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Full Length Research Paper

Does good corporate disclosure matter to investors?

Martin Surya Mulyadi* and Yunita Anwar

Accounting and Finance Department, BINUS University, Indonesia.
Accounting and Finance Department, Bina Nusantara (BINUS) University, KH Syahdan 9, West Jakarta, Jakarta, Indonesia.

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Good corporate disclosure is one principle of good corporate governance (GCG). Many of significant business failures over recent years were later shown to be the result of unethical behavior of management. In order to improve the growing concern, there was accountability and governance reform trigerred by Enron and WorldCom case in U.S. which in turn produced Sarbanes-Oxley Act. In the same time, there is also growing concern of GCG implementation. Implementation of GCG will create corporate sustainability and could be measured with corporate disclosure. Investors also take responsibility to push the corporation toward implementation of good corporate governance. Recent study showed that there is inconsistent finding regarding correlation between corporate sustainability and corporate profitability. Other research also stated that culture is significant in implementing GCG in a firm. Our study which employs EGARCH econometric model, shows that from four Indonesian corporation that received Annual Report Award for three consecutive years, only one corporation show that good corporate disclosure matter to investors in 2008 (with risk factor). Without using risk factor, we find evidence from the same corporation that their good corporate disclosure affected investors in 2007 and 2008; also, good corporate disclosure from one other corporation in 2008 matter to investors. However, as culture is significant in GCG implementation and yet there is still many corruption and bribery case in Indonesia, we can conclude that because of those culture, good corporate disclosure does not really matter for Indonesian investors.

Key words: Good corporate governance (GCG), good corporate disclosure, accountability reform, governance reform.

INTRODUCTION

Good corporate disclosure from corporation is one principle of good corporate governance (GCG). As we know, there is a growing concern nowadays regarding good corporate governance practice, especially in Indonesia. In Indonesia, National Committee of Governance Policy–a committee responsible for good corporate governance practice in Indonesia, point out five principles of good corporate governance which includes: transparency, accountability, responsibility, independency, and fairness.

Good corporate disclosure is one of the best measurement for three principles of good corporate governance: transparency, accountability, and responsibility. Good corporate disclosure which we are going to discuss in this study is not limited to financial statement, but we use a broader view by using annual report issued by a corporation. In an annual report, there is financial statement as financial disclosure and also, many other informations that are useful for investors.

The governance and accountability reform originated from Enron and WorldCom debacle in United States of America. After the world witnessed many manipulation from two giant companies in United States of America, Congress and Senate produce a product so-called Sarbanes-Oxley Act on July 30, 2002. This Sarbanes-Oxley Act provides frameworks for reform of the corporate governance system based on integrity and accountability, and for the accounting profession based on independence and fiduciary duty to the public interest.

*Corresponding author. E-mail: martin@binus.ac.id, martin.mycc@gmail.com.

So, basically, we can see that there is a clear connection between governance and accountability reform with the implementation of good corporate governance practice. Unethical conduct of accountant in the past has created a governance and accountability reform which leads to growing concern and need of good corporate governance practice. In order to create a good corporate disclosure, which is in accordance to good corporate governance, an ethical management is needed. Unethical management does not think they would necessarily create a good corporate disclosure to inform investors and other stakeholders.

After viewing a clear connection between good corporate disclosure with management's ethics and also good corporate governance practice, a question arise: does the good corporate disclosure really matter to the investors? It is interesting to see whether it matters or not, because good corporate disclosure is made in order to communicate with stakeholder (one of which is investor). Then, does it matter to the investor (shareholder) for them having a good corporate disclosure or not?

Although the concept of management's responsibility is toward stakeholder (not only shareholder) after the corporate and accountability reform (and also implementation of good corporate governance practice), we still use information from stock market in our research. Stock market is still one of the best source for corporation's financing needs and therefore, would also change policy of corporation if they have new major shareholder. Following Fama's (1970) assumption of an efficient capital market, the price of the security is the best available and unbiased estimate of the firm's present value of discounted future cash flows.

Our study's objective is to find out whether Indonesian investors view a good corporate disclosure as one of their investment decision or not. We believe that if its taken as one of consideration, then a good corporate disclosure of one corporation will create higher price and return; and vice versa. We choose Indonesia as our research site because there is a limited number of research that researched good corporate disclosure and its impact to investors.

