The Investigation of Ownership Concentration and Board Composition on Disclosure Quality in the Context of Minority Expropriation

Citrawati Jatiningrum[1*], Agrianti Komalasari[2], Alfiati Silfi[3], Lia Dama Yanti[4], Rina Aprilyanti[5], Musdalifah Dimuk[6]

[1]Department of Information System, STMIK Pringsewu, Pringsewu, Lampung, Indonesia
[2]Accounting Department, Faculty of Economics and Business, Lampung University, Indonesia
[3]Accounting Department, Faculty of Economics and Business, Riau University, Indonesia
[4,5]Accounting Department, Faculty of Business, Universitas Buddhi Dharma, Indonesia
[6]Faculty of Business and Accounting, Postgraduate University of Selangor, Malaysia
*Correspondent Email: citrawati1980@gmail.com

Issue Details
Issue Title: Issue 3
Received: 08 February, 2021
Accepted: 19 March, 2021
Published: 22 May, 2021
Pages: -1298-1310

Copyright © 2020 by author(s) and Linguistica Antverpiensia

Abstract

A crucial issue in Asia when the large shareholders or majority shareholders are effectively in managing the company. It can cause opportunistic at the expense of minority shareholders, and the majority shareholder can act for expropriation the wealth of minority shareholders. This study aims to investigate the impact of ownership concentration and board composition on disclosure quality among Indonesian listed companies over the years 2011-2017 in the context of highly concentrated ownership. Multiple regression analysis is used to test the relationship between the disclosure quality as a dependent variable and certain independent variables. Results indicate that ownership concentration has a significant negative impact on disclosure quality. Board composition, firm size, and firm age have a significant positive impact on disclosure quality. However, independent commissioners and leverage are insignificant. The results also indicated that the independent commissioners should contain members with specific skills and experience to be able to improve the efficiency of information disclosure. This study provides evidence that ownership concentration and board of composition impact disclosure quality in the Indonesian companies. The study might help the policymakers and regulators for improving the requirement of disclosure to reduce the expropriation of minority shareholders

Keywords: Ownership Concentration, Board Composition, Disclosure Quality

1. INTRODUCTION

The agency conflict has been a crucial issue in the corporate governance literature. The primary agency conflict concluded there was a misalignment between manager and stakeholders as principal (Jensen & Meckling, 1976). Consequently, opportunistically of manager may act to the goal incongruence with shareholders' interests. The primary agency conflict arises from conflicts on the diffused ownership structure and in the country where investors are highly protected and (La Porta et al., 2000), However, while in concentrated ownership structure lead to agency conflicts on majority shareholders and minority shareholders is commonly refer to as Type II

agency conflict. The focus on Type II agency conflict between majority shareholder or controlling and minority shareholders. (Shleifer & Vishny, 1997; Faccio & Lang, 2002; Ali, 2014; Jatiningrum et al., 2016). La Porta et al. (2000) indicated that corporate governance represents a set of mechanisms through which outside investors protect themselves against expropriation by insiders. Therefore, corporate governance mechanisms protect minority shareholders by managers or controlling shareholders and supplement regulation to protect minority shareholders (Mitton, 2002; Ali, 2014; Rizki & Jasmine, 2018, Hasan et al, 2019).

Some of the previous research examining the relationship between corporate governance and disclosure in diffused ownership context (Amoozesh et al., 2013; Alshimmiri, 2014; Satta et al. 2014; and Enache & Hussainey, 2019). The agency conflict is a critical factor in the corporate governance mechanisms due to the conflict between controlling and minority shareholders. Ho and Wong (2001) argued that companies with highly concentrated ownership, the conflict of interest might not be between shareholders and managers but between majority and minority shareholders. In the situation of conflicts between majority and minority shareholders, managers are manipulated by majority shareholders to act against the interests of minority shareholders through withholding information. La Porta et al. (2000) explained that during the financial crisis, corporate governance becomes more important for two reasons. First, during the financial crisis, the occurrences of expropriation of minority shareholders might be more severe. Second, in the financial crisis, investors might be imposed to take action against weaknesses in corporate governance. Because of these reasons, companies with weak corporate governance might lose relatively more value during the crisis. Therefore, the presence of large shareholders will lead to a change in the governance problem (Young et al., 2008; Singla et al., 2014; Rizki & Jasmine, 2018). The large blockholders will have the incentive to monitor the managers. Also, controlling shareholders can use their power to pursue their objectives, i.e., expropriation of minority shareholders (Singla et al., 2014)

