The Effect of Firm Size, Profitability, Leverage, and Financial Distress on Voluntary Disclosure in Annual Report

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Abstract

The purpose of this study is to figure out the effect of firm size, profitability, leverage, and financial distress on voluntary disclosure in company's annual financial report. This study consists of one dependent variable which is voluntary disclosure and four independent variables which are firm size measured by natural logarithm (Ln) on total assets, profitability measured by Return on Assets (ROA), leverage measured by Debt to Equity Ratio (DER), and financial distress measured by Interest Coverage Ratio (ICR). The research data has 21 companies with the object of consumer goods industrial companies listed on Indonesia Stock Exchange (IDX) during period 2018-2020, so the research are 21 companies with 63 data samples. This study uses multiple linear regression analysis method, and uses the application of the Statistical Program for Social Science (SPSS). The result of this study is firm size, profitability, leverage, and financial distress have a simultaneous effect on voluntary disclosure of annual report. The result of t-test (partially) showed that firm size has a positive significant effects on the voluntary disclosure, profitability has a positive significant effects on the voluntary disclosure, leverage has no significant effect on the voluntary disclosure, and financial distress partially has a negative significant effects on voluntary disclosure.

Keywords: *Firm Size, Profitability, Leverage, Financial Distress, Voluntary Disclosure.*

A. INTRODUCTION

The current economic conditions continue to experience changes that have quite an impact on the business world. Therefore, the availability of company information is an important factor for investors in considering their investment decisions. It is important for companies to disclose specific information so that investors can assess the prospects and performance of a company. Research (Krisdayanti & Wibowo, 2019) explains the reliability of the company which can actually be realized by making disclosures. Related to this, it is necessary for companies to disclose information voluntarily in order to avoid information asymmetry, so that voluntary disclosure is still an important topic because the urgency is very high. Moreover, in the face of intense business competition triggered by the development of the business world, investors will be more careful in checking all company information specifically (Farras & Faisal, 2020).

With the development of economic conditions, company size becomes an important factor in facing business competition. Company size indicates the size of a company. One of the advantages of large companies is that they have low risk because large companies have control over market conditions (Juhandi et al., 2019). Large companies also have indications that they have reached the maturity stage and are considered capable of generating profits compared to small companies (Husna & Satria, 2019).

Business managers are constantly making efforts to generate profits and remain competitive. Every company certainly wants a profit in every sale, so this can be calculated using the profitability ratio (Masdupi et al., 2018). According to (Siswanto, 2021), profitability describes the company's ability to generate profits through assets, sales, or company capital. The company's capability and ability to generate and maximize profits will be the main concern of investors (Lambey, 2021).

Every company certainly has needs, where these needs are always related to funds for the purpose of running their business smoothly. So in this case, debt is considered as one of the solutions to facilitate production activities and maintain the company's position so that it continues to operate. Debt is seen as a lever that can increase the company's capability to generate profits (Lumapow, 2018). According to (Anwar, 2019) leverage shows the use of debt and the company's ability to pay debts.

In order to maintain business continuity in a sustainable manner, every company is also required to be able to make the best decisions. One of them is the decision on how the company manages finances so as not to face financial distress (financial distress) and bankruptcy (Masdupi et al., 2018). Financial distress describes the condition of the company being unable to fulfill its obligations (Arifin, 2018). Financial distress refers to the worsening of the company's financial condition before going bankrupt (Indrati & Putri, 2021).

As a goal to improve the quality and transparency of information in the annual financial statements, voluntary disclosure is important for every company. Voluntary disclosure discloses information voluntarily by the company and is not required by the competent authority (Banupriya, 2018). Research (Farras & Faisal, 2020; Krisdayanti & Wibowo, 2019) states that voluntary disclosure provides several benefits for investors, including reducing the level of information asymmetry and increasing transparency in reporting.

Research (Nurudeen et al., 2019) proves that leverage and profitability have a negative effect on voluntary disclosure of financial service firms listed on the Nigeria Stock Exchange (NSE). This research also proves that the size of the company has a significant positive effect on voluntary disclosure. Voluntary disclosure was found to be negatively affected by the leverage variable, positively influenced by firm size, and not affected by profitability (Putra et al., 2020). Research (Pernamasari, 2020) found that voluntary disclosure was positively influenced by the profitability variable, and negatively influenced by the financial distress variable, and not influenced by the leverage variable. However, what distinguishes this research from previous research is that this study adds a firm size variable.

