is much more disclose in annual reports, a recent global changes have shifted the companies' decision to disclose social and environmental information through specific report, such as sustainability report. However, some countries are still voluntary in publish sustainability reports. For instance, in Indonesia context, Indonesia as developing country, still cannot impose the companies to widely apply the sustainability report. Most of companies disclosed their social and environmental information in annual report. It is said that less than 10% of companies listed in capital market, have sustainability reports.

Discussing the implementation of sustainability reports within companies, particularly in Indonesia context, Global Reporting Initiatives (GRI) guidelines have been followed by Indonesian companies as voluntary. Besides that, Indonesia through its Financial Service Authority

also has issued regulation POJK No. 51/POJK.03/2017, however, it is effectively applied in 2019 for general banks and insurance companies in 2025. Hence, the most of Indonesian companies are currently preparing the sustainability reporting not only following the GRI guidelines, but also following the POJK No. 51/POJK.03/2017.

Hypotheses Development

Independent Directors

Independent director is assigned to oversight the practices of good corporate governance within a company (Khan et al., 2013). Independent director is believed that could play an important role to ensure the objectivity in evaluating the performance of the company in all aspects independently, without conflicting to others interest. Through agency theory lens, the number of assigned independent directors have implication on the effectiveness of monitoring and controlling the decision made by the executive directors, including the decision on disclosing information in corporate reporting (Muttakin and Subramaniam, 2015).

Prior studies documented a mixed results on the relationship of independent directors and corporate social disclosure (Handjani et al., 2014; Muttakin and Subramaniam, 2015; Garas and ElMassah, 2018; Mudiyansele, 2018). For example, study conducted by Giannarakis (2014) in the context of US, has found that independent directors is negatively associated with the extent of corporate social disclosure. However, Garas and ElMassah (2018) have found in the context of GCC countries that the presence of independent directors influence the extent of corporate social disclosure. In Indonesia context, Handjani et al., (2014) have documented a similar finding with Giannarakis (2014) that in terms of corporate disclosure, the existence of independent directors are not associated with the extent corporate social disclosure.

Thus, in this study, it is believed that independent commissioners of Indonesian companies have motivation to increase their ACD as the Indonesian companies recently facing many corruption scandal. It is imperative for the Indonesian companies to maintain their legitimacy in the eyes of society through their disclosure. Hence, it is expected that the

presence of independent directors and ACD disclosure are associated. Therefore, the following hypothesis was developed.

H1: There is a significant positive influence of independent director to the extent of ACD disclosure in sustainability reports.

Board Gender

Board gender has been recently the major topic of research in corporate governance (Mudiyanselage, 2018; Ullah et al., 2019). In developed countries, it is found that the gender diversity in the board is encouraged for giving the same opportunity for female directors (Boulouta, 2013). Some argued that the presence female director in the board has positive implication for the companies. For example, William (2003) argues that female directors offer a strength for boardroom in the sense of optimize the sensitivity of board on the major issues, including the anti-corruption and bribery issues.

The study of board gender previously has shown mixed results in terms of associating with corporate social disclosure (Khan, 2010; Giannarakis, 2014; Mudiyanselage, 2018; Ullah et al., 2019). For instance, Khan (2010) and Giannarakis (2014) have revealed that the increased number of female directors in boardroom has insignificant association with the extent of corporate social disclosure. It implies that female directors are not the determinant factor to influence the corporate social disclosure. However, in contrast, Mudiyanselage (2018) and Ullah et al (2019) have documented oppositely to Khan (2010) and Giannarakis (2014) studies.

For the context of Indonesia, Handjani et al., (2014) concluded that the number of female on the board has no relation with corporate social disclosure. However, as the recently major scandal of big corruption in private sector of Indonesia, Indonesian companies are expected to increase their level of corporate disclosure on anti-corruption information. The increased number of female directors, it is believed that the companies could be more concerned on specific issues on sustainability as the female directors presence have more ethical and concern on this issue. Thus, having female on the board may contribute to

more ACD disclosure, especially since moral and ethics are the concerns of female directors. Therefore, the following hypothesis was developed:

H2: There is a significant positive influence of board gender to the extent of ACD disclosure in sustainability reports.

Board Size

The board size is arguably having implication on the decision effectiveness, but it also becomes inefficient if the board is too large (Jensen, 1993; Lee and Chen, 2011). The specific composition and the number of member board sitting in the boardroom are difficult to be justified for generally adopting in major companies. It is supported by having many proponents and opponent of this notion on board size (Esa and Mohd Ghazali, 2012). Esa and Mohd Ghazali, (2012) posit that the larger board is important in the sense that the board having more widely experiences and ideas that contribute to the decision making of boardroom.

