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The Effect of Voluntary Disclosure on Company Performance with the Effectiveness of the Board of Commissioners as a Moderating Variable

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Abstract

This research was conducted on 140 manufacturing companies listed on the Indonesia Stock Exchange (IDX) Period 2012 - 2017, the research data used in this study is secondary data in the form of annual report The number of samples analyzed was 104 respondents because the companies that met the sample criteria, because there were several samples that did not meet the research criteria using purposive sampling technique. The analysis technique used in this study is Moderated regression analysis (MRA). The results of the study prove that the effectiveness of the board of directors strengthens the relationship between the level of voluntary disclosure on the performance of manufacturing companies. The higher the level of effectiveness of the board of commissioners in a company and the company has a level of voluntary disclosure, the company's performance will tend to increase.

Keywords: Voluntary disclosure; Company performance; Effectiveness of the board of commissioners.

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1. Introduction

Agency theory explains the relationship between principal and agent can lead to conditions of information asymmetry. Asymmetry information occurs when managers have more control and information about the state of the company than shareholders. Assuming that individuals act to maximize their personal welfare, this information asymmetry will encourage managers to hide or manipulate some information that is not known to the principal. Information asymmetry allows managers to have a set of policies that can maximize their welfare [1]. According to [2,3] states that this information imbalance can be minimized by conducting disclosures of information related to the company. Increased transparency and disclosure can contribute to aligning the interests of shareholders and managers. Therefore, it can be concluded that in agency theory, disclosure is a mechanism that functions to control the manager's performance, so that the company's performance will increase [1].

Previous research such as [4] proved that the level of transparency and disclosure made by public companies has a positive influence on company performance. The results are in line with the study by [5,6]. This result is based on information disclosure that increases shareholder trust. The availability of this information can reduce information asymmetry and also reduce monitoring costs which have implications for reduced capital costs and an evaluation of the value of the company will increase. In other words, disclosure is a transparency that shows the existence of a corporate governance mechanism that leads to good corporate performance.

Based on Law No. 40 of 2007 Article 1, the Board of Commissioners is the Organ of the Company in charge of carrying out supervision in general and / or specifically in accordance with the articles of association and advising the Directors. Reference [7] revealed that the board of directors is the center of the internal control mechanism to oversee management. Research [8] also said that the board of commissioners is one of the factors that play an important role in the implementation of good corporate governance, because the board of directors plays a role in ensuring the implementation of corporate strategy, overseeing management in managing the company, and requiring the implementation of corporate accountability. The Board of Commissioners plays a role in supervising the management carried out by the board of directors. The board of commissioners also plays a role in providing advice and input related to improving the performance of directors. Another study by [9], states that board size has a significant effect on the company's financial performance. Regarding the activities of the board of commissioners, Reference [10] stated that the activities of the board of directors measured the quality of the board of commissioners in carrying out the monitoring role, the more active the board of commissioners, the better the company's performance.

2. Literature Review and Hypotheses

2.1 Agency Theory

According to [11], agency theory is based on three assumptions of human nature, namely, in general, humansare selfish, have limited thinking about the perception of the future, and always try to avoid risk. Based on the assumption of human nature, the manager will act opportunistically by prioritizing his personal interests which are not always in line with the interests of the principal. While on the other hand, shareholders want to increase the value of the company's shares.

The relationship between principal and agent can lead to a condition of information asymmetry. Asymmetry information occurs when managers have more control and information about the state of the company than shareholders. Assuming that individuals act to maximize their personal welfare, this information asymmetry will encourage managers to hide or manipulate some information that is not known to the principal. Asymmetry information allows managers to have a set of policies that can maximize their well-being, so that there is good transparency in disclosure [1].

2.2 Contingency Approach

The contingency approach in this study was used to evaluate the effect of voluntary disclosure rates on company performance. Based on the results of previous studies there are conflicting results of research on the effect of voluntary disclosure levels on company performance, there are inconsistencies in the results of research, so there are allegations that led to the conflict of results. In this study researchers used the effectiveness of the board of commissioners who allegedly moderated the influence of the level of voluntary disclosure with company performance. The effectiveness of the board of directors is a moderating variable, which can strengthen or weaken the influence of the level of voluntary disclosure on company performance.