This is because the size of the company can represent the financial characteristics of the company, where large companies can control market conditions and have a greater impact on society. This study also measures the voluntary disclosure index items using items developed by researchers from Indonesia. The research was conducted on companies in the consumer goods industry sector in 2018-2020. This sector was chosen as the sample because it is a branch of a manufacturing company that is actively operating in the capital market and the demand for this industrial product tends to be stable.

This study aims to strengthen the previous research which is expected to provide benefits to the company by examining the variables that affect voluntary disclosure in the annual financial statements of companies listed on the Indonesia Stock Exchange (IDX) and objectively measuring the effect of company size, profitability, leverage and financial distress on the extent of voluntary disclosure simultaneously or partially.

B. LITERATURE REVIEW

1. Company Size, Profitability, Leverage and Financial Distress on the Area of Voluntary Disclosure

In research (Nurudeen et al., 2019) it is proven that firm size significantly affects the extent of voluntary disclosure. Research (Putra et al., 2020) also proves that leverage has a negative effect and firm size has a positive effect on the extent of voluntary disclosure in annual financial statements. (Pernamasari, 2020) proves that profitability has a positive effect on voluntary disclosure in the annual financial statements, while the financial distress variable in this study has a negative effect on the extent of voluntary disclosure.

Many factors affect the extent of voluntary disclosure such as company size, profitability, leverage, and financial distress. This overall relationship shows that the independent variables of profitability, leverage, firm size, and financial distress have a joint effect on the extent of voluntary disclosure. Then the first hypothesis can be formulated as follows:

H1: Firm Size, Profitability, Leverage, and Financial Distress simultaneously affect the extent of voluntary disclosure.

2. Company Size to Area of Voluntary Disclosure

The amount of information submitted in the annual financial statements will increase along with the increase in company size, because large companies tend to have more information needs and demands from external parties than small companies (Putri, 2020). According to (Hariri, 2021) large companies experience greater demands in conveying broad disclosures because they are more visible in the capital market and the wider community.

Research (Nurudeen et al., 2019) proves that larger companies are more likely to disclose important information more broadly. (Dahiyat, 2020) proves that larger companies engage in extensive voluntary disclosure. Based on the explanation above, the second hypothesis in this study is:

H2: Firm size has a positive effect on the extent of voluntary disclosure

3. Profitability to the Area of Voluntary Disclosure

With the high profit earned, the company will convey more information with the aim of providing an overview of the company's performance, therefore the extent of information disclosure will increase along with the increase in profitability (Rakiv, 2019). According to (Pernamasari, 2020), the market views companies that release a lot of information as performing well, therefore a high profitability ratio encourages them to disclose more information in their annual financial statements.

Research (Rakiv, 2019) proves that the profitability variable has a significant positive effect on the extent of voluntary disclosure in the annual financial statements. The findings (Dahiyat, 2020) also show that profitability affects the level of voluntary disclosure positively, so here is the third hypothesis of this study:
H3: Profitability has a positive effect on the extent of voluntary disclosure.

4. Leverage on the extent of Voluntary Disclosure

Companies that have a high proportion of debt will reduce voluntary disclosure in annual financial statements because debt is considered a negative signal for investors to invest (Nurudeen et al., 2019). This situation will also make it difficult for companies to obtain funding from external parties because investors are afraid of the company's inability to pay off its debts so that companies do not make extensive disclosures (Putra et al., 2020).

According to research (Nurudeen et al., 2019) a higher level of corporate leverage reduces the amount of disclosure made by the company. Leverage has been shown to reduce the level of voluntary disclosure made in the annual financial statements in research (Putra et al., 2020). Based on the explanation above, the fourth hypothesis is formulated as follows:
H4: Leverage has a negative effect on the extent of voluntary disclosure.