Many studies to review CG in Asia have conducted over the years 1998 to 2016. One of the most comprehensive assessments of Corporate Governance (CG) Watch in Asia is CLSA. It has issued and trends in Asia which published annually since 2003. The 2016 assessment ranked the 12 key Asia-Pacific markets and showed that Singapore is at the top of the rank followed by Hong Kong, Japan, Taiwan, Thailand, Malaysia, India, Korea, China, Philippines, and Indonesia. This rank shows that the implementation of CG in Indonesia is lagging behind and hence require a faster move and might enforce. Also, this rank indicates that Indonesia has poor and the low implementation of Corporate Governance among Asia countries and hence there is a need for more studies on corporate governance to be conducted for Indonesian companies about Indonesian contextual ownership concentration. Several studies indicated that many corporations in Asian countries owned and controlled by families (Shleifer & Vishny 1997; La Porta et al., 1999; Zhuang et al., 2001, Singla et al, 2014)). Consequently, arises agency conflict type II. Singla et al. (2014) present the results of studies in emerging countries such as India, where the majority are family companies, their study highlights the need to recognize the effects of different block-holders on internationalization-governance relations and find that family firms are not modified or weak of corporate governance.

Klapper and Love (2004) argued that increasing “disclosure” is one of the mechanisms to prevent management and controlling shareholders from the expropriation of minority shareholders. Alkurdi et al. (2019) compared the companies with weaker governance, they documented that better-governed companies made the public disclosures more frequently, their disclosures of good news are the timeline. In line with Ali (2014) stated that there be the main of agency conflict in which concentration of ownership is high with low protection is agency conflict between

minority and majority stockholders. This study reveals that there is a negative relationship between family control, stocks with double voting rights, power centralization, and disclosure quality. The role of corporate governance in strengthening the disclosure quality in Asian emerging markets has proved in several studies such as Ben Ali, (2009); Amoozesh et al., (2013); Soheilyfar et al., (2014) and Jatiningrum et al., 2016. The results of their studies about ownership concentration in Asian countries are inconsistent, and the links between corporate governance mechanisms, especially in board composition and disclosure quality, is scarce, with major drawback is neglecting concentrated ownership context in previous studies and inconclusive findings regarding the research on board composition and disclosure quality. Therefore, this study is essential to overcome the issues of contradictions and inconsistencies. The current study aims to investigate the effect of ownership concentration and board composition (board of director size, the board of commissioners, and board of independent commissioners) on disclosure quality in the type II agency conflict context with poor corporate governance system and weak of investor protection. The remainder of this paper is structured as follows: Section 2 provides a literature review and hypotheses development. Section 3 describes the research design and methodology. Section 4 presents the empirical results, and Section 5 provides the conclusions.

2. LITERATURE REVIEW

2.1 Ownership Concentration and Disclosure Quality

Ali et al. (2007) examines a combined set of corporate governance characteristics that affect disclosure quality in the context of expropriation minority due to ownership concentration. He also found that the market characterized by high ownership concentration and weak investor protection reported a negative association between disclosure quality. However, the results show a positive association between disclosure quality and the existence of executive share options plans and the proportion of independent directors on the board as well. These findings suggest that corporate governance mechanisms increase right disclosure incentives in high ownership concentration. Ali et al. (2007) and Komalasari (2017) further shows that when investors are poorly protected, controlling shareholders have more motivations to take advantage of private benefit at the detriment of minority shareholders' interest. Because of their proximity to operating activity, controlling shareholders can gain private information to assess their investment return and may be reluctant to publicly disclose such information in order to avoid minority contest and to continue to expropriate other shareholders. Controlling shareholders claim the high percentage of voting rights, and they can then easily control the firm and their disclosure strategy, which may lead to poor disclosure quality. Chau and Gray (2002) indicated that among Hong Kong and Singapore companies, the more the capital of the firm is diffused, the more the voluntary disclosures. Soheilyfar et al. (2014) investigated the relationship between disclosure quality and several mechanisms of corporate governance using sample firms on the Tehran Stock Exchange (TSE) the period of 2005 to 2010. They found that there is a positive relationship between ownership concentration and disclosure quality. They also found that firms with family-controlled to have a low proportion of outside directors on the board, low presence of institutional investor ownership, no executive stock options plan, and present dual-class shares. In a related study, Jatiningrum et al. (2016) found that there is a significant negative relationship between disclosure quality and ownership concentration. Grounded in type II agency conflict, which supports the negative association between concentrated ownership, the first hypothesis is:

H1: Ownership Concentration has an adverse effect on disclosure quality in the context of minority expropriation