2.3 Hypothesis

Research [8] also said that the board of commissioners is one of the factors that play an important role in the implementation of good corporate governance, because the board of directors plays a role in ensuring the implementation of corporate strategy, overseeing management in managing the company, and requiring the implementation of corporate accountability. The Board of Commissioners plays a role in supervising the management carried out by the board of directors. The board of commissioners also plays a role in providing advice and input related to improving the performance of directors. Another study by [9], states that board size has a significant effect on the company's financial performance. Regarding the activities of the board of commissioners, Reference [10] stated that the activities of the board of directors measured the quality of the board of commissioners in carrying out the monitoring role, the more active the board of commissioners, the better the company's performance.

The conclusion is that the more effective the board of commissioners in a company will be the performance of management will be in accordance with the objectives of the company that has been set. If the level of voluntary disclosure in a company is higher, the inequality of information between the principal and agent will tend to decrease so that the company can achieve maximum efficiency and performance. Companies that have a high level of voluntary disclosure and have an effective board of commissioners will increase their company performance.

H1. The effectiveness of the board of directors strengthens the influence of the level of voluntary disclosure on company performance.

3. Research Methods

The location of this study was conducted on the Indonesia Stock Exchange which provides information on the company's financial statements by accessing the official website of the Indonesia Stock Exchange, namely www.idx.co.id and Indonesian Capital Market Directory (ICMD). Research time uses five years of observation, namely 2012 to 2017. the population of this study is all manufacturing companies listed on the Indonesia Stock Exchange (BEI) in 2012-2017. The selected period is the 2012-2017 annual report, because the new Bapepam (OJK) regulation came into force on 1 August 201, and the sample selection technique is purposive sampling. This study contained three types of variables, namely independent variables, dependent variables and moderating variables, based on the main problems in this study, these variables are as follows the independent variable in this study is the level of voluntary disclosure, the dependent variable in this study is the company's performance, and the moderating variable is the effectiveness of the board of commissioners.

This study uses interaction test or often called the Moderated Regression Analysis (MRA) which is a special application of linear multiple regression, in the regression equation contains elements of interaction [12]. Interaction test or Moderated Regression Analysis (MRA) can be calculated by the following equation.

$$KP = \alpha + \beta_1 TPS + \beta 2LEV + \beta 3SIZE + \beta 4CAPEX + \beta 5AGE + \beta 6EDK + \beta 7(TPS.\ EDK) + e \qquad (1)$$

Information:

KP = Company Performance

α = Constants

β1-β7 = Regression coefficient

TPS = Voluntary Disclosure Level

LEV = leverage

SIZE = Firm Size

CAPEX = Capital Expenditure

AGE = Firm’s Age

EDK = Effectiveness of the Board of Commissioners

(TPS.EDK) = Interaction between the Level of Voluntary Disclosure and the Effectiveness of the Board of Commissioners e = Error

4. Results and Discussion

4.1 Normality Test Results

This study uses the Kolmogorov-Smirnov test to detect whether or not the normality test is fulfilled with the provision that the Kolmogorov-Smirnov Z value is greater than or equal to 0.05, then the distribution is normal, whereas if the significance level is less than 0.05, the data is not normally distributed [12]. The results of the normality test can be seen in Table 1 below.

Table 1: Normality Test Results

3. **Description**	**Unstandardized Residual**
N	624
Kolmogorov-Smirnov Z	0,096

Based on Table 1 shows that the value of kolmogorov-smirnov z is 0.096> 0.05. This shows that the regression model is normally distributed.

4.2 Heterocedacity Test Result

Heteroscedasticity test aims to test whether in the regression model there is variance and residual inequality one observation to another observation. A good regression model is homoscedasticity or heteroscedasticity does not occur. Heteroscedasticity test results are presented in Table 2.