5. Financial Distress on the Area of Voluntary Disclosure

According to (Pernamasari, 2020) when a company is in a financially depressed condition (bad news), management will tend to be more personal and provide limited information. This is done so that the company avoids a bad image in front of investors. On the other hand, if the company's finances are in good condition, management is more likely to publish the information in the hope of improving the company's reputation among investors. In general, companies that are in a stronger financial position are more open to detail than those in a weaker position (Putri, 2020).

Research (Pernamasari, 2020) found a negative correlation between financial distress and the extent of voluntary disclosure. The results of research conducted by (Putri, 2020) prove that financial distress has no significant effect on the extent of voluntary disclosure. Then the fifth hypothesis can be formulated as follows:
H5: Financial distress has a negative effect on the extent of voluntary disclosure.

C. METHOD

This study applies quantitative methods so that it requires measurement of each variable. Operational variables in this study examine the effect of independent variables consisting of profitability, leverage, firm size, and financial distress on the extent of voluntary disclosure as the dependent variable. Profitability is proxied by Return on Assets (ROA) which is calculated by comparing net income to total assets. Leverage is proxied by the Debt to Equity Ratio (DER) which is calculated by comparing total debt to total equity (Abadi et al., 2019).

Company size can be measured in terms of total assets, sales, and market capitalization. In this study, company size is expressed by the natural logarithm value of total assets (Putri, 2020). Financial Distress is proxied by the Interest Coverage Ratio (ICR) which is based on research (Pernamasari, 2020; Putri, 2020) which is calculated by comparing operating profit to financial expenses or interest expenses. The dependent variable of this study is the extent of voluntary disclosure as proxied by the Voluntary Disclosure Index (IPS). The Voluntary Disclosure Index (IPS) is obtained from the result of dividing the amount of information released by the amount of information expected. To test the extent of voluntary disclosure in this study, a list of disclosure items refers to research (Puspasari & Rahmah, 2018; Jayanti et al., 2019) with a list of 33 voluntary disclosures developed by (Suripto, 1999).

The model used in this study will explain the relationship between the independent variable and the dependent variable under study to make it easier for readers to understand the direction of the research. The research model made as follows:

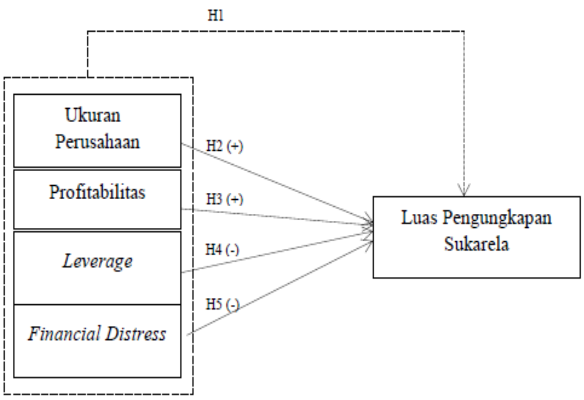

Figure 1. Research Model

Source: Data processed by the author, 2022

This study utilizes data from the company's annual financial statements published on the Indonesia Stock Exchange (IDX) as well as the official websites of companies listed on the IDX as sources of information and findings. The sample of this study was selected using a purposive sampling approach, and the selection criteria included companies registered in the consumer goods industry sector, publishing annual financial reports consistently and having positive profits. There are 30 companies that complete these terms and criteria, so the data collected is 90 companies in the consumer goods industry sector operating in Indonesia.

In this research effort, multiple linear regression approach was used for the data analysis process. Before being tested using the classical assumption test, there are normality tests, multicollinearity tests, heteroscedasticity tests, and autocorrelation tests. Hypothesis testing consists of simultaneous significance test (F statistic test) and partial significance test (T statistical test), and multiple linear regression test. The multiple linear regression model in this study is stated as follows:

$$Y = \beta 0 + \beta 1 UP + \beta 2 PRT + \beta 3 LEV + \beta 4 FDS + \varepsilon$$

Figure 2. Multiple Linear Regression Model

Source: Data processed by the author, 2022

Information:

Y	=	Dependent variable (Voluntary Disclosure Index)
$\beta 0$	=	Constant
β1-4	=	Regression Coefficient
CZ	=	Company Size
PRT	=	Profitability
LEV	=	Leverage
FDS	=	Financial Distress
ε	=	Error