2.2 Board of Directors Size and Disclosure Quality

Brockman et al. (2011) demonstrate that a CEO will manipulate the announcement of good or bad disclosure depending on whether he plans to sell, buy, or hold shares. In line with Alshimmiri (2004), Mc Donald and Westphal (2013) argued that the larger of boards members with skilled managers capable of giving monitoring the management and also would improve the efficiency and vice versa. This finding indicates that companies with a small board of directors without skilled managers will disclose fewer data in their financial statements. Therefore, there is a positive relationship between the size of the board of directors and disclosure quality. In other words, the number of board members of the company can affect information disclosure. In contrast, the results of the study of Soheilyfar et al. (2014) shows that the relationship between corporate governance and disclosure quality is not significantly associated with the size of the board directors. According to stewardship theory, which maintains empowering through corporate structures and governance mechanisms to permit managers and directors to make decisions efficiently and effectively. Therefore, companies with the high-level board of directors will disclose more in their financial statements (Hasan et al. 2019). Nawafly and Alarussi (2019) documented that board size has a positive significant impact on disclosure quality. Thus, the second hypothesis formulated as follows:

H2: Board of Directors size has a positive effect on disclosure Quality in the context of minority expropriation

2.3 Board of Commissioners size and Disclosure Quality

According to the theory of GCG and some of the previous empirical evidence in Indonesia indicates that commissioners have a relationship with the quality and the value of financial reporting (Sukmono, 2015). The number of board size commissioners appropriate in carrying out its duties. The guidelines of regulation GCG in Indonesia state that the number of commissioners should be tailored to the complexity of the company concerning the effectiveness of decision-making (NCG, 2006; FSA, 2014). Setyawan and Karmilla (2015) argued that the large board size could compensate for the shortcoming arising from information asymmetry. Thus, the bigger the size of BoC, the more the exchange of ideas, experience, and the interaction between commissioners who support the supervision process of the management of the company. Sahin et al. (2011) found that large board size is more effective because it should contain more members with experience and knowledge that allows better suggestions. In agreement with Sahin et al., (2011), Sembiring (2003) and Sulastini (2007) argued that the largre number of the board of commissioners, the better the disclosure quality. In a related study, Jatiningrum et al. (2016) give evidence that there is a positive relationship between the size of the board of commissioners and disclosure quality.

In contrast, the results of the study of Soheilyfar, et al., (2014) indicated that there is no association between disclosure quality both board size and chairman tenure on the other hand. The study of Arifah and Ma’mun (2014) found that the board of commisioners size has an insignificant impact on corporate governance disclosure. The result would be attributed to some possible reasons that may limit the board size influence on corporate governance disclosure. For instance, when the company holds the commissioner election, there is a high possibility that the board will appoint one person to serve as commissioner. Consequently, this may result in the ineffectiveness of the board of commisioners function since commissioners will consider their interests. In this study, it proposed that the board of commisioners size can effectively monitor management towards greater disclosure of information. Therefore, the third hypothesis is:

H3: Board of Commissioners size has a positive effect on Disclosure Quality in the context of minority expropriation

2.4 Independence of Commissioners and Disclosure Quality

In GCG mechanisms recommend that the number of external members in the board should be higher than the number of internal members to monitor the management activities to maximize the value of the organization (Ferraz et al., 2011) and independent board have a positive impact on the disclosure. (Alkurdi et al. 2019). In Indonesia context, the Independent Commissioner is a member of the board from independent or outside the public company. They have the authority and responsibility for planning, directing, controlling, or supervise the activities of the Issuer, which has no shares, directly or indirectly, has no affiliation with the Issuer or Public Company (BAPEPAM, 2006, FSA, 2014). The results of the study of Katmun (2012) revealed there is a significant positive board independence on disclosure quality. In line with Soheilyfar et al. (2014) also found that there is a significant positive relationship between disclosure quality and chairman independence. Contrary with Jatiningrum et al. (2016) documented that disclosure quality insignificant relationship with disclosure quality. Based on the discussion above, this study formulates a positive hypothesis presupposes that the existence of independent commissioners will lead to a better disclosure quality. Thus, the fourth hypothesis is:

H4: Independent of Commissioners has a positive effect on disclosure quality in the context of minority expropriation

3. RESEARCH DESIGN AND METHODOLOGY

3.1 Data and Sample

The data collected from the annual reports of the Indonesian listed companies in Indonesia Stock Exchange (IDX) with the period of 2011-2017. Sample companies selected from the population of the study using purposive judgment sampling. The total observations are 896 Procedures for the study sample selection shown in Table I.

