



Forward Looking Information Disclosure: Study of Board Diversity in Indonesian Companies

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ABSTRACT: This study aims to determine the effect of diversity of the board of directors on the disclosure of forward-looking information on manufacturing companies listed on the Indonesia Stock Exchange for the period 2020-2021. This study uses a quantitative approach using secondary data. Based on the research sample criteria, the final sample is 160 manufacturing companies listed on the Indonesia Stock Exchange for the period 2020-2021.

In this study the independent variable that affects the dependent variable is only the frequency of board meetings. The frequency of Board of director meetings has a significant effect on the disclosure of forward-looking information. If the board of directors meetings are held frequently, it can improve the information presented by the board of directors, and also with the size of the company will represent diverse characteristics and perspectives. And with the size of this company can also add Company connections related to suppliers, customers and also the board of Directors of other companies.

Keywords: Board meeting frequency; board gender; board size; firm size; leverage; profitability; auditor type; forward looking information disclosure

I. INTRODUCTION

The annual financial statements can be referred to as an informational picture for investors as the basis for a means of management accountability and decision-making in investing. The information on the annual report is considered important because it will provide an overview of the condition of the company (Dan et al., 2019). The information found in the annual report consists of forward-looking disclosure information and information that is based on current conditions (Dan et al., 2019). Mubarak, Khanifah, and Alfi (2015) stated that the integrity of the annual report disclosure depends on the amount of information obtained from the company concerned. The information is expected to be able to explain the financial statements attached transparently and can predict the condition of the company in the future. The information focused on the bottom provides information about the company's historical strategy (Alkhatib, 2014). Investors and stakeholders require businesses to disclose information about their future plans to the general public (Dan et al., 2019).

Forward looking information describing previously disclosed information includes both financial and non-financial information, such as risks and potential hazards that may impair accuracy of the results being evaluated. Quantitative, qualitative, financial, and non-financial information about the company's Annual Report may be disclosed (Dan et al., 2019). Investors who have a thorough understanding of the information available can help them analyze and summarize information that is likely to be misused (Krause, Sellhorn, and Ahmed, 2017). Forward looking information refers to the prediction of the business about the future state of

the business which ultimately provides useful information to shareholders about the future prospects of the company can be found in the report of the head of the company (Aribi et al., 2018).

The frequency of meetings of the board of Directors is a meeting organized by the board of directors can improve management performance in the management of the company. The board of Directors meeting aims to obtain solutions or problem solving as well as plans or strategies to be implemented by the company. Meetings held by the board of directors can also improve the effectiveness and efficiency of the performance of the board of directors so that management performance is more effective and able to maximize company performance (Mauda & Serly, 2021).

Gender diversity has become one of the important dimensions of diversity for organizations, due to the increase in the percentage of female employees, gender diversity has become important in all organizations (Chernobener & Karaye, 2014). Board gender diversity is based on ethical and economic arguments, and there is a positive relationship between board gender diversity and corporate values (Reddy & Jadhav, 2019).

The size of the board is the number of personnel of the board of directors and commissioners in an enterprise. The number of board personnel will improve the company's performance is getting better, there are some shortcomings in the size of the board of directors. The large size of the board of directors will result in a lack of meaningful discussion, because expressing opinions in large groups is generally time consuming, difficult and results in a lack of cohesiveness on the board of directors (Ramadhani & Maresti, 2021).

II. Literature Review and Hypotheses Development

Stakeholder theory

Stakeholder theory is a theory that explains how the company's management meets or manages the expectations of stakeholders. Stakeholder theory says that a company is not an entity that only operates for its own benefit, but must provide benefits to its stakeholders. This theory emphasizes organizational accountability far beyond simple financial or economic performance. All stakeholders have the right to obtain information about the company's activities that can affect the decision-making process (Susanto, et al, 2013). For this reason, the responsibility of the company, which was originally only measured as economic indicators, must shift by taking into account social factors, both internal and external, because the survival of the company depends on the support of stakeholders. In the research (Susanto, et al, 2013) mentioned that the pressure point of Stakeholder Theory is in corporate decision making that considers the needs and interests of all parties related to the company's activities.

