DETERMINANTS OF BUSINESS ETHICS DISCLOSURE IN INDONESIAN COMPANIES

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Abstract
Business ethics in the company is needed as a guide for the company to carry out its operational activities. This study aims to analyze the factors the influence the disclosure of business ethics in Indonesian sharia compliant companies (SCC). The independent variables consist of board size, gender diversity, institutional ownership, managerial ownership, profitability and company size. Using content analysis, the study examines 160 data from companies listed in the Sharia Securities List (SSL). The results show that managerial ownership and company size have a positive effect while the rest have no effect on the disclosure of business ethics. Business ethics in sharia compliant companies will strengthen the identity of companies that always prioritize ethics in their business activities.

Keywords : Board of directors; Business ethic; Disclosure; Ownership

JEL Classification : C12, C13, C31,M14, M41

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INTRODUCTION

The growth of sharia-compliant business organizations in Indonesia shows a significant development to follow the increasing awareness of the Muslim community in carrying out economic activities but do not conflict with Sharia. The existence of a Sharia Securities List is expected to be an alternative investment for Muslim investors to remain active in economic activities. On the other hand, society will have higher expectations on the company's ethical behaviour. Wuragil (2017) states that the existence of business ethics in Islamic institutions indicate that they do not only change their name as "Islamic Institutions", but also have principles, concepts, implementation, human resources, and products that are in accordance with sharia principles.

The implementation of business ethics can be reflected in the disclosures in the company's annual report. The items from the disclosure of business ethics can be used as indicators on how the company has implemented ethics in its activities. Previous studies found that there are several internal factors that can affect disclosure in the annual report, including the characteristics of Board Of Director (BOD) and type of ownership. BOD has a function to manage the company in achieving the goals that have been set. BOD performance is the main factor in determining the company's activities and performance described in the annual report. Some of the BOD characteristics that are assumed to affect the level of disclosure are BOD size and gender diversity (Khaireddine, et al., 2019; Setiawan, Hapsari, & Wibawa, 2018) While the type of ownership can also affect the level of disclosure where the type of shareholders can encourage managers to provide disclosures in order to provide more information to shareholders and other stakeholders, such as managerial and institutional ownership (Edison, 2017).

From agency theory perspective, disclosure can be used as a tool to reduce agency conflict between principals (shareholders) and agents (companies). Disclosure also can be used as indicator of agent performance to reduce information asymmetry. Through characteristics attached to the company, agent (company) is encouraged to disclose information such as business ethics disclosure.

The purpose of this study is to examine the factors that can affect the level of disclosure of business ethics in sharia compliant companies (SCC) in Indonesia. Research on business ethics at SCC has important meaning in the following ways: first, financial service authority (OJK) data shows the growth of sharia compliant companies in Indonesia which continues to increase, from 331 companies in 2015 to 435 companies in 2019. This is a positive indicator for the investment facilities development for Muslims considering the majority of the Indonesian population is Muslim. Second, unlike other studies that usually measure disclosure in both of CSR or ISR disclosure, this study measures business ethics disclosure to determine the extent to which business ethics are applied to SCC. Third, this study will use a disclosure item from Haniffa & Hudaib (2007) in the form of an ethical identity index which will be adjusted to the characteristics of the company. Haniffa & Hudaib (2007) have compiled an ethical identity index to measure the extent to which business ethics are applied in Islamic banks. The goal is to create an ethical index that can represent Islamic financial institutions that have different characteristics from conventional institutions. The use of this item in this study is expected to increase the strength of the measurement because it is designed to measure ethical disclosure in Islamic institutions. This research is
expected to contribute to the identification of the extent to which the application of business ethics in SCC has been disclosed.

There are no regulations about the difference in disclosure between SCC and conventional companies, so that disclosures cannot be distinguished between the two types of companies. Meanwhile, SCC as an entity that does not conflict with sharia is expected to have a better level of ethical behavior. The use of an ethical index that has been adjusted to the nature of the entity is expected to provide a better picture of SCC’s activities.

LITERATURE REVIEW AND HYPOTHESES

Agency Theory
Agency theory explains the working relationship between principals (shareholders) and management (agent), which each party has different interests. Zainuldin, Lui, & Yii (2018) states that the managers have more information about the companies and therefore, there is a tendency to maximize their own wealth. According to Jensen & Meckling (1976), there is agency costs as consequence to align the interest of those parties such as monitoring costs and bonding costs. Monitoring costs are costs incurred by the principal to control the behavior of the agent and ensure that the agent will act according to the interests of the principal. Bonding costs are costs from the agent's side to give confidence to the principal that they are acting in the interests of shareholders.

