Determinants of Voluntary Disclosure: Based on Financial Ratios and Financial Distress

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Abstract – This research proves the concept (proof-of-concept) of functions and / or important characteristics analytically and experimentally. This study aims to analyze the amount of voluntary disclosure measured through financial distress, dividend distribution policy, and company performance. Company performance is measured through return on assets and debt to equity ratio. The research method used is quantitative research and the sample of this research is a manufacturing sub-sector of consumption companies listed on the Indonesia Stock Exchange in 2016 - 2018. The analytical method used is multiple regression tests. The results showed that financial distress has a negative effect on voluntary disclosure and ROA has a positive effect to voluntary disclosure, while other variables DPR and DER have no effect to voluntary disclosure. It can be said that bad news and good news are indicative of management in presenting information on voluntary disclosure.

Keywords: voluntary disclosure, DPR, ROA, DER, Financial Distress.

1. Introduction

Disclosure (disclosure) is a bridge between companies and stakeholders, especially investors so that many companies provide voluntary information more than what is mandated by laws and regulations. But the policy regarding voluntary disclosure made by one company is different from voluntary disclosure made by other companies, this is because there are no regulations governing the extent of voluntary disclosure, (Neliana, 2018; Ciaponi & Mandanici, 2015).

Although historical finance is a valuable indicator of company performance, it cannot satisfy all the information that investors need. But managers have an incentive to disclose more information in an effort to convince creditors. They will explore how companies conduct their business, such as strategic intentions and commercial goals, competitive advantage, ownership and governance structures, key executives, their remuneration and independence, internal control, future profitability and risk, (Wijantini, 2006; Ciaponi & Mandanici, 2015).

The amount of voluntary disclosure that is informed by the company depends on the condition of the company itself. When companies have good news, they will make more disclosures, but when they are experiencing financial distress, companies will tend to disclose limited information. This means the company will disclose less information when the company experiences financial distress, (Gantyowati & Nugraheni, 2014; Poluan & Nugroho, 2015). Companies that are experiencing financial distress will make investors hesitate in making investment decisions in the company. The implication is that companies will make fewer voluntary disclosures if they are experiencing the threat of business failure and bankruptcy for the company, (Al-Janadi et al, 2012).

In addition to financial distress, company performance as seen through financial ratios can influence the amount of voluntary disclosure. The condition of companies that have high profitability will encourage managers to disclose more accounting information, as well as dividends and the level of leverage used as a category of investor concern, (Sehar et al, 2013; Uyar et al, 2013; Pernamasari et al, 2020).

2. Literature

Signaling Theory

Signal is an action taken by the company to give instructions to investors about how management views the company's prospects. This signal is in the form of information about what has been done by management to
realize the wishes of the owner. Information released by the company is important, because it affects the investment decisions of parties outside the company. The information is important for investors and business people because the information essentially presents information, notes or pictures, both for past, present and future circumstances for the survival of the company and how it affects the company, (Brigham & Houston, 2013).

Information is an important element for investors and business people because the information essentially presents information, notes or pictures both for the past, present and future conditions for the survival of a company and how it markets its effects. (Tarmidi, 2019) revealed that because of the information asymmetry between the company and outsiders, publication of company conditions is needed to create a good corporate image and outsiders will be interested in joining as investors. Complete, relevant, accurate and timely information is needed by investors in the capital market as an analytical tool for making investment decisions.

Some individuals want to convey information that is available, but there are others who wish not to convey information, but overall the fact is in signaling theory that the act of conveying information directs people to change their behavior, (Connelly et al, 2011).

Agency Theory

Agency theory states that there is an agency relationship as a contract between management as an agent and ownership as a corporate preliminary, a working relationship between the party that gives authority (preliminary), namely the shareholders and the recipient authority (agent) of the company in the form of cooperation, called the nexus of contract preliminary giving authority and authority to the agent to run the company in the interests of the owner and the principal, (Jensen & Meckling, 1976). The agent has more information about his capacity, work environment and the company as a whole. This has resulted in an imbalance of information between the principal and the agent, which is called information asymmetry. This information asymmetry and conflict of interest encourage agents to present false information to the principal, especially if the information is related to the agent's performance.

Voluntary Disclosure

Voluntary disclosure is disclosure of information beyond what is required because it is considered relevant to the needs of users of financial statements. One way to increase company credibility is through broader voluntary disclosure and assisting investors in understanding business management strategies, (Meek et al, 1995).

