

The Factors Affecting Online Voluntary Disclosure in Indonesian F&B Companies

Sasya Sabrina, Lely Thersia



The purpose of this research is to analyze the effect of public stock ownership portion, firm size, leverage, and profitability toward voluntary disclosure published online. The data are selected using purposive sampling method and there are 13 food and beverage companies listed in Indonesia Stock Exchange that meet the criteria. The data are time series from 2014-2018. The data are processed using multiple regressions as the analysis method. The empirical results of this research show that firm size has a positive and significant impact on voluntary disclosure. Other independent variables which are the public stock ownership portion, leverage, and profitability do not affect voluntary disclosure. Firm size also became the most dominant factor in influencing the voluntary disclosure. This research can be useful for investors to make investment decisions based on how many disclosures the companies publish.

Keywords: voluntary disclosures, online, public stock ownership, firm characteristics

I. INTRODUCTION

Business practices continue to run and change according to conditions in the economic environment by creating fundamental changes in business reporting. Companies are faced with conditions to be more transparent in disclosing company information, so that it can help make decisions in anticipation of increasingly changing conditions. Disclosure of company financial information is reflected in the publication of annual reports on the company's website. The annual report contains financial data (financial statements) and non-financial information as well as a means of management accountability in anticipating changing economic conditions. The information contained in the annual report becomes the main basis for decision makers (stakeholders) and is expected to reduce the level of risk and uncertainty.

Disclosure of information contained in annual reports published on the internet that consists of annual reports with mandatory disclosures and annual reports with voluntary disclosures. Voluntary disclosure is disclosure made by the

company beyond what is required in the regulations. The company has the discretion to disclose this information in the financial statements. The motive for this voluntary disclosure is that company management wants to influence market perceptions of company value and reduce the asymmetry of market information. Disclosure of information contained in

annual reports published on the internet that consists of annual reports with mandatory disclosures and annual reports with voluntary disclosures. Voluntary disclosure is disclosure made by the company beyond what is required in the regulations. The company has the discretion to disclose this information in the financial statements. The motive for this voluntary disclosure is that company management wants to influence market perceptions of company value and reduce the asymmetry of market information with this wider disclosure. Management has several considerations for disclosing information voluntarily, one of which is the cost and benefit factor [1]. The manager will voluntarily disclose information if the benefits derived from the disclosure outweigh the costs.

Disclosure of information contained in annual reports published on the internet that consists of annual reports with mandatory disclosures and annual reports with voluntary disclosures. According to [2], mandatory disclosure focuses on the presentation of financial statements and other records required by regulations, while voluntary disclosure frees management of what information will be published. Voluntary disclosure is disclosure made by the company beyond what is required in the regulations. The company has the discretion to disclose this information in the financial statements. The motive for this voluntary disclosure is that company management wants to influence market perceptions of company value and reduce the asymmetry of market information with this wider disclosure. Management has several considerations for disclosing information voluntarily, one of which is the cost and benefit factor [1]. The manager will voluntarily disclose information if the benefits derived from the disclosure outweigh the cost. In addition to consideration from management, the information disclosed by the company is influenced by various factors related to the conditions inherent in the company. These factors include the portion of public share ownership, company size, leverage, and profitability. In this research, it will be emphasized more on the level of voluntary disclosure on the internet because it can be assumed that the company will obey the rules related to mandatory disclosure.

Manuscript published on November 30, 2019.

* Correspondence Author

Sasya Sabrina*, Accounting Department, Faculty of Economics and Communication, Bina Nusantara University, Jakarta, Indonesia. Email: ssabrina@binus.edu, sasyasabrina@binus.ac.id

Lely Thersia, Accounting Department, Faculty of Economics and Communication, Bina Nusantara University, Jakarta, Indonesia. Email: thersiale55@gmail.com

© The Authors. Published by Blue Eyes Intelligence Engineering and Sciences Publication (BEIESP). This is an [open access](#) article under the CC-BY-NC-ND license <http://creativecommons.org/licenses/by-nc-nd/4.0/>

Research on voluntary disclosure according to [1] states that the portion of public share ownership, age of listing, company size, and profitability has an influence on voluntary disclosures made by companies, while the liquidity and size of public accounting firms do not affect voluntary disclosure. Other research on voluntary disclosure is conducted by [3] with the results of the study showing that firm size and the auditor sector have a positive effect on the extent of voluntary disclosure, while leverage, performance, and ownership concentration have no effect on the area of voluntary disclosure.

