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Board of Directors Characteristics and Disclosure Tone During Covid-19 Pandemic: Evidence from Indonesia

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Abstract

This research aims to examine whether board characteristic affect disclosure tone during covid-19 pandemic in Indonesia. Population of this research are companies that affected by covid-19 pandemic. Total samples are 85 companies. The sampling technique was stratified random sampling method. To measure disclosure tone, researcher use content analysis of board of director statement in annual report 2020. Based on data analysis result, only board of directors' age that have effect on disclosure tone. Our result showed that the older directors tends to use less positive disclosure tone. Meanwhile, board size, board gender diversity, board meeting and board financial expertise has no effect on disclosure tone. This research is expected to make contribution for accounting literature, especially voluntary disclosure area and also has practical implication by giving an overview related disclosure tone in crisis situation for Indonesian companies**.**

Keywords: disclosure tone; board characteristic; voluntary disclosure; covid-19 disclosure.

1. Introduction

Covid-19 pandemic has significant effect to Indonesian economy. Based on Indonesian Economy Report published by Indonesian Central Bank, the large-scale social restriction policy to prevent the spread of Covid-19 has reduced economic mobility which has caused a contraction in 2020 economic growth. Indonesia's economic growth slowed to 2.87% (yoy) in the first quarter of 2020 and -5.32% (yoy) in the second quarter. Covid-19 also has negative effect to companies listed on the Indonesia Stock Exchange (IDX). Based on Central Bureau of Statistics report, mostly all company sectors has decrease in earnings per share (EPS), except agricultural sector.

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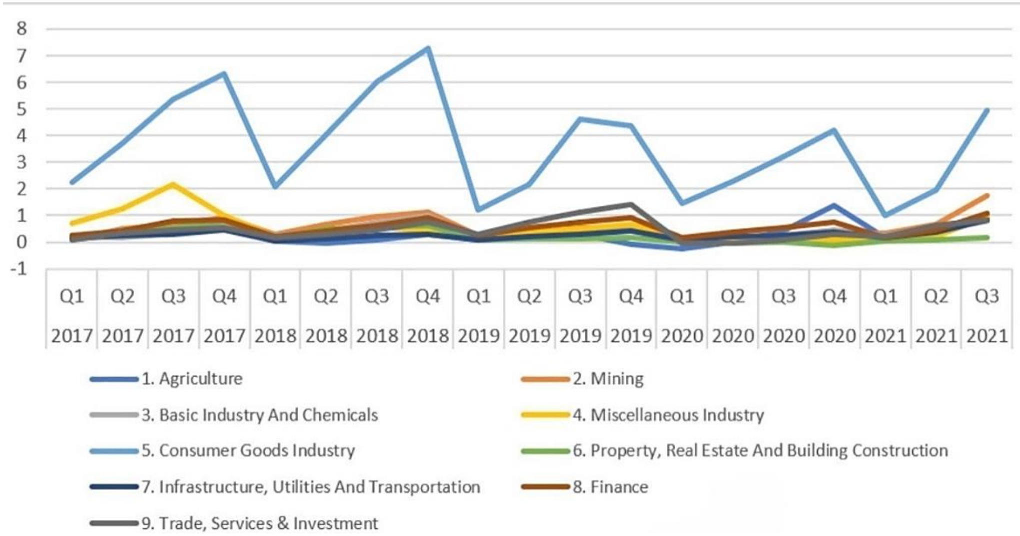

Figure 1: EPS trend of company sectors in Indonesian Stock Exchange

Source: Central Bureau of Statistics report, 2021

Pandemic covid-19 leads to business uncertainty and companies expected to disclose any covid-19 related information to decrease information asymmetry and give signal about firm' performance to public [18,20]. To encourage information disclosure, Indonesian Stock Exchange through letter no. S-02842/BEI.PPU/05-2020 dated May 15th 2020 required public companies in Indonesia to disclose impact of the covid-19 pandemic. Other than the mandatory disclosure, companies also can make voluntary disclosure. The Financial Accounting Standards Board (FASB) defines the term voluntary disclosure as information, outside of financial statements that is not explicitly required by accounting regulations or standards. Annual report is one of the tools that management can use to publish voluntary disclosure. However, in the other side, voluntary disclosure especially narrative disclosure is not an audit subject and management can use the disclosure as a form of management's impression by showing positive performance to the public [1].