Managers have an important role in implementing business ethics within the company because they are the ones who make decisions in the company's operational activities, including the scope of disclosure in the annual report (Baselga-Pascual, Trujillo-Ponce, Vahamaa, & Vahamaa, 2018). While shareholders are very interested in the information needed by the managers, so the wider the disclosures made by the managers, the more information obtained by shareholders and stakeholders related to company activities.

In Islamic business institutions, managers have more duties to ensure that their activities do not conflict with sharia principles (Zainuldin et al., 2018). Information disclosed related to company activities is also a concern of stakeholders to assess its conformity with Sharia principles. The implementation of business ethics can be an indicator of the company's efforts to always behave ethically and in accordance with sharia.

Business Ethics for Islamic business Institutions
According to Andini (2017), ethics is a standard of belief that can be used as a measurement of individual thoughts to a community group. Ethics can be used as a tool that can judge good/positive or bad/negative when interacting with each other. In general, ethics is related to moral values.

Ethics is also the basis for responsible business activities. According to Abuznaid (2009), business ethics is ethics in organization. Fauziyah & Siswantoro (2016) states that ethics is made to represent the suitability of business activities with the prevailing ethics in the community where the company is located. Salin et al. (2017) states that business ethics for companies is a mechanism to prevent corporate fraud. Therefore, the company's code of ethics is the first step to encourage the company's internal parties to behave ethically (Anghel-ilcu, 2014). Disclosure of business ethics is important as a
communication tool between management and the community to ensure that company activities do not harm other parties. Business ethics applied company and communicated will increase the satisfaction of stakeholders and have an impact on the reputation and image of the company (Baselga-Pascual et al., 2018).

For Islamic business institutions, the application of business ethics is a form of accountability to stakeholders that they have carried out business activities properly and responsibly. Islamic business institutions should implement business ethics that contain Islamic values because they can show the extent to which Islamic principles have been applied in the company's operational activities (Salin et al., 2017). Haniffa & Hudaib (2007) states that Islamic business institutions need to apply Islamic business ethics because this company philosophy is related to religious aspects. This is reinforced by the statement of Said, Samad, Sidek, Ilias, & Omar (2018) which states that “Sharia compliant companies are expected to present a religious dimension to their financial statement disclosures, in particular for the benefit of Muslim stakeholders.

Previous studies has mentioned the application of business ethics in Islamic business entities (Wuragil, 2017, Widana et al., 2014) such as fair in pricing (Al-Quran 17:35), the prohibition of doing business that contains riba (Al Quran 2:275), cheating (Al-Quran 83: 1-4), and discrimination (Al-Quran 49:13). According to Muhibbai & Basri (2017) the disclosure of Islamic identity can provide assurance to shareholders that the company's operational activities are in accordance with Islamic principles. The higher the value of Islamic ethical identity disclosure will be in line with the higher level of compliance of the company's operational activities in accordance with Islamic principles. It indicates the commitment of companies to their stakeholders and will impact on the better financial performance.

Edison (2017) explained that CSR shows the level of corporate responsibility to the community and the surrounding environment. Today's corporate responsibility shifts to a more complex direction, it is not only responsible to investors and creditors but also to employees, consumers, the community, and the environment around the company. Therefore, company activities that maintain stakeholders interests, including environmental care, are the company's ethical behavior.

**Board of Directors**

Directors have the responsibility to manage the company. Board of directors’s (BOD) duties includes managing and controlling the company to achieve the goals that have been set. Salin et al. (2017) explain that BOD is responsible for making operational decisions and performance reports that will be presented to stakeholders. BOD is also responsible for the responsible activities of companies because it can have an impact on company performance.

Management of a company that relies on BOD performance encourages stakeholders to demand BOD to be more transparent and accountable for the information presented (Taysir & Pazarcik, 2013). BOD characteristics will affect the level of disclosure in the annual report. According to Baselga-Pascual et al. (2018), board characteristics play an important role in creating the ethical reputation of a company. This is because of the BOD oversees the implementation of business ethics in the company's activities so that the company will have a better ethical reputation. Although the company's goal is to make a profit, stakeholders certainly expect that these profits be obtained in an ethical way, which does not harm other parties or the surrounding environment.
The characteristics of BOD can be seen from some aspects such as BOD size and gender diversity of BOD. Companies that have a large number of BOD members will facilitate the company's operations because of the members will provide more expertise and experience, which will result in better decisions (Setiawan et al., 2018). Herawaty, Lambintara, & Daeli (2021) states that company should consider the composition of BOD to ensure that they can make decisions effectively and independently.