Agency Theory

Agency theory is a theoretical basis that is a reference in the implementation of business practices of a company. In this agency theory the shareholders (stakeholders) is the principal while the management is the agent (Susanti, 2014). As authorized parties, managers are required to submit financial statements to shareholders because management is a party that has more information about the company than shareholders who are outside the company (Susanti, 2014).

Legitimacy Theory

Legitimacy is a company management system that is oriented to alignment with society, individual governments and community groups. For this reason, as a system that prioritizes alignments to the society, the company's operations must be congruent with the expectations of the community (Handriyani, 2013). The company must care about the surrounding environment, because it can maintain the existence of the company and the continuity of the company's activities in the future can be accepted by the community. The community will always be able to assess the company's environmental activities and the company can also monitor its activities to get harmony between the company's values and the community's values (Anggitasari, 2012).

Board Meeting Frequency

In carrying out its responsibilities, the board of Directors needs to hold meetings to discuss various matters related to the strategy and implementation of management supervision (Rodriguez Dominguez & Noguera Gamez, 2014). Alnabsha et al. (2018) stated that the frequency of meetings of the board of Directors has a significant positive effect on the disclosure of forward-looking information. If the board of director meetings are held frequently, it can improve the information presented by the board of directors. Albawwat & Ali basah (2015), Alhazaimah et al. (2014) and Serly (2015) showed the opposite, where the frequency of board meetings did not have a significant influence on the disclosure of forward-looking information. This result is due to the different policies of each company's Board of Directors meeting. In addition, the board of Directors needs in-depth knowledge and updates on the company's activities (Barros, 2013). Meetings held by the board of directors can also improve the effectiveness and efficiency of the performance of the board of directors so that management performance is more effective and able to maximize company performance (Mauda & Serly, 2021). The hypotheses that can be drawn up based on the theory and previous research above are:

H1 : Frequency of Board of director meetings has a positive effect on forward looking information disclosure.

Board Gender

There is endless discussion about the contribution of boardroom diversity in corporate decision making and why diversity is important in increasing transparency and enhancing corporate value. Board diversity represents differences among board members regarding age, gender, ethnicity, education, expertise and skills (Bravo, 2018). Among these, gender diversity has been widely debated in the corporate governance literature (Tshipa et al., 2018; Azam et al., 2019; Khan et al., 2019; Martinez-Jimenez et al., 2020; Ullah et al., 2020), particularly regarding the role of women directors as board members. Bear et al. (2020) presupposes that more female directors on the board can inspire participatory communication among members as it is assumed that there are gender differences in leadership roles and decision-making approaches. Most studies have found significant positive, negative or non-significant associations between gender diversity and forward-looking information disclosure. S ener and Karaye (2014) found no statistically significant differences between the two countries studied regarding underrepresentation of women directors and information disclosure. Dey et al. (2020) surprisingly found that women's representation in boardrooms negatively affects disclosure of forward-looking information, suggesting that holding more women on board reduces disclosure.

The size of the company also affects the level of information disclosure. In GSE, companies can be identified as large or small depending on their market capitalization or vice versa, some studies state that smaller boards are much more effective and less likely to be influenced by management. This makes discussions about the impact of board size on FLID diverse, although board size depends on the industry and complexity of the company (Aksoy et al., 2020). Agyei-Mensah (2017B) and Buertey and Pae (2021) found no relationship between board size and FLID, whereas Shamil et al. (2014) found that board size is positively related to sustainability reporting, a forward-looking disclosure aspect. The hypotheses that can be drawn up based on the theory and previous research above are:

H2 : Gender diversity of the board of Directors has a positive effect on forward looking information disclosure.

Board size

Supervising and controlling the actions of management stands out among several functions of the board of directors. In addition, the expansion of the board's capacity contributes to improvements in monitoring and control due to differing views and the board's large pool of expertise. Relatively large board sizes result in increased transparency by disclosing more information conversely, some studies state that smaller boards are much more effective and less likely to be influenced by management. This makes discussions about the impact of board size on FLID diverse, although board size depends on the industry and complexity of the company (Aksoy et al., 2020).