Management can also use a different tone when making disclosures. The main focus of the concept of disclosure tone is on the sentiment of news or disclosures made by management in financial statements. Disclosure tone is generated from management's impression strategy, where management bias can affect disclosure tone and their disclosure style to give signals to financial statement users. This can be done by expressing certain sentences to give the user a specific tone. Management can use a good tone to get more capital or boost the company's reputation. Meanwhile, management can use a bad tone to avoid a potential takeover of the company or avoid a specific liability [8,9.26].

The interaction of key individuals in the company in creating disclosure tone is interesting topic to study, considering that managers have greater discretion over disclosure in the form of text rather than disclosure in the form of numbers. Previous literature has shown that the board of directors plays a governance role in relation to financial statements, with various characteristics of the board of directors affecting the quality of reported earnings and voluntary disclosures made [25]. Research by [2] examines the effect of the audit committee's characteristics on Covid-19 related disclosure tone. The study found that gender diversity in the audit committee and overlapping audit committee members (serving as audit committees in other companies), has a positive effect on good news, while audit committee size has a positive effect on the use of bad news. In contrast, the number of audit committee meetings has no effect on the tone of disclosure. Research by [25] also examines the effect of board characteristics on disclosure tone. The study found that the age of the director, male proportion in board, education and experience as a finance director had an effect on disclosure tone. The characteristics of the board of directors generally can be divided into structural characteristics (size, duality, and independence of the board of directors), demographic (age, gender, education level, and background of the board of directors) and activity level, for example the number of board of directors meetings [31,11]. This research use board size, board gender diversity, board age, board meeting and board financial expertise as board characteristic variables and examines whether those characteristic affect disclosure tone during covid-19 pandemic in Indonesia

2. Literature Review and Hypotheses

2.1 Agency Theory

Agency theory explain that good corporate governance can mitigate agency conflicts. Good corporate governance can increase the difference of opinion and the quality of discussion related to the disclosure process. Therefore, the role of corporate governance is very crucial in presenting disclosures to investors [23]. The characteristics of the board of directors are one of the instruments towards implementation of effective corporate governance [12].

2.2 Upper Echelons Theory

According to upper echelons theory, the characteristics of the upper echelons are part of the reflection on the situation faced by the organization. The situations that occur are often complex and consist of more phenomena than managers can understand. To make decisions, managers use the cognitive base and values they have which are reflected in their characteristics. Examples of these characteristics include age, length of work in the organization, functional background, education, socioeconomic background and financial position [5]. This theory explains that strategies and effectiveness of an organization is a reflection their upper echelons's characteristics.

2.3 Disclosure Tone

Disclosure tone refers to the sentiment of news or disclosures made by management in financial statements. Disclosure tone tends to result from management's impression strategy, where management bias can affect the tone and style of disclosure so that it can convey a planned signal to report users [26]. Tone can also be defined as the tone used by the writer to influence communication with the reader from the feelings formed through the text, both positive and negative emotions. Therefore, tone can have an impact on readers' reactions and perceptions [1]. In analyzing the disclosure tone, there are two types of tones which are the positive tone and the negative tone [10].

2.4 Board Size and Disclosure Tone

Board size is one of the important governance mechanisms and can affect the company's level of voluntary disclosure [24]. There are two perspectives on the size of the board of directors. In one side, the larger the size of the board of directors will provide a more diverse view in the decision-making process. However, in the other side, a larger board of directors will be less effective in making decisions and controlling management authority. Empirical research that examines the effect of the size of the board of directors on voluntary disclosure and disclosure tone has mixed results. Research by [4] found that the size of the board of directors has a positive effect on the disclosure of social, environmental and governance activities. Research conducted at Indonesian companies, such as [32] reported that the size of the board of directors is positively and significantly associated with the level of voluntary disclosure. However, [19] found that there is no significant effect between the number of the board of directors and CSR disclosure. Based on agency theory and previous research, this research expects that board size affect disclosure tone during pandemic covid-19.