LITERATURE REVIEW

Corporate governance and good corporate governance

Corporate governance has been described by Sir Adrian Cadbury as the way organizations are directed and controlled (Pickett, 2005). An organization's main task is to achieve the level of performance that it was established for. But at the same time, an organization must adhere to all relevant standards, rules, laws, regulations, policies and expectations that form a framework within which this performance must be assessed.

Corporate governance codes and policies have come to be relied on to re-establish the performance /conformance balance to ensure integrity, openness and accountability. According to survey by Management Today and KPMG Forensic Accounting, ethics needs to be considered in the working life. Therefore, creating corporate ethics will help create higher degree of accountability in the corporation.

Most scholars adopt the definition of corporate governance provided by OECD, which refers to the mechanism and process of instructing, managing, and actualizing corporate managers, and protecting the interests of shareholders as well as other stakeholders by improving corporate performance (Organisation for Economic Cooperation and Development, 2004). Shleifer and Vishny (1997) believe corporate governance involves how fund suppliers' returns can be guaranteed and how they can ensure managers would not infringe their money nor invest it in ineffective plans for selfish reasons. Ye et al. (2002) proposed that a well-designed and implemented system not only helps improve the capacity of strategic management and supervise managers' behaviors but also ensures the returns deserved by external investors and protects other stakeholders' interests. Good corporate governance is one part of a market economy system. It closely relates to trust, either to the corporation and also business condition in a country. Implementation of good corporate governance will encourage fair competition and also good business condition. In Indonesia, Indonesian National Committee of Governance Policy (2006) has stated five principles of good corporate governance which includes:

1. Transparency: to keep objectivity in running a business, corporations have to provide timely and understandable material and relevant information for stakeholder. Corporations have to disclose important information, not just the information required to disclose by regulations.
2. Accountability: a corporation should be accountable of its performance. So, a corporation has to be well-managed, measurable and in accordance with corporation's objective and also consider interest of shareholder and stakeholder.
3. Responsibility: a corporation has to follow all regulations, and also, do the responsibility toward society and environment, therefore creating a sustainable business.
4. Independency: to ensure implementation of good corporate governance, corporations should be independently managed. There will be a dominant part in a corporation and no intervention from other parties.
5. Fairness: corporations have to view interest of shareholder and stakeholder fairly. There will be no discrimination between all corporation's stakeholder.

As we have discussed earlier, good corporate disclosure is one example from three principles of good corporate governance. By issuing a good corporate disclosure, a corporation provides important and relevant information for stakeholder (transparency), being accountable of their performance from financial report/financial statement (accountability), and also follow the regulation that public company required to submit their report to capital market supervisory board (responsibility).

Another example of implementation of good corporate governance are: corporate social responsibility and corporate social entrepreneurship (responsibility), installment of independent director in board of director (independency), audit committee function in a corporation (independency), and also fair employment/there is no gender discrimination (fairness).

Governance and accountability reform

Many of the more significant business failures over recent years, in the United States and elsewhere worldwide, were later shown by investigators, regulators, and journalists to be the result of unethical behavior on the part of business managers and CEOs (Moeller, 2005). Historically, such failures are nothing new, and ethical lapses have occurred since the early days of business and trade. However, today's lapses often seem different, as access to information widely publicizes them and more people may be hurt due to many people with stock market investments and other financial interests.

Business failures from two giant corporation in United States of America, Enron and WorldCom, trigerred Congress and Senate produced Sarbanes-Oxley Act on July 30, 2002. Sarbanes-Oxley Act provides frameworks for reform of the corporate governance system based on integrity and accountability, and for the accounting profession based on independence and fiduciary duty to the public interest. The provisions of Sarbanes-Oxley Act will be observed by U.S. Securities and Exchange Commission registrants, and probably by the world's largest corporations that want access to U.S. capital markets.

The Enron and WorldCom scandals showed that corporate activities designed to favor current management and some shareholders were not necessarily in the interest of future shareholders or current stakeholders who wished for long-term success. The Sarbanes-Oxley Act reforms were designed to refocus the governance model on responsibility of directors on their fiduciary duty beyond their own self-interest to that of shareholders as a whole and to the public interest.

