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Business Ethics Disclosure: Ownership Structures and Corporate Governance

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ABSTRACT

Purpose: This study aims to analyse the effect of board independence, gender diversity, managerial ownership, foreign ownership, and ownership concentration on business ethics disclosure.

Design/methodology/approach: This research is a causality study with quantitative methods and uses secondary data sourced from annual reports and sustainability reports of manufacturing companies listed on the Indonesia Stock Exchange from 2018 to 2022. The sampling technique using purposive sampling obtained a sample of 75 sustainability reports which were analyzed using multiple linear regression.Findings: The research findings show that there is an effect of board independence, managerial ownership, and foreign ownership on business ethics disclosure but not significant for gender diversity and ownership concentration.

Practical implications: This research contributes theoretically in the development of the accounting conceptual framework regarding the concept of disclosure, especially voluntary disclosure and contributes practically as a consideration for the government to make regulations that can encourage companies to disclose business ethics, can provide information to investors regarding business ethics disclosure items that can be used as material for evaluating long-term risks and opportunities related to their investment and as a consideration for decision making, policy or company strategy in disclosing business ethics.

Paper type: Research paper

Keyword: *Business ethics disclosure, Ownership structure, Corporate governance*

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I. INTRODUCTION

Ethics is an important component of running a business in accordance with the code of ethics and general regulations. Voluntary disclosures used to improve corporate management are known as ethical disclosures (Waweru, 2020). Voluntary disclosure is a disclosure made by the company outside the required disclosure limits(Qu and Cooper, 2012). Companies can provide complete and transparent information through voluntary disclosure to stakeholders(Qu and Cooper, 2012). Voluntary disclosure of business ethics can provide a means to increase transparency, social responsibility, improve image or good name, build trust, and future company sustainability(Jubaedah *et al.*, 2023). According to Persons (2010), although many companies already have a written code of ethics, many still do not disclose in detail which code of ethics they apply, so the level of voluntary ethics disclosure is still very low.

In Indonesia, disclosure of business ethics is still voluntary (Laksito, 2020). Regulations that require companies in Indonesia to have a code of ethics still do not exist (OJK, 2014), so there are still many companies that have not disclosed business ethics. According to Jubaedah *et al.*, (2023), only 30% of manufacturing companies listed on the Indonesia Stock Exchange (IDX) from 2018 to 2020 made business ethics disclosures (data processed, 2021). The level of disclosure of business ethics in 2019 to 2020 is still relatively low. In 2019

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only 12% or 77 companies out of 591 companies disclosed business ethics, and this figure decreased in 2020 to 8% or 58 companies out of 661 companies. This causes that the level of business ethics disclosure is still very low in Indonesia with many cases of business ethics violations, which should be a form of company to gain the trust of stakeholders, has a high level of business ethics disclosure.

The collapse of giant corporations such as Enron, WorldCom, and Parmalat highlighted the extreme consequences faced by companies that chose unethical ways of conducting their business (Othman *et al.*, 2014). These financial scandals show that some highly successful companies have ignored ethical principles and are seen as entities that are only concerned with profit and selfish behavior. Greed and manipulation of financial statements have raised many questions regarding the ethical integrity reflected in the activities of companies that should be disclosed to the public and stakeholders. This financial scandal raises doubts about the reliability and relevance of corporate data information (Rossi *et al.*, 2021).

Ho & Wong (2001) argue that research conducted in developed countries may not be applicable in developing countries, where the regulatory environment and culture are different. This causes studies on business ethics disclosure in developing countries to be limited, therefore this study fills the void of existing literature amidst the great demands of companies to be socially responsible. This topic is a current issue because not many references have been found. The novelty in this study is to use foreign ownership variables and the research object used is a manufacturing company that was not previously used in research (Waweru, 2020).

