The Effect of Voluntary Disclosure on Firm Performance

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Abstract — **Companies faced with the challenges to be more transparent in disclosing information company, so as to help make decisions in anticipation of an increasingly changing conditions. The annual report is basically a source of information for investors as one of the tools considered in the decision to invest in the capital market and also a form of accountability as a means of management for the resources entrusted to him. The quality of the annual report reflected information on the extent of disclosure of information on the company's annual report. This study examined the Voluntary Disclosure of the Company's performance as measured by Return on Equity (ROA) and Return on Equity (ROE). Sample in this study were 22 companies included in the category LQ45 listed in Indonesia Stock Exchange 2012-2014. The method of collecting data in this research is purposive sampling. The results showed that the voluntary disclosure does not affect the company's performance.**

Keywords—voluntary disclosure, ROA, ROE, firm size, LQ45

I. INTRODUCTION

The companies faced with the challenges to be more transparent in disclosing information company, so as to help make decisions in anticipation of growing conditions. Based on decision of authority body No. SE chairman of Bapepam-02/PM/2002, has been mentioned information which must be submitted by company management in the company's annual report. The companies also convey other information beyond that required or commonly known as a voluntary disclosure [1]. The quality of the annual report reflected information on the extent of disclosure of information on the company's annual report. Voluntary disclosure in the annual report is the proper way to provide information about the condition of the company to stakeholders, but not all companies disclose the same information in their disclosures due to differences in the characteristics of each company [2].

Broad policy level of disclosure may vary between one company with another company. Disclosure policy differences may be influenced by the characteristics of companies such as resources, corporate culture, business, production, and market share [3]. For the investors who submitted company information disclosure is an analytical tool and monitoring the performance of the company.

One management tool that is very important is the size of the company. Our company performance should always be encouraged to continuously improve their performance to face competition in the global market. Corporate performance measurement serves to determine the extent to which the goals and the company's development has been achieved. Knowledge of the current situation is the basis for the company to make repairs and perform the steps to be taken at a later stage. The company's success in the future will be determined by how the investment and management of intellectual or intangible assets such as employee competence, customer loyalty and quality control, rather than focus on how management and investment in physical assets.

The company's performance should be a measurable outcome and describe the empirical condition of a company of any size agreed. Thus, it can be concluded that the performance is the ability, effort, and opportunity personnel, team, or organizational units in its duty to realize the strategic goals that have been set. The successful achievement of strategic became the basis of the performance measurement needs to be sized, and determined strategic initiatives to achieve these objectives. Size and its strategic target are then used to determine the targets that form the basis of performance appraisal. The measurement results are then used as feedback that will provide information about the implementation of a plan in which the company requires an adjustment to the planning and control activities.

This study draws on research [4]. There are some differences, namely voluntary items, sample, and the performance of the company as well as the control variable. Voluntary items used in this study using the disclosure items from Indonesia authority body (Bapepam) No. 06/PM/2000. The sample in this study is a company that belongs to the category LQ45 Stock Exchange Indonesia. The reason for sample selection of companies included in the category of LQ45 because 45 it is able to represent all companies listed in Indonesia Stock Exchange. Researchers took the period 2012-2014 for the companies listed in LQ45 quickly changes every six months. The company's performance in this study using profitability ratio, such as: return on equity and return on assets.

II. LITERATURE REVIEW

Company reports published in the form of financial statements and annual reports. The annual report is a report that is published once a year by a company that provides financial statements and non-financial information. The annual report is also a means to provide company information to outside parties as in [5].

Disclosure of information in the annual report is a significant component in achieving accountability means public. Information disclosed in the annual report can be grouped into two categories, namely mandatory disclosure and voluntary disclosure [6]. Voluntary disclosure is one way of management companies to provide financial information and non-financial information in making informed decisions by users of annual reports. Voluntary disclosure is also one way to enhance the credibility of a company as in [3].

Pratiwi examined the factors affecting the completeness of the disclosure of financial statements with a sample of 45 manufacturing companies have been listed in the Indonesia Stock Exchange with 2012-2014 [7]. The result was saw that the effect on the profitability of financial statement disclosure. These results differ with research conducted by as in [5], which states there is no influence between voluntary disclosure to profitability.

Companies with low profitability will explain to investors even though the company has a lower profit, but the company has done a good performance, as has been the welfare of employees and the environment surrounding the company. Therefore, low profitability encourages managers to disclose its information more widely in order to convince all interested stakeholders [8].