The existence of gender in BOD gives its own characteristics in a company. The existence of gender increases the opinion diversity to give more input in the BOD decision (Abdullah, 2014). According to Liu (2018), gender diversity can reduce company violations. Business ethics is an aspect that must be considered by BOD so that the presence of female directors is expected to encourage the implementation of higher ethics and thus ethical disclosure. Previous studies shows that BOD size and gender diversity have positive influence on the ethical disclosure (Khaireddine et al., 2019) and CSR disclosure (Setiawan, et al, 2018).

**Types of Ownership**

The type of ownership is considered to affect the level of disclosure in the company's annual report. This study uses two categories of ownership, namely institutional ownership and managerial ownership (Edison, 2017). Managerial ownership is the ownership of shares by company managers. When the company's management owns the company's shares, it will encourage the effectiveness of the company's activities (Darmayanti, Fauzi, & Widya, 2018). The application of business ethics will have a positive impact, one of which is the support of the community and other stakeholders so that it will affect the performance and long-term sustainability of the company. Good performance will encourage managers to disclose more extensive information on company activities.

Institutional ownership is share ownership by institutions such as banks, insurance companies, pension fund management companies, insurance companies, and other companies in the form of limited liability companies as well as other companies or institutions (Wijayati, 2015). The existence of shares owned by institutions will encourage shareholders to supervise company activities optimally. This will also encourage companies to disclose ethical aspects of the company activities so that stakeholders can know the extent to which business ethics have been applied. Edison (2017) states that institutional ownership and managerial ownership have a significant effect on CSR disclosure.

**Company Characteristics**

Profitability and company size are variables that are often studied by many researchers. Profitability calculated by Return On Assets (ROA) can be used as a measurement tool to measure the company's ability to earn profits. High profits encourage companies to inform their good performance to shareholders and stakeholders through wider disclosure in the report.

Company size shows the size of the company that can be seen from the total assets owned by the company. Large companies usually have a great influence in the community (Sari & Rani, 2015). Large companies have more operational activities and information that must be shared to their stakeholders.
Hypotheses Development

Board Size and Business Ethics Disclosure

BOD sizes can be interpreted as the number of boards of directors in the company. Pradnyani & Sisdyani (2015) states that the Board Of Directors should providing guidance and direction for managing company including providing information in terms of disclosure. BOD size can reflect the mechanism of corporate governance because of the decision-making by BOD will be supported by the opinions and suggestions from other board members. Herawaty et al. (2021) states that BOD has some obligations such as communication to stakeholders and social responsibility. Therefore, the number of board members influence the company's performance and can minimize the possibility of agency problems in the company. The more members with sufficient competence, the better the expected performance, and the wider the disclosure. Islam teaches its people to give the best performance. According to Aldulaimi (2016), Prophet Muhammad states “God blesses a person who perfects his craft (does the job right)” to show the importance of good performance.

The more directors in a company, the more disclosures are revealed because each individual has the experience, expertise, and ways of thinking or solving problems that are different for each individual (Khaireddine et al., 2019). Studies conducted by Setiawan et al. (2018) and Zulhaimi & Nuraprianti (2019) states that BOD size has a significant effect on the CSR disclosure. Therefore, the hypothesis in this study is:

\[ H_1 : \text{BOD size has a positive effect on the business ethics disclosure} \]

Gender Diversity and Business Ethics Disclosure

One of the characteristics of BOD is gender diversity. The leadership of a woman in a company who serves as CEO can provide very diverse information on the benefits of top management. The existence of an agency problem-a conflict between the principal and the agent- may be reduced by the presence of women directors. When the agent (manager) tends to prioritize individual goals rather than company goals, the presence of women directors on the board is expected to influence company policies (Liu, 2018) which more stakeholders oriented, including policies related to behavior in accordance with shareholders' expectations. Ethical disclosure will show ethical policies by the company that show the company's efforts to fulfill the interests of stakeholders.

In Islam, the position of men and women is equal. It is in accordance with the Al-Qur'an: “And whoever does righteous deeds, whether male or female, while being a believer - those will enter Paradise and will not be wronged, [even as much as] the speck on a date seed (An-Nisa:124). In the workplace, it should no discrimination between men and women in doing work. Women also have the same opportunity to sit on the BOD and actively contribute to every decision-making.