This study uses legitimacy and stakeholder theory to explain the influence between board independence, gender diversity, managerial ownership, foreign ownership, and ownership concentration on business ethics disclosure. Legitimacy theory states that the right to life of a company is legitimized if its value system is in line with the company's social structure, but this poses a risk if there are potential/actual differences between these systems (Long & Driscoll, 2008; Waweru, 2020). According to Ntim *et al.* (2013) and Reverte (2009) when corporate legitimacy is threatened, companies try to manipulate/change stakeholders' perceived behavior, thereby minimizing or creating the threat. They claim to apply different legitimization strategies to achieve this. Companies can legitimize their business operations by disclosing information about corporate ethics. The legitimacy theory perspective emphasizes that large companies are known, more politically sensitive, and more susceptible to public pressure to exercise social responsibility than small companies (Adel, 2017; Al Farooque & Ahulu, 2017).

Stakeholder theory serves as the basis for identifying the parties to which a business is responsible (Adel, 2017). According to Huhmann & Conner (2014) encouraging ethical activities will improve the perception of the company, thus building the company's reputation in the eyes of stakeholders. The annual report is used to investigate the company's promotion of ethical business activities to current and potential shareholders because the report permanently reveals social issues, which top management considers important and wants to communicate to shareholders and the public, and is also a record of ethical business activities (Huhmann and Conner, 2014). Business success depends on the company's ability to maintain good relationships with its stakeholders (Rashid, 2015), so business ethics disclosure policies should be integrated into the governance structure.

According to previous research Bokpin *et al.*, (2015), Haniffa & Cooke (2005), Jubaedah & Setiawan (2023), Ntim & Soobaroyen (2013), Reverte (2009), Ullah *et al*., (2019), and Waweru (2020) business ethics disclosure is influenced by factors including board independence, gender diversity, managerial ownership, foreign ownership, and ownership concentration. Previous research showing the influence between board independence, gender diversity and foreign ownership on business ethics disclosure was conducted by (Haniffa and Cooke, 2005; Ntim and Soobaroyen, 2013; Jubaedah and Setiawan, 2023), while research showing the influence between managerial ownership and ownership concentration on business ethics disclosure was conducted by (Reverte, 2009; Bokpin, Isshaq and Nyarko, 2015; Ullah, Muttakin and Khan, 2019). This research shows that ownership structure and corporate governance can be considered to improve the company's reputation and legitimacy in society.

The importance of continuous innovation in the practice of business ethics, as well as to improve the practice of corporate governance and ownership structure in each country that has different business ethics characteristics, it is necessary to conduct further research to find out how the influence of corporate governance and ownership structure on business ethics disclosure in developed and developing countries with different characteristics of information needs for stakeholders, especially in Indonesia. This research refers to research (Waweru, 2020), the dimensions of corporate governance and ownership structure related to business ethics disclosure are board independence, gender diversity, managerial ownership, foreign ownership, and ownership concentration. This study aims to analyze the effect of board independence, gender diversity, managerial ownership, foreign ownership, and ownership concentration on business ethics disclosure and contribute theoretically to the development of the accounting conceptual framework on the concept of disclosure, especially voluntary disclosure and contribute practically as a consideration for the government to make regulations that can encourage companies to disclose business ethics, can provide information to investors about business ethics disclosure items that can be

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used as material for evaluating long-term risks and opportunities related to their investment and as a consideration for decision making, policy or company strategy in disclosing business ethics.

A. Literature Review

1. Business Ethics Disclosure

Business ethics disclosure is the provision of information about the company's standards, policies and business processes related to activities that are expected or not allowed. This activity includes the disclosure of information related to the implementation of the company's code of ethics to interested parties. The purpose of this disclosure is to encourage effective communication between the company, society and stakeholders regarding the implementation of ethics and corporate goals (Choi & Pae, 2011).