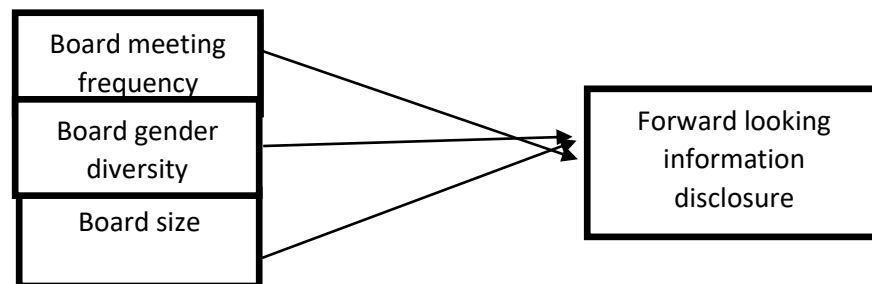
Agyei-Mensah (2017B) and Buertey and Pae (2021) found no relationship between board size and FLID,

whereas Shamil et al. (2014) found that board size is positively related to sustainability reporting, a forward-looking disclosure aspect. Based on the literature, the following hypothesis will be tested: they attribute adverse effects on these disclosures to the concentration of family-led councils in their context. The hypotheses that can be drawn up based on the theory and previous research above are:

H3 : Board size has a positive effect on forward looking information disclosure.

III. Conceptual Framework

In accordance with the literature review that has been stated above and by looking at the results of research related to the effect of board meeting frequency, board gender diversity, board size on forward looking information disclosure the author develops a theoretical framework related to the research as a basis for determining the hypothesis, in the form of a systematic diagram through the chart described below.



IV. Research Method

The population is the entire object of research determined by the researcher. According to Sugiyono (2012) population is a generalization area consisting of objects and subjects that have certain qualities and characteristics that are applied by researchers listed on the Indonesia Stock Exchange (IDX) in 2020-2021. The population in this study was all manufacturing companies listed on the Indonesia Stock Exchange in 2016-2021 which were obtained through the www.idx.co.id website and related company websites.

The criteria for determining the sample used by researchers in this study are as follows:

- manufacturing companies BEI that published annual report in 2020 to 2021 in full and successively and can be accessed.
- Manufacturing companies that provide all the information needed by researchers to measure the variables yang present in the study.
- Manufacturing companies that produced profit for the 2020 and 2021 period.

Data analyst

The magnitude of the regression coefficient is obtained from the following equation:

$$FLID = \beta_0 - \beta_1 BMF + \beta_2 BGEND + \beta_3 BSIZE + \beta_4 FSIZE + \beta_5 FLEV + \beta_6 ROE + \beta_7 AUDTYP + \varepsilon$$

Control variable

Firm Size

The size of the company yang as measured by the total assets will be transformed in the form of logarithms with the aim to equate with other variables, because the total value of the company's assets is relatively larger than the other variables in this study ini.

$$SZE = \text{Log (total asset)}$$

Financial leverage

Leverage is a ratio that describes the relationship of a company's debt to capital and assets. This ratio can see how far the company is financed by debt or outside parties with the ability of the company described with

capital (Harahap,2002). Companies with leverage yang high leverage have low ability to carry out their social activities and consequently low disclosure because the company tries not to violate debt contracts by reducing profit-reducing activities.

$$DER = \frac{\text{total equity}}{\text{total asset}}$$

Profitability

Profitability which is the company's ability to generate profits at the level of sales, assets and modal share capital certain. Companies that generate profit yang high profits will be easier to contribute to the social environment di around the company.

$$RO : \frac{\text{net profit}}{\text{equity}}$$

Auditor type

In order for its reputation to maintain its good reputation, accounting firm affiliated with the Big Four minimize actions that can damage its reputation and ask the company to present financial statements in more detail. Therefore, many companies that have agency fees will use the services of accounting firm affiliated with the Big Four (Ferreira et al., 2012). The type of auditor or audit Office has an effect on the disclosure of intellectual capital made by its clients in terms of how the audit Office motivates its clients disclosure (Septiani and Yuyetta, 2011), the better the office Public Accountants, the information about intellectual capital disclosed more and more. The use of public accounting firm can motivate managers to disclose more information (Widowati, 2011). Research conducted by Septiani dan Yuyetta (2011), Setianto and Purwanto (2014) and Ferreira et al. (2012) found the result that the type of auditor has a positive effect against forward looking information disclosure

In this study, auditor-type variables were measured using dummy variables to distinguish The Big Four hoods and non-Big Four hoods. The number 1 (one) is given to the Big Four hood, while the number 0 (Zero) is given to the non-Big Four hood.