Based on the results of several different previous studies, this study aims to reexamine the characteristics of companies that influence voluntary disclosures published on the internet, such as the portion of public share ownership, company size, leverage, and profitability. The choice of the variable proportion of public share ownership is interesting because this component is very closely related to the disclosure that will be done by the company. The characteristics of the company are also highlighted in this disclosure because it concerns the condition of the company itself which will be made public.

II. THEORY & HYPOTHESIS DEVELOPMENT

A. Theory

Agency theory [4] is one theory that can be an approach to describe the concept of financial statement disclosure related to voluntary disclosure on the internet. Signaling theory can also explain voluntary disclosure. Providing voluntary information in company annual reports can give a positive signal that the company provides more detailed information that is not contained in the financial statements [1]. The voluntary disclosure indicator is a voluntary disclosure index, which is the ratio between the number of information items that are met and the number of information items that might be fulfilled. The greater the voluntary disclosure index means the wider the disclosure in annual reports published via the internet.

B. The Effect of Public Share Ownership on Voluntary Disclosure

Ownership of shares by the public means that the public takes part in owning a company as much as the portion of shares owned by the company. Public here refers to individuals outside management and have no special relationship with the company. The more parties who need information about the company, the more details are required to be opened and thus disclosure by the company is more complete in the annual report. Research results by [1] show that the portion of public share ownership has a positive effect on voluntary disclosure. The more parties who need information related to the company, it will trigger the management to make voluntary disclosures of the company to be presented to the users of information as decision makers.

H1: Public share ownership influences the voluntary disclosure

C. The Effect of Firm Size on Voluntary Disclosure

The extent of information in the company's disclosure policy

will increase along with the increase in the size of the company, this is because larger companies tend to have a higher public demand for information compared to smaller companies. Large companies have an incentive to present voluntary disclosures, because large companies are faced with higher costs and political pressure than small companies. The research results by [3] [5] show that company size has a positive effect on the extent of voluntary disclosure. The larger the size of the company, the more extensive the information disclosed by the company. Large companies have lower costs in disclosing information and the benefits that arise for management. Then small companies think that providing an additional level of information (not explicitly required by law) can be a disadvantage to their competitive position.

H2: Firm size influences the voluntary disclosure

D. The Effect of Leverage on Voluntary Disclosure

The leverage ratio is used to provide an overview of the capital structure of the company, so that it can be seen the level of risk of uncollectible debt. Companies with high debt ratios will tend to meet the information needs of their creditors. Along to meet the creditor's information needs, companies with high leverage will make wider disclosures so that their performance remains credible to creditors. Research results by [5] show that leverage ratios have a positive effect on the completeness of voluntary disclosures in annual reports. This shows that the company's ability to use debt compared to its own capital will have an impact on increasing the completeness of voluntary disclosure in the annual report. Leverage information or an increase in leverage ratio does not need to be hidden by the company. Through disclosure of information leverage by the company will have an impact on the trust of investors or bondholders, because their rights will still be fulfilled by the company.

H3: Leverage influences the voluntary disclosure

E. The Effect of Profitability on Voluntary Disclosure

Profitability is the company's ability to get profits / profits in a certain period. The level of profit of the company is a key indicator of company performance. 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. Companies that experience low profitability, tend to hide the reasons for the decline by revealing less information. Research results by [6] [7] show that profitability ratios have a positive effect on the extent of voluntary disclosure. The higher the profitability ratio, the more voluntary disclosures are expressed by a company. Companies that are experiencing profits will be more confident to disclose more and more detailed information as proof of the company's profitability to investors.

H4: Profitability influences the voluntary disclosure

III. RESEARCH METHODOLOGY

This research is a quantitative study using secondary data from the Indonesia Stock Exchange website (www.idx.co.id).



The method of data collection is to use content analysis of company annual reports published on the internet. The research sample was obtained by purposive sampling from a population of food and beverage companies listed on the Indonesia Stock Exchange in 2014-2018.

Data will be processed using multiple linear regression consisting of t-test, F-test, and coefficient of determination test.