Relating with prior studies on the association between board size and corporate social disclosure, are found mixed findings (Esa and Mohd Ghazali, 2012; Giannarakis, 2014; Mudiyansele, 2018; Qa'dan and Suwaidan, 2019). In the context of US companies, Giannarakis (2014) has documented that the larger board has no implication the US companies reporting on social information. While other study conducted in Malaysia, Esa and Mohd Ghazali (2012) have revealed that the more of board member, the more companies disclosing social information.

In the current study, it is argued that Indonesian company that have larger board could be indication for having better monitoring role as the business environment in Indonesia is arguably corrupt. As a result, a larger board that containing various ideas, experiences and knowledge background has been expected to be effective and efficient in making decision on conducting specific disclosure on social issues, such as disclosing on anti-corruption information. Thus, it is expected that the larger board of directors and ACD disclosure are associated. Therefore, the following hypothesis was developed.

H3: There is a significant positive influence of board size to the extent of ACD disclosure in sustainability reports.

Board Meeting

Board meeting has been studied by many scholar that argue the board meeting has contribution on good corporate governance. The frequent of board meetings is crucial for the companies when they concern of some strategic plans execution. It is because the frequent of board meeting provides the avenue for all the members of board to discuss companies strategic plans, including making decision on corporate reporting (Ahmed Haji, 2013). Laksmana (2008) posits that the frequent board meeting accommodates the greater knowledge and information sharing within the boardroom.

With regard to previous studies in association between board meeting and corporate social disclosure, are considered scarce (Ahmed Haji, 2013; Giannarakis, 2014). Ahmed Haji (2013) in his study has examined the association between board meeting and corporate social disclosure of Malaysian companies. He found that there is no association between board meeting and corporate disclosure. In addition, Giannarakis (2014) also examines the board meeting influence to corporate social disclosure and He found that board meeting in US companies has no relationship with the extent of corporate social disclosure.

It is imperative and becoming motivation to examine board meeting association with ACD in Indonesia context, as Ahmed Haji (2013) and Giannarakis (2014) argue the scarce of previous studies research on the association between board meeting and corporate social disclosure. In this current study, the frequent board meeting is believed that could bring a better business management in which promotes a better attention of social information, including the anti-corruption information. As Indonesia business environment experiencing some major corruption scandal, the frequent meeting might be discussed intensively and substantively by board member during the meetings. Hence, this study it is expected that the frequent board meetings and ACD disclosure are associated. Therefore, the following hypothesis was developed.

H4: There is a significant positive influence of board meeting to the extent of ACD disclosure in sustainability reports.