V. Result and Discussion

1. Descriptive statistic

Based on the table tersebut shows:

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
BOARD MEETING FREQUENCY	142	3	60	15,20	10,686
BOARD GENDER	142	0,000	0,800	0,11733	0,173335
BOARD SIZE	142	0	11	4,89	1,965
FIRM SIZE	142	4,892	10,745	6,66020	0,855770
LEVERAGE	142	0,000	5,958	0,45139	0,500958
PROFITABILITY	142	0,088	62,667	10,89836	9,588757
AUDITOR TYPE	142	0	1	0,43	0,497
FLID	142	0,263	0,737	0,56683	0,081925
Valid N (listwise)	142				

[1] Meeting frequency has the lowest value (minimum) of 3.00 and the highest value (maximum) of 60.00

with an average (mean) of 15.20 and standard deviation of 10.686.

[2] Diversity Board has the lowest value (minimum) of 0.00 and the highest value (maximum) of 0.800 with an average (mean) of 0.11733 and a standard deviation of 0.173335.

[3] Board size has the lowest value (minimum) of 0.00 and the highest value (maximum) of 11.00 with an average (mean) of 4.89 and a standard deviation of 1.965.

[4] Firm size has the lowest value (minimum) of 4.892 and the highest value (maximum) of 10.745 with an average (mean) of 6.66020 and a standard deviation of 0.855770.

[5] Leverage has the lowest value (minimum) of 0.00 and the highest value (maximum) of 5.958 with an average (mean) of 0.45139 and a standard deviation of 0.500958.

[6] Profitability variable has the lowest value (minimum) of 0.088 and the highest value (maximum) of 62.667 with an average (mean) of 10.89836 and a standard deviation of 9.588757.

[7] Auditor type has the lowest value (minimum) of 0.00 and the highest value (maximum) of 1.00 with an average (mean) of 43.00 and a standard deviation of 0.497.

[8] Forward looking information disclosure has the lowest value (minimum) of 0.263 and the highest value (maximum) of 0.737 with an average (mean) of 0.56683 and standard deviation of 0.081925

2. Hypothesis Testing

a. Multiple Linear Regression Test

In this study, hypothesis testing was carried out using a multiple linear regression analysis model, which was tested using the SPSS version 25 statistical tool. The following is a multiple linear regression analysis table:

VARIABLE	Unstandardized B	t	sig
BOARD MEETING FREQUENCY	-0,001	-2,101	0,038
BOARD GENDER	0,028	0,694	0,489
BOARD SIZE	-0,004	-0,934	0,352
FIRM SIZE	0,025	2,459	0,015
LEVERAGE	-0,026	-1,919	0,057
PROFITABILITY	0,001	1,407	0,162
AUDITOR TYPE	-0,002	-0,111	0,912

Based on the predetermined regression formula, the regression model is obtained as follows:

$$FLID = 0,436 - 0,001BMF + 0,028BGEND - 0,004BSIZE + 0,025FSIZE - 0,26 FLEV + 0,001ROE - 002 AUDTYP + \varepsilon$$

b. Statistical test (t test)

VARIABLE	Unstandardized B	t	sig
BOARD MEETING FREQUENCY	-0,001	-2,101	0,038

BOARD GENDER	0,028	0,694	0,489
BOARD SIZE	-0,004	-0,934	0,352
FIRM SIZE	0,025	2,459	0,015
LEVERAGE	-0,026	-1,919	0,057
PROFITABILITY	0,001	1,407	0,162
AUDITOR TYPE	-0,002	-0,111	0,912

The test will basically show the effect of the independent variable individually on the dependent variable. The results of the t-test that have been carried out by researchers can be seen in the table below, from the test results table above can be explained as follows:

1. The influence of the board meeting frequency on forward looking information disclosure
Based on the test results, the t-count value is -2.101 with a significance value of 0.038. The significance value is smaller than the specified fault tolerance ($0.038 < 0.05$). This shows that the board meeting frequency has a negative and significant effect on forward looking information disclosure, so the first hypothesis (a) is accepted.(Effah et al., 2022)