In voluntary disclosure (voluntary disclosure) the company is given the freedom to disclose and therefore will cause a lot of variations in the information provided by each company. The company is expected to disclose more information that is voluntarily disclosing its financial statements in the presentation of relevant, full and appropriate information in accordance with company conditions, (Pernamasari, 2018).

(Bruslerie & Gabteni, 2010) identified three things in voluntary disclosure: First, based on the main objective of the company, namely to analyze the consequences of disclosure of investor behavior and more precisely through the reaction of stock prices and trading volume. This disclosure is called "association based disclosure". More specifically focuses on the relationship between information publication and changes in stock prices as well as the relationship between information publication and changing the volume of shares traded.

The second is based on the manager's objectives or also called the "Discretionary-based disclosure approach" which is to maximize the company's market value and publish cost information so that there is a balance between information disclosed and an increase in the company's market value.

Third, based on the preferred disclosure category without prior information knowledge or also called "efficiency-based disclosure." More specifically, this disclosure is based on efficiency, which focuses on the possible relationship between disclosure and reduction of information asymmetry. Voluntary disclosure reduces information asymmetry between informed investors and who don't know the information.
Dividend Policy

Dividends are distributions of profits distributed by companies to shareholders in the form of company assets or shares (Brigham & Houston, 2013). Dividends distributed by companies can be in the form of cash dividends, meaning that each shareholder is given cash dividends in a certain amount of rupiah for each share or it can also be in the form of stock dividends, giving each shareholder a dividend of a number of shares so that the number of shares owned by an investor will increase with the distribution of these stock dividends.

In this study the dividend distribution policy used is the Dividend Payout Ratio (DPR). DPR is the percentage of dividends distributed to shareholders from net income after tax. The higher the DPR will benefit the investors but from the company will weaken internal financial because it reduces retained earnings. But on the contrary, if the DPR gets smaller, it will hurt investors but the company's internal financial will be stronger. (Triani & Tarmidi, 2019) in their research, obtaining a dividend policy has an influence on the value of the company. Which means a large dividend policy becomes good news for investors.

Return on assets (ROA)

Return on Assets is a measure of a company's ability to generate profits with all assets owned by the company. These assets are all of the company's assets starting from its own capital or foreign capital that has been converted into company assets for the survival of the company. This ratio figure is commonly used to measure a company's performance by investors. The increased return on assets shows how well assets are managed by the company to bring profit for every one dollar of assets that have been invested in the company. (Atidhira & Yustina, 2017).

Economically, the higher the rate of return obtained, the higher the company's ability to use its assets to make a profit. So that the higher ROA, the higher the company's ability to generate profits the higher the company's revenue will make investors interested in the value of shares, and A company can be said to be successful if it has achieved the standards and objectives that have been set, (Subramanyan, 2014 ; Warrad & Omari, 2015).

3. Framework and Hypothesis Developing

Financial Distress to Voluntary Disclosure

Financial distress conditions occur before the company goes bankrupt. If the company is in good condition, the company will voluntarily provide information to its investors. This means the company will disclose less information when the company experiences financial distress. This is done to cover up the company's poor performance so that the company's value does not go down in the eyes of stakeholders. When companies experience financial distress, the company tries not to show these conditions transparently, by reducing the completeness of company information to the public in annual reports (Indriawati et al, 2017). Research Poluan & Nugroho, 2015) found that financial distress has a negative and significant effect on voluntary disclosure.

H1: Financial distress negatively affects voluntary disclosure

Dividend Pay Ratio to Voluntary Disclosure

Dividends can be used as a communication tool between managers and shareholders. Overall information about the company's internal conditions are often not known by investors so that through company growth dividends and company prospects can be known, (Peramasari & Wahyudi, 2019). (Kartika & Hersugundo, 2009) showed the company's liquidity, with dividends paid, it is expected that the company's performance in the eyes of investors is good. We often find that some companies provide a fixed amount of dividend for each period. This is done because the company wants to be recognized by investors that the company concerned is able to face economic turmoil and be able to provide results to investors, (Gjesdal & Dackerud, 2016). It is hoped that the dividend distribution policy to shareholders can influence the amount of voluntary disclosure by management,

H2: DPR has a positive effect on voluntary disclosure
Return on Assets (ROA) to Voluntary Disclosure

Profitability ratios describe the success of a company in generating corporate profits (Haddad et al., 2009). In general, companies that have high profitability tend to disclose more information because the company's strength to obtain that information is greater than companies that have low profitability. In the signal theory explained when a company discloses more information, then the market will assess that the company has better performance compared to other companies. Companies that perform well one of which can be seen through the level of profitability, the company will be compelled to disclose broader information to show the quality of the company. Research (Indrayani & Chariri, 2015) found that profitability has a significant positive effect on voluntary disclosure.