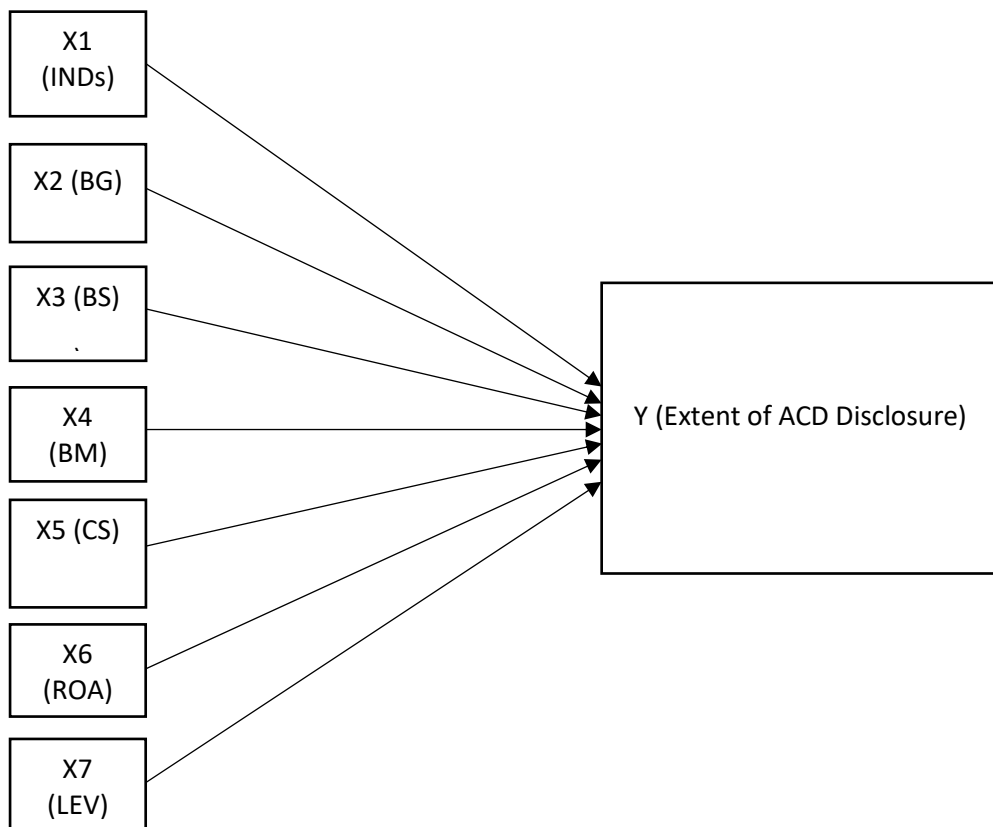
Control Variables

According to some prior studies on corporate social disclosure (Ullah et al., 2019; Ahmed Haji, 2012), the current study has determined three control variables, namely company size, profitability and leverage. In terms of company size, the significant relationship with ACD disclosure is expected. This expectation is derived from the results of prior studies such as Haniffa and Cooke (2005) and Ahmed Haji (2013). In addition, Ahmed Haji (2012) argued that the significant relationship between corporate social disclosure and company size resulted from the ability of a company to perform a higher level of corporate social disclosure practice because larger companies have economic resources and high visibility from the public, thus, motivating large companies to perform corporate social disclosure.

In addition, profitability has been related to corporate social disclosure (Haniffa and Cooke, 2005 and Mohd Ghazali, 2007). For this study, it is believed that there is a significant relationship between financial performance and ACD disclosure. Thus, a company with good profitability is expected to have good ACD disclosure. Hence, this studies hypothesize a significant positive relationship between profitability and ACD disclosure.

Lastly, according to Ahmed Haji (2013), prior studies have shown mixed findings on the relationship between leverage and corporate social disclosure (see Haniffa and Cooke, 2005 and Ahmad Haji, 2012). In addition, Ahmed Haji (2012) argued that a company with high leverage ratio would perform limited corporate social disclosure activities and this affects ACD disclosure. Thus, this study expects a significant negative relationship between leverage and ACD disclosure.

Figure 1. Framework of Study



Research Method

Disclosure index

Disclosure index is utilized as the dependent variable for this study. The index was adopted from study of Joseph et al (2016) in which the index initially constructed by Dissanayake et al (2011) with some adjustments have been made to conform the context of the study, particularly to measure ACD in the developing countries. Dissanayake et al (2011) constructed the index by referring some sources from International Government Organizations (IGOs) that actively develop and implement specific guideline relating to bribery and corruption, such as the Organization for Economic Co-operation and Development (OECD), United Nation (UN), Transparency International (TI) and World Bank

(WB). Dissanayake et al (2011) categorized the index into seven general themes and Joseph et al (2016) adjusted becoming 40 items. The themes are: (1) Accounting for combating bribery, (2) Board and Senior Management responsibility, (3) Building human resources for combating bribery, (4) Responsible business relationships, (5) External verification and assurance, (6) Codes of Conduct, (7) Whistle-blowing. The items of anti-corruption disclosure index is below:

Table 1 Anti-Corruption Disclosure Index

Item	Accounting for combating bribery
1.	The company prohibits all forms of bribery whether they take place directly or through third parties.
2.	The company prohibits its employees from soliciting, arranging or accepting bribes intended for the employee's benefit or that of the employee's family, friends associates or acquaintances.
3.	The company, its employees or agents make clear commitments that they do not have direct or indirect contributions to political parties, organizations or individuals engaged in politics, as a way of obtaining advantages in business transactions.
4.	The company disclose all its political contributions.
5.	The company ensures that charitable contribution and sponsorship are not used as a subterfuge for bribery.
6.	The company publicly discloses all its charitable contribution and sponsorship.
7.	The company does not make facilitation payments and takes the initiative to identify and eliminate them.
8.	The company prohibits the offer or receipt of gifts, hospitality or expensess whenever they could affect or be perceived to affect the outcome of business transactions and are not resonable and bona fide.
9.	The company establishes and maintains an effective system of internal control to counter bribery, comprising financial and organizational checks and balances over the enterprise's accounting and record keeping practices and other business processes related to the program.
10.	The company subjects the internal control system, in particular accounting and record keeping practices, to regular review and audit to provide assurance on their design, implementation and effectiveness.

11.	Discloses the number of violations.
12.	Report the number of dismissals of employees.
Item	Board and Senior Management responsibilities
1.	The board of directors or equivalent body should commit to an anti-corruption policy and program based on business principles and provide leadership, resources and active support for the management's implementations of the program.
2.	The company makes compliance with the program mandatory for directors and applies appropriate sanctions for violations of its program.
3.	The company establishes feedback mechanisms and other internal processes supporting the continuous improvement of the program.
4.	Senior of management of the company monitors the program and periodically reviews the program's sustainability, adequacy and effectiveness, and implements improvements as appropriate
5.	Senior management should periodically report the results of the program review to the audit committee, board or equivalent body.
6.	Management offers dialogue with NGOs and public so as to promote its awareness of and cooperation with the fight against bribery and extortion.
7.	The audit committee, the board and an equivalent body should make an independent assesment of the adequacy of the program and disclose its findings in the enterprise's sustainability report to shareholders.
Item	Building human resources for combating bribery
1.	Human resources practices including recruitment, promotion, training, performance evaluation, remuneration and recognition should reflect the companies' commitment to the program.
2.	The human resources policies and practices relevant to the program are developed and undertaken in consultation with employees, trade unions or others employee representative bodies as appropriate.
3.	The company makes it clear that no employee will suffer demotion, penalty or other adverse consequences for refusing to pay bribes even if such refusal may result in the enterprise losing the business.