2. Legitimacy Theory

Legitimacy theory was first proposed by Dowling & Pfeffer (1975) who argued that legitimacy can be said to be an advantage for the survival of a company. Legitimacy theory summarizes the idea that businesses must comply with social norms to achieve prosperity (Villiers & Staden, 2006). According to legitimacy theory, companies use social responsibility disclosures to prove their conformity with social norms. For example, when social norms are strongly expressed in the media, companies respond with additional social responsibility disclosures (Brown *et al*., 2012). According to Rossouw (2005), ethical business standards are reflected in the way a company treats its stakeholders and thus in the four key values of good corporate governance: transparency, accountability, responsibility and integrity.

3. Stakeholder Theory

Stakeholder theory by Freeman (1994) assumes that company performance is determined by related parties who have an interest. This results in companies needing to be more assertive in making decisions and communicating information that is clearly disclosed and useful to stakeholders. Stakeholder theory is the basis for identifying entities for which a company is responsible. Companies must act responsibly by considering stakeholder analysis. The main stakeholders that influence business reporting cannot be identified with certainty. Legitimacy and stakeholder theories are seen as complementary. However, the stakeholder perspective focuses on the expectations and demands of stakeholders who have a major influence on the welfare of the company. Meanwhile, the legitimacy perspective focuses on achieving acceptance in society as a whole (Al Farooque and Ahulu, 2017).

B. Hypothesis Development

1. The effect of Board Independence on Business Ethics Disclosure.

Board independence is seen as a corporate governance mechanism that reduces opportunistic behavior and monitors board decisions, including compensation design. Board composition can be divided into executive and non-executive (outside) directors. Non-executive board composition is defined as the proportion of outside directors to the total number of company directors (Haniffa and Cooke, 2002). Independent non-executive directors are more likely to make decisions that benefit stakeholders, ensure the survival and competitiveness of the company, and are aligned with the legitimacy of the company and the expectations of stakeholders (Ghosh, 2006). This in turn can lead to higher levels of voluntary disclosure (Al Farooque and Ahulu, 2017). Haniffa and Cooke (2002) and Mangena (2007) argue that board independence improves disclosure quality because outside directors have an incentive to provide information and support shareholders. When the composition of independent non-executive directors is more, it is possible to encourage policies and increase corporate social responsibility to improve business ethics disclosure. There is evidence that board independence has a positive influence on business ethics disclosure. Haniffa and Cooke (2002) found a positive influence between board independence and business ethics disclosure, but research (Barako, Hancock and Izan, 2006) showed a negative influence between board independence and business ethics disclosure. Existing empirical evidence mainly shows that the presence of independent directors has a positive influence on business ethics disclosure (Ntim & Soobaroyen, 2013). Recent evidence put forward by Harjoto & Jo (2011) and Michelon and Parbonetti (2012) shows that companies with a higher proportion of independent directors tend to be more socially responsible. Based on the explanation above, the following hypothesis is proposed:

H1 : Board independence has a positive influence on business ethics disclosure.

2. The Effect of Board Diversity Gender on Business Ethics Disclosure.

Gender diversity generally refers to the set of characteristics that may exist among board members and that may influence decision-making. Entities and gender are current issues of global concern and have attracted the attention of national organizations (e.g. Australia, Canada, Malaysia, Norway, South Africa and the United States) and/or globally led to regulations on how to increase gender/ethnic minority representation on corporate boards

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(Ntim and Soobaroyen, 2013). Legitimacy theory states that boards of directors with diverse gender backgrounds improve corporate efficiency and financial performance for shareholders by connecting the company to the external environment, attracting resources, and increasing corporate legitimacy (Waweru, 2020). Mason and Mudrack (1996) found that women show higher ethical values than men when making decisions. The presence of women on a company's board of directors increases its legitimacy by building better networks with influential stakeholders (Ntim & Soobaroyen, 2013). When the board of directors of a company is more diverse, it may put higher pressure on company managers to engage in business ethics disclosure. There is evidence that gender diversity has a positive influence on business ethics disclosure. Research evidence examining the effect of gender diversity on voluntary disclosure of business ethics such as (Haniffa & Cooke, 2005; Barako & Brown, 2008; Brammer & Pavelin, 2008; Ntim & Soobaroyen, 2013; Mohamed et al., 2017; Ullah et al., 2019; Waweru, 2020) reported that a more diverse board has a positive influence on business ethics disclosure, but research (Sartawi et al., 2014) did not show significance between gender diversity and business ethics disclosure. Based on the explanation above, the following hypothesis is proposed:

H2 : Gender diversity has a positive influence on business ethics disclosure.