H1: There is relationship between board size and disclosure tone during covid-19 pandemic in Indonesia

2.5 Board Gender Diversity and Disclosure Tone

Gender has different behavior in decision making, values, responsibilities, understanding and risk preferences. Men are more interested in increasing economic benefits and are more likely to break the rules in order to achieve greater success. Meanwhile, female managers are more ethical in behaving and making decisions [13]. Research by [30] found that the proportion of women on the board of directors had a significant negative effect on CSR disclosure because female directors had less participation. For research that examines the influence of female directors on disclosure tone, [13] found that the more female directors, the information conveyed tends to have a less positive tone. The reason is because women are more ethical and risk averse. Based on upper echelons theory and previous research, this research expects that board gender diversity affect disclosure tone during pandemic covid-19.

H2: There is relationship between board gender diversity and disclosure tone during covid-19 pandemic in Indonesia

2.6 Board Age and Disclosure Tone

The age of the directors can be related to the experience they have. Someone who is older usually has more experience, the ability to make the right decisions, and runs a business in a "straight" way, so they tend to choose a safe way and don't take high risks [30]. According to the upper echelons theory, older executives are usually more conservative and careful in the strategy selection process. A higher level of conscientiousness causes someone to tend to use a more neutral and reasonable disclosure tone [23]. Research by [25], which examines the relationship between the age of the director and the disclosure tone, finds that the older the director, the more neutral the tone of the disclosure will be. This is in accordance with the research of [17], which explain that the older a person, the less willing they are to take too high a risk. Based on upper echelons theory and previous research, this study expects that there is a relationship between the average age of the board of directors and the disclosure tone during the Covid-19 pandemic.

H3: There is relationship between board age and disclosure tone during covid-19 pandemic in Indonesia

2.7 Board Meeting and Disclosure Tone

The board of directors meeting is one of the initiatives of the board of directors to carry out the supervisory function of management. Board of directors meetings serve as a place to share knowledge and information among experts. This is a crucial resource for the organization [34]. Based on agency theory, more frequent meetings can reduce agency problems because there are activities to share ideas, debate and disclose company performance [29]. This study expects that there is a relationship between the meeting frequency of the board of directors and the disclosure tone during the Covid-19 pandemic.

H4: There is relationship between board meeting and disclosure tone during covid-19 pandemic in Indonesia

2.8 Board Expertise and Disclosure Tone

Upper echelons theory stated that managers with a financial background are more detailed in budgeting and are more conscientious, therefore, they can develop more appropriate communication styles. The expertise of the board of directors is one of the intrinsic characteristics of senior managers that can influence the selection of an effective corporate strategy [5]. According to [13], several previous studies show that directors with an accounting background tend to follow a conservative strategy so that they use a less positive tone in their disclosures. The results of his research also reveal something in line, where directors who have an accounting background tend to use a less positive tone. Based on upper echelons theory and previous research, this research expects that board financial expertise affect disclosure tone during pandemic covid-19.

H5: There is relationship between board expertise and disclosure tone during covid-19 pandemic in Indonesia

3. Research Methodology

3.1 Data

This research use non financial companies that affected by covid-19 pandemic in Indonesia which are all sectors in Indonesian Stock Exchange, except agricultural sectors. Total population are 550 companies. Samples method using stratified random sample and total sample per sector calculated by Slovin formula. Our initial sample was 85 companies. These number was reduced due to there was 7 companies that not publish annual report, 9 companies that did not have related board characteristic data and 2 companies that have negative equity. We randomly chose 18 companies for substitute sample to maintain the initial total sample. Therefore, our final sample was still 85 companies. We use annual report period 2020 to collect board' characteristics and disclosure tone data. For disclosure tone, we analyze Board of Director statement on firm's annual report.

3.2 Variable Measurement

3.2.1 Board Characteristics Variables

We included five board characteristics as independent variables. Board size was measured by total directors on the board. Board gender diversity was measured by the proportion of female directors on the board. Board age was measured the average of directors' age. Board meeting was measured by total board of director' meeting in a year, and board expertise was measured by proportion of director on the board who have experience in financial position or had prior work in major finance position.

3.2.2 Control Variables

We use firm size, firm leverage and firm profitability as control variables. In general, the size of the company affects the level of voluntary disclosure. Larger companies are more noticed by the public and have more activities, therefore they usually have more disclosure [28]. Based on previous research, the company's leverage and profitability also can affect firm' voluntary disclosure. Companies with high levels of leverage usually maintain the company's image through what they do [15]. Profit-making firms also tend to use more positive tone in their disclosure to magnify their success and increase investor' confident [27]. We use logarithm of total asset to measure firm size, debt to asset ratio to measure firm leverage and return to equity to measure firm profitability.