4.	Reports the percentages of employees trained in the organization's anti-corruption policies and procedures.
Item	Responsible business relationships
1.	The company monitors the programs and performances of joint ventures and consortia; in the case of policies and practices that are inconsistent with its own program, the enterprises should take appropriate action. This can include: requiring corrections of deficiencies in the implementation of the program, application of sanctions, or termination of its participation in the joint venture or consortium.
2.	Where the company is unable to ensure that a joint venture or consortium has a program consistent with its own, it should have a plan to exit from the arrangement if bribery occurs or is reasonably thought to have occurred.
3.	The company ensures that remuneration of agents is appropriate and for legitimate services only. Where relevant, a list of agents employed in connection with transaction with public bodies and state-owned enterprises should be kept and made available to competent authorities.
4.	The company contractually requires its agents and other intermediaries to keep proper books and records available for inspections by the enterprise, auditors or investigating authorities.
5.	The company monitors the conduct of its agents and other intermediaries and should have a right of termination in the event that they bribe or act in a manner inconsistent with the enterprise's program.
6.	The company conducts its procurement practices in a fair and transparent manner.
7.	The company makes known its anti-corruption policies to contractors and suppliers.
8.	The company monitors significant contractors and suppliers as part of its regular review of relationship with them and has a right to terminate in the event that they pay bribes or act in a manner inconsistent with the enterprise's program.
9.	The company reports the number of contracts terminated.
Item	External verification and assurance
1.	The board or equivalent body should consider whether to commission external verification or assurance of anti-corruption policies and systems to provide enhanced internal and external assurance of the program's effectiveness.

2.	Where such external verification or assurance is conducted, the board or equivalent body should consider publicly disclosing that an external review has taken place, together with the related verification or assurance opinion.
3.	Assurance statements explicitly cover program reporting.
Item	Codes of Conduct
1.	Establishment of Codes of Conduct relates to corruption practice.
2.	The Codes of Conduct is effectively communicated to the members of the organization.
3.	Establishment of a monitoring mechanism on the implementation of the Codes of Conduct
Item	Whistle-blowing
1.	Existence of a whistle-blowing policy
2.	Implementation of whistle-blowing practice

Source: Dissanayake et al (2011) and Joseph et al (2016)

Variable Measurement

The weighted approach is used by adapting the method which was done by Kowalczyk-Hoyer (2012) as it is considered as more appropriate in this studies that has similar objective. The scoring method used a basis, where a score of 0 will be given if the specific item on ACD disclosure is absent. Otherwise, a score of 0.5 or 1 is given depending on the specific item of ACD disclosure is provided. Score 1 is given if the item is provided with explicit statement and score 0.5 is given if the the information provided not explicitly mentioned.

In this study, board characteristic consists of four variables, namely independent non-executive director (IND), board gender (BG), board size (BS) and board meeting (BM). In terms of IND variable, prior studies suggested that the wide measurement used for the proxy of IND is the number of the independent non-executive director to the total members of the board. However, this proxy is often used for companies operating in countries with one-tier corporate structure system. Indonesia has a two-tier system and independent commissioner is used as a proxy for independent director variable. As the justification, independent director has a similar supervisory role as an independent commissioner in a two-tier system. Thus, in this study, the independent commissioner was used as a proxy for IND.

Table 2 Variables, Operationalization, Measurement and Data Sources

Variable Name	Variable Type	Operationalization	Data Source
Anti-Corruption Disclosure (ACD)	Dependent	Disclosed = 1, Not Disclosed = 0	Sustainability Reports
Independent Non-Executive Director (INDs)	Independent	Number of INDs total member of board.	Annual Reports
Female on Board (Female)	Independent	Number of female director to total member of board.	Annual Reports
Board Size	Independent	Number of board member	Annual Reports
Board Meeting	Independent	Number of board meeting	Annual Reports
Company Size (Lsize)	Control Variable	Log of total asset	Annual Reports
Profitability (ROA)	Control Variable	Profit/total asset	Annual Reports
Leverage (Lev)	Control Variable	Total debt/total asset	Annual Reports

Sample Selection

The sample of study were taken from all of the industry sectors that were selected based on the availability of sustainability report provided by companies in 2018. The selection on this basis is actually because of the objectives of this research is to examine the ACD in which the anti-corruption information are found mostly in sustainability report (Joseph et al., 2016). The samples were identified from Indonesia Stock Exchange and Indonesia National Center for Sustainability Reporting (NCSR) and going through to the companies' website. This study had to eliminate the companies that were not publishing sustainability reports. Consequently, 72 companies were chosen for the sample of study.