3. The Effect of Management Ownership of Business Ethics Disclosure.

Managerial ownership is seen as a mechanism to align the interests of directors and shareholders, it is a mechanism to minimize conflicts between management and shareholders (Paek et al., 2013). Al Farooque and Ahulu (2017) found that when the demand for managerial incentives increases, managers tend to allocate more resources to their own interests and hide this information from external stakeholders, thereby reducing disclosure. Managers make disclosure decisions that maximize job security and incentive compensation (Healy and Palepu, 2001). Companies with high levels of managerial ownership have limited pressure to demonstrate accountability and transparency to external stakeholders, including society (Khan et al., 2013). Companies with high management involvement are expected to invest less in Corporate Social Responsibility (CSR) activities, as the cost of investing in Corporate Social Responsibility (CSR) activities may exceed the expected benefits (Samaha et al., 2012). The need for voluntary participation in business ethics disclosure is limited. As managerial ownership increases, managerial oversight is likely to decrease, which may have a negative impact on business ethics disclosure practices. Some previous studies that examined the effect of managerial ownership on voluntary disclosure such as (Khan, Muttakin and Siddiqui, 2013; Rashid, 2015; Jubaedah and Setiawan, 2023) found a positive effect on voluntary disclosure, while research Majumder et al., (2017), Mohamed et al., (2017), Ntim & Soobaroyen (2013), Ullah et al., (2019) found a negative influence between managerial ownership and business ethics disclosure. Based on the explanation above, the following hypothesis is proposed:

H3 : Managerial ownership has a negative influence on business ethics disclosure.

4. The Effect of Foreign Ownership on Business Ethics Disclosure.

Foreign ownership is an ownership structure that plays an important role in monitoring the company's operations. The most important factor in corporate social disclosure is foreign ownership (Barakoet al., 2006). Higher disclosure is required by foreign shareholders due to geographical differences in corporate governance in foreign capital markets (Haniffa and Cooke, 2005), it tends to be required by foreign shareholders as a measure to monitor company actions, management, and reduce information gaps. Companies with higher foreign ownership are expected to disclose more corporate information, including business ethics information to meet the requirements of foreign reporting (Haniffa & Cooke, 2002). When foreign ownership is higher, it is possible to encourage policies and increase corporate social responsibility to improve business ethics disclosure. This statement is supported by the positive significant effect shown by foreign ownership on corporate business ethics disclosure in several studies (Haniffa and Cooke, 2005; Barako, Hancock and Izan, 2006; Jubaedah and Setiawan, 2023), while research by Bokpin et al., (2015) & Esa & Zahari (2016) found a negative effect between foreign ownership and business ethics disclosure. According to the stakeholder theory point of view, foreign shareholders require reporting information on business ethics that is more extensive than the company (Chakroun, Matoussi and Mbirki, 2017). Based on the explanation above, the following hypothesis is proposed:

H4 : Foreign ownership has a positive influence on business ethics disclosure.