A significant parallel development that benefited from Sarbanes-Oxley Act concerns, was the development of a set of international accounting standards for corporations and a code of ethics for professional accountants to harmonize to worldwide. The International Federation of Accountants (IFAC) developed the IFAC Code of Ethics. The member organizations of IFAC have agreed to bring their own codes of ethics into substantial agreement with IFAC Code, which states that: "A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest."

Since the passage of the Sarbanes-Oxley Act until now, considerable progress on governance reform has been made. However, McKinsey surveys reveal that directors and investors broadly agree that additional reform is needed (Felton, 2004). These directors and investors wanted to see changes in three areas in particular: separating the roles of chairman and CEO, improving board accountability, and reforming executive compensation. We can see that accountability is one concern both by investors and also directors.

Corporate governance in Asia

The financial crisis that overran much of Asia in the late 1990s prompted most of the affected countries - including Indonesia - to make improved corporate governance a priority. Nearly all the Asian countries now require listed companies to have independent directors and audit committees (Barton et.al., 2004). Agreement is growing, at least in principle, on what good governance entails, and most countries in the region have adopted explicit governance codes. Yet progress is uneven. Across Asia, too many companies remain unconvinced of the value of good governance, and change faces real-world impediments and disincentives.

Moreover, the institutions needed to ensure good governance - judicial systems, capital markets, long-term institutional investors that can push for better governance - continue to be under-developed in most of Asian countries. Laws and regulations are not enforced rigorously; well-trained accountants and other professionals are scarce.

The starting point for reform in Asia is therefore very different from the starting point in Europe or North America. Asian governments, corporate leaders, investors, and regulators realize that corporate governance practices will not change overnight, so patience is needed. Getting companies to comply with new rules is a daunting prospect requiring greater transparency and better enforcement, not to mention a cultural upheaval in boardrooms.

Without greater transparency, new laws and governance codes will do little to build investor confidence. Notwithstanding recent reforms, accounting standards in many Asian jurisdictions remain weak. Not enough professionals have an in-depth understanding of local or international accounting standards. The accounting self-regulatory organizations are lax. As a result of all this, reported earnings, cash flows, and balance sheet can be quite unreliable. If previously we have discussed that accountability is one concern, in Asia, we also found the same evidence that accountability (in form of financial report) is also one concern in implementation of good corporate governance.

In principle, investors could pressure companies to comply with new governance requirements. In practice, most of the region's investors - domestic and foreign - are reluctant to get involved. They invest in a company if they believe that its growth prospect and risk premium outweigh all other factors and tend to sell their holdings rather than challenge management when governance problems arise. Investors must become more vocal in support of reform and more willing to engage in management. Improved financial reporting and broader disclosure will help.

Meanwhile, some investors are actually doing their bit to improve corporate governance. A number of local Thailand funds, asset-management firms, and life insurance companies that collectively manage $ 23 billion in assets, for instance, have formed the Institutional Investor Alliance to promote better corporate governance in Thailand.

In Taiwan, they divided implementation of corporate governance by internal and external mechanism (Lin, 2010). The internal mechanism of corporate governance has the following six purposes: reinforcing the capacity of the board of directors, expressing the capacity of the supervisor, establishing and implementing the internal control system, encouraging shareholders' participation, protecting stakeholders' interests, and reinforcing information disclosure. The external mechanisms are as follow: revising the law, functionality of external professionals, supervision by the authority or stock exchange, expressing the legal system, and operation of self-discipline institutes.

In Indonesia, several organizations (Capital Market Supervisory Board, Indonesia Stock Exhange, Indonesia Central Bank, Minister of State Owned Enterprise, National Committee of Governance Policy, Indonesian Accountant Association, and General Directorate of Tax) collaborate organizing "Annual Report Award" which are held annually. This award is measured from corporation's annual report (its content, its disclosure, including its financial reporting) and also good corporate governance practice. If a corporation is elected as top-three corporation in "Annual Report Award", it is a recognition from several organizations afore-stated as they have a good annual report (good disclosure, good information, good quality) and also good implementation of good corporate governance among the others.