Data Collection

Sustainability and annual reports are the primary sources of data for this research. The data were collected from the sustainability and annual reports of the selected companies for the year 2018. These sustainability and annual reports can be accessed through the IDX website and the companies' official website. Sustainability and annual reports of 2018 were chosen because they are most recent published in complete and can be accessed when this research is started. According to prior studies in corporate disclosure, they have suggested that sustainability and annual reports are the primary method of communication between companies and stakeholders in terms of useful and relevant information (Joseph et al., 2016). This justifies the use of sustainability and annual reports for data collection.

Results and Discussion

Descriptive Statistics

The percentage of descriptive statistics is calculated from the total number of items disclosed to total number of items in the checklist for extent of ACD disclosure. The descriptive statistics of the extent of ACD disclosure index shows that a minimum score of 5% and a maximum score is 83%. The mean and standard deviation are 47 % and 0.20, respectively. Based on the standard deviation, the data sample have a wide variance. The table 3 shows the total percentage for the 40 items of ACD disclosure index for 72 companies in this study. 34 companies out of 72 companies scored below 50% of total 40 items of the extent of ACD where the rest of the other 38 companies scored 50% and above of total 40 items of the extent of ACD. Only 2 companies draw the highest score of 80% of 40 items of ACD index, meanwhile the minimum score of the data is 5% was obtained. Most of the companies have scored between 60 to 69 % of 40 items of ACD index which have total of 16 companies or equal 22%. The table indicates that the distribution is flatter than the normal distribution as can be seen from the negative score on the kurtosis. On the other hand, with a skewness of -0.626, the distribution of data for the extent of ACD disclosure is approximately symmetric

Table 3 Descriptive Statistics of ACD

Frequency		
ACD Disclosure (%)	No. of Companies	%
1-9	2	2.8%
10-19	10	13.9%
20-29	1	1.4%
30-39	6	8.3%
40-49	15	20.8%
50-59	14	19.4%
60-69	16	22.2%
70-79	6	8.3%
80-89	2	2.8%
Total	72	100%
Descriptive Statistics		
Minimum (%)		5%
Maximum (%)		83%
Mean (%)		47%
SD		0.20
Kurtosis		-0.446
Skewness		-0.626

The results of the descriptive analyses of independent variables are presented in Table 4. The Csize (Logarithm of total asset) variable is the only independent variable with higher mean, minimum and maximum score. This shows that Csize has the mean score of 31.36 and the minimum and maximum score are 28.36 and 34.94 accordingly. This natural logarithm can be used to solve the violation of normality assumptions (Anas et al., 2015). Other independent variables scored as low as zero for the minimum percentage which means there are companies that are not having the expected information related to variables, such as Independent Director, Board Gender and Leverage. Meanwhile, the ROA has a minimum score of -0.04. Board Gender and Independent Director obtained the same lower score of 0. On the other hand, Lev obtained a score of 0.04. For the maximum score of Independent Director, Board Gender, ROA and Lev are 1.0, 0.40, 0.47 and 11.06, respectively.

Table 4 Descriptive Statistics of Independent Variables

	IND	Board Gender	Board Size	Board Meeting	Csize	ROA	LEV
Companies	72	72	72	72	72	72	72
Min.	0	0	3	5	28.26	-0.04	0.04
Max.	1.0	0.40	10	84	34.94	0.47	11.06
Mean	0.41	0.06	5.68	21.71	31.36	0.04	2.34
Std. Deviation	0.16	0.10	1.63	16.03	1.50	0.06	2.33
Skewness	0.59	1.37	0.41	1.89	0.50	4.39	1.61
Kurtosis	2.25	0.94	-0.34	4.65	0.08	26.02	2.39

Reliability Test

This study employed a constructed ACD index and based on the literature suggestion, the index should be tested in terms of the reliability, thus Cronbach's alpha is performed to ensure the internal validity and consistency of the content of the index constructed (Norusis, 2006). Previous studies conducted by Anas et al (2015), used the Cronbach's alpha coefficient for larger than 0.80 to indicate a good scale used as suggested by Norusis (2006). For this study, as shown in Table 5, the Cronbach's alpha coefficient for all the 40 items ACD is 0.93. According to Moss et al. (1998), however, the Cronbach's alpha value is acceptable when Cronbach alpha value above 0.6. Hair (1998) also supported the view that in a study with small sample size, low Cronbach alpha scores such as 0.6 can be taken as the measure of acceptable.

Table 5 Reliability Statistics of ACD

Extent	
Cronbach's Alpha	0.93
N of Items	40

The Extent of ACD Practices

The results show that the themes of whistle-blowing dominate the practice of ACD disclosure relative to other ACD themes such as accounting for combatting bribery, board and senior management responsibilities, building human resources to combat bribery, responsible

business relationships, external verification and assurance and codes of conduct theme.