According to Khaireddine et al. (2019), female directors have different values and are more stakeholder-oriented, and thus the presence of women on the Board Of Directors allows companies to become better financial actors and can increase corporate disclosure in better ways. This is in line with the statement from Setiawan et al. (2018) that the presence of female directors in a company can give more value to the company because they are more thorough and detailed in carrying out CSR supervision. It is expected that this will have a positive effect on the disclosure of business ethics.
Fauziah, (2018) and Hadya & Susanto (2018) states that gender diversity has an effect on CSR disclosure. The higher the number of female directors, the wider the disclosure of companies, including business ethics disclosure. Therefore, this study derives the hypothesis:

\[ H_2: \text{Gender diversity has a positive effect on the business ethics disclosure} \]

**Institutional Ownership and Business Ethics Disclosure**

Institutions or organizations usually are formed from the same goals of their members. In Islam, this is reflected in the Al-Qur'an: "O humanity! Indeed, We created you from a male and a female, and made you into peoples and tribes so that you may get to know one another. Surely the most noble of you in the sight of Allah is the most righteous among you. Allah is truly All-Knowing, All-Aware" (Hujurat:13). It means that humans were created to interact with each other in social life and can be realized in an organization. In achieving its goals, the organization must behave ethically and promote this behavior in business activities as well.

Institutional ownership will invest on companies that have good performance. Wijayati (2015) states that high institutional ownership can be used to reduce agency problems. The greater the institutional ownership, the higher the ability to monitor management to act to the expectations of shareholders. To maintain the good performance of companies, institutional shareholders will monitor the progress of their investment, which will increase the controlling level over management behavior (Edison, 2017).

According to Sari & Rani (2015), institutions with relatively have large shareholdings can improve the quality of investment decisions in social responsibility aspects to increase the value of the company in the long term. Ethical behaviour of the company become one of the concerns of institutional shareholders because it will also impact on the ability of the company to maintain its sustainability. Therefore, the more shares owned by the institution, the higher the ethical disclosure will be published to fulfil the institution's need for information related to the development of the company.

Edison (2017) states that institutional ownership has an effect on the CSR disclosure in the main sector of companies listed in the Indonesian stock exchange (IDX) while Sari & Rani (2015) find negative influence between institutional ownership and CSR disclosure. Therefore, the hypothesis of the study is:

\[ H_3: \text{Institutional Ownership has a positive effect on the business ethics disclosure} \]

**Managerial Ownership and Business Ethics Disclosure**

Managers have the responsibility of managing company resources through business activities to meet the interest of shareholders and stakeholders. However, the company’s objectives should be achieved in right and ethical manner. In Islam, every human being (manager) has a responsibility not only to fellow human beings (stakeholders) but also to God (Allah SWT) and every action will be recorded. Al-Quran states that "This, Our record, speaks about you in truth. Indeed, We were having transcribed whatever you used to do." (Al-Jathiyah:29).

Managerial ownership refers to shareholders who also serve as company managers. Jensen & Meckling (1976) states that managerial ownership will reduce agency costs. Even there may be no agency cost when the company is managed fully by the owner (shareholders). Managers who have share of companies will make decisions that can be carried out by management easily, including information
disclosure activities. According to Sari & Rani (2015), a manager will be more productive in managing his actions when the manager is also a shareholder, because it will maximize the value of companies and the impact is increasing the benefit of shareholders.

Managerial ownership will align the decisions made by shareholders as well as management and thus, will facilitate the company's activities to be carried out as well as disclosed as information to stakeholders (Edison, 2017). Including social information because it will increase the company reputation although it consumes the resources of the company (Sari & Rani, 2015). Managers who also act as shareholders can further encourage the company's active role in the community in the form of ethical behavior.

According to a study conducted by Edison (2017), managerial ownership has an effect on CSR disclosure. This is in line with the results of research from (Sari & Helmayunita, 2019) which states that managerial ownership has a positive and significant effect on CSR disclosure. Therefore, the hypothesis is:

H4: Managerial ownership has a positive effect on business ethic disclosure

**Profitability and Business Ethics Disclosure**

Company profitability is often measured by Return on Assets (ROA). High profitability is one indicator of a company's good performance. Sharia compliant companies must get profit in a lawful way and the use of assets and profit is also for things that are not against sharia. Al-Quran states that: “O believers! Do not devour one another's wealth illegally, but rather trade by mutual consent. And do not kill each other or yourselves. Surely Allah is ever Merciful to you.” (An-Nisa: 29).