Table 1 Procedures of Sample Selection

No	Items	Companies
1	Total the companies consistently listed on IDX since 2011-2017	**521***
2	Companies that do not have majority ownership (>50%)	**(134)**
3	Companies without consistent majority ownership	**(34)**
4	Companies operating in banking and other financial institutions	**(87)**
5	Companies that have government ownership	**(7)**
6	Companies with incomplete Financial Statement published during observation 2011-2017	**(31)**
7	Companies incomplete Annual Report published during the 2011-2017 observation	**(32)**
8	Companies that completely report variables were used in this study (size board of directors, board size of commissioners, independent of commissioners)	**(68)**
	Total samples	**128**
	Total Observation (7 years x132 companies)	**896**

*Consistently companies listed on the Indonesia Stock Exchange (IDX) 2008-2014

3.2 Variables and Model

Independent variable

1. Ownership Concentration (OWNC) is the percentage of shares held by majority ownership
2. The Board of Directors Size (BOD) is the number of directors on the board of directors

3. The Board of Commissioners Size (BCOM) is the number of commissioners among the board members
4. Independence of the Board Commissioners (INCOM) is the percentage of independent commissioner over the total number of a board member

Dependent variable

The Disclosure Quality (DQ) in this study measured by the Standard & Poor's Disclosure Quality Index (S&P T&D Index). This Index used in the previous study at emerging markets which Latin America and Asia countries. There are three subcategories, including 1) The ownership structure and investor rights (28 attributes), 2) Financial transparency and information disclosure (35 attributes), 3) Board and management structure and process (35 attributes). The total of subcategories is 98 items. All items would be examined by the companies annual reports (Patel & Dallas, 2002). This study uses the same scoring methodology adopted in S&P T&D index (Aksu & Kosedag, 2006). The formula used is as follow:

$$\mathbf{TDS = \Sigma_{j}\, \Sigma_{k}\, S_{jk} / TOTS}$$

Where:

j = the attribute category subscript
k = the info item (attribute) subscript and
TOTS= the total maximum possible "yes" answers for each firm
Sjk = the number of info items disclosed (answer as "yes") by the firm in each category

Control Variable

1. Firm Size (FIRM SIZE): It measured as the natural logarithm of total asset of the firm at the end of the fiscal years.
2. Leverage (LEV): it is measured by dividing total liabilities by total assets as adopted by Brigham and Huston (2001)
3. Firm age (AGE): It measured by subtracting the current year from the year of formation of the firm as suggested by Sari (2016).

The model

Regression analysis will be used to test the hypotheses discussed above using the following model:

$$\mathbf{LN_DQ_{i,t} = \alpha_0 + \alpha_1\, OWNC + \alpha_2\, BOD + \alpha_3\, BCOM + \alpha_4 INCOM + \alpha_5 LEV + \alpha_6\, AGE + \alpha_7 FIRMSIZE}$$

Where:

OWNC = Ownership Concentration
BOD = Board of Directors Size
BCOM = Board of Commissioner Size
INCOM = Board of Commissioner Independent
LE V = Leverage
AGE = Firm Age
FIRMSIZE= Firm Size

4. EMPIRICAL RESULTS

4.1 Descriptive Analysis

Table 1 reports the descriptive statistics for the disclosure quality and independent variables selected in this study. In this section, descriptive statistics for all variable are shows the minimum, maximum, mean, and standard deviation. The disclosure quality for the sample firms throughout the study period varies from 0.54 to 0.86, and

the mean is 0.76. The results for the independent variables showed that the highest score is 99.99 for ownership concentration, which means that the majority of the ownership structure in Indonesia is very highly concentrated. However, the lowest score is for the independence of commissioners (0.16), followed by the leverage (0.23) and disclosure quality (0.54).

Table 1: Descriptive Statistics

	N	*Minimum*	*Maximum*	*Mean*	*Std. Dev.*
DQ	896	0.54	0.86	0.76	0.14
OWNC	896	50.02	99.99	63.45	10.73
BOD	896	2.00	9.00	4.82	1.68
BCOM	896	1.00	11.00	5.76	2.81
INCOM	896	0.16	0.75	0.45	0.42
Firm Size	896	7.84	16.05	15.24	0.58
Growth	896	10.30	92.00	44.02	08.52
Leverage	896	0.23	1.27	0.65	0.68
Valid N (listwise)	**896**				

Quantitative variables: DQ_Disclosure Quality, measured by Disclosure Quality Index, according to Transparency and Disclosure rank available on the Standard & Poor's (Patel & Dallas, 2002); OWNC_Ownership Concentration, measured by the percentage of shares held by majority ownership; BOD_Board of Directors size, measured by the number of directors on the board members; BCOM_Board of Commissioners size, measured by the number of commissioners on the board members; Firm Size, measured by log of total asset; Growth, measured by growth (sum of years from establish) companies at the company; Leverage, measured by total liabilities divided by total assets

4.2 Diagnostic tests

The normality test based on normal probability with Kolmogorov-Smirnov-Test were performed using SPSS. The result shows that the data is not normally distributed, hence the data has been transformed and re-tested for normality statistics with Kolmogorov-Smirnov. The retest result demonstrated that data becomes normally distributed, as shown in Table II with significance > 0.05 or 0.615.