3.3.3 Content Analysis

We use manual content analysis to measure disclosure tone. We identified disclosure tone on board of director' statement by categorized it into good news and bad news. Furthermore, we use instrument developed by [27] and [2] to conduct content analysis. There are 7 dimensions or concepts in the instrument, which are: 1) pandemic impact, 2) market conditions and expectations, 3) growth, 4) profitability, 5) operations, 6) social responsibility, and 7) strategy disclosure. We use net tone or the difference between positive tone sentences (good news) minus the number of negative sentences (bad news) in the board's report. Following the research of [2], one sentence is assessed as the unit of text to be analyzed.

3.3.4 Reliability and Validity

The validity of the content analysis method is seen from whether the instrument used can accurately measure the concept to be measured [33]. The instrument is declared valid on the advice/input of the experts. In addition, the content analysis instrument which derived from the research of [27] and [2] has also been reviewed to see its suitability with conditions in Indonesia.

The reliability of an instrument can be met if the instrument is used several times to measure the same object, it will produce the same data [33]. In the context of content analysis, the instrument being tested for reliability is the human instrument or the researcher himself. In this study, the reliability test used was test-retest to see the consistency of the content analysis. Researchers coded the sample more than once by range 7 – 14 days for 10 samples. To test the test-retest correlation, the researcher used the intraclass correlation coefficient (ICC) test with a two-way mixed model and cronbach's alpha. Based on the test, score of ICC with single measure is 0.922. Our analysis also show that Cronbach alpha coefficient is 0,959. According to ICC and Cronbach alpha coefficient that close to 1, we conclude that the research instrument is reliable or consistent.

3.3.5 Multiple Linear Regression

Following research conducted by [27,2], this research use the least squares regression model (OLS) to test the research hypothesis. The regression equation model used is as follows:

$$\textit{Net tone}\ \% = \alpha 0 + \beta 1\ BSize + \beta 2\ BFem + \beta 3\ BAge + \beta 4\ BMeet + \beta 5\ BFin + \beta 6\ FSize + \beta 7\ FLev + \beta 8\ FROE + \varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots \quad (1)$$

Description:

Net tone = Difference between good news and bad news

BSize = Board size

BFem = Board gender diversity

BAge = Board age

BMeet = Board meeting

BFin = Board expertise

FSize = Firm size

FLev = Firm leverage

FROE = Firm ROE

4. Empirical Results

4.1 Descriptive Statistic

Table 1 presents the descriptive analysis. The size of the board of directors is seen from the number of directors on the board. The maximum number of directors in the sample company is 9 people and the minimum number of directors is 2 people. While the average value is 4.42 (rounded up to 4 people). The number of directors used in this study includes the number of internal directors plus the number of independent directors per 2020 annual reporting period. The gender diversity of the board of directors is measured by the proportion of female directors compared to the total number of directors. Descriptive statistics show that the minimum number of gender diversity on the board of directors is 0% or no female directors at all and the maximum value is 100% or all directors are female. The average number of female directors in the sample companies is 0.1644 or 16% of the total directors. The age of the board of directors is measured by the average age of the board of directors. The results of descriptive statistics show that the maximum value of the average age of directors is 63 years, while the minimum value is 32.67 (rounded up to 33 years). The average age of the directors in this study was 50.69 (rounded up to 51 years). The board of directors meetings in this study used the number of internal board of directors meetings (excluding joint meetings with the board of commissioners) conducted throughout 2020. The maximum number of meetings in the sample companies was 60 meetings, while the minimum number of meetings is 6 meetings. The average number of board of directors meetings is 15.6 (rounded up to 16 meetings). The number of disclosure tone in this study uses the difference between the number of sentences that use a positive tone of disclosure (good news) and the number of sentences that use a negative tone of disclosure (bad news). The maximum value of the disclosure tone in this study is 49. On the other hand, the minimum disclosure tone value is -11. The average value of the disclosure tone in the sample companies is 11.2 (or rounded up to 11 sentences).

For control variables, the table show that the maximum natural logarithm of the company's total assets is 32 while the minimum value is 24. The average firm size of the sample companies is 28.73. The maximum value of the company's leverage in this study is 114.03. On the other hand, the minimum value of the company's leverage is 0.15%. The maximum value of ROE in the sample company is 32.48%. On the other hand, the minimum ROE value is -150.30%. The average value of ROE in the sample companies is -2%.