According to Purbawangsa, Solimun, Fernandes, & Rahayu (2020), the good condition of the company will strengthen it's competitive position in the industry and encourage the company to improve its contribution to the environment. High profitability will also make management more confident in disclosing business activity information in the company's annual report to stakeholders, including disclosure of the company business ethics. The disclosure can be used by principal (shareholders) to monitor the management performance, and high profitability indicates that the company's performance is in accordance with the interests of shareholders. Profit also can be used to encourage wider disclosure because it can cover the costs incurred

Previous studies by Purbawangsa et al. (2020) and Hamdani, Yuliandari, & Budiono (2017) states that profitability has a positive effect on CSR disclosure. This study derives the hypothesis as:

H5 : Profitability has a positive effect on business ethics disclosure

**Company Size and business ethics disclosure**

The more wealth we have, the more benefits it should provide to the environment. Prophet Muhammad states that "the best of people are those who benefit others" (Ali & Al-Owaihan, 2008) showing that the useful person (organization) can be seen from its benefit to the society. Company size is measured by its assets. Large companies will disclose more information than small companies because they have adequate resources in terms of fund and human resources (Anggraeni & Sayidah, 2017).

According to Masoud & Vij (2021), larger companies will maintain their social reputation by responding to the demand of the society, including providing more
information to fulfil the needs of stakeholders. For sharia compliant companies, the assets can be used to give benefit to others such as by providing information disclosure in the annual report.

Previous study by Masoud & Vij (2021) states that company size influence positively to the CSR disclosure in Libyan companies. Nugraheni and Anuar (2014) find that company size influence positively on the quantity of voluntary disclosure in sharia compliant companies in Indonesia. According to Nugraheni & Anuar (2014), larger companies will disclose more information because of the cost that have been charged to prepare, create and publish annual report. Jensen & Meckling (1976) stated that large companies have higher agency costs than small companies. Information disclosure is expected to reduce information asymmetry between companies and stakeholders. Therefore, the hypothesis is: 

\[ H_0 : \text{Company size has a positive effect on business ethics disclosure} \]

**RESEARCH METHODOLOGY**

The object of research in this study is the annual report of sharia compliant companies listed on the IDX. The sampling technique in this study uses the purposive sampling method with the following criteria: companies that are consistently registered in the sharia securities list (DES) and have an annual report in the 2015–2019 period.

The dependent variable in this study is the business ethics disclosure. Business ethics is ethical practice in business activities (Wuragil, 2017). Disclosure of business ethics is measured using an ethical index from Haniffa & Hudaib (2007) which is adjusted to the characteristics of companies in DES. After adjustment, there is 63 items of ethical disclosure to be analysed in company’s annual report. The items consist of several dimensions such as vision and mission statement, BOD and top management, product, employees, debtors, and community.

The measurement of ethical index is carried out by giving score 1 when there is disclosure and 0 when there is no disclosure. The higher the disclosure score, the greater the implementation of business ethics that has been carried out. Measurement of disclosure of business ethics can be measured using this formula:

\[
\text{Disclosure} = \frac{\text{Total item score fulfilled}}{\text{Maximum number of item scores}} \times 100\
\]

The independent variables in this study consisted of BOD size, gender diversity, institutional ownership, managerial ownership, profitability and company size. BOD size is the number of members of the Board Of Directors in a company. Gender diversity shows the presence of female members in the Board Of Directors. It is measured using the percentage of the number of female directors divided by the total directors. Institutional ownership is share ownership by institutions such as banks, insurance companies, pension fund management companies, insurance companies, and other companies. It is measured by the percentage of shares owned by institutions compared to total outstanding shares. Managerial ownership is the ownership of shares by company managers. It is measured by the percentage of shares owned by the manager compared to the total outstanding shares. Profitability shows the company's ability to earn profits. It is measured by return on assets (ROA). Company size shows
the size of company. It is measured by the natural logarithm of total assets. The data in this study will be processed using panel data regression.