Table 2 Kolmogorov-Smirnov Test

		Unstandardized Residual
N		896
Normal Parameters[a]	Mean	0.0000000
	Std. Deviation	0.24538841
Most Extreme Differences	Absolute	0.043
	Positive	0.062
	Negative	-0.066
Kolmogorov-Smirnov Z		0.924
Asymp. Sig. (2-tailed)		**0.615**

Test for Multi-collinearity has been conducted using two means variance of inflation factor (VIF) and the value of tolerance. Table III shows the VIF value for all independent variables of the model. It means noticed that the coefficient for each variable is below 10. This result indicates that there is no threat of multi-collinearity among the independent variables. The test was also performed based on the tolerance value for each independent variable. The table shows that the value of tolerance is more significant than 0.10 for all independent variables. This result also indicates that there is no threat of multicollinearity among the independent variables.

Table 3 Tolerance and VIF

Variable	Tolerance	VIF
OWNC	0.682	1.684
BOD	0.677	1.637
BCOM	0.643	1.680
INCOM	0.810	1.514

Test for Heteroscedasticity has conducted through Glejster test. Table IV shows that none of the independent variables is statistically significant on the dependent variable of Absolute Ut (AbsUt_2) at p-value > 0.05. This result suggests that the regression model does not contain any heteroscedasticity and hence, it is fit for use.

Table 4 Glejster Test

Variable	T-Stat	Sig
Constant	1.458	0.261
OWNC	-1.155	0.152
BOD	1.352	0.146
BCOM	1.836	0.297
INCOM	2.214	0.219

Test for autocorrelation has been conducted using the Durbin-Watson (DW) test. Table 5 shows that the Durbin-Watson value is 1.925. When compared with DW table value, it is higher than the upper limit (du) of 1.826 (DW table) and less than 2.174 (i.e., 4-du, 4 – 1.826). This indicates that there is no autocorrelation between independent variables of the above model

Table 5 Durbin-Watson Test

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	0.463	0.348	0.377	0.04498	**1.925**

4.3 Regression Analysis Results

Table 6 Regression Results

Independent Variable	**Expec.Sign**	**Beta**	**t- value**	**Sig (p-value)**
Dependent Variable: LN_DQ (Disclosure Quality)				
Constant	+	0.372	13.983	**0.000*****
OWNC	-	-0.210	-4.184	**0.002****
BOD	+	0.197	3.728	**0.000*****
BCOM	+	0.112	2.875	**0.000*****

INCOM	+	0.255	1.158	**0.034****
LEV	-/+	-0.410	-0.676	**0.262**
FSIZE	-/+	0.155	1.825	**0.002****
AGE	-/+	0.132	1.537	**0.019****
Adjusted R^2		37.1		
F-statistic		13.865		
P-Value (F Statistic)		0.000***		
N		896		

*, **, ***Statistical significance at the 10, 5 and 1 per cent level, respectively

Quantitative variables: DQ_Disclosure Quality, measured by Disclosure Quality Index, according to Transparency and Disclosure rank available on the Standard & Poor’s (Patel & Dallas, 2002); OWNC_Ownership Concentration, measured by the percentage of shares held by majority ownership; BOD_Board of Directors size, measured by the number of directors on the board members; BCOM_Board of Commissioners size, measured by the number of commissioners on the board members; Firm Size, measured by log of total asset; Growth, measured by growth (sum of years from establish) companies at the company; Leverage, measured by total liabilities divided by total assets

The results presented in Table 6 shows that the regression model is significant and explains 37% of the relationship between the disclosure quality and the independent variables, and this indicates that the model is reasonably specified. The coefficients of Ownership Concentration, Board of Director size, Board of Commissioners size, firm size, and firm age are all statistically significant. Meanwhile, the coefficients of Independent of Commissioners and leverage are insignificant.

Ownership Concentration is significant with the expected negative sign. This evidence has shown that the more the proportion of ownership concentration, the lesser the quality of information disclosure with less of investor protection and weak of system corporate governance. This result is consistent with findings of Ali (2014) and Jatiningrum et al., (2016). Board of Director size is significant with the expected negative sign. This finding contrary with some theoreticians which believe that based on to the active monitoring hypothesis, while the company with the existence of institutional investors and highly controlling stakeholders (ownership concentration) would mitigate the agency cost with reducing information asymmetry. This study gives empirical evidence regarding minority expropriate. In the context of Type II agency conflict, the existence of concentrated ownership adverse the theory and some of the previous study in the context of the well-develop country and highly investor protection.