Table 1: Statistic Decriptive Variables

Variables	N	Min	Max	Mean	Std. Deviation
NetTone	85	-11	49	11.2588	12.72900
BSize	85	2	9	4.4235	1.74149
BFem	85	.00	1.00	.1644	.23264
BAge	85	32.67	63.00	50.6971	5.42277
BMeet	85	6	60	15.6588	10.14367
BFin	85	.00	1.00	.3907	.23565
FSize	85	24	32	28.7294	1.76870
FLev	85	.15	114.03	43.6127	23.95927
FROE	85	-150.30	32.48	-2.0447	26.67676

From the results of content analysis on a sample of 85 companies, it is known that during the Covid-19 pandemic, the majority of information made by companies in the Indonesian capital market still sounded good news, compared to bad news. As much as 68% of information containing a positive disclosure tone, and the remaining 32% of information containing a negative disclosure tone.

This finding is different from a similar study conducted by [2] in the Oman capital market, where during the

Covid-19 pandemic, companies in the Omani capital market tend to disclose more bad news, which is 58% compared to good news. Research by [25] also shows that during the financial crisis in America in 2007 – 2008, the disclosure tone used tended to be negative.

Differences in findings in Indonesia and other countries can be caused by several things that can be used as topics for future research. When viewed from the disclosure criteria, companies in Indonesia tend to disclose quite a lot of good news on the "corporate strategy" criteria. This shows that although financial performance and operational performance are affected by the COVID-19 pandemic, companies in Indonesia tend to provide positive information through the strategies that have been carried out and strategic plans that will be carried out, not the actual conditions faced by the company.

4.2 Assumption Classic Test

Before testing the hypothesis with multiple linear regression, the research data was tested using the classical assumption test, including normality test, multicollinearity test and heteroscedasticity test. Table 2 shows that the significance (Asymp. Sign 2 tailed) obtained from the Kolmogorov-Smirnov test is 0.2 or greater than 0.05 which indicates that the data in this study are normally distributed.

Table 2: Normality test

One-Sample Kolmogorov-Smirnov	
Description	***Unstandardized Residual***
Sample total (N)	85
Asymp. Sign. (2 tailed)	0.200

Table 3 represents multicollinearity test result. Based on the table, it can be seen that the tolerance value of each independent variables are more than 0.1 or 10%. In addition, the VIF value obtained from each variables are also less than 10. Therefore, it can be concluded that the regression model of this study has no multicollinearity.

Table 3: Multicollinearity test

Variables	***Tolerance***	**VIF**
BSize	0.462	2.164
BFem	0.804	1.243
BAge	0.862	1.160
BMeet	0.946	1.057
BFin	0.754	1.326
FSize	0.504	1.986
FLev	0.746	1.340
FROE	0.883	1.133

Table 4 represents heteroscedasticity test result. Based on the table, it can be seen that the significance value of each variable is > 0.05, meaning that there is no influence between the independent variables on the absolute residual. Thus, the regression model used does not contain symptoms of heteroscedasticity.

Table 4: Heterocedasticity test

Variabel	**Signifikansi (*Probability*)**
BSize	0.104
BFem	0.249
BAge	0.544
BMeet	0.185
BFin	0.248
FSize	0..983
FLev	0.126
FROE	0.754

4.3 Empirical Findings

Table 5 shows the finding for our regression model. Board size, board gender diversity, board meeting, and board expertise has significance above 10%. Therefore, those variables are not statistically associated with disclosure tone during pandemic covid – 19 in Indonesia. Board age has significance 0.045 or below 5%. Board of director' age is negatively associated with disclosure tone during pandemic.

Looking at the control variables, the coefficients of firm size is positive and significant at the 5% level. The other control variables, which are firm leverage and firm profitability are not statistically significant.

For the regression model, we also test for the coefficient determination or R^2 square and the goodness of fit. The R^2 square of the model is 16,7%. It means, a 16.7% change (up and down) in disclosure during the COVID-19 pandemic was affected by the board, gender diversity of board size, age of the board, number of board meetings, board financial expertise, firm size, firm leverage and firm profitability. The remaining 83.3% changes in the tone of disclosure during the COVID-19 pandemic were affected by other factors outside the study. The result of the F test show that the model has significance 0.004 or below 5% level, means the regression model is proper.