The dependent variable used in this study is voluntary disclosure. Voluntary disclosure is measured by the voluntary disclosure index. The number of items disclosed by the company (n) is calculated by giving a score for each dichotomous disclosure item. One item disclosed will be given a value of one and if not disclosed will be given a value of zero. Scores obtained by each company are added to get a total score. Next, calculate the completeness index of disclosure by dividing the total score obtained by the maximum score of 33 items. Calculation of index numbers is determined by the formulation as follows:

$$\text{Index} = \text{number of disclosure items disclosed} / \text{maximum disclosure value (33 items)}$$

The independent variables consist of public share ownership, firm size, leverage, and profitability. The portion of public share ownership is the amount of company shares owned by the public. The portion of public share ownership can be measured by the formula the number of public shares divided by the number of shares outstanding. The size of the company shows the size of the company. The size of the company is the amount of wealth owned by the company. Company size can be measured by asset size, net sales, and market capitalization. In this study, size is measured using total assets. Leverage in this study is measured by debt to equity ratio. Debt to equity ratio is the ratio used to assess debt with equity. This ratio is calculated by dividing total debt by total equity. Profitability ratios in this study are measured by return on assets. Return on assets is the ratio that shows the results (return) of the total assets used in the company. Return on assets can be measured by dividing income after tax by total assets.

IV. RESULT AND DISCUSSIONS

Based on predetermined sample selection criteria, the sample of this study were 13 companies with a period of 5 years, so the total data used was 65 data. The data is analyzed using regression test consisting of t-test, F-test, and coefficient of determination test.

Below is the result of the regression test:

Table- I: Result of the Regression Test

Variables	Coefficient	t-stat
Constant	-1.660366	-3.931899*
Public Ownership	-0.124567	-1.199753
Firm Size	0.073852	4.921182*
Leverage	0.004279	0.166981
Profitability	-0.086478	-0.628194
Adjusted R Square	0.257189	
F test	6.539804	

Sig	0.000195
Dependent Variable: Voluntary Disclosure	
*= significant at 0.05 level	

A. Discussion 1: The Effect of Public Share Ownership on Voluntary Disclosure

The results of partial hypothesis testing (t-test) in table-I shows that the variable portion of public share ownership (X1) has a significance value of 0.2350. Significance value of $0.2350 > 0.05$ indicates that the independent variable, which is the portion of public share ownership partially, does not have a significant effect on voluntary disclosure. Thus, the first hypothesis (H1) proposed in this study was rejected. Based on the results of the study, the ownership of company shares in the general public (public) does not affect a company in the area of voluntary disclosure. The results of statistical analysis show the average public shareholding in companies is relatively low at 0.249459. Public share ownership in Indonesian companies is generally only 5% or less and is referred to as a minority shareholder. This results in minority shareholders not having the authority or power to encourage management to disclose the desired financial or non-financial information. In reality, many investors rely more on technical analysis tools than fundamental analysis tools, so this will not affect voluntary disclosure. And the uncertainty of disclosure of each company makes public ownership not a determinant in voluntary disclosure. The results of this study are in line with research conducted by [8] which explains that public ownership has no effect on the extent of voluntary disclosure of annual reports. The argument that states this result is that public ownership does not receive special consideration in determining voluntary disclosure.

B. Discussion 2: The Effect of Firm Size on Voluntary Disclosure

The results of partial hypothesis testing (t test) in table-I show that the firm size variable (X2) has a significance value of 0.0000. Significance value of $0.0000 \leq 0.05$ indicates that the independent variable, which is the size of the company, partially has a significant effect on the variable dependent of voluntary disclosure. The test results also showed a positive coefficient value of 0.073852. Thus, the second hypothesis (H2) proposed in this study can be accepted. With this positive and significant influence, it can prove that if the size of the company increases by 1 unit or 1%, the area of voluntary disclosure increases by 0.073852 units or 7.38% if the other independent variables are constant. The larger the size of the company, the wider the disclosure of information disclosed by the company. In general, a large company is an entity that is widely highlighted by the market and the public. Large companies tend to have large shareholders, so the attention of these stakeholders will also be higher and will require more financial and non-financial information. Disclosing a lot of information is part of the company's efforts to realize public accountability. The size of the company is assumed to have a large total assets and income.