During the study conducted to examine the extent of ACD practices, 100 % of current study used the sustainability report as the medium of analysis. As compared to the prior study of Joseph et al (2016), it said that in year of 2016, from 24 Malaysian companies, only 37.5 % companies used the sustainability reports. While in the same year, from 34 Indonesian companies selected as sample of study, 91.2 % companies already provided proper sustainability reports for medium of analysis of ACD practices.

In addition to the context of Gulf Cooperation Council (GCC) countries, Issa and Alleyne (2018) used the sample data of 8 Saudi companies, 5 Oman companies, 5 Kuwait companies, 1 Bahrain companies, 33 Emirates companies and 16 Qatar companies. Similar with the current study, Issa and Alleyne (2018) selected only companies that have sustainability reports. However, it is still obvious that Indonesian companies are arguably more concerning to the issues of sustainability information, at least seen from their high number of published sustainability reports.

This results of study which indicates that Indonesian companies are more inclined to disclose in the theme of whistle-blowing, codes of conduct and board and senior management responsibilities have been consistent with some prior studies. It is supported by study done by Joseph et al (2016) which found the similar results. While study of Issa and Alleyne (2018) also has revealed that codes of conduct and board and senior management responsibilities among the top three of most disclosed themes. In contrast, the study has shown that the theme of external verification and assurance is the least disclosed over themes in ACD and it is also consistent with study of Dissanayake et al. (2011) and Joseph et al. (2016).

As the study revealed that in total of items, it is considered that the level of disclosure of Indonesian companies is approximately 50 %. However, comparing to other countries, Indonesian companies are arguably better than other countries such as Malaysia and some GCC

countries (Issa and Alleyne, 2018; Joseph et al., 2016). As revealed before that current study stands out for top three theme such as whistle-blowing, codes of conduct and board and senior management responsibilities. According to agency theory lens, disclosure is one of ways to reduce the asymmetric information between the principals and management, in order to minimizing the conflict of interest between them. In this case, the principals would like to be assured by the management whether the company is concerning to the issues of anti-corruption and bribery through its program initiatives that disseminating through corporate reporting, such as sustainability reports.

The high level of disclosure on codes of conduct and whistle-blowing has shown that the Indonesian companies are trying to satisfy the public interest that companies are operating in the good manner as the expectation of public. This social contract between the public and companies should be attained through legitimating the business process conducted by the companies. The high level disclosure on codes of conduct information, provides the legitimacy that companies following the ethical and moral standard which embedded in the corporate culture and those ethical and moral standard are implemented by the companies as whole from bottom to top management. Besides the codes of conduct, companies also implemented whistle-blowing system in their corporate level policy. Through its whistle-blowing system implemented in the companies, the public in general will be assured that the companies has concerned to the issue of anti-corruption and bribery and share similar social value with the public and maintain its legitimacy with the societies.

The argument that supports the level of disclosure of anti-corruption and bribery of Indonesian companies is the public awareness on the corruption cases that have been emerging in recent years involving companies in Indonesia has motivated the companies to be more accountable to theirs business activities. Besides, some government initiatives to increase the reputation of Indonesia as a corrupt country is also playing a significant roles. For instance, some initiatives have been recognized such as National Guidance of Good Corporate Governance, Capital Market Supervisory Board, corporate policy for state-owned enterprises, Corporate Governance Code for General Banks, National

Strategy for Corruption prevention and Indonesia Corporate Governance Roadmap (Joseph et al., 2016). Thus, Indonesian companies concern and the role of government have stimulated the significant development of Indonesia companies to always be socially acceptable in the eyes of public.

Board Characteristics and ACD Practices

For the board characteristics and control variables regression results, the adjusted R^2 explains 44 % of the variation of the ACD which the rest of the variation of 56 % are explained to the factors outside of the model. On the other hand, the adjusted R^2 of board characteristics regression results, shows that 22 % of the variation of the variable can be explained by the model, whereas the rest of the 78 % percent of the variation can be explained by other factors outside the model.

Table 6 Results of Regression Analysis

Variables	Board Characteristics and control variables			Board Characteristics		
	Unstandardized Coefficients	t	Sig	Unstandardized Coefficients	t	Sig
(Constant)	0.23	0.02	0.97	-0.87	-0.94	0.35
IND	-0.21	-0.65	0.52	0.19	0.57	0.57
BG	-0.21	-0.48	0.63	-0.60	-1.21	0.24
BS	-0.71	-1.16	0.26	-1.23	-1.92	0.07
BM	0.30	1.72	0.10	0.51	3.01	0.00
CS	-0.50	-0.18	0.85			
ROA	-0.10	-1.11	0.28			
LEV	0.30	2.11	0.05			
F-value		3.53			2.60	
Adjusted R ²		0.44			0.22	

The F-tests was conducted to assess the F value of both board characteristics and control variables, and board characteristics regression results. As can be seen from Table 6, the board characteristics and control

variables regression results has F value of 3.53 with the significance value at $\text{sig} < 0.10$, meanwhile ACD has significance F value of 2.60, with significant value at $\text{sig} < 0.10$. Both results show that the model of regression has independent variables which fit to data.