Board of Commissioners size is significant with the expected positive sign. This finding indicates that the bigger the board size of Commissioners, the better the quality of financial information issued by the firm. The finding is consistent with the results of Sukmono (2015) and Jatiningrum et al. (2016). For Indonesian companies, according to the regulation (FSA, 2014) the board of commissioners has the duty and responsibility for carrying out monitoring and advising the board of directors as well as ensuring that the company implements GCG which probably increases the level of information disclosure.

Independent of Commissioners is insignificant with the expected positive sign. This result is consistent with Arifah and Ma’mun (2014) and also Jatiningrum et al. (2016). In the context of highly concentrated ownership companies, Independent Commissioners in Indonesia are ineffectively to create a climate independent, objective. Therefore, they not put justice as a critical principle to consider the interests of minority shareholders. Indeed, the independent commissioner as the CG

mechanism in Indonesia is still weak to encourage the implementation of principles and practice of corporate governance at public companies in Indonesia.
On the other hand, leverage is not significant with the expected negative sign. Firm size is significant with the expected negative sign. The finding suggests larger firms are more visible and hence to protect their reputation; they do not intend to spoil the quality of their earnings.

In the Indonesian context, one of the negative impacts posed by the structure of concentrated ownership company may not easily realize the principle of justice as a concentrated shareholding in a person or group of people who may use the resources of a company predominantly on discretion can reduce the value of the company. Just as external constraints, the negative impact of the ownership structure can be overcome if the company has an effective system of internal control, such as ensuring the distribution of rights and responsibilities fairly among the various participants in the organization (board of commissioners, board of directors, managers, shareholders, and other stakeholders). If not, the negative impact would lead to a harmful impact on the structure of the organization. The company has a certain number of Independent Commissioners that meet the qualifications specified (the terms of which are determined to be Independent Commissioner). Independent Commissioners are expected to create a climate that is more independent, objective, and put justice as a fundamental principle so as to consider the interests of minority shareholders and other stakeholders. Thus, the independent commissioner is expected to encourage the implementation of principles and practice of corporate governance at public companies in Indonesia.

5. CONCLUSION

The study investigates the importance of disclosure quality in the minority expropriation context. It contributes to the disclosure quality literature by presenting new evidence in an environment with highly-concentrated ownership, less investor protection, and poorly implementation of Corporate Governance. The main findings indicate that the existence of concentrated ownership has a significant negative impact on disclosure quality. The board composition and the Board of Commissioners size have a significant positive impact on disclosure quality. However, the independent commissioners are not significant with disclosure quality. The findings have become empirical evidence for the country with poor of implementation of CG and weak of investor protection. The limitation of the study is the measurement of disclosure quality variable using the disclosure index (index according to transparency and disclosure ranking by Standard & Poor's), due to the lack of available indexes related to the disclosure for companies listed on IDX. This study also does not consider the items of disclosure relevant to the current regulations in Indonesia.

The results of the study should assist the policymakers and regulators in Indonesia about ownership concentration context as well as in other East Asian countries. These findings will lead to consider the minority expropriation with increasing the investor protection and improve disclosure quality that maximize the benefit from financial reporting as an essential means to reduce agency conflict. In other, this study should help regulators to set a proper set of disclosure rules and In other words, the stronger the corporate governance system and appropriate monitoring the more the ability to impact on the firm management to disclose more and give better financial information in the future.

References

1. Akhtaruddin, M., Hossain, M., A., & Yao, L. (2009). Corporate governance and voluntary disclosure in corporate annual reports of Malaysian firms. Journal of

Applied Management Accounting Research, 7(1), 1-19. https://d1wqtxts1xzle7.cloudfront.net/35344591/