2. Influence of board gender diversity on forward looking information
Based on the test results, the t-count value is 0,694 with a significance value of 0.489. The significance value is greater than the specified fault tolerance ($0.489 > 0.05$). This shows that the board gender diversity has no effect on forward looking information, so the first hypothesis (b) is rejected.(Effah et al., 2022)

3. Influence of board size on forward looking information
Based on the test results, the t-count value is -0,934 with a significance value of 0.352. The significance value is greater than the specified fault tolerance ($0.352 > 0.05$). This shows that the board size has no effect on firm value, so the first hypothesis (c) is rejected.(Effah et al., 2022)

4. The influence of the firm size on forward looking information disclosure
Based on the test results, the t-count value is 2.459 with a significance value of 0.015. The significance value is smaller than the specified fault tolerance ($0.015 < 0.05$). This shows that the firm size has a negative and significant effect on forward looking information disclosure, so the first hypothesis (d) is accepted.(Effah et al., 2022)

5. Influence of leverage on forward looking information
Based on the test results, the t-count value is -1,919 with a significance value of 0.057. The significance value is greater than the specified fault tolerance ($0.057 > 0.05$). This shows that the leverage has no effect on firm value, so the first hypothesis (e) is rejected.(Effah et al., 2022)

6. Influence of profitability on forward looking information
Based on the test results, the t-count value is 1,407 with a significance value of 0.162. The significance value is greater than the specified fault tolerance ($0.162 > 0.05$). This shows that the leverage has no effect on firm value, so the first hypothesis (f) is rejected.(Effah et al., 2022)

7. Influence of auditor type on forward looking information
Based on the test results, the t-count value is 0,111 with a significance value of 0.912. The significance value is greater than the specified fault tolerance ($0.912 > 0.05$). This shows that the auditor type has no effect on firm value, so the first hypothesis (g) is rejected.(Effah et al., 2022)

c. F test

The F test is used to determine whether the independent variables simultaneously have a significant effect on the dependent variable. Here is the F test table that has been tested

ANOVA ^a		
Model	f	sig
Regression	2,135	,044 ^b

Based on the table above, the results of the F test show a significant value of 0.044. The significance value produced by the F test < 0.05. So it can be concluded that the regression model is feasible to be used as a model in this study.

d. Coefficient of Determination (R square)

The coefficient of determination (R square) test is used to measure the size of the model's ability to explain the dependent variable. A value with $0 < 1$ indicates the ability of the independent variable in explaining the variation of the dependent variable is very limited, the higher the value of the coefficient of determination, the better. The table below will show the results of the coefficient of determination test.

Model Summary^b

Model	Adjusted R Square	Std. Error of the Estimate
1	0,053	0,079709

Based on the table above, it can be seen that the coefficient of determination can be seen from the Adjusted R² shows a value of 0.053. This means that as much as 5.3% variation of risk disclosure variables can be explained by the variable means the frequency of board meetings, board diversity, board size, firm size, leverage, profitability and auditor type while the rest (94.7%) is explained by other variables outside the model studied.

VI. Conclusion

This study aims to determine the effect of diversity of the board of directors on the disclosure of forward-looking information on manufacturing companies listed on the Indonesia Stock Exchange for the period 2020-2021. This study uses a quantitative approach using secondary data. Based on the research sample criteria, the final sample is 160 manufacturing companies listed on the Indonesia Stock Exchange for the period 2020-2021.

The method of analysis technique used is multiple linear regression analysis. Based on the results of the test, the conclusion of this study is that the frequency of meetings affects forward looking information disclosure, so that hypothesis-1 is accepted; gender diversity does not affect forward looking information disclosure so that hypothesis-2 is rejected; board size does not affect forward looking information disclosure so that hypothesis-3 is rejected; firm size affects forward looking; profitability does not affect forward looking information disclosure so that the 6th hypothesis is rejected; auditor type does not affect forward looking information disclosure so that the 7th hypothesis is rejected.

In this study the independent variable that affects the dependent variable is only the frequency of board

meetings. The frequency of Board of director meetings has a significant effect on the disclosure of forward-looking information. If the board of directors meetings are held frequently, it can improve the information presented by the board of directors and also with the size of the company will represent diverse characteristics and perspectives. And with the size of this company can also add Company connections related to suppliers, customers and also the board of Directors of other companies.

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