Table 5: Multiple Regression Result

Model		***Unstandardized Coefficients***		***Standardized Coefficients***	***t***	***Sig.***
		B	*Std. Error*	*Beta*		
1	(Constant)	-43.143	28.368		-1.521	.132
	BSize	.892	1.071	.122	.833	.408
	BFem	4.259	6.074	.078	.701	.485
	BAge	-.512	.252	-.218	-2.034	.045*)
	BMeet	.165	.128	.132	1.286	.203
	BFin	7.792	6.194	.144	1.258	.212
	FSize	2.359	1.010	.328	2.336	.022*)
	FLev	.056	.061	.105	.913	.364
	FROE	.065	.051	.136	1.283	.203

*) indicate significance at the 5% level

4.3 Discussion

4.3.1 Board Size and Disclosure Tone during Pandemic Covid-19 in Indonesia

Based on the hypothesis, the board size variable has a significance of 0.408 or greater than the significance level (α) of 10%. These results indicate that board size does not have a significant effect on disclosure levels during the COVID-19 pandemic. This study is not consistent with the result of research from [2], where the increasing number of audit committees can affect the bad news disclosed during the covid-19 pandemic. According to agency theory, the size of the board of directors is considered a form of supervision. The larger the size of the board of directors, the more diverse the expertise and perspectives of the board of directors can create and can create more effective oversight. Then, the greater the number of directors can affect the level of voluntary disclosure of the company [24]. The results of this study found that the size of the board of directors did not have a significant effect on the disclosure tone during the COVID-19 pandemic. There are several explanation for the results of this study. First, the more directors there are, the more likely the problem of free riders will arise and the duties of the directors will be more spread out [6]. The second explanation is that the size of the board of directors in Indonesia cannot encourage more effective oversight. However, for the second indication, future research needs to be done. On the other hand, [21] explain that the number of directors in a company has an optimal number, too few directors cannot make decisions in complex situations. On the other hand, too many directors can interfere with making the right decisions. This can also support the indication that the number of directors does not have to be large, but the optimum depends on the liquidity, solvency, activity and profitability of the company.

4.3.2 Board Gender Diversity and Disclosure Tone during Pandemic Covid-19 in Indonesia

Based on the results of hypothesis testing, the variable of gender diversity on the board of directors has a significance level of 0.485 or greater than the significance level (α) of 10%. This means that gender diversity on the board of directors does not have a significant influence on the disclosure tone during the covid-19 pandemic. The results of this study is not consistent with the results of study conducted by [13] who found that female directors had a less positive effect on the disclosure tone.

Upper echelons theory stated that the characteristics of upper management affect the choice of corporate strategy. According to [13], a woman usually behaves more ethically and avoids risk, so she tends to use a less positive tone in her disclosures. However, the results of this study have not been able to confirm this statement. Future research needs to be done to confirm the results of this study. Gender diversity may not have an influence on the tone of disclosure because women currently receive the same education and environment as men so that it can make a woman's mindset similar to that of men, where women no longer have a tendency to avoid risk. In addition, according to [7], the presence of women on the board of directors in Indonesia is still low, as seen from research data which shows that the average female directors in companies in Indonesia is only 19%.

4.3.3 Board Age and Disclosure Tone during Pandemic Covid-19 in Indonesia

The age of the board of directors used in this study uses the average age of the company's board of directors.

According to the upper echelons theory, older executives are usually more conservative and careful in the strategy selection process. A higher level of prudence causes someone to tend to use a more neutral and reasonable disclosure tone [13]. Thus, this study proposes the hypothesis "There is an effect of the age of the board of directors on the disclosure tone during the covid-19 pandemic".

The results of hypothesis testing show that the age of directors variable has a significance level of 0.045 or less than a significance level (α) of 10%. This means that the age of the board of directors has a significant influence on the disclosure tone during the COVID-19 pandemic. The results also show that the coefficient of the board of directors variable is -0.512. This means that the older the board of directors, the less positive the disclosure tone will be. These results can confirm the upper echelons theory and support the research of [13,25] which found that the age of the director had a negative effect on the disclosure tone. Someone who is older has a higher risk aversion and is more conservative. Higher risk aversion refers to the fear that the disclosures made may be less accurate so that the disclosure tone used becomes more neutral and less positive [13,22].