Voluntary disclosure a significant effect on profitability as in [9] with profitability is proxy by ROE. Size disclosures have positive influence on profitability as in [6]. The higher the level of profitability, the company will be more comprehensive in disclosing the information.

III. Hypothesis

One management tool that is very important is the size of the company's performance. Companies should always be encouraged to continuously improve their performance to face competition in the global market. Corporate performance measurement serves to determine the extent to which the objectives and development of the company has been reached. Company performance can be measured by the ratio of profitability. Extensive disclosures have positive influence on profitability as in [6].

These results differ from research conducted as in [5], which states there is no influence between voluntary disclosure to profitability. Voluntary disclosure does not affect the profitability because it is the emphasis on profits or profits from the company do not reflect the expected clarity on the acceptance of investors. Extensive disclosures have positive influence on profitability as in [6]. The more extensive disclosure of information, the higher profitability. Based on the description, the hypothesis are follows:

H1: *Voluntary disclosure affect the ROA.*
H2: *Voluntary disclosure affect the ROE.*

IV. Methodology Research

A. Types and Sources Data

This research was conducted on the companies included in the category LQ45 which has been listed on the Indonesia Stock Exchange in 2012-2014. The type of data in this study is panel data which is a combination of cross section data and time series. The data used in this research is secondary data is data obtained indirectly through an intermediary medium or obtained and recorded by other parties that are downloaded from the site www.idx.co.id.

B. Dependent Variable

Return on assets is the ratio of operating profit to book value of total asset [10]. Formulated as follows: earnings after tax/total asset.

Return on equity is a profitability ratio that compares the net income (net profit) of companies with capital [4]. Formulated as follows: net income (profit)/ownership equity.

C. Independent Variable

Voluntary disclosure of information in this study is proxy in the voluntary disclosure index gained from analysis of the contents of this report using the checklist. [8] Voluntary disclosure index is calculated every sample is done by giving a score to each item of disclosure, if an item is disclosed then given a score of 1, if it is not disclosed then given a score of 0. Voluntary disclosure index is obtained by comparing the total score obtained by each with a maximum score of items used in the study. The maximum score is based on item 33 disclosure.

D. Sampling Method

Researchers used random sampling method or probability sampling, more specifically the author using purposive sampling method with the criterion that the company included in the category LQ45 which has been listed on the Indonesia Stock Exchange respectively in the period 2012-2014 and the companies that publish annual financial statements in rupiah unit with positive book value.

E. Data Analysis

Analysis of the data used in this study consisted of: descriptive and qualitative statistics. Descriptive analysis gives information about basic data use in this research and basic data in mean, median, modus and standard deviation. Qualitative statistic gives numerical result from testing data from each variables. Panel data is use in this regression model. All procedures in this phase are done, start from the selection panel data regression model, the classical assumption test and hypothesis testing regression testing tool.

V. Result and Discussion

A. Research Sample

The sample used in the study is the companies included in the category LQ45 listed in Indonesia Stock Exchange 2012-2014 as many as 45 companies. Total 45 companies will be reduced by the following criteria: the company published its annual report in full in the period 2012-2014, the company that uses the rupiah currency in the annual report and the company with negative book value. So the total sample in this study is 22 companies over three years later was pooling to 66 observations. The detail of research sample can be seen in Table I.

TABLE I. RESEARCH SAMPLE

Criteria	Quantity (sample)
Companies that fall into the category LQ45	45
The annual report that is not found in research	(16)
Currencies other than Rupiah in the annual report	(5)
Has a negative book value	(2)
Total	22

B. Descriptive Statistic

The average value (mean) ROA amounted to 0.092771 or by 9.2% illustrates that the total assets of the company has contributed an average of 9.2% of the profits from the company. The highest value (maximum) ROA amounted to 0.114379 or 11.4%, and the lowest value (minimum) ROA amounted to 0.080275 or 8.02% of total assets of the company explained that it has a maximum contribution to the profits from the company amounted to 11.4% and total assets the company has a minimum contribution to profits from the company amounted to 8.02%.

The average value (mean) ROE amounted to 0.146065 or 14.6% illustrates that the capital subscribed by the owner of the company has contributed an average of 14.6% of profits from the company. The highest value (maximum) ROE amounted to 0.178119 or by 17.8% and the lowest value (minimum) ROE amounted to 0.125463 or 12.5% explained that the capital subscribed by the owners of the company have a maximum contribution to the profits from the company amounted to 17.8% and the capital subscribed by the owners of the company have a minimum contribution to profits from the company amounted to 12.5%.