D. RESULT AND DISCUSSION

1. Descriptive Statistics Test

Descriptive statistics is a method to describe and provide an overview of the frequency distribution of the variables in a study. The results of descriptive statistical tests in this study are presented in the following table:

Table 1. Descriptive Statistics Test

Descriptive Statistic

	N	Min	Max	Mean	Std. Deviation
X1_LN	63	25.95	32.73	29.0453	1.60483
X2_ROA	63	0.00	0.14	0.0606	0.03681
X3_DER	63	0.13	2.42	0.8352	0.53580
X4_ICR	63	0.95	26.25	6.5432	6.13156
Y_Indeks Pengungkapan Sukarela	63	39.39	81.82	62.2907	8.93878
Valid N (listwise)	63				

Source: Output data processed by the author, 2022

The descriptive statistical analysis test in this study shows the amount of data for each valid variable is 63 data, where based on table 1 above the company size is proxied by LN, the minimum value is 25.95 based on total assets at Pyridam Farma Ltd, the maximum value is 32.73, namely at Indofood Sukses Makmur Ltd, with a mean of 29,045 or 29%, and a standard deviation of 1.60. The size of the company shows an average that tends to be evenly distributed. This means that consumer goods industry companies have relatively similar company sizes.

The ROA proxy for profitability yields a minimum value of 0.00 or 0%, a maximum value of 0.14 or 14%. The mean is 0.060 higher than the standard deviation of 0.036. This reflects that there is no very high deviation, so that the variability in the data is normal and does not cause bias. DER proxy for leverage obtained a minimum value of 0.13 or 13%, a maximum value of 2.42 or 242%. The average DER is 0.835, and the standard deviation is 0.535. From a total of 63 data obtained 16 company data or 25% have a high DER (DER value more than 1) and 47 company data or 75% of companies that have a low DER level (DER value less than 1). That is, in a period of 3 years, on average, many companies in the consumer goods industry have a low DER.

Financial distress proxied by ICR obtained a minimum value of 0.95 or 95%, a maximum value of 26.25 or 262%, with an average of 6.543, and a standard deviation of 6.131. Financial distress uses a dummy variable, where if it has a minimum value of 0 it means the company is a healthy company and if the maximum value is 1 it means the company is experiencing financial difficulties (Pernamasari, 2020). From a total of 63 data obtained 61 company data or 97% including companies that are financially sound and 2 company data or 3% including companies experiencing financial difficulties. That is, in a period of 3 years, on average, many companies in the consumer goods industry have good finances. IPS shows a minimum score of 39.39 produced by Tempo Scan Pacific Ltd and a maximum value of 81.82 generated by Kalbe Farma Ltd. The standard deviation value is 8,938 and the dependent variable average is 62,290, meaning that in one annual financial reporting period the average consumer goods industry sector company has revealed 62.2%.

2. Classic Assumption Test

The classical assumption test is a statistical requirement that must be met in multiple linear regression analysis based on ordinary leases square (OLS). The results of several stages of classical assumption testing consisting of normality test, multicollinearity test, heteroscedasticity test and autocorrelation test are presented in the following table:

Table 2. Normality Test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		63
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	7,54246228
Most Extreme Differences	Absolute	,057
	Positive	,057
	Negative	-,075
Test Statistic		,075
Asymp. Sig. (2-tailed)		,200[c,d]

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

Source: Output data processed by the author, 2022

The normality test in this study used the Kolmogorov-Smirnov test where the initial significance result showed a value of 0.002 < 0.05 so the data was said to be abnormal. Abnormalities in the data were overcome by data disposal or so-called outliers as many as 9 companies, so that the research sample used was 63. The results obtained showed asymp sig 0.200 where the results were above a significant value of 0.05 which means the data is normally distributed.