Corporate governance and quality of financial disclosure

Research evaluates the impact of corporate governance policies on the financial reporting environment generates mixed evidence. Karamanou and Vafeas (2005) demonstrated that corporations with more efficient boards and stronger audit committees led to issuance of more forecasts by management that were also more accurate. Contrary to these results, research by Koehn and Ueng (2005) documented that firms with poor governance practices provided financial information that was at least as good as firms with strong corporate governance.

In addition, Farber (2005) found that firms previously cited for fraud had difficulty overcoming the stigma, even after improving their corporate governance practices. Specifically, they still faced issues with credibility as institutional holdings and the number of analysts following the company did not increase subsequent to governance improvements. Thus, it is not clear whether stronger corporate governance directives accomplish the desired goal of creating more transparent and reliable financial statement.

Myring and Shortridge (2010) found mixed evidence on the relationship between corporate governance and the quality of financial disclosures. Governance scores (extracted from The Corporate Library) tend not to be related to analysts' consensus or the accuracy of individual forecasts. Their results are consistent with finding from Koehn and Ueng, and Farber that suggested strong corporate governance policies may not result in improvements in the financial reporting environment.

Corporate sustainability and financial performance /firm's value

As there is growing concern of implementation of good corporate governance (which in turn will create corporate sustainability, should the implementation is going well), it is worth asking: is corporate sustainability accounted as a role while measuring a firm's value? Previous studies relating to this topic are mostly focusing on a firm's corporate social responsibilities (CSR) to its financial performance, but with inconsistent conclusions. While some studies found positive relationship between CSR and profitability (Mallin et al., 1995; Sauer, 1997; Cummings, 2000), others found negative or insignificant effects (Wagner, 2002; Korhonen, 2003; Bauer et al., 2005; Wahba, 2008; Valor et al., 2009; Mulyadi et al., 2011). These studies mainly put the research objects on social responsible index or fund. Lo and Sheu (2010) also found that financial performance variable is a strong and consistent determinant of a firm's market value.

Governance and culture

As far back as the 1930s, organizational culture was identified as a socially constructed concept that translates into a unique identity of a company (Mead, 1934; Berger and Luckmann, 1966). It was described as an effect that provides organization members with a way of understanding and making sense of events and symbols (Holzner and Marx, 1979). Several researchers in organizational behavior considered culture as the ultimate driver of performance, as it defines the values and beliefs that the organization embraces in daily operations as well as its long term direction. Davis (1984) coins them as daily beliefs and guiding beliefs. But if culture is the driver of performance, then it needs to provide the employee with fundamental factors that unlock their potential. Organizational culture has also been described as a powerful lever for guiding organizational behavior, functioning as a control mechanism that–informally–approves or prohibits patterns of behavior (Martin and Siehl, 1983).

Smircich (1983) presents four factors as key inputs into the employee's professional life that shape company culture. These factors are organizational identity, collective commitment, social system stability, and sense-making device. Organizational identity is developed through clarity about who we are and what we do, core services at which we claim to excel. Collective commitment cannot develop unless there is alignment between what the company expects the employee to do, and the employee's own perception of his role. This also requires clarity in communication about collective and individual goals. Social system stability in a company culture provides the employee with a surrounding system that ensures a steady-handed support in everyday dealings. The culture as a sense-making device means that there should be enough transparency so that employees know where decisions come from, why they are made, and when they are supposed to be executed. In other words, the employee needs to be able to make sense out of what is going on around them.

The four mentioned components that contribute to culture are all enhanced with good governance. Out of these four components, culture as a sense-making device is most tangible as it allows the individual to connect with the broader corporate community and make sense out of his environment. This is closest to what people think and feel daily at work. In conclusion, corporate governance is certainly related to overall culture of the corporation.

Annual report award (in Indonesia)

As we have discussed earlier, in Indonesia, several organizations collaborate to organize Annual Report Award. Every year, they will choose corporation to receive the award which is categorized as state owned enterprise (SOE) and non-SOE, and also bank/finance industry and other industries. Every year, 12 corporations are elected to receive the award on each category. We can conclude that selected corporation from the committee that receive "Annual Report Award" is the best performer in corporate disclosure amongst others.