5. The Effect of Ownership Concentration on Business Ethics Disclosure.

Ownership concentration is considered an important governance structure that has a significant impact on monitoring management activities. According to (Khan et al., (2013), closed companies are less likely to require public accountability through disclosure because they receive less attention from external parties. Managers of companies with concentrated ownership structures are more likely to engage voluntarily and less likely to disclose information. Concentrated ownership requires increased monitoring, which can be reduced by increasing the level of voluntary disclosure (Oliveira et al., 2012; Ntim et al., 2013). Large shareholders can easily access company data, which will determine their public disclosure demands, including business ethics disclosure. This causes large shareholders to not demand greater business ethics disclosure because they can easily access internal information through meetings with management. Previous research (Haniffa and Cooke, 2002; Barako, Hancock and Izan, 2006; Sartawi et al., 2014; Majumder, Akter and Li, 2017) found a negative influence between ownership concentration variables on voluntary disclosure, but research (Eng and Mak, 2003)did not show significance between ownership concentration on voluntary disclosure. Based on the explanation above, the following hypothesis is proposed:

H5 : Ownership concentration has a negative influence on business ethics disclosure.

II. METHODS

This research is a causality study with a quantitative approach and secondary data. The population of this study uses manufacturing companies listed on the Indonesia Stock Exchange. The sampling method uses purposive sampling with several predetermined criteria, namely; companies in the manufacturing sector listed on the Indonesia Stock Exchange from 2018 to 2022, have published annual financial reports for the period ending December 31, 2018 to December 31, 2022, and have published annual reports and sustainability reports for each company for the period 2018 to 2022. Based on these criteria, 75 annual reports and sustainability reports of companies that meet the criteria were selected as samples.

The dependent variable in this study is the disclosure of business ethics. This measurement of business ethics uses the disclosure items contained in the study (Waweru, 2020). This research uses a disclosure scoring method or disclosure index. If the company discloses the information as stated in the business ethics disclosure items contained in the research (Waweru, 2020), it will be given a value of 1, if it does not disclose it will be given a value of 0. If the company discloses all the information contained in the business ethics disclosure (BED) items, then the maximum value of using the business ethics disclosure (BED) items is 100%. This research is in line with previous research (Waweru, 2020).

The independent variables in this study are board independence, board gender diversity, managerial ownership, foreign ownership, and ownership concentration. The table below presents a summary of the variable definitions used, including the dependent variable (business ethics score) and the independent variables.

Table 1. Variable Measurement

Dependent variable	
Business ethics disclosure score	*Calculated using disclosure items that refer to research (Waweru, 2020)*
Independent variable	
Board Independence	*Number of outside directors divided by the total number of directors at the end of the year (Waweru, 2020)*
Board gender diversity	*Number of female directors divided by the total number of directors (Waweru, 2020)*
Management ownership	*The number of shares owned by company managers divided by the total number of shares of a company at the end of the financial year(Waweru, 2020)*
Foreign ownership	*The percentage of shares owned by foreigners divided by the total number of shares of a company at the end of the financial year(Haniffa and Cooke, 2005; Barako, Hancock and Izan, 2006; Jubaedah and Setiawan, 2023)*
Ownership concentration	*Cumulative shareholding percentage by top five shareholders (Waweru, 2020)*

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This study uses multiple regression analysis equations to test the hypothesis, as follows:

Multiple regression analysis :

$$BED = \alpha + \beta 1BIND + \beta 2BGD + \beta 3MOWN + \beta 4FOWN + \beta 5BLKOWN + e \quad (1)$$

Where BED is the Business Ethics Disclosure score, BIND is the Board Independence Variable, BGD is the Board Gender Diversity, MOWN is the Managerial Ownership, FOWN is the Foreign Ownership, BLKOWN is the Ownership Concentration, and e is an error term.

III. RESULTS AND DISCUSSION

A. Results

1. Descriptive Statistic

A summary of the descriptive statistics of all the variables included in our analysis is provided in Table 2. The variables of board independence, gender diversity, foreign ownership, and ownership concentration have mean values greater than the standard deviation so that the data on these variables are homogeneous. This indicates that the data between one another does not have a large deviation. Meanwhile, the managerial ownership variable has an average value that is smaller than the standard deviation, so the data distribution on this variable is heterogeneous. We also observe that there is a considerable degree of dispersion in the distribution of business ethics disclosure, with a minimum value of 45.55% while the maximum value is 84.48% with the average company disclosing 67.28% of the 58 business ethics items examined.