The Factors Affecting Online Voluntary Disclosure in Indonesian F&B Companies

This means that a large total asset as a company size will provide more confidence to investors and creditors regarding company information for decision making. The results of this study are in line with research conducted by [1], [3], [9], [10] who explain that company size has a positive effect on the voluntary disclosure in annual reports. The argument that states this result is that the larger the size of the company, the wider the information disclosed by the company.

C. Discussion 3: The Effect of Leverage on Voluntary Disclosure

The results of partial hypothesis testing (t test) in table-I show that the leverage variable (X3) has a significance value of 0.8679. Significance value $0.8679 > 0.05$ indicates that the independent variable that is partial leverage has no significant effect on the dependent variable of voluntary disclosure. Thus, the third hypothesis (H3) proposed in this study was rejected. This can occur because the high and low leverage of a company does not significantly affect the broad level of voluntary disclosure by the company. Leverage cannot be a guideline in determining the extent of voluntary disclosure in annual reports due to differences in policy from each company. Companies tend to present information that is not specific to certain creditors because creditors generally use valuation methods such as the accuracy of debt repayments or request information needed directly to the company. So that these conditions make the company not widely present voluntary disclosure. Another reason is that voluntary disclosure of information can basically serve as a complement to mandatory disclosure. If management considers that disclosure of information about leverage in mandatory disclosure is sufficient, then additional disclosure regarding this matter is not necessary. The results of this study are in line with research conducted by [3], [8] which explain that leverage has no effect on the extent of voluntary disclosure. The argument stating this result is that the company does not present broader voluntary disclosure to meet the creditor's interests, but instead presents information to meet the needs of all stakeholders.

D. Discussion 4: The Effect of Profitability on Voluntary Disclosure

The results of partial hypothesis testing (t test) in table-I show that the profitability variable (X4) has a significance value of 0.5323. Significance value $0.5323 > 0.05$ indicates that the profitability variable partially has no significant effect on voluntary disclosure. Thus, the fourth hypothesis (H4) proposed in this study was rejected. Based on the results of the study, profitability has no influence on voluntary disclosure. This happens because the profitability of the company does not require voluntary disclosure to add information because the financial statements can be directly seen in the income statement along with notes to the financial statements regarding the items presented in the income statement. Another reason is that high return on assets has become a source of information for investors, so companies do not need to voluntarily disclose profitability in annual reports to attract investors. The results of this study are in line with research conducted by [8], [9] who explain that profitability has no effect on the extent of voluntary

disclosure. The argument that states this result is information about the company's profitability has been presented in the financial statements and summary statistics of the company.

E. Discussion 5: Simultaneous Effect

The F test shows the significance of the influence of all independent variables namely, the portion of public share ownership, company size, leverage, and profitability together or simultaneously on the broad dependent variable voluntary disclosure. The results of simultaneous hypothesis testing (F test) in table-I show that P value <0.05 , with a value of 0.000195 which is lower than the significance level of 0.05. Public share ownership, company size, leverage and profitability simultaneously significantly influence voluntary disclosure.

F. Discussion 6: Coefficient of Determination

The coefficient of determination R^2 (adjusted R^2) is used to measure the role of the independent variable in the form of a portion of public share ownership, company size, leverage, and profitability together in explaining the changes that occur in the dependent variable, which is the extent of voluntary disclosure. The coefficient of determination ranges from zero and one. The adjusted R^2 value approaching 0 means that the ability of the independent variables in explaining the variation of the dependent variable is very limited. Conversely, if the adjusted R^2 value is close to 1, it means that the independent variables provide almost all the information needed to predict the variation of the dependent variable. Based on table-I, it is known that the adjusted R^2 value is 0.257189. This shows that the ability of the variables of the portion of public share ownership, company size, leverage, and profitability is limited in explaining changes to the variable voluntary disclosure of 25.71% while the remaining 74.29% is influenced by other variables derived from outside the research model.

Table- II: Result of the Research

Hypothesis	Decision
H1	Rejected
H2	Accepted
H3	Rejected
H4	Rejected

V. CONCLUSION

Based on testing and discussion of hypotheses that have been done, which examines the portion of public share ownership, company size, leverage, and profitability of voluntary disclosure in food and beverage companies, the conclusions obtained are as follows:

Public share ownership does not have a significant effect on voluntary disclosure because public share ownership in a company is generally only an investor with a share ownership below 5% or referred to as a minority shareholder. This results in minority shareholders not having authority over financial or non-financial information to encourage management to make extensive disclosures of the desired information.