Table 3. Multicollinearity Test

Coefficients[a]

Model		Collinearity Statistics Tolerance	VIF
1	(Constant)		
	Ukuran Perusahaan	,747	1,339
	ROA	,562	1,780
	DER	,614	1,629
	ICR	,500	2,002

a. Dependent Variable: Pengungkapan Sukarela

Source: Output data processed by the author, 2022

In multicollinearity test all VIF values are less than 10 and tolerance values are above 0.1. The results obtained are the VIF value of the firm size variable (Ln) of 1.339 < 10 with a tolerance of 0.747 > 0.1, the VIF value of the profitability variable (ROA) of 1.780 < 10 with a tolerance of 0.562 > 0.1, the VIF value of the leverage variable (DER) of 1.629 < 10 with a tolerance value of 0.614 > 0.1, the financial distress (ICR) variable VIF value of 2.002 < 10 with a tolerance value of 0.500 > 0.1. Judging from these results, the independent variables in this study were free from multicollinearity.

Table 4. Heteroscedasticity Test

Coefficients[a]

Model		Sig.
1	(Constant)	,697
	Ukuran Perusahaan	,901
	ROA	,342
	DER	,917
	ICR	,118

a. Dependent Variable: ABS_RES

Source: Output data processed by the author, 2022

In this heteroscedasticity test using the glejser test with the provisions of the significance value of the independent variable > 0.05, the sample data does not have heteroscedasticity problems. Based on the research sample data, the results of the company size variable have a significance value of 0.901 > 0.05. The profitability variable has a significance value of 0.342 > 0.05. The leverage variable has a significance value of 0.917 > 0.05. Financial Distress variable has a significance value of 0.118 > 0.05. So that it can be interpreted that each independent variable in the sample data of this study does not occur heteroscedasticity problems in the regression model.

Table 5. Autocorrelation Test

Run Test

	Unstandardized Residual
Test Value[a]	-,25810
Cases < Test Value	31
Cases >= Test Value	32
Total Cases	63
Number of Runs	39
Z	1,654
Asymp. Sig. (2-tailed)	,098

a. Median

Source: Output data processed by the author, 2022

In this autocorrelation test using a run test with the provisions of the Asymp value. Sig. (2-tailed) is greater than 0.05, so there is no autocorrelation problem in the sample data. Based on the research sample data shows the results of the Asymp value. Sig. (2-tailed) of 0.098 > 0.05. It can be interpreted that there is no autocorrelation problem between independent variables in the sample data of this study, so that the regression model is feasible and can be carried out.

3. Multiple Linear Regression Test

Multiple linear regression is a regression model that involves more than one independent variable. Multiple linear regression analysis was carried out to determine the direction and how much influence the independent variable had on the dependent variable.

Table 6. Multiple Linear Regression Test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6,676	19,322		,346	,731		
	Ukuran Perusahaan	1,974	,714	,354	2,764	,008	,747	1,339
	ROA	107,720	35,899	,444	3,001	,004	,562	1,780
	DER	-2,586	2,359	-,155	-1,096	,278	,614	1,629
	ICR	-,930	,229	-,638	-4,069	,000	,500	2,002

a. Dependent Variable: Pengungkapan Sukarela

Source: Output data processed by the author, 2022

Based on the results of multiple linear regression analysis, the equation model between variables is as follows: **IPS = 6.676 +1.974CZ + 107.720PRT – 2.586LEV - 0.930FDS.** Which can be interpreted: The constant value is 6.676 which indicates that without the influence of the independent variables on the Y variable (the area of voluntary disclosure), the total Y variable is 6.676. The LN regression coefficient is 1.974, this result shows that if there is one unit increase in the X1 variable (firm size), there will be an increase in the Y variable (volunteer disclosure area) of 1.974. In terms of voluntary disclosure, ROA has a regression coefficient of 107,720 which means it indicates that if there is one unit increase in the X2 variable (profitability), there will be an increase in the Y variable (the area of voluntary disclosure) of 107,720. The regression coefficient is -2.586 for DER, this result shows that if there is one unit increase in the X3 variable (leverage), there will be a decrease in the Y variable (volunteer disclosure area) of -2.586. There is a negative relationship between ICR and voluntary disclosure with a regression coefficient of -0.930. These results indicate that if there is one unit increase in the X4 variable (financial distress), there will be a decrease in the voluntary disclosure area of -0.930.

4. Hypothesis testing

The hypothesis is a provisional answer that must be tested. The test aims to prove whether the hypothesis is accepted or rejected. The hypothesis serves as a framework for researchers, provides work direction, and facilitates the preparation of research reports.