Table 2. Descriptive Statistic

Variable	*Maximum*	*Minimum*	*Mean*	*Std. Dev*
BED	*84,48*	*45,55*	*67,28*	*7,45*
BIND	*64,29*	*0,00*	*25,74*	*15,58*
BGD	*40,00*	*0,00*	*12,28*	*11,93*
MOWN	*10,21*	*0,00*	*0,93*	*2,44*
FOWN	*96,39*	*0,25*	*42,98*	*35,75*
BLKOWN	*99,94*	*3,57*	*79,19*	*16,88*
Valid N	*75*			

Notes: BED = Business Ethics Disclosure, BIND = Board Independence, BGD = Board Diversity Gender, MOWN = Managerial Ownership, FOWN = Foreign Ownership, BLKOWN = Ownership Concentration.
Source : Authors own processed

2. Classical Assumption Testing

The test results show that all classical assumptions have been met. In the normality test, the significance value shows 0,561 > 0,05, which means that the data distribution is normal and means that this research data fulfills the assumption of normality. The heteroscedasticity test results show that the significant value of each variable is greater than 0,05, which means that there is no heteroscedasticity in the regression equation so that the regression model is suitable for basic prediction. The Variance Inflation Factor (VIF) test results are smaller than 10 for all independent variables, which means there is no multicollinearity between the independent variables. The autocorrelation test results show the Durbin Watson value is 1.823, where this value meets the conditions du < d < 4 - du which means there is no autocorrelation.

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3. Multiple Regression Calculation Results

The results of multiple regression calculations using SPSS assistance, obtained the results as in table 3. The regression results in table 3 show that the form of the relationship between the dependent variable and the independent variables can be described in the multiple regression equation as follows:

BED = α + β1BIND + β2BDG + β3DOWN + β4FOWN + β5BLKOWN + e

= 67.95 + 0.05BIND + 0.02BDG - 0.35DOWN - 0.08FRGN - 0.02BLKOWN + e

Table 3. Regression coefficient

Variable	*Coefficient*	*Std. Error*	*t-Statistic*	*Sig.*
Konstanta	*67,95*	*1,91*	*35,45*	*0,00*
BIND	*0,05*	*0,02*	*2,00*	*0,04*
BGD	*0,02*	*0,03*	*0,69*	*0,49*
MOWN	*-0,35*	*0,15*	*-2,29*	*0,02*
FOWN	*-0,08*	*0,01*	*-6,57*	*0,00*
BLKOWN	*0,02*	*0,02*	*0,83*	*0,40*

Notes: BED = Business Ethics Disclosure, BIND = Board Independence, BGD = Board Diversity Gender, MOWN = Managerial Ownership, FOWN = Foreign Ownership, BLKOWN = Ownership Concentration.
Source : Authors own processed

4. Model analysis

From the results of the adjusted R square test analysis, it is known that the adjusted R square value is 43.8%, so the independent variables consisting of board independence (X1), gender diversity board (X2), managerial ownership (X3), foreign ownership (X4), and ownership concentration (X5) are able to explain 43.8% of changes in the dependent variable. Meanwhile, 56.2% is explained by other variables outside this research model. This value is quite good, considering that there are actually many independent variables. The results of the F statistical test show that the significance value for equation 1 is 0.00 where the value is less than 0.05, it can be concluded that the research model is feasible to examine or the model fits.