The average value of 0.818536 voluntary disclosure that describes a relatively high value for voluntary disclosure of companies. The highest value (maximum) voluntary disclosure of 0.970000 or 97% explained that the companies included in the category of LQ45 very transparent for voluntary disclosure. The lowest value (minimum) voluntary disclosure of 0.667000 or 66.7% explained that it is good enough in a voluntary disclosure.

C. Hypothesis Test Result

The hypothesis in this study is voluntary disclosure effect on company performance measured by ROA and voluntary disclosure effect on company performance measured by ROE. The first hypothesis testing results show that the coefficient of voluntary disclosure is positive (0.265084) with level of significant 0.0870. at a glance, this result not support the first hypothesis because the level of significant over than 5%. The same result for the second hypothesis. The result show that the coefficient of voluntary disclosure is positive (0.215501) with level of significant 0.2525 that over than 5%. All the hypothesis in this research over than significancy alpha standard that is 5%. These result means that all variables performance (ROA and ROE) are unpredictable if we use voluntary disclosure as dependent variable. Detail result from statistic testing show in Table II.

TABLE II. STATISTICAL RESULT

Hypothesis research	Statistical result (partially)		
	Variable	*Coefficient*	*Probability*
Hypothesis 1	Voluntary disclosure on ROA	0.265084	0.870
Hypothesis 2	Voluntary disclosure on ROE	0.215501	0.2525

D. Result Analysis

1) Influence of voluntary disclosure on company performance (ROA): Based on the results of hypothesis testing voluntary disclosure of the company's performance as measured by ROA, concluded that the hypothesis 1 is not supported. This result means that voluntary disclosure does not significantly affect the company's performance are proxy with ROA for firms in the category LQ45 listed on the Indonesian stock exchange. This study supports directly to the research conducted as in [11] which states that the high performance of the company is a necessity for the company, due to the condition of good performance it will facilitate the company running the daily operations so it has no effect on voluntary disclosure. This study contradicts the studies conducted as in [7] which states that voluntary disclosure affects company performance measured by ROA, comprehensive voluntary disclosure is evidence that management has resulted in a good performance and improve the credibility of the company. The study also does not support the signaling theory because it does not disclose private information on the whole of the value and performance of the company and hope to get a positive response from investors.

2) Influence of voluntary disclosure on company performance (ROE): Based on the results of hypothesis testing voluntary disclosure of the company's performance as measured by ROE, concluded that the hypothesis 2 is not supported. This result means that voluntary disclosure does not significantly affect the company's performance are proxy with ROE for firms in the category LQ45 listed on the Indonesia stock exchange. This study also supports research conducted as in [12], if the voluntary disclosure index declined, did not affect the company's performance. This is likely because a company makes a voluntary disclosure is still relatively small. Results of this study was different from the research conducted as in [13] which states that the voluntary disclosure positive effect on profitability as measured by ROE. Companies that disclose more information to outside parties alleged to have better corporate performance as the market will provide a positive assessment. This study also contradicts the agency theory which states that the management of disclosure broadly to address the agency problem between management and the owners as well as efforts to reduce information asymmetry.

VI. CONCLUSION

The purpose of this study to determine the influence of voluntary disclosure on corporate performances (ROA and ROE). Samples are companies that fall into the category LQ45 listed in Indonesia Stock Exchange 2012-2014 which resulted in 22 companies and to 66 observations, it can be concluded that:

Voluntary disclosure no effect on ROA. This results contrast with the theory that the comprehensive voluntary disclosure is evidence that management has resulted in a good performance and improve the credibility of the company.

Voluntary disclosure no effect on ROE. This is likely because a company makes a voluntary disclosure is still relatively small, and the possibility that the company is still small considering the cost to make voluntary disclosures outweigh the benefits provided.

VII. LIMITATION

This study has limitations that are expected to be improved in future studies. The limitations in this study are as follows: the size of the company's performance using only ROA and ROE, the researchers used a sample of only 22 companies that fall into the category LQ45 2012-2014.

VIII. IMPLICATION AND SUGGESTION

According to the research conducted by the researchers, the advice that can be given i.e., measurement of company performance is recommended for measuring performance coupled with other companies and increase the study sample. The implication of this research is the importance of voluntary disclosure to the company for comprehensive voluntary disclosure is evidence that management has resulted in a good performance and improve the credibility of the company.

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