Table 7. Coefficient of Determination Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.537[a]	.288	.239	7.79821	1.866

Predictors: (Constant), ICR, Company Size, DER, ROA
Dependent Variable: Voluntary Disclosure

Source: Output data processed by the author, 2022

Through the coefficient of determination test, the Adjusted 2 value is 0.239 or 23.9%, meaning that this value indicates that company size, profitability, leverage, and financial distress affect the area of voluntary disclosure by 23.9%, the remaining 76.1% is influenced by other variables.

Table 8. F Statistic Test (Simultaneous)

ANOVA[a].

Model		Sum of Square	df	Mean Square	F	Sig.
1	Regression	1426,811	4	356,703	5,866	,000[b]
	Residual	3527,102	58	60,812		
	Total	4953,913	62			

a. Dependent Variable: Pengungkapan Sukarela
b. Predictors: (Constant), ICR, Ukuran Perusahaan, DER, ROA

Source: Output data processed by the author, 2022

The F statistic test (Simultaneous) has a measurement requirement, namely the value of sig. the research ANOVA <0.05 and the calculated F value is greater than the F table value, it can be interpreted that all independent variables have a simultaneous effect on the dependent variable. Based on the research sample data, the results of the sig. the research ANOVA is 0.000 <0.05 and the calculated F value is 5.866 > the F table value is 2.528. So that it can be interpreted that company size, profitability, leverage, and financial distress simultaneously affect the extent of voluntary disclosure.

Table 9. T Statistic Test (Partial)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	6,676	19,322		,346	,731		
	Ukuran Perusahaan	1,974	,714	,354	2,764	,008	,747	1,339
	ROA	107,720	35,899	,444	3,001	,004	,562	1,780
	DER	-2,586	2,359	-,155	-1,096	,278	,614	1,629
	ICR	-,930	,229	-,638	-4,069	,000	,500	2,002

a. Dependent Variable: Pengungkapan Sukarela

Source: Output data processed by the author, 2022

The results of the T statistic test (partial) show that the significance value of the firm size proxied by LN is 0.008 < 0.05, the t value is 2.764 > the t table value is 2,004, and the beta coefficient value is 0.354 in a positive direction. That is, there is a significant positive effect of firm size on the extent of voluntary disclosure. The results of the T-test calculation show that the significance level of the profitability variable proxied by ROA is 0.004 <0.05, and the t-count result is 3.001 > the t-table value of

2.004, and the beta coefficient value is 0.444 with a positive direction, so it can be concluded that the profitability variable has a significant positive effect on the area voluntary disclosure.

Leverage as proxied by DER proves that it partially has no effect on the area of voluntary disclosure with the results of t count -1.096 > t table -2.004, sig value > 0.05 which is 0.278, and the beta coefficient value is 0.1555 in a negative direction. Financial Distress proxied by ICR shows a significant negative effect on the extent of voluntary disclosure where the results of t count -4.069 < t table -2004 and sig value 0.000 < 0.05, and the beta coefficient value is 0.638 with a negative direction, so it can be concluded that the financial distress variable has an effect on significant negative on the area of voluntary disclosure.

5. Discussion

a. The Effect of Firm Size, Profitability, Leverage, and Financial Distress on the Area of Voluntary Disclosure

Through hypothesis testing, it was found that firm size proxied by LN, profitability as proxied by ROA, leverage as proxied by DER, and financial distress proxied by ICR produced a simultaneous effect on the extent of voluntary disclosure in the annual reports of companies in the consumer goods industry sector, then the hypothesis The first accepted, volunteer.

Companies with higher profits will motivate management to convey information properly (Rakiv, 2019). Because large companies face more demands from the public for broad disclosure of information, company size can have an impact on the level of voluntary disclosure (Putri, 2020). In the study (Putra et al., 2020) explained that high leverage will make it difficult for companies to obtain funding from external parties because investors are afraid of the company's inability to pay off its debts so that companies do not disclose widely. According to (Pernamasari, 2020), when the company is in an unhealthy financial condition (financial distress), the company will tend to be more personal and provide limited information to avoid a bad image in front of investors.

b. The Effect of Firm Size on the Area of Voluntary Disclosure

Through the results of the study, the size of the company calculated through foreign countries has a significant positive effect on the extent of voluntary disclosure in the annual reports of companies in the consumer goods industry sector. These results are in line with the third research hypothesis which states that firm size has a positive effect on the extent of voluntary disclosure. The same results are also found in research (Nurudeen et al., 2019; Putra et al., 2020).