5. Hypothesis testing

Table 4. Hypothesis testing result

Variable	*Coefficient*	*Prob α=0.5*
BIND	*0,05*	*0,04*
BGD	*0,02*	*0,49*
MOWN	*-0,35*	*0,02*
FOWN	*-0,08*	*0,00*
BLKOWN	*0,02*	*0,40*

Adjusted R Square	*0,43*
F- Statistic	*5,27*
Prob (F-statistic)	*0,00*
N	*75*

Notes: BED = Business Ethics Disclosure, BIND = Board Independence, BGD = Board Diversity Gender, MOWN = Managerial Ownership, FOWN = Foreign Ownership, BLKOWN = Ownership Concentration.
Source : Authors own processed

Based on the data presented in table 4 above, it can be seen that the five hypotheses proposed in this study have the following results:

a. The effect of board independence on business ethics disclosure has a P value of 0.04 or smaller than 0.05 with a positive coefficient. This means that the board independence variable has a positive effect on the disclosure of business ethics.
b. The effect of gender diversity on business ethics disclosure has a P value of 0.49 or greater than 0.05. This means that the gender diversity variable has no significant effect on business ethics disclosure.
c. The effect of managerial ownership on business ethics disclosure has a P value of 0.02 or smaller than 0.05 with a negative coefficient. This means that the managerial ownership variable has a negative effect on the disclosure of business ethics.
d. The effect of foreign ownership on business ethics disclosure has a P value of 0.00 or smaller than 0.05 with a negative coefficient. This means that foreign ownership variable affect the disclosure of business ethics.
e. The effect of ownership concentration on business ethics has a P value of 0.40 or greater than 0.05. This means that the ownership concentration variable has no significant effect on the disclosure of business ethics.

B. Discussion

In this subchapter, the results of the hypothesis testing that has been carried out are explained. The discussion of this research hypothesis will be explained as follows:

1. The Effect of Board Independence on Business Ethics Disclosure

The results of hypothesis testing in table 4 show that board independence has a positive effect on business ethics disclosure (BED), which means that the greater the composition of independent non-executive directors, the more business ethics disclosure will increase. This causes H1 to be accepted. Our results are consistent with previous evidence (Haniffa and Cooke, 2002; Mangena, 2007; Harjoto and Jo, 2011; Michelon and Parbonetti, 2012; Ntim and Soobaroyen, 2013; Al Farooque and Ahulu, 2017) which reported a positive influence of independent directors on CSR disclosure. From a theoretical perspective, our findings are consistent with the predictions of legitimacy theory (the pragmatic effect of legitimacy), which suggests that high board independence, typically associated with independent Non-Executive Directors (NEDs), puts them in a better position to exert pressure. Business leaders commit to improving business ethics without fear or favour (i.e. victimization by senior management).

2. The Effect of Board Gender Diversity on Business Ethics Disclosure

The formulation of the hypothesis on the gender diversity variable predicts a positive and significant influence between board gender diversity (BGD) on the level of business ethics disclosure (BED). The results of hypothesis analysis show that the coefficient of gender diversity (BGD) is insignificant. This causes H2 to be rejected. Our results are inconsistent with previous studies that show a positive and significant relationship between gender diversity and voluntary disclosure (Haniffa and Cooke, 2005; Barako and Brown, 2008; Brammer and Pavelin, 2008; Ntim and Soobaroyen, 2013; Mohamed, Basuony and Hussain, 2017; Ullah, Muttakin and Khan, 2019), but our results are consistent with research (Sartawi *et al.*, 2014) that shows no significance between gender diversity and business ethics disclosure. The results are also inconsistent with the evidence of previous studies Barako & Brown (2008), Haniffa & Cooke (2005), dan Ntim & Soobaroyen (2013) which show that increased management monitoring is associated with corporate boards having greater gender diversity (structural legitimacy) and also to ensure better stakeholder representation (influence legitimacy), acquire resources (exchange legitimacy) and thus increase corporate legitimacy.

3. The Effect of Managerial Ownership on Business Ethics Disclosure

The results of hypothesis testing show a negative influence between managerial ownership (MOWN) on the level of business ethics disclosure (BED), which means that the greater the share ownership owned by management, the lower the level of business ethics disclosure. This causes H3 to be accepted. Our results are in line with the results of previous studies that support that managerial parties who own a large proportion of a company's shares have a negative influence on the level of voluntary disclosure Khan *et al.*, (2013), Majumder *et al.*, (2017), Mohamed *et al.*, (2017), Ntim & Soobaroyen (2013), dan Ullah *et al.*, (2019). However, our results are not in line with previous studies that show a significant positive effect between managerial ownership and business ethics disclosure (Khan *et al.*, 2013; Rashid, 2015).