2. Aksu & Kosedag. (2006). Transparency and disclosure scores and their determinants in the Istanbul stock exchange. Corporate governance: an international review, 14(4), 277–296. https://doi.org/10.1111/j.1467-8683.2006.00507.x
3. Ali, A., Chen, T. Y., & Radhakrishnan, S. (2007). Corporate disclosures by family firms. Journal of Accounting and Economics, 44(1-2), 238–286. http://doi.org/10.1016/j.jacceco.2007.01.006
4. Ali, C., B. (2007). Disclosure quality and corporate governance in a context of minority expropriation, 1–39.
5. Ali, C., B (2014). Corporate Governance, Principal-Principal Agency Conflicts, And Disclosure. The Journal of Applied Business Research, 30(2), 419-432.
6. Alijoyo, A. & Subarto, Z. (2004). Commissioner independent: driving practices GCG companies, Jakarta: PT Index Group Gramedia.
7. Alkurdi, A., Hussainey, K. Tahat, Y., & Aladwan, M. (2019). The impact of corporate governance on risk disclosure: Jordanian evidence. Academy of Accounting and Financial Studies Journal. 23(1), 1-16
8. Alshimmiri, T. (2014). Board Composition, Executive Remuneration, and Corporate Performance: The Case REITs. Corporate Ownership and Control, 2(1), 104-119.
9. Amoozesh, N., Moeinfar, Z., & Mousavi, Z. (2013). Evaluation of the relationship between disclosure quality and corporate governance quality in Tehran stock exchange. Journal of Marketing and Business Research, 2/1: 016-022.
10. Arifah, D., & Ma'mum, M. (2014). Exploring Corporate Governance Disclosure Factors On Banking Industries In Indonesia Stock Exchange. Southeast Asia Journal of Contemporary Business, Economics and Law, 4(2), 23-29.
11. Ben Ali., C., (2009). Disclosure quality and corporate governance in a context of minority expropriation, http://papers.ssrn.com/sol3/papers.cfm?abstract_id =1406149
12. Burkart, M. & Panunzi, F. (2001). Agency Conflicts, Ownership Concentration, and Legal Shareholder Protection CEPR Discussion Paper No. 2708. Available at SSRN: https://ssrn.com/abstract=264361
13. Chau, G. K., & S. J. Gray (2002). Ownership structure and corporate voluntary disclosure in Hong Kong and Singapore. The International Journal of Accounting, 37(2), 247-264.
14. Chen & Jaggi (2000) Association between Independent Non-Executive Directors, Family Control, and Financial Disclosures in Hong Kong. Journal of Accounting and Public Policy, 19, 285-42
15. Enache, L & Hussainey, K. (2019). The substitutive relation between voluntary disclosure and corporate governance in their effects on firm performance. Review of Quantitative Finance and Accounting, 1-33. https://doi.org/10.1007/s11156-019-00794-8
16. Faccio, M., & Lang, L. H. P. (2002). The ultimate ownership of Western European
17. Corporations. Journal of Financial Economics, 65, 365–395.
18. Financial Services Authority (OJK) 2014. Otoritas Jasa Keuangan number 23/POJK.04/**2014**.
19. Ferraz, L. Fernandez, H., & Louvel, P. (2011). Um índice de avaliação da qualidade da governança corporativa no Brasil. R. Cont. Fin. – USP, São Paulo, 22(55), 45–63.
20. Hasan, S., Jatiningrum, C., & Abdul-Hamid, M., A. (2019). The moderating effect of audit quality on audit committee and financial repoting quality in Malaysia. Opcion 35(19). 2899-2921
21. Ho, S.S.M., & Wong, K.S. (2001). A study of corporate disclosure practices and effectiveness in Hong Kong. Journal of International Financial Management and Accounting, 12(1), 75-101.

22. Jaggi, B., & Leung, S. (2007). The impact of family dominance on monitoring of earnings management by audit committees: Evidence from Hongkong. Journal of International Accounting, Auditing & Taxation, 16, 27-50
23. Jansen, M & W. Meckling. (1976). Theory of The Firm: Managerial Behaviour, Agency, and Ownership Structure. Journal of Financial Economics, 3, 305-360.
24. Jatiningrum, C., Abdul-Hamid, M., A, Irviani, R., Gumanti, M. (2016). Disclosure Quality and Corporate Governance Mechanisms : Evidence From Concentrated Ownership Structure In Indonesia. Proceeding Social Science and Economics International Conference (SOSEIC), 19-20 February.
25. Jatiningrum, C., Abdul-Hamid, M., A., & Popoola, O., M., J. (2016). The Impact of Disclosure Quality on Corporate Governance and Earnings Management : Evidence from Companies in Indonesia. International Journal of Economics and Financial Issues, 6, 118–125. https://www.econjournals.com/index.php/ijefi/article/view/2698
26. Jensen, M., C., & Murphy, K. (1990). Performance pay and Top Management Incentive. Journal of Political Economy, 98, 225-263.
27. Jensen, M. C. (1993) The modern industrial revolution, exit, and the failure of internal control systems. Journal of Finance, 48, 831-880.
28. Khodadadi, V., Khazami, S., & Aflatooni, A. (2010). The effect of corporate governance structure on the extent of voluntary disclosure in Iran. Business Intelligence Journal, 3(2) 151-164.
29. Katmun, N. (2012). Disclosure Quality Determinants and Consequences. Durham Thesis, Durham University. http//etheses.dur.ac.uk/4930
30. Kent, P & Stewart, J. (2008). Corporate governance and disclosures on the international financial reporting standards. Bond University ePublications@bond.1-49
31. Klapper, L., F., & Love, I., (2004) Corporate governance, investor protection, and performance in emerging markets, Journal of Corporate Finance, 10, 703–728.
32. Komalasari, Agrianti. (2017). Implementatiton the International Financial Reporting Standards as moderating variable of the relationship of Corportae Governance and eranings management. European Research Studies Journal, 20 (3A). 259-277.
33. Lakhal, F. (2005). Voluntary earnings disclosures and corporate governance: Evidence from France. Review of Accounting and Finance, 4(3), 64-85.
34. La Porta, R., Silanes, Lopez-De, F. & Shleifer. A (1999). Corporate Ownership Around The World. Journal of Finance, 54: 471-518.
35. La Porta, R., F. Lopez-de-Silanes, Shleifer, A., & Vishny, R. (2000). Investor Protection and Corporate Governance. Journal of Financial Economics, 58, 3-27
36. Lipton, M. & Lorsch, J. W. (1992) A modest proposal for improved corporate governance. Business Lawyer, 48, 59- 77.
37. Mc Donald, M. L., & Westphal, J. D. (2013). Access denied: Low mentoring of women and minority first-time directors and its negative effects on on appointments to additional boards. Academy of Management Journal, 56(4), 1169-1198.
38. Mitton, T. (2002). A cross-firm analysis of the impact of corporate governance on the east Asian financial crisis, Elsevier. 64(801), 215–241.
39. Muth, M & Donaldson, L. (1998). Stewardship Theory And Board Structure: A Contingency Approach. Corporate Governance: An International Review. 6(1), 5-28.
40. National Committee on Governance. 2006. Guidelines for the implementation of good governance for companies, HVR Harvarindo.
41. Naser, K. & Al-Khatib, K. (2000). The Extent of Voluntary Disclosure in the Board of Directors' Statement: The Case of Jordan. Advances in International Accounting, 13, 99-118.
42. Nawafly, A., T., & Alarussi, A., S. 2019. Impact of Board Characteristics, Audit Committee Characteristics, and External Auditor on Disclosure Quality of Financial. Journal of Management and Economic Studies 1(1), 48-65, doi:10.26677/TR1010.2019.60