The regression test was conducted to see whether a group of variables are jointly significant. The results of regression in table 6 shows that both BM and Lev in board characteristics and control variables regression results have significant effect to ACD. BM and Lev have significant value 0.10 and 0.05, hence it is safe to reject the null hypothesis of no association since the BM and Lev significantly affect the ACD, when $\text{sig} < 0.10$. According to the table, the regression coefficient of BM indicates that BM could increase the ACD by 0.30 point. Meanwhile, the influence of Lev is evident as whenever the Lev increases by one point, the ACD will also increase by 0.30 point.

In addition, the regression results on board characteristics in the table 6 indicates that two variables have significant effect on the ACD, which are BS and BM. These two variables have significant value of 0.07 and 0.00 ($\text{sig} < 0.10$). This expresses that BS and BM have a significant effect on ACD at the 10 percent level. The value of the effect that are given by BS is -1.92 which means that the number of board members will decrease the value of ACD as much as 1.92 point. In contrast, the effect of BM is 3.01 indicating that every increase on the leverage by 1 point will increase the ACD by 3.01 point as well.

According to the interpretation above, it can be concluded that adjusted R^2 of board characteristics and control variables regression results for the ACD is 0.44 and F -value is 3.53 ($\text{sig} < 0.10$). In this section also shows there are two significant variables, which are BM and Lev at sig value of 0.10 and 0.05. With regard to the regression results of board characteristics on the ACD, it shows that adjusted R^2 is 0.22 and F -value of 2.60 at $\text{sig} = 0.10$. The results show that BS and BM are significant variables at sig value of 0.07 and 0.00.

In this study, the results of regression analysis have shown that from board characteristics variables, only one hypothesis is accepted, which is hypothesis 4. The hypothesis 1 is rejected. The result indicates

that the number of independent directors do not influence the extent of ACD practices and it is actually consistent with study by Handjani et al. (2014). The proportion of independent directors in the board is expected that could play a role of monitoring and assure that the companies disclosing social information through corporate reporting. However, as the finding shows a different as expectation, there is probability on how this finding has revealed inconsistent with the hypothesis. It is probably because some Indonesian companies have independent directors below 30% of the total member of board. In addition, as the dataset of this study combining the both public listed companies and non-public listed companies, whereby the non-public listed companies have no obligation to manage the number of independent directors as minimal as 30 % over the total board member. Comparing the public listed companies that have obligation to assign independent directors for 30 % of total board member. As a result, it could be the reason for the low number of independent director presence worsening the ability of independent directors to play their roles since in the board they are minority.

The hypothesis 2 is rejected. This result indicates that the board gender do not influence the level of ACD practice. This is actually similar with the conclusion made by Khan (2010) and Giannarkis (2014). At first, the presence of women in board could give some values to the board as women are justified more ethical on decision making. However, the finding shows it differently. According to data of this study used, the majority of Indonesian companies has no women in its board. Referring to descriptive statistics of board gender in the table 4, it shows that the mean score for board gender is 0.06 which implies that the ratio of women in board compared the men is still below 10 %. It is probably the reason for why the board gender could not give a significant impact to the extent of ACD as this study has hypothesized.

The hypothesis 3 is rejected. The finding is actually significant, but in negative way. Hence, the result indicates that the more number of board, the less level of ACD practices. The probability of the insignificance of this finding is because the discrepancy of board size is arguably difficult to differentiate in what extent the board size is large or small. According to descriptive of statistics table of 4, the minimum number of board

member 3 and the maximum number of board member is 10, while the average is 5.68. From those information, the majority of Indonesian companies have 5 to 6 member of board whereby the number is close to the minimum number of 3 rather than to the maximum number of 10. However, it still need to further examination on the issue. It is at least the finding implies that the small number of board member will effectively make decisions (Jensen, 1993; Lee and Chen, 2011).

The hypothesis 4 is accepted. The finding indicate that the number of board meeting could increase the level of ACD practices. This is actually also consistent with the proponent of this finding (Laksamana, 2008); Ahmad Haji, 2013; Giannarakis (2014). The frequent of board meetings let the board member to discuss more deeply and accommodate all the members to share the knowledge in deciding strategic plans (Laksamana, 2008). Ahmad Haji (2013) also posits that through the frequent board meetings, there is proper time and avenue for all the board members to discuss on specific issues that is needed to be disclose in corporate social reporting. In addition, the frequent board meetings also could provide the board member to discuss intensively and substantively regarding the corruption scandals in business environment in Indonesia recently. From the agency theory perspective, the board that has frequent meeting provide the board a space to behave according to the expectation of principals which demanding the high level of disclosure in order to minimize the potential conflict of interest. Hence, through a frequent board meeting is consistent to agency theory perspective. Thus, through the frequent board meetings could increase the level of ACD practices.