To decide which corporations receive the award, they will be judge based on eight classifications (which include financial disclosure, information disclosure, implementation of good corporate governance, in summary, we call it corporate disclosure). The criteria are:

1. General information (annual Report in Indonesia and English, availability of annual report in corporation's website, etc.)
2. Summary of important financial data (comparison of important financial data from 5 last years, etc.)
3. Report from board of commisary and director
4. Corporation's profile
5. Discussion and Analysis regarding management performance
6. Good corporate governance implementation (existence of Board of Commisary, Board of Director, Audit Committee, Remuneration Committee, Corporation's Ethics, etc.)
7. Financial information (complete financial statement, opinion to financial statement in accordance to auditing standard, etc.)
8. Other criteria relate to good corporate governance (GCG practice which exceed stated criteria or bad corporate governance practice which is not listed in the criteria)

HYPOTHESIS

After analyzing literature review and previous research, we have the idea that business failure in the past, mostly caused by unethical management, led us to governance and accountability reform. Governance and accountability reform in U.S. marked by Sarbanes-Oxley Act, and also OECD, issued principle of good corporate governance. Implementation of good corporate governance will create corporate sustainability and could be measure trough corporate disclosure (financial and non-financial). Previous research showed that corporate governance and quality of financial disclosure is mostly unrelated, while correlation between corporate sustainability and corporate profitability is inconsistent. And also, culture takes an important portion in GCG implementation.

Meanwhile, the development of corporate governance in Asia (including Indonesia) is different with those in Europe and U.S. Therefore, patience is needed to wait for the full implementation of good corporate governance. Investors in Asia have also done their best in pushing the corporation to implement GCG (for example, Thailand, Taiwan, and Indonesia in our discussion).

Because in Indonesia we have measurement from Annual Report Award organized by several credible organization, we will use sample data from selected companies that won Annual Report Award. Although we only take limited number of company (four companies), these chosen companies have won this award for three consecutive years from several credible organizations. So, we believe these are the best companies in Indonesia in term of good corporate disclosure. As culture is also one portion in GCG driver (one of it is corruption), and Indonesia has quite high corruption perceptions index, we therefore formulate our hypothesis: "Corporate disclosure does not matter to investors" which means a good corporate disclosure from a certain company wouldn't have any good impact to its price.

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RESEARCH METHODOLOGY

Data used in this research are closing price from four listed corporation received Annual Report Award. The selection criteria is selected corporation which should have received the Annual Report Award for three consecutive years (2007 to 2009). We do not separate between bank/financial industry with other industries, also do not take account if the corporation is state owned enterprise or not. The selected corporations are: Telekomunikasi Indonesia (TLKM), Bank Mandiri (BMRI), Bank CIMB Niaga (BNGA), and Bank Permata (BNLI). We also used Indonesian Stock Exchange Composite as risk factor in our econometric model.

We use data from July 1, 2008 to November 23, 2010. As requirement from Annual Report Award committee that every corporation should issue their annual report at least on June 30, we used data starting from July to June in the next year to measure the effect from the issuance of annual report (corporate disclosure). For computing daily return, we use:

$$R_t = 100 \times \ln(I_t / I_{t-1})$$

R_t = return at t-period; I_t = closing price at t-period.

Econometric model used in this study is Exponential GARCH (EGARCH) developed by Nelson (1991). EGARCH model has some advantages than GARCH. Firstly, since using ln (σ_t^2) though with negative parameter σ_t^2 we still have positive result. It also allows asymmetries. The models are:

$$R_t = \sum_{i=1}^{3} d_i \delta_{it} + \sum_{i=1}^{k} e_i R_{t-i} + \varepsilon_t \qquad (1)$$

or

$$R_t = \sum_{i=1}^{3} d_i \delta_{it} + \sum_{i=1}^{k} e_i R_{t-i} + \beta_i \sum_{i=1}^{3} R_{JKSE} + \varepsilon_t \qquad (2)$$

Where

$$\ln\left(\sigma_t^2\right) = \omega + \sum_{j=1}^{p} \beta \ln\left(\sigma_{t-1}^2\right) + \sum_{i=1}^{q} \gamma \frac{\mu_{t-1}}{\sqrt{\sigma_{t-1}^2}} + \sum_{i=1}^{r} \alpha \left[\frac{\left|\mu_{t-1}\right|}{\sqrt{\sigma_{t-1}^2}} - \sqrt{\frac{2}{\pi}} \right]$$