Company size has a positive and significant effect on the area of voluntary disclosure because the larger the size of the company the wider the disclosure of information disclosed by the company. Disclosing a lot of information is part of the company's efforts to realize public accountability. Leverage has no significant effect on voluntary disclosure because leverage cannot be a guideline in determining the extent of voluntary disclosure in annual reports because of differences in policy from each company.

Profitability does not significantly influence voluntary disclosures because profitability in companies does not require voluntary disclosures to add information because the financial statements can be directly seen in the income statement along with notes to the financial statements regarding the items presented in the income statement.

REFERENCES

1. D. L. Damayanti and M. P. Priyadi, "Pengaruh Karakteristik Perusahaan Pada Luas Pengungkapan Sukarela Dan Implikasinya Terhadap Asimetri Informasi," *Jurnal Ilmu dan Riset Akuntansi*, vol. V, no. 12, pp. 2-17, 2016.
2. A. Uyar, M. Kilic and N. Bayyurt, "Association between Firm Characteristics and Corporate Voluntary Disclosure : Evidence from Turkish Listed Companies," *Intangible Capital*, vol. 9, no. 4, pp. 1080-1112, 2013.
3. D. Scaltrito, "Voluntary Disclosure in Italy : Firm-Specific Determinants an Empirical Analysis of Italian Listed Companies," *EuroMed Journal of Business*, vol. XI, no. 2, pp. 272-303, 2016.
4. M. Jensen and W. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," *Journal of Financial Economics*, vol. 3, no. 4, pp. 305-360, 1976.
5. H. Alves, A. Rodrigues and N. Canadas, "Factors influencing the different categories of voluntary disclosure in annual reports: and analysis for Iberian Peninsula Listed companies," *Review of Applied Management Studies Journal*, vol. 10, no. 1, pp. 15-26, 2012.
6. K. Wang, C. Sewon and M. C. Claibone, Determinants and consequences of voluntary disclosure in an emerging market: evidence from China, vol. 17, no. 1, pp. 14-30, 2008.
7. K. Samaha and K. Dahawy, "An empirical analysis of corporate governance structures and voluntary corporate disclosure in volatile capital markets: the Egyptian experience," *International Journal of Accounting, Auditing and Performance Evaluation*, vol. 7, no. 1/2, pp. 61-93, 2011.
8. C. Rusiti and Y. A. Kurniawan, "Faktor-Faktor yang Mempengaruhi Luas Pengungkapan Sukarela dalam Laporan Tahunan Perusahaan di Bursa Efek Indonesia," in *Simposium Nasional Akuntansi XVI*, Manado, 2013.
9. D. Kaya, "The Influence of Firm-Specific Characteristics on the Extent of Voluntary Disclosure in XBRL : Empirical Analysis of SEC Filings," *International Journal of Accounting and Information Management*, vol. 22, no. 1, pp. 2-17, 2014.
10. S. Brammer and S. Pavelin, "Voluntary Environmental Disclosures by Large UK Companies," *Journal of Business, Finance, & Accounting*, vol. 33, no. 7-8, pp. 1168-1188, 2006.

AUTHORS PROFILE



Sasya Sabrina is an accounting lecturer of Bina Nusantara University, Jakarta, Indonesia. She is also a subject content coordinator for corporate reporting in Bina Nusantara University. She teaches financial accounting courses and accounting module of international certification from professional body. Her undergraduate degree was bachelor of accounting from Tarumanagara University and the graduate degree was master of finance from Tarumanagara University. She has published some papers in financial accounting, finance, capital market, and information system indexed by Scopus. She is a member of Institute of Indonesia Chartered Accountants. She also has certification from Ministry of Higher Education as Indonesia certified lecturer and has certification in financial accounting from Institute of Indonesia Chartered Accountants.



Lely Thersia is a graduate of Bina Nusantara University. She holds bachelor of accounting in 2018. Besides studying at university, she also runs her own business in woman fashion. Her research area is financial accounting, finance, and capital market. She also produced some unpublished papers with the lecturers. She is a young member of Institute of Indonesia Chartered Accountants. She has working experience in corporate finance management, accounting, and internal audit in private company in Indonesia. She obtained high GPA while studying in Bina Nusantara University. She attended both national and international seminars related to accounting and finance to strengthen her skill in accounting and finance.