H3: ROA has a positive effect on voluntary disclosure

Debt to Equity Ratio (DER) to Voluntary Disclosure

Agency theory predicting that companies with higher leverage will reveal more information, (Jensen & Meckling, 1976). If the leverage is high, it also contains high supervision costs, so the company will provide broader information to meet the long-term creditor information needs. Information is needed by the creditor to determine the debtor's financial condition in order to convince the creditor that the debtor will fulfill his obligations when due, (Utami & Pernamasari, 2019). Therefore companies with high leverage have the obligation to meet the long-term information needs of creditors, so the company will provide more comprehensive information. Research (Indrayani & Chariri, 2015) found evidence that leverage significantly affects voluntary disclosure.

H4: DER has a negative effect on voluntary disclosure.

Figure 1: Framework

4. Research Methods

Research Design

The population of this research is the manufacturing companies in the consumer goods industry sector which are listed on the Indonesia Stock Exchange, with an observation year of 2016-2018. The sampling technique used in this study is the purposive sampling method, where the sample is selected based on the suitability of the characteristics with the criteria (consideration) of the sample determined to obtain a representative sample. The sample of this research is 32 companies multiplied by the number of years of observation, so the total sample is 128 data.
Table 1. Operational Variable

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Measurement</th>
<th>Skala</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voluntary Disclosure</td>
<td>$\frac{VD}{= Number of voluntary disclosure items disclosed / Total voluntary disclosure index that must be disclosed}$</td>
<td>Rasio</td>
<td>(Bruslerie &amp; Gabteni, 2010)</td>
</tr>
<tr>
<td>Financial Distress</td>
<td>$\frac{ICR}{Operating Profit \over Interest Expense}$</td>
<td>Nominal</td>
<td>(Poluan &amp; Nugroho, 2015a)</td>
</tr>
<tr>
<td>Dividen Pay Ratio</td>
<td>$DPR = \frac{Dividen PerShare}{Earning PerShare}$</td>
<td>Rasio</td>
<td>(Brigham &amp; Houston, 2014)</td>
</tr>
<tr>
<td>Return On Asset</td>
<td>$\frac{ROA}{Earning After Tax \over Total Asset}$</td>
<td>Rasio</td>
<td>(Kasmir, 2014)</td>
</tr>
<tr>
<td>Debt to Equity Ratio</td>
<td>$\frac{DER}{Total Liability \over Total Equity}$</td>
<td>Rasio</td>
<td>(Kasmir, 2014)</td>
</tr>
</tbody>
</table>

Table 2. Items of voluntary disclosure

1. Description of principal products / services
2. Forecast profit year n +1 (qualitative)
3. Forecast profit year n+1 (quantitative)
4. Future cash at horizon 2 to 5 years
5. Description of the major factories, warehouses and properties
6. Biographical Profile of Directors and Officers (responsibilities, experience, courses)
7. General objectives of the firm - Missions
8. Description of marketing network for final goods and services
9. Main activity or affiliation of directors with other organizations
10. Information on the social responsibility of the firm
11. Historical share price – Trend
12. Human Resources: Cost of training operations
13. Value added statement
14. Return on capital employed
15. Return on shareholders’ securities
16. Number of employees
17. Cash Ratio - Current Ratio
18. Other financial ratios
19. Discussion on past industry tendencies
20. Discussion on future industry tendencies
21. Position and competitive environment
22 Policy and financial objectives
23. Transactions, currency exchanges with government
24. Firm history
25. Description of the organizational structure
26. Developing new products / services
27. Workers social report
28. Advertising Expenditures: information and amount

Sources: Bruslerie & Gabteni, (2010)

Analysis Method

The analytical method used is a quantitative method, which is a data processing approach through statistical or mathematical methods collected from secondary data. The data analysis method in this study used SPSS 22.