One way to carry out public accountability is to disclose more information, especially in the annual report. Large companies get the resources to convey more information and have more demands from the public because large companies have more impact on society (Nurudeen et al., 2019). According to (Hariri, 2021) because large companies are more visible in the capital market and the general public, the pressure placed on these companies to provide more disclosure is significantly higher.

c. Area of Voluntary Disclosure

The third hypothesis states that profitability as proxied by ROA has a positive effect on the extent of voluntary disclosure in the annual reports of companies in the consumer goods industry sector. The results of the study prove that there is a significant positive effect of the profitability variable on the extent of voluntary disclosure, thus the third hypothesis is accepted. The results of this study are in line with the results of research (Rakiv, 2019) and (Dahiyat, 2020).

According to (Dahiyat, 2020), the high profit generated by the company is an indication that the company has promising prospects and good financial performance in the eyes of investors so that the company will disclose extensive information in the annual report. (Pernamasari, 2020) asserts that a high profitability ratio will encourage companies to disclose wider information in their annual reports because the market judges companies that disclose more information to have good performance.

d. The Effect of Leverage on the Area of Voluntary Disclosure

In the fourth hypothesis, the statement that leverage has a negative effect on the area of voluntary disclosure is rejected because research proves that there is no significant effect of the leverage variable on the area of voluntary disclosure in the annual reports of companies in the consumer goods industry sector. The results of this study are in line with research results (Dahiyat, 2020; Pernamasari, 2020).

This shows that companies with low or high DER values do not necessarily make extensive voluntary disclosures in annual reports or it is stated that high and low leverage will not affect the company's voluntary disclosures every year (Pernamasari, 2020). Information about the company's ability to manage debt sourced from equity does not become pressure to convey wider information by the company's management (Dahiyat, 2020).

e. The Effect of Financial Distress on the Area of Voluntary Disclosure

The last hypothesis explains that financial distress as proxied by ICR has a negative effect on the extent of voluntary disclosure in the annual reports of companies in the consumer goods industry sector. Through the results of the regression hypothesis test, it proves that there is a significant negative effect of the financial distress variable on the extent of voluntary disclosure, so the fifth hypothesis is accepted. The results of this study are in line with research (Pernamasari, 2020) which states that there is a negative effect of the financial distress variable on the extent of voluntary disclosure.

(Pernamasari, 2020) states that when a company is in a financially depressed condition (bad news), management will tend to provide limited information, which indicates a negative signal for investors so that this will affect the transparency of management in making disclosures. In accordance with the signal theory, if the company is in good health, it means that the company has good news where the company will be more open in providing information to investors so that this will affect the openness of management in providing information.

E. CONCLUSION

From the results of the study, it can be concluded that company size as proxied by LN, profitability as proxied by ROA, leverage as proxied by DER, and financial distress proxied by ICR simultaneously affect the extent of voluntary disclosure of consumer goods industry companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2020. Partially, firm size and profitability have a positive effect on the area of voluntary disclosure, leverage has no effect on the area of voluntary disclosure, and financial distress has a negative effect on the area of voluntary disclosure.

The limitation of this research is the research variable, namely the researcher only uses the company's internal factors such as the financial condition obtained from financial ratios. In addition, this study only uses the financial data of consumer goods industry companies for a period of 3 years (2018-2020), so the research findings are only limited to that scope. It is hoped that further researchers will further expand their analysis using different samples and industrial sectors and add other independent variables such as one of the corporate governance variables, namely the audit committee because the presence of the audit committee strengthens the principles of transparency and responsibility in implementing corporate governance which requires companies to be more transparent and convey complete information.

Based on this research, suggestions for potential investors and investors to be more careful and think critically before taking steps to invest and make decisions by assessing financial condition through information published by the company, are also expected to be a motivation for management to make improvements in terms of voluntary disclosure in the report. annually in order to provide broad information for potential investors and instill investor confidence in the company.

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