4. The Effect of Foreign Ownership on Business Ethics Disclosure

The results of hypothesis testing in table 4 show a negative influence between foreign ownership (FOWN) on the level of business ethics disclosure (BED), which means that the greater the share ownership owned by foreigners, the lower the level of business ethics disclosure. This causes H4 to be rejected. Our results are in line with research (Bokpin, Isshaq and Nyarko, 2015; Esa and Zahari, 2016) which shows a negative influence between foreign ownership and business ethics disclosure. However, our results are not in line with the results of previous studies that support the proposition that foreigners who own a large proportion of a company's shares have a positive influence on the level of voluntary disclosure (Haniffa and Cooke, 2005; Barako, Hancock and Izan, 2006; Sartawi *et al.*, 2014; Jubaedah and Setiawan, 2023).

5. The Effect of Ownership Concentration on Business Ethics Disclosure

The formulation of the hypothesis on the ownership concentration variable (BLKOWN) predicts a negative and significant influence between ownership concentration (BLKOWN) and the level of business ethics disclosure (BED). The results of hypothesis analysis show that the coefficient of ownership concentration (BLKOWN) is not significant. This causes H5 to be rejected. Our results are not in line with previous studies on voluntary disclosure (including CSR disclosure), which reported a significant negative effect between ownership concentration (BLKOWN) and voluntary disclosure (Reverte, 2009; Khan, Muttakin And Siddiqui, 2013; Ntim And Soobaroyen, 2013), but our results are in line with the study of (ENG AND MAK, 2003) which did not show significance between ownership concentration and business ethics disclosure. Our results are also not in line with the view that concentrated ownership structure results in less voluntary disclosure compared to dispersed ownership structure (Reverte, 2009; Khan, Muttakin and Siddiqui, 2013; Ntim and Soobaroyen, 2013).

IV. CONCLUSION

This study aims to analyze the influence between board independence, gender diversity, managerial ownership, foreign ownership, and ownership concentration on business ethics disclosure (BED) in manufacturing companies in Indonesia for the period 2018 to 2022. Our results show that board independence, managerial ownership, and foreign ownership have a significant influence on business ethics disclosure (BED), but gender diversity and ownership concentration are not significant. The results suggest that companies with high managerial ownership in Indonesia tend to engage in fewer business ethics (BED) disclosures. The negative and significant effect on foreign ownership means that the greater the shareholding owned by foreigners, the fewer the number of business ethics disclosure items. The amount of share ownership owned by foreigners has an impact on the disclosure of business ethics by the company to be more limited. The results of this study also show that board independence has a positive effect on business ethics disclosure (BED), which means that the greater the composition of independent non-executive directors, the more business ethics disclosure will increase.

Our research contributes theoretically to the development of the accounting conceptual framework on the concept of disclosure, especially voluntary disclosure and contributes practically as a consideration for the government to make regulations that can encourage companies to disclose business ethics and can provide information to investors about business ethics disclosure items that can be used to evaluate long-term risks and opportunities related to their investment.

The limitations in this study are that the reference sources that examine the disclosure of business ethics in Indonesia are still limited, the items of business ethics disclosure extracted in the annual report and sustainability report do not show the quality of information conveyed by the company, and the disclosure of business ethics is looking at the problem of applied ethical dilemmas so that the point of view on ethics is different.

It is suggested that future research can use other grand theories so as to get a different perspective on business ethics disclosure and can use a wider research sample to cover other sector companies such as the financial sector,

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insurance, and other sectors so that the contribution of research is getting better, plus a more recent research period so that it can describe the current situation.

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