a. Descriptive Statistical Analysis

Descriptive statistics provide a description or description of data that is seen from the average value (mean), standard deviation, maximum, and minimum. In this study, descriptive statistics provide an overview of data consisting of Financial Distress, dividend payratio, ROA and DER, (Ghozali, 2016)

b. Classic assumption test

The classic assumption test must be done first to find out whether the data is suitable for analysis. The aim is to avoid biased estimates, because not all data can be applied regression. The classic assumption tests used are the normality test, the multicollinearity test, the heteroscedasticity test, and the autocorrelation test.

c. Model Feasibility Test
The model feasibility test consists of the coefficient of determination test (R2), F test and t test (Ghozali, 2016)
d. Multiple Linear Regression Analysis
Multiple linear regression analysis aims to explain the effect of several dependent variables on the independent
variable. The multiple linear regression equation in this study is as follows:

\[ VD = \alpha + \beta_1 FD + \beta_2 DPR + \beta_3 ROA + \beta_4 DER + \varepsilon \]

Information:
- \( VD \) = Voluntary Disclosure
- \( \alpha \) = constant
- \( \beta_1, \beta_2, \beta_3 \) = Regression Coefficient
- \( FD \) = Financial Distress
- \( DPR \) = Dividend Pay Ratio
- \( ROA \) = Return on Assets
- \( DER \) = Debt to Equity ratio
- \( \varepsilon \) = Error

5. Result and Discussion

Results

Table 3. Descriptive Test Results

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>FD</td>
<td>128</td>
<td>0</td>
<td>1</td>
<td>.24</td>
<td>.430</td>
</tr>
<tr>
<td>DPR</td>
<td>128</td>
<td>-1086.96</td>
<td>77727.95</td>
<td>1840.6741</td>
<td>11604.9244</td>
</tr>
<tr>
<td>ROA</td>
<td>128</td>
<td>-26.04</td>
<td>52.67</td>
<td>7.2700</td>
<td>12.83483</td>
</tr>
<tr>
<td>DER</td>
<td>128</td>
<td>-502.30</td>
<td>1135.04</td>
<td>92.9234</td>
<td>135.14502</td>
</tr>
<tr>
<td>Voluntary Disclosure</td>
<td>128</td>
<td>53.57</td>
<td>96.43</td>
<td>82.3103</td>
<td>9.35682</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>128</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: SPSS data processing 22

a. Financial Distress using a dummy variable, having a minimum value of 0 means that the company is a
healthy company and a maximum value of 1 means that the company is increasing financial difficulties. Of the total 128 data obtained 97 company data or 76% included in company have financial healthy and 31 company data or 24% included in company have financial difficulties. This means that it is common for a period of 3 years on average for many companies to have good finance.
b. the value of the dividend pay ratio (DPR) in the manufacturing companies in the consumer goods sector
on average is 1840.67, this shows that manufacturing companies in this sector are related to their profits
to be allocated as dividends.
c. Return on Assets (ROA) shows the company’s ability to generate profits derived from assets. The poor
performance of the company led to the ROA ratio of PT. Magna Investama Mandiri Tbk in 2016 in the
position of -0.260 while Multi Bintang Indonesia on average companies in the consumption industry sector
had an ROA of 7.3%.
d. Leverage illustrates to what extent the owner's capital can be liabilities to outsiders, namely debt to equity
ratio (DER). Bentoel Internasional Investama in 2015 experienced a capital deficit of Rp 3.1 trillion and
spent Rp 15.8 billion. The minus capital amount cannot be used as debt collateral which causes the 2015
Bentoel International Investama leverage ratio to be in the minimum value position of -5.023. The leverage
ratio of Magna Investama Mandiri Tbk in 2018 has a maximum value of 11,350. This amount means that
the amount of capital of Magna Investama Mandiri Tbk in 2018 is smaller than the amount of funds
provided by creditors (dollars). The average value (average) of DER in the consumption industry sector
companies is 92%.
e. The voluntary disclosure index used agreed (Bruslerie & Gabteni, 2010) which won 28 items. The happy
index is 53.6% or as many as 15 items of disclosure made by Tri Banyan Tirta Tbk, while the largest index
is 96.4% or 27 items made by Unilever Indonesia Tbk and Wismilak Inti Makmur Tbk. The average value
of the voluntary disclosure variable is 82.3%, this means that in one annual reporting period, the average
company has revealed 82.3% or about 23 items in the annual report on voluntary disclosure of the company. Of all the items disclosed, the following items were obtained at the lowest, namely number (23) obtained 0%, number (3) obtained 21.87%, and number (12) obtained 36.71%. Company information does not want to disclose information about currency transactions, forecast for next year (quantitative) and human resources training resources calculated are still confidential for the company.