$\sum_{i=1}^{5} d_i \delta_{it}$ dummy variable for Annual Report 2007, 2008, 2009,

$\sum_{i=1}^{k} e_i R_{t-i}$ = lag return,

$\beta_i \sum_{i=1}^{3} R_{JKSE}$ = Indonesian Stock Exchange Composite,

ε_t = error,

$\sum_{j=1}^{p} \beta \ln\left(\sigma_{t-1}^2\right)$ = effect from previous variance,

$\sum_{i=1}^{q} \gamma \frac{\mu_{t-1}}{\sqrt{\sigma_{t-1}^2}}$ = asymmetries effect,

$\sum_{i=1}^{r} \alpha \left[\frac{\left|\mu_{t-1}\right|}{\sqrt{\sigma_{t-1}^2}} - \sqrt{\frac{2}{\pi}} \right]$ = effect from previous error.

RESULTS AND DISCUSSION

First model (without risk factor)

Table 1 shows result testing from the four corporations without using Indonesian Stock Exchange Composite as risk factor (using first model, Equation 1). AR07, AR08, and AR09 are the effect of Annual Report of each year to daily return of corporation's stock. Meanwhile, C(5) to C(8) is measured the model we used in this research. We use corporation's ticker symbol as our symbol.

From Table 1, we can see that usage of our econometric model is suitable as most indicator from C(5) to C(8) is significant in 1%. Meanwhile, the testing for effect of their good corporate disclosure to stock's return only signficant for Bank Niaga (BNGA; significant in 1% for 2007, and 5% for 2008) and Bank Permata (BNLI) which is significant in 1% only for 2008.

This two corporations are non-state owned enterprise while Telekomunikasi Indonesia and Bank Mandiri are. From our finding in this model, which only non-SOE have positive impact between good corporate disclosure and stock's return, as public have higher expectation to non-SOE (as many corruption and bribery cases are in our government, which may also affect SOE as well) or public have already perceived that SOE should have been implemented GCG better than non-SOE. Though, we expect public have second perception to SOE rather than the first one.

Meanwhile good corporate disclosure matters to investors in 2008 and 2007 (for two corporations stated above) might be related to financial crisis in U.S., as both corporations are in finance/banking industry. Although Bank Mandiri is also in finance/banking industry, their good corporate disclosure does not matter to investors. Again, it might be related to stigma of SOE against non-SOE as we have discussed earlier.

From this model, we can conlude that good corporate disclosure does not really matter to Indonesian investor. Furthermore, what we have found in this model is similar with research by Myring and Shortridge (2010) who found mixed evidence on the relationship between corporate governance and the quality of financial disclosures. And

Table 1. Result from equation (1).

	TLKM	BMRI	BNGA	BNLI
AR07	0.0493 (0.3481)	0.0174 (0.0941)	0.5901* (4.0543)	0.0685 (0.6162)
AR08	0.1374 (1.2991)	0.2471 (1.5413)	0.3671** (2.2219)	0.4268* (3.7714)
AR09	0.1102 (0.5695)	0.1351 (0.5125)	0.4662 (1.5351)	0.2260 (0.5253)
Lag return	0.0513 (1.1431)	0.0790 (1.8230)	0.1322* (2.9127)	0.0599*** (1.9493)
C(5)	0.1597* (4.7708)	0.1286*(4.1962)	0.0741* (3.2170)	0.2133* (3.4983)
C(6)	0.3098* (8.0297)	0.2458* (5.5964)	0.2671* (8.3861)	0.5909* (12.5919)
C(7)	0.0391 (1.3748)	0.0102 (0.4548)	0.0844* (3.8898)	0.0206 (0.5533)
C(8)	0.9516* (78.1773)	0.9712* (83.0863)	0.9449* (125.9855)	0.7591* (34.1754)

Source: Data processed used Eviews 5. *Significant in 1%, **significant in 5%, ***significant in 10%. Numbers in parenthesis are z-statistic.

Table 2. Result from equation (2).