RESULTS AND DISCUSSION
Statistical Results
This study uses a sample of companies that are consistently listed on the Sharia Securities List (DES) for 5 consecutive years from 2015-2019 and always publish their annual reports. Based on these criterias, the numbers of companies in this study are 32 companies with a total of 160 data. The results of the descriptive statistical test can be seen in table 1 below:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Max</th>
<th>Min</th>
<th>Std. Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>BED</td>
<td>27.0833</td>
<td>42.8600</td>
<td>3.17000</td>
<td>10.7597</td>
</tr>
<tr>
<td>BOD size</td>
<td>4.3125</td>
<td>10.0000</td>
<td>2.0000</td>
<td>1.590805</td>
</tr>
<tr>
<td>Gender Diversity</td>
<td>15.1686</td>
<td>40.0000</td>
<td>0.0000</td>
<td>12.4410</td>
</tr>
<tr>
<td>Institutional</td>
<td>65.8317</td>
<td>100.0000</td>
<td>0.0000</td>
<td>25.3801</td>
</tr>
<tr>
<td>Managerial</td>
<td>9.0221</td>
<td>84.8700</td>
<td>0.0000</td>
<td>18.8443</td>
</tr>
<tr>
<td>Profitability</td>
<td>3.8291</td>
<td>92.1000</td>
<td>-34.2000</td>
<td>10.5327</td>
</tr>
<tr>
<td>Company size (billion IDR)</td>
<td>7,363</td>
<td>62,725</td>
<td>66.520</td>
<td>12,342</td>
</tr>
</tbody>
</table>

Table 1 above shows the results of descriptive statistics for each variable in this study. Variable of business ethics disclosure (BED) has a mean value of 27.08%, a maximum value of 42.86% (PT Phapros (2017 and 2018)), a minimum value of 3.17% (PT Mineral Sumberdaya Mandiri in 2016), and a standard deviation of 10.75967.

Board of Director (BOD) size has a mean value of 4.31%, a maximum value of 10 members (PT Anabatic Technologies (2016) and PT MNC Sky Vision (2015)), a minimum value of 2 members (PT Pelangi Indah Canindo (2015-2019), PT Prima Alloy Steel Universal (2016-2017), PT Surya Intindo Makmur in 2017, PT Mega Manunggal Property (2016 and 2019), PT Visi Telekomunikasi Infrastruktur (2016-2018), and PT Mineral Sumberdaya Mandiri (2015-2019)), and a standard deviation of 1.590805. There are many companies that only have 2 members of the Board Of Directors.

Gender diversity has a mean value of 15.16863, a maximum value of 40.00% (PT Ateliers Mecaniques D'Indonesia (2015) and PT Organon Pharma Indonesia (2019)), and a minimum value of 0% (PT Mega Manunggal Property (2017), PT Wijaya Karya Bangunan Gedung (2016), PT Smartfren Telecom (2015), PT Visi Telekomunikasi Infrastruktur (2016), PT Sarana Menara Nusantara (2015), and PT Mineral Sumberdaya Mandiri (2015)), and a standard deviation of 12.44097. Many companies do not have women directors in their boards.

Institutional ownership has a mean value of 65.83%, a maximum value of 100%, (PT Wijaya Karya Bangunan Gedung (2016)), a minimum value of 0% (PT Indonesia Pondasi Raya (2015)), and a standard deviation of 25.38008.

Managerial ownership has a mean value of 9.02%, a maximum value of 84.87% (PT Indonesia Pondasi Raya (2015), a minimum value of 0% (there are some companies such as PT Organon Pharma Indonesia (2019), PT Metro Realty (2015 and...
Determinants of Business Ethics Disclosure in Indonesian Companies


Profitability (ROA) shows the mean value of 3.83%, the maximum value of 92.10% (PT Organon Pharma Indonesia (2018)), the minimum value of -34.20% (PT Mitra Energi Persada (2018)); and the standard deviation of 10.53273. Company size has mean value of 7,363 billion IDR, the maximum value is 62,725 billion IDR (PT XL Axiata (2019)), the minimum value of 66,520 billion IDR (PT Mineral Sumberdaya Mandiri (2015)), and the standard deviation is 12,342.

The research data is processed using panel data regression. To select the most suitable model, this study obtained the results of the Chow test (0.000) and the Hausman test (0.0149) so that the fixed effect model is the most suitable model for this study.