**Classic assumption test**

**Table 4. Normality Test**

<table>
<thead>
<tr>
<th>Unstandardized Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>N</td>
</tr>
<tr>
<td>Normal Parameters&lt;sup&gt;ab&lt;/sup&gt;</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Most Extreme Differences</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Test Statistic</td>
</tr>
<tr>
<td>Asymp. Sig. (2-tailed)</td>
</tr>
</tbody>
</table>

a. Test distribution is Normal.
b. Calculated from data.
c. Lilliefors Significance Correction.
d. This is a lower bound of the true significance.

The results of the Kolmogorov-Smirnov test above, the significant value obtained is greater than 0.05 or 0.200>0.05. So it can be concluded that the data are normally distributed and the regression model can be used as the next test.

**Table 5. Multicollinearity Test**

<table>
<thead>
<tr>
<th>Coefficients&lt;sup&gt;a&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>1 (Constant)</td>
</tr>
<tr>
<td>FD</td>
</tr>
<tr>
<td>DPR</td>
</tr>
<tr>
<td>ROA</td>
</tr>
<tr>
<td>DER</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Voluntary Disclosure

Based on data from table 6 above shows that the results of the calculation of tolerance values on the independent variables are greater than 0.10 and the results of the calculation of the value of Variance Inflation Factor (VIF) are less than 10, it can be concluded that there is no multicollinearity between the independent variables in the regression model.
Table 6. Autocorrelation Test

<table>
<thead>
<tr>
<th>Model Summary</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1.253</td>
</tr>
</tbody>
</table>

Based on the table above it can be seen that the value of Durbin Watson is 1.253. DW value is between -2 to 2, meaning that the DW value is greater than -2 and smaller than 2 (-2 < 1.253 < 2), it can be concluded that there is no autocorrelation. So the regression model is said to be good because regression is free from autocorrelation.

Table 7. Heteroskedacity Test

<table>
<thead>
<tr>
<th>Coefficientsa</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Model</td>
<td>B</td>
<td>Std. Error</td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>5.641</td>
<td>.749</td>
</tr>
<tr>
<td>FD</td>
<td>.244</td>
<td>1.252</td>
</tr>
<tr>
<td>DPR</td>
<td>-6.818E-05</td>
<td>.000</td>
</tr>
<tr>
<td>ROA</td>
<td>.006</td>
<td>.042</td>
</tr>
<tr>
<td>DER</td>
<td>.002</td>
<td>.003</td>
</tr>
</tbody>
</table>

a. Dependent Variable: ABS_RES

Based on table 8 all independent variables do not have a significant relationship because they are above \( \alpha > 0.05 \), so it can be concluded that all the independent variables have no heteroscedasticity problems.

Model Suitability Results

Table 8. Uji Statistic

<table>
<thead>
<tr>
<th>Model</th>
<th>B</th>
<th>Uji t</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>82.096</td>
<td>0.000</td>
</tr>
<tr>
<td>Financial Distress</td>
<td>-6.561</td>
<td>0.001</td>
</tr>
<tr>
<td>Dividen pay ratio</td>
<td>2.150E-0</td>
<td>0.722</td>
</tr>
<tr>
<td>Return on Asset</td>
<td>0.252</td>
<td>0.000</td>
</tr>
<tr>
<td>Deb to equity ratio</td>
<td>-0.001</td>
<td>0.886</td>
</tr>
<tr>
<td>( Sig Uji F )</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>( R \text{ Square} )</td>
<td>0.339</td>
<td></td>
</tr>
</tbody>
</table>

Based on the table of statistical test results obtained from 4 variables measured to test the effect of the extent of voluntary disclosure on manufacturing companies in the consumption industry sector, the following conclusions are obtained:

1. Variable of Financial distress has a negative influence on the extent of voluntary disclosure in the consumption industry sector companies because the sign value is below 0.05, so it can be concluded that hypothesis 1 is accepted.
2. Variable of DPR has no significant positive effect on the extent of voluntary disclosure in the consumption
industry sector companies, because the sign value is above 0.005. so it can be concluded that hypothesis 2 is not accepted.