	TLKM	BMRI	BNGA	BNLI
AR07	0.0601 (0.4801)	0.1996 (1.3065)	0.0638 (0.4708)	0.0736(0.4485)
AR08	0.1121 (1.1640)	0.0895 (0.8061)	0.2288** (1.6476)	0.0690 (0.3952)
AR09	0.0912 (0.5970)	0.0052 (0.0267)	0.2062 (0.8303)	0.1483 (0.3728)
RF07	0.8272* (20.7346)	1.3468* (25.7456)	0.9512* (17.7231)	0.2556* (4.9602)
RF08	0.7606* (10.7930)	1.1991* (16.8327)	0.6075* (6.8410)	0.4326* (5.5370)
RF09	0.9259* (5.7435)	1.2489* (6.3171)	0.7161* (3.1284)	0.3550 (0.9546)
Lag return	0.0402 (1.1991)	0.0667** (2.4622)	0.1801* (4.5355)	0.0450 (1.3686)
C(8)	0.1278* (4.0033)	0.0951* (4.4745)	0.1423* (3.5489)	0.2539* (5.4873)
C(9)	0.2368* (4.9231)	0.1496* (5.0487)	0.3779* (6.5086)	0.6473* (11.9337)
C(10)	0.0443 (1.4536)	0.0511** (2.0086)	0.0751* (2.7087)	0.0095 (0.2084)
C(11)	0.9516* (48.7062)	0.9852* (229.5500)	0.9302* (69.6754)	0.7213* (34.4184)

Source: Data processed used Eviews 5. *Significant in 1%, **significant in 5%, ***significant in 10%. Numbers in parenthesis are z-statistic.

also, other research suggested that there is mixed evidence between corporate sustainability and firm's value (Cummings, 2000; Valor et al., 2009; Mulyadi et al., 2011).

Second model (with risk factor)

Table 2 shows that the model of Equation 2 is also suitable for testing, as indicator from C(8) to C(11) showed most of them are significant in 1%. The result from our testing showed only good corporate disclosure from Bank Niaga (BNGA) in 2008 mattered to investors while the others did not. The result is slightly different from the first model, where we also find that Bank Permata also has significant impact between good corporate disclosure and stock's return. But, overall finding is still the same, that there is good corporate disclosure from non-SOE corporation (in this case Bank Niaga) - while there is also growing concern from U.S. financial crisis – this matters to investors.

With this second model, we come to same conclusion as our first one that most of the investors in Indonesia do not really care about good corporate disclosure from the corporation. This once again is in line with previous research by Myring and Shortridge (2010) who suggested there is mixed evidence between corporate governance and quality of financial disclosure.

There are many things that need to be improved in Indonesia. The most important thing is our culture. Culture here might relate to corruption (which tend to be culture in Indonesia) that needs to be gotten rid of, to restore confidence from investors so they might find good corporate disclosure is important for them. The other culture is culture to the investors themself, that they need to push corporation to implement GCG well. Well implementation GCG in corporation in turn, needs well-informed investors (which require the corporation to be transparent, accountable, responsible, independent, and fair).

Conclusion

An inconsistent finding was discovered by this research on whether the corporate disclosure mattered to the investor or not. But, we can summarize from our research that during 2007 to 2009, only non-SOE corporation have significant impact between their good disclosure and stock's return. In addition, significant impact happens while there is growing concern to the stock market caused by U.S. financial crisis.

From our research, we can see that it is true that culture takes a significant part to the GCG implementation. We need to get rid of our corruption culture (especially in government, which may affect SOE as well) so that investors will see that it is important to have good corporate disclosure from SOE. Otherwise, they would not think it will be necessary to have good corporate disclosure because the disclosure will not have significant effect if corruption still takes place. Another option is that investors already perceived that SOE should have been implemented GCG better than non-SOE, which is why SOE corporation does not have significant relation from good corporate dosclosure to their stock's return.

Besides, we also need to encourage Indonesian investor to participate in pusing the corporation for implementing GCG. Implementation of new law and regulation would also be helpful; so, the corporation will try to implement the principles of GCG. Without these, we are still far behind from other corporation in the world.

Therefore, we will conclude that good corporate disclosure matters to investors when they view a good corporate disclosure as one of their investment decision which in turn create a higher return for that particular investment.

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