Conclusion

The current study intended to evaluate the extent of ACD of Indonesian companies and to examine the board characteristics (i.e. independent director, board gender, board size and board meeting) influencing the extent of ACD in Indonesia companies. The sample of the study consisted 72 listed companies which provide sustainability reports in 2018. The companies' sustainability reports of 2018 had been examined and they were deemed as the latest source of available data for this study. The following is the concluding remarks based on the empirical evidence.

The first objective of the study is to assess the extent of ACD practices. The results revealed that the level of ACD practice is considered high compared to other similar studies. In terms of practicing ACD, the Indonesian companies had disclosed more information regarding the theme of whistle-blowing, codes of conduct and board and senior management responsibilities, which obtained the highest score comparing to the rest of themes in the ACD index. Furthermore, the narrative form indicating the practice of the disclosure needed some improvements. From here on, it is strongly felt that the role of regulators is really needed for the development of a more suitable and relevant ACD framework.

The second research objective is to examine the influence of independent director (commissioner) to the extent of ACD. The result indicates that the number of independent directors do not influence the extent of ACD practices. The independent directors has not playing the significant role in ensuring the practices of ACD in the companies and disseminating it through corporate reporting. It is because the most of independent directors are more emphasizing on the profit-oriented activities rather than monitoring the companies in disclosing the social information, including the anti-corruption and bribery information. It is supported by the fact that the independent directors are elected in the annual general meeting by shareholders. It is obvious that the shareholders are more profit-oriented, thus the independent directors are working in the interest of shareholders. In is concluded that the independent directors could not be the factor influencing the ACD practices of Indonesian companies.

The third research objective is to examine the influence of board gender to the extent of ACD. The result indicates that the board gender do not influence the level of ACD practice. It is because the number of women in board are found very few compared men in board. The small number of women in board has led to a limited role played by the women directors. In addition, the phenomenon of women in board is still infancy stage in Indonesia, where it needs more imposing to let more women sitting in the board playing their role. The women in board could be an effective way to increase the ethical decision made by board, especially relating to anti-

corruption and bribery information. Thus, it is concluded that in this study the board gender could not be the factor influencing the ACD practices.

The fourth research objective is to examine the influence of board size to the extent of ACD. The finding is actually significant in opposite way. The result indicates that the more number of board, the less level of ACD practices. It implies that the bigger board size is constraint the effective decision making in the boardroom. In larger board size, it is difficult to deal with one decision in short time where all the members should be heard to their feedback on some issues. It worsens that the larger numbers of board could involve the high possibility of undecided important corporate policy, which might lead to the issues of anti-corruption and bribery as social information be neglected. Thus, it is why the larger board could decrease the ACD practices.

The fifth research objective is to examine the influence of board meeting to the extent of ACD. The finding indicates that the number of board meeting could increase the level of ACD practices. It is argued that the frequent of board meetings provides a proper avenue for the board member to express their opinions and suggestion toward the important of ACD. The frequent of board meetings also could be the systematics medium of board members to discuss the on-going situation relating to corruption scandal that involves the business environment nowadays. Thus, the companies could maintain the proper and adequate information regarding to anti-corruption in their corporate reporting. It is concluded that the board meeting could be the factor influencing the ACD practices.

Suggestions for Future Research

After the discussion of the limitations above, the current study offers some possible suggestions to be undertaken in future research. Firstly, a future ACD study may utilize other sources of data to assess the practices of disclosure instead of using the sustainability report only. It is shown that the majority of Indonesian companies still lack of sustainability report. In the year of 2018, only 72 companies could be accessed by public for its sustainability reports. Hence, whether to see the practice of ACD only in sustainability report, other sources of data could be utilized for the purpose of ACD study, such as press release, interim

report, bulletin, internet reporting, and stock market announcement. By expanding the source of data, the strength and comprehensiveness of the findings can be enhanced. Secondly, future ACD studies may include more Indonesian public listed companies, in order to ensure that the companies have at least 30 % of independent directors. By including more public listed companies, the implication of the study can be fine-tuned and enhanced, due to a more eclectic sample. Hence, the findings can better justify the differences in any phenomenon investigated in the study. Thirdly, it is suggested for future study that uses board size as the independent variables should run further examination to see in which number category that the board could be justified as large size or small size. It is important that since has no consensus over the specific number for size that becomes benchmark. Lastly, there is a need for future studies to add some criteria on the selection of data sources for women in board. Since the women in board still new phenomenon, it is important to categorize the company with women in board and board without woman. Thus, it could give epic picture on how and to what extent the board gender could give impact to ACD. As the study of board gender is still in very early stage, especially in Indonesia context.

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