Table 2
Panel data regression

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>-146.6542</td>
<td>27.7714</td>
<td>-5.2808</td>
<td>0.0000</td>
<td>accepted</td>
</tr>
<tr>
<td>BOD size</td>
<td>-0.3653</td>
<td>0.2027</td>
<td>-1.8020</td>
<td>0.0740</td>
<td>rejected</td>
</tr>
<tr>
<td>Gender Diversity</td>
<td>-0.0823</td>
<td>0.0482</td>
<td>-1.7088</td>
<td>0.0900</td>
<td>rejected</td>
</tr>
<tr>
<td>Institutional</td>
<td>-0.0320</td>
<td>0.0338</td>
<td>-0.9480</td>
<td>0.3450</td>
<td>rejected</td>
</tr>
<tr>
<td>Managerial</td>
<td>0.1396</td>
<td>0.0501</td>
<td>2.7894</td>
<td>0.0061</td>
<td>accepted</td>
</tr>
<tr>
<td>Profitability</td>
<td>0.0215</td>
<td>0.0188</td>
<td>1.1419</td>
<td>0.2557</td>
<td>rejected</td>
</tr>
<tr>
<td>Company size</td>
<td>6.2546</td>
<td>1.0268</td>
<td>6.0915</td>
<td>0.0000</td>
<td>accepted</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.9743</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.9665</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>F-statistic</td>
<td>124.8585</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prob(F-Statistic)</td>
<td>0.0000</td>
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</tr>
</tbody>
</table>

Table 2 above shows that the coefficient of determination (Adjusted R Square) is 0.966468 or 96.65%. The results show that the disclosure of business ethics as the dependent variable is influenced by 97% of independent variable in this study, while the rest is influenced by other variables not included in this study. Simultaneous significant test (F-test) aims to test whether all independent variables in the study have a simultaneous effect on the dependent variable. The results of the F-test has statistic value of 124.8855 with a p value of 0.0000 < 0.05. It means that the independent variables (board size, gender diversity, institutional ownership, managerial ownership, profitability, and company size) influence business ethics disclosure simultaneously.

Partial test is used to test the influence of each independent variable to the dependent variable. First variable, BOD size has a probability value of 0.074 > 0.05 and coefficient value of -0.365255, this indicates that BOD size has no effect on the disclosure of business ethics. Thus the first hypothesis (H1), which states that BOD size influence positively to the business ethics disclosure, is rejected. Gender diversity has coefficient value of -0.082312 and probability value of 0.0900 > 0.05. It means that this variable has no effect on the disclosure of business ethics, and thus H2 is rejected.
Institutional ownership has a coefficient value of -0.032034 and probability value of 0.345 > 0.05. It indicates that the institutional ownership has no effect on the disclosure of business ethics and thus the third hypothesis (H3) is rejected. Managerial ownership has a coefficient value of 0.139640 and probability value of 0.0061 is less than alpha value of 0.05. Therefore, this variable has a positive effect on the disclosure of business ethics. Thus, the fourth hypothesis (H4) is accepted. Profitability has significant value of 0.2557 and coefficient value of 0.021488. The significant value is more than alpha value (0.05) meaning that profitability has no effect on the disclosure of business ethics and thus, H5 is rejected. Company size has a coefficient value of 6.254607 and probability value of 0.0000 < (0.05) meaning that company size has a positive effect on the disclosure of business ethics so that H6 is accepted.

Discussion

This study finds that BOD size does not influence business ethic disclosure. The result supports previous studies conducted by Krisna & Suhardianto (2016) and Zulhaimi & Nuraprianti (2019) which states that the size of the Board Of Directors has no effect on CSR disclosure. The mean value of board size is 4.3125 indicating that the number of boards is more than the minimum requirement of 2 members. However, the members of BOD may focus more on the company's management to produce better financial performance than the disclosure of the company's business ethics. When the Board Of Directors focuses more on financial performance, they eliminate agency conflict because good company financial performance is also the expectation of shareholders. Integrity and capability of board members actually can represent the performance of the company and thus, the number of members may not be important to influence the information disclosure (Zulhaimi & Nuraprianti, 2019).

The statistical result shows that gender diversity does not influence disclosure of business ethics. This study is in line with previous research conducted by Septianingsih & Muslih (2019) and Anggraeni & Kartika (2019) which find that gender diversity has no significant effect on CSR disclosure. Based on the result of descriptive statistical tests, the average value of gender diversity is only 15.17%, it shows a very small value indicating that women who serve as BOD members are in minority positions. The small percentage of women on board members may not be able to influence the decisions of board members. Their minority of women on board members prevents them from producing better disclosures (Anggraeni & Kartika, 2019). Therefore, agency conflict may still occur in the presence or absence of women directors. Agency costs must also be incurred in order to minimize agency conflicts.

Institutional ownership has no effect on the disclosure of business ethics. This result shows that the greater the ownership of the company's shares by the institution will not expand the level of business ethics disclosure. Chaudhary (2022) states that institutional ownership can reduce agency costs when the ownership reaches a certain percentage although it does not mention the amount. Actually, the mean value of institutional ownership is quite large, reaching 65%, although there are companies that do not have this institutional ownership. However, the percentage cannot give a significant result on this variable.