Table 2: Heteroscedasticity Test Results

No.	**Variabel**	**Sig.**	**Keterangan**
1	Voluntary Disclosure Level	0,397	No heteroscedasticity
2	Effectiveness of the Board of Commissioners	0,240	No heteroscedasticity
3	Moderation (PS*EDK)	0,437	No heteroscedasticity
4	*Leverage*	0,760	No heteroscedasticity
5	*Firms Size*	0,240	No heteroscedasticity
6	*Capital Expenditure*	0,878	No heteroscedasticity
7	*Firms Age*	0,130	No heteroscedasticity

Based on Table 2 shows that the value of sig. of each variable is above 0.05.

This shows that all of these variables are free from h heteroscedasticity.

4.3 Autocorrelation Test Results

To track the existence of auto correlations or the influence of data from previous observations in the regression model, an autocorrelation test is performed. The autocorrelation test used in this study was Durbin-Watson (DW-test). The results of the data processing look like the following Table 3.

Table 3: Autocorrelation Test Results

Model	R	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*	*Durbin-Watson*
1	0.177	0.032	0.020	0.28875	1,109

This study shows that the following values are 0.692 (du) <1.207 (dw) <3.304 (4-dw), so the data in this study are free from autocorrelation.

4.4 Results of Moderated Regression Analysis (MRA)

This study uses multiple linear regression analysis techniques that contain interactions between independent variables or Moderated Regression Analysis (MRA). the results can be seen in Table 4 below.

Table 4: Moderated Regression Analysis

Variables	Unstandardized Coefficient		Standardized Coefficient	T	Sig
	B	Std. Error	Beta		
Constant	1.076	.655		1.643	.001
TPS	4.669	2.382	.888	1.960	.005
EDK	1.387	.869	.381	1.596	.011
Leverage	-.179	.055	-.130	-3.244	.001
Firms Size	.002	.005	.016	.372	.010
Capital Expenditure	.002	.007	.009	.237	.013
Firms Age	.052	.020	.103	2.572	.010
TPS*EDK	6.031	3.168	1.094	1.904	.007
Adjusted R_{square} : 0,022					
F : 6,008					
Sig. F : 0,005					

5. Conclusions

Based on the results of calculations using the Moderated Regression Analysis (MRA) Analysis. The regression coefficient of the level of disclosure of positive receipts, it shows that the higher the level of satisfaction assessment in the company that will produce performance that will increase. Moderate coefficient of interaction between the level of disclosure and effectiveness of the board of directors with positive signs and Pvalue of 0.023 <0.05. It is one of the most effective ways to communicate and be reliable.

Agency theory explains the relationship between principal and agent, in the agency relationship that raises agency information problems, namely asymmetry. Current asymmetry information. The assumptions used are individuals who will be used, and will display asymmetric information that will be used to hide or manipulate some information that cannot be known by the principal. Information asymmetry allows managers to have a set of sectors that are passed by them [1]. According to [2,3] states that this information imbalance can be minimized by conducting disclosures on information related to the company. Improvement and disclosure can provide representation to align the interests of shareholders and managers. Therefore, it can be contributed in agency theory, organizing which functions to control performance, and the company's performance will increase [1].

Previous research [4] proved that the level and disclosure made by public companies have a positive relationship to company performance. The results are by study [5,6]. The results in disclosing information increase shareholder trust. Allowing this information to reduce information and also reduce monitoring costs which have implications for reduced capital costs and an evaluation of the value of the company will increase. In other words, disclosure is a flexibility that reflects the concept of corporate governance that leads to good corporate performance.

According to [7] the key words for internal communication. Research [8] also states that the board of commissioners is one of the important factors in the implementation of good corporate governance, because the board of commissioners in the organization is responsible, and management in managing the company, and requires the implementation of corporate accountability. The Board in conducting oversight of the management carried out by the board of directors. The board of commissioners also plays a role in providing input and input in improving the performance of directors. Another study by [9], states that board size has a significant effect on the company's financial performance. Decision making of the board of commissioners [10].

The conclusion is the effectiveness of the company's directorate board so that the performance of management will be in accordance with the company's objectives. If the level of disclosure of available salary is higher then the imbalance between the main information and the agent will be used. The level of success of a company can achieve optimal levels of efficiency and performance. Companies that have a high level of disclosure and have an effective board of commissioners will increase company performance.

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