43. Patel, S., & Dallas, G. (2002). Transparency and disclosure: Overview of methodology and study results-United States, Working Paper. Standard and Poor's and SSRN, http://ssrn.com/abstract=422800
44. Rizki, A & Jasmine, A. (2018). Investor Protection, Corporate Governance, Firm Value: Research on the Companies in Asia. The International Conference of Organizational Innovation, 547-565.
45. Sari, N. L. (2016). The Effect of Ownership Structure on Firm Value on Property and Real Estate Companies. Thesis at Lampung University.
46. Satta G, Parola F, Profumo G, Penco L (2014) Corporate governance mechanisms and disclosure in medium-sized listed firms: substitutes or complements?.International Journal Global Small Bussines 6(1), 37–63.
47. Sahin, K., Basfirinci, C., S., & Ozsalih. (2011). The impact of board composition on corporate financial and social responsibility performance: evidence from public-listed companies in Turkey. African journal of business management; Victoria Island 5 (7), 2959-2978, http://www.academicjournals.org/doi: 10.5897/ajbm10.1469
48. Scott, W.R. (2003). Financial Accounting Theory. Third Edition. Pearson Education Canada Inc.
49. Sembiring, E. (2005). Characteristics of corporate and social responsibility disclosure: study empirical companies listed on the JSE. Accounting National Symposium VIII. Solo.
50. Setyawan, H., & Karmilla, P. (2015) Impact of Corporate Governance on Corporate Environmental Disclosure: Indonesian Evidence. International Conference on Trends in Economics, Humanities and Management (ICTEHM'15) August 12-13, Pattaya (Thailand)
51. Singla, C., Veliyath, R., & George, R. (2014). Family Firms And Internationalization-Governance Relationships: Evidence of Secondary Agency Issues Strategic Management. Journal Strategic And Management, 35, 606–616
52. Shleifar, A.& R. Vishny. (1997). A survey of corporate governance. Journal of Finance, 52, 737-783.
53. Soheilyfar, F., Tamimi, M., & Ahmadi, M.R, (2014). Disclosure Quality and Corporate Governance: Evidence from Iran. Asian Journal and Finance and Accounting, 6(2), 75-85.
54. Sukmono, S. (2015). Effect of The Board of Commissioners of Its Value Through Quality of Financial Reporting. International Journal of Scientific & Technology Research, 4(4), 197-205.
55. Sulastini, S. (2007). The effect of company characteristics to social disclosure at goes public manufacturing companies. Thesis, State of Semarang University
56. Yermack, D. (1996). Higher market valuation of companies with a small board of directors. Journal of Financial Economics, 40, 185-221.
57. Zhuang, J., Edwards, D., Webb, D., Capulong, M., A. (2001). Corporate Governance and Finance in East Asia – a Study of Indonesia, Republic of Korea, Malaysia, Philippines, and Thailand, Asia Development Bank, Manila http://hdl.handle.net/11540/6222.