4.3.4 Board Meeting and Disclosure Tone during Pandemic Covid-19 in Indonesia

Based on the results of hypothesis testing, the board of directors meeting variable has a significance level of 0.203 or greater than the 10% significance level (α). This means that the board of directors meeting does not have a significant influence on the disclosure tone during the covid-19 pandemic. This study' result is consistent with the results the research of [2] who found that the number of audit committee meetings had no effect on the good news or bad news disclosed during the COVID-19 pandemic in the Oman capital market.

The results of the study that the board of directors meeting did not affect the disclosure tone during the covid-19 pandemic can be explained by several indications. First, at the meeting, the meeting participants or the board of directors, were more focused on discussing issues regarding crisis conditions than discussing things that needed to be disclosed in the annual report. Second, reports that are disclosed to the public may not require continuous monitoring so that a large number of meetings is not required, but only discussed in a few meetings [2,11].

4.3.1 Board Expertise and Disclosure Tone during Pandemic Covid-19 in Indonesia

A director is considered to have financial expertise based on their financial position he has occupied or the financial certification obtained. Research conducted by [13] found that directors with financial expertise tend to use a negative tone of disclosure. Directors with financial expertise tend to have more conservative strategies and disclose higher quality earnings information [13]. According to the upper echelons theory, financial expertise is also one of the characteristics of a top management team. The characteristics or values, experiences, and personalities of an executive will influence the interpretation of a situation and have an impact on the choices or decisions taken [5].

The results of hypothesis testing found that the variable of financial expertise of the board of directors had a significance level of 0.212 or greater than the significance level (α) of 10%. This means that financial expertise does not have a significant influence on the disclosure tone during the COVID-19 pandemic. The large number of directors who have financial expertise on the board does not affect the number of positive and negative tones used in disclosures during the covid-19 pandemic. These results have not been able to confirm the results of [13]. However, the results of this study support the research conducted by [12] who found that the audit committee's financial expertise had no influence on the good news or bad news disclosed during the COVID-19 pandemic in the Oman capital market. According to [14], it is possible that directors with financial expertise do not disclose bad news because they have knowledge that bad news can increase the cost of legitimacy or the cost of pressure from the public.

5. Conclusion

This study examined the impact of board of director characteristics on disclosure tone during covid-19 in Indonesia listed firms. The study analyzed 85 board of director' statements in annual report 2020 to identify the disclosure tone. We employed board of director characteristics (size, gender diversity, age, meeting and expertise) and also controlled for firm characteristic (size, leverage and profitability). This study documented a negative association between board of director' age and disclosure tone. Older director is tend to use less positive disclosure tone. Meanwhile, board size, board gender diversity, board meeting and board expertise are not statistically affect the disclosure tone during pandemic covid-19. We also found that during pandemic covid-19, Indonesian companies still disclose more good news than bad news. This finding is different with previous research conducted by [25,2]. The previous research reported that during crisis or pandemic, companies tends to disclosure more bad news than good news. The result of this study maybe useful for companies, government and investor to more aware for high quality and informative disclosure to public.

There are still some limitations to this study and also some recommendations for future research. First, we use content analysis to measure the disclosure tone. This measurement can have inconsistency bias because it contains researcher's judgement. This can be a limitation of this study, eventhough we have test-retest analysis to minimize it. Future research could use text analytic software to measure disclosure tone to minimize judgement bias. Second, sample of this study that experienced loss in 2020 only 34%, therefore, we expected more companies were survive and make profit during pandemic covid-19 in our sample. This can make our study less accurate. As research by [27] stated, profitable companies tend to use positive tone rather than negative tone. Therefore for future studies, we recommend to using sample that experience loss during pandemic. Third, the impact of covid-19 to companies listed in Indonesia is not equal. For example, based on our sample, company from retail industry has the lowest profitability. Therefore, for the future research, it is interesting to examine the impact of industry type to disclosure tone. Fourth, since the research of disclosure tone in Indonesia is limited, we recommend to compare disclosure tone before pandemic or in normal situation with disclosure tone during pandemic to get the bigger picture about this topic. Fifth, our finding reported that in the pandemic situation, the Indonesian companies still disclose more of good news than bad news. Future research should examine the impression management indication in Indonesian companies.

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