Institutional ownership then can pressure managers to provide accurate information about the condition of the company. According to Nofsinger, Sulaiman, & Varma (2019) explain that the monitoring process carried out by institutions to the companies is often ineffective, considering that monitoring activities are not carried out
Determinants of Business Ethics Disclosure in Indonesian Companies

in a sustainable manner, so that institutional investors have not been able to influence the level of disclosure in the company. Sari & Rani (2015) states that institutional investors only focus on the profits they earn, thus companies will be encouraged to make cost efficiency. The company will put aside the extent of disclosure in a company and focus on how to increase profits for the company. The results of this study are in line with previous research conducted by Krisna & Suhardianto (2016) and Sari & Rani (2015) which states that institutional ownership had no effect on CSR disclosure.

Managerial ownership has a positive effect on the disclosure of business ethics. Managers who have a role as shareholders will increase the effectiveness of management activities. Therefore, the agency conflict that occurs may be smaller or even zero when managers are also shareholder. This will influence the transparency of information and impact on the wider disclosure of the company's business ethics. Transparency will increase the value of the company in the society so that it will benefit managers as shareholders (Edison, 2017). Otherwise, there is a concern that high management ownership can encourage managers to make decisions that only benefit them personally. Although the mean value of managerial ownership shows the low score of 9.02%, the ownership can encourage the disclosure. The results of this study are supported by research conducted by Edison (2017) and Sari & Helmayunita (2019) which states that managerial ownership has an effect on CSR disclosure.

Profitability has no effect on the disclosure of business ethics. Nugraheni & Anuar (2014) states that high profitability does not influence disclosure in sharia compliant companies because information disclosure is regular activity of company. The mean value of ROA is 3.83% showing the low profit. It may be influenced by the covid-19 pandemic impacting in company performance. Considering that the minimum disclosure has been set by the regulator, agency costs (both monitoring and bonding costs) will still occur as a means of monitoring shareholders on management performance, regardless of whether the company earns high profits or not. Santoso & Dhiyaul-haq (2017) also states that profitability will not affect the extent of disclosure, because manager has obligation to disclose information without looking at the value of profit and losses.

Company size has a positive effect on the disclosure of business ethics. The result shows that the larger the company, the wider the disclosure of business ethics by the company in the annual report. Larger companies have a larger number of assets and human resources and those resources can support the activities to provide more information to stakeholders. Publishing information usually need cost in collecting and arranging the report (Nugraheni, Indrasari, Hamzah, & Maelah, 2020). In other side, it is the responsibility of the company managers to provide information as a form of their responsibility to stakeholders so that investors are interested in investing funds in the company (Krisna & Suhardianto, 2016). The disclosure is expected to reduce information asymmetry between companies and stakeholders. The results of this study are supported by research conducted by Sari & Rani (2015) and Krisna & Suhardianto (2016) which states that company size affects CSR disclosure.

CONCLUSIONS, LIMITATION AND SUGGESTIONS

Conclusion

This study aims to examine the factors that influence the disclosure of business ethics in shariah compliant companies in Indonesia. Based on the data analysis test, the
results obtained that managerial ownership and company size affect the disclosure of business ethics, while the number of directors, gender diversity, institutional ownership and profitability do not affect the disclosure of business ethics. However, for sharia compliant companies, the result may be a good result from the perspective of this type of company. It is an obligation for managers to provide information without depending on certain factors. The information provided is evidence of the company's responsibility and accountability to its stakeholders.

Limitation
The ethical index can show how much ethics has been implemented by a business entity. High ethical values indicate that the company has implemented these ethics and communicated them to stakeholders, while low ethical values indicate that ethics are still needed to be implemented, communicated to stakeholders in the form of disclosure in the annual report. Communication from the company is very important to promote the ethics of their institution. The high level of disclosure has important implications for management to improve their image and reputation in society. Therefore, the government is expected to encourage the disclosure of business ethics more broadly with items that are in accordance with the company's business environment.

Suggestion for Further Research
There are some limitations and suggestions in this study. First, the samples of this study are companies whose annual reports can be found for five years. Therefore, only view companies become the samples. Second, this study found that the number of female directors is very small, so maybe the results of the hypothesis test do not show the real conditions. Third, the next study can choose specific variables such as BOD with various characteristics, enlarge ownership types such as foreign ownership, or many items of company's financial performance.

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Determinants of Business Ethics Disclosure in Indonesian Companies

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