3. Variable of ROA has a positive influence on the extent of voluntary disclosure in the consumption industry sector companies, because the sig value is below 0.005. so it can be concluded that hypothesis 3 is accepted.

4. Variable of DER has an insignificant negative effect on the extent of voluntary disclosure in the consumption industry sector companies, due to the sig value above 0.005. so it can be concluded that hypothesis 4 is not accepted.

If you look at the value of R Square, it can be said that the independent variable in predicting the dependent variable is the extent of voluntary disclosure of 33.9%, while the remaining 66.1% is influenced by variables outside the study.

Discussion

1. The effect of financial distress to voluntary disclosure

   Based on the t test results, it is known that financial distress has a significant negative effect on voluntary disclosure. This can be said when a company experiences financial distress, the company will have bad news that shows a negative signal for investors so that this will affect the openness of management in making disclosures. In accordance with the theory of signals if the company is healthy means the company has good news that will be more open in providing information to investors so this will affect the management in providing company information, (Brigham & Houston, 2013). The management conveys information that can increase its credibility and company success even though the information is not required, (Jensen & Meckling, 1976).

   When the company experiences financial distress, the company tries not to show these conditions transparently, by reducing the completeness of company information to the public in the annual report. The implication is that companies will make fewer voluntary disclosures when experiencing financial distress, (Poluan & Nugroho, 2015 ; Gantyowati & Nugraheni, 2014).

2. Effect of Dividend Pay Ratio to voluntary disclosure

   Based on the t test results it is known that the DPR has a significant positive effect on voluntary disclosure. This is because the overall information about the company's internal conditions is often not known by investors so that through the company's growth dividends and company prospects can be known. So it is not the company's obligation to be disclosed on voluntary disclosure because without having to disclose, investors already know it directly. In fact (Gjesdal & Dackerud, 2016) said dividends cannot be seen as a credible signal for future income.

   This result also shows that dividend policy does not have an impact on investor reaction because the dividend payout ratio is only a detail and does not affect the welfare of shareholders, (Triani & Tarmidi, 2019).

3. The effect of ROA to voluntary disclosure

   Based on the t test results it is known that ROA has a significant positive effect on the extent of voluntary disclosure. These results indicate that companies that are able to generate profits from assets owned or high ROA values tend to disclose more information, because the company's strength to obtain that information is greater than companies that have low ROA values. In accordance with signal theory, the extent of disclosure is used by the market as a signal to assess the company's performance results. (Brigham & Houston, 2013).

   The higher the company's profitability ratio, the wider the voluntary disclosure in the company's annual report, because when the company discloses more information, then the market will assess the company has better performance compared to other companies, (Haddad et al., 2009 ; Indrayani & Chariri, 2015 ; Nugraheni, 2012).
4. Effect of DER to voluntary disclosure

Based on the t test results, it is known that the DER variable has no significant negative effect on the extent of voluntary disclosure. These results indicate that the high or low DER ratio will not affect the company's voluntary disclosure every year. Information on the ability of the company to manage debt originating from equity is not a pressure on voluntary disclosure by company management.

The results also indicate that voluntary disclosures in annual reports do not emphasize corporate debt information. In other words the presentation of explanatory information of debt is presented normally without regard to the magnitude of changes in debt that occur, (Neliana, 2018).

Conclusion

1. Financial distress has a significant negative effect on voluntary disclosure. Because when a company experiences financial distress, the company will have bad news that shows a negative signal to investors so this will affect the openness of management in making disclosures.
2. DPR has no significant positive effect on voluntary disclosure. This is because it is not the company’s obligation to submit to voluntary disclosure because without having to disclose the investor already knows dividend information directly.
3. ROA has a significant positive effect on the extent of voluntary disclosure. This means that the greater the value of ROA, there will be as much sound information that is disclosed by the company.
4. DER has insignificant negative effect on the extent of voluntary disclosure. This means that voluntary disclosures in annual reports do not emphasize corporate debt information. Presentation of explanatory information on debt is presented normally without regard to the amount of debt changes that occur.

Suggestions

1. Academics are expected to add other variables beyond the variables in this study such as corporate governance variables to obtain more varied results and use different types of companies as a comparison
2. For the company, the company is expected to be able to show better performance and provide wider disclosures to investors regarding the company's activities so that investor confidence in the company increases because it is found that there are still many companies that have not fully disclosed the 28 items examined such as exchange transactions currency, forecast next year (quantitative) and human resources training operating costs.

References


