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The Effect of Characteristic Firm on Voluntary Disclosure and Earnings Response Coefficient at the Manufakturing Company of Consument Goods Sector

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ABSTRACT
This study aims to investigate the effect of firm size, return on equity, leverage on voluntary disclosure; voluntary disclosure on the earnings response coefficient; and to examine the effect of firm size, return on equity, leverage, on earnings response coefficient in manufacturing companies in the consumer goods sector. The population used in this study are manufacturing companies in the consumer goods sector listed on the Indonesia Stock Exchange during 2014 to 2021 using purposive sampling technique in sampling. Analysis of the data used is SEM-PLS with support WarpPLS 8.0 software in data processing. The results of this study indicate that the size of the company has a negative and significant effect on voluntary disclosure; return on equity has a positive effect on voluntary disclosure; leverage has a positive and insignificant effect on voluntary disclosure; voluntary disclosure has a positive and significant effect on the earnings response coefficient; firm size has a negative and significant effect on the earnings response coefficient; return on equity has a positive and insignificant effect on the earnings response coefficient; and leverage have a positive and insignificant effect on the earnings response coefficient

KEYWORDS: Company Characteristics, Company Size, Return on Equity, Leverage, Voluntary Disclosure, and Earnings Response Coefficient.

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I. INTRODUCTION

The behavior of investors in making their decisions to invest is influenced by the availability of various kinds of information that are needed because when the information obtained by investors is very good, the performance of a company or entity can also be considered very good so as to increase the value of the company. One way to obtain the much-needed information can usually be seen from the company's fundamentals, namely in the form of financial statement information because it contains various kinds of information that is needed by market players so that it is often used by investors to see how far the company's business prospects are going forward. In addition, financial statements can be used as a market response to the earnings reported or announced by the company because it can explain the condition of the company's earnings which quality or not the quality of the profits generated can be seen in the company's financial statement information. Earnings quality can be used as the ability of earnings information to respond to the market. Reported earnings have a response strength where the strong market reaction to earnings information is reflected in the high earnings response coefficients (ERC) which indicate quality earnings reporting. (Paramita and Hidayanti, 2013:67). Earnings response coefficients (ERC) as earnings response parameters are used to measure the abnormal returns of securities as an effect on unexpected components of earnings reported by companies that issue securities. (Scott, 2015:163). The concept of earning response coefficient (ERC) or earnings response coefficient is based on the view that accounting information is very important for investors. ERC is used to measure the quality of earnings where the earnings information contained in the financial statements is able to explain how the reaction of investors during the announcement of information so that this becomes a very important issue in the consideration process of investment decision making. An information can be said to be informative if the information can change the trust or confidence of investors in making investment decisions. The existence of new information other than financial statements will increase investor confidence in a company so that it is necessary to present this information in the form of voluntary disclosure

which is very important to convince investors to make decisions before investing because rational investors, of course, identify or select shares. from the company which in determining the optimal portfolio is very useful to get the maximum return with minimal risk.

Voluntary disclosure refers to information provided at the company's discretion. The extent of voluntary disclosure is influenced by changes in attitudes in society, economic factors, and behavioral factors such as the specifics of corporate culture, company characteristics, and so on. In addition, voluntary disclosure can encourage management discretion in deciding the content of information to be disclosed. (Rouf & Akhtaruddin, 2018:1498). For this matter, voluntary disclosure has an impact on earnings information as reflected in the earning response coefficient. In line with research conducted by Paramita (2012) proves that voluntary disclosure has an effect on earning response coefficient. Then, further research by Sudarma & Ratnadi (2015) proves that voluntary disclosure has a negative effect on the earning response coefficient. However, another study from Setyabudi (2018) strengthens that voluntary disclosure has a positive and significant effect on the earning response coefficient. This means that the more information that is released from the earnings announcement, the faster the market responds.

Earnings response coefficient (ERC) as an alternative to measure the relevance of accounting information (value relevance) which when the disclosed earnings information is low, it can be considered less informative for investors in making economic decisions. Conversely, when the announced accounting profit information is good or high, the market will respond quickly to the company's profit or income which is used for making appropriate economic decisions for the company's sustainability in the future. However, the fact is that now there are often problems related to the credibility of earnings information, causing a decrease in investor confidence in the quality of earnings contained in the company's financial statements, especially when there is a health crisis due to the Covid 19 Pandemic which reduces the rate of national income. For this reason, companies usually restatement the profits reported by the company in previous periods.

In the concept of earning response coefficient (ERC) there are determinants that influence it such as systematic risk, earnings persistence, company size, company growth, profitability, and leverage which are reflected in the company's characteristics. Every company, especially manufacturing companies in the consumption industry sector, of course has different characteristics from other companies, where these differences are expected to affect voluntary disclosure, both in terms of financial and non-financial which can indirectly encourage market response as reflected in the ERC. . In determining the variables that reflect the characteristics of the company in the context of financial statements based on the research of Lang & Lundholm (2000) which explains the variables related to financial structure, performance, and market. Then, in the research of Olusegun Wallace et al., (1994) explained the category of company characteristics variables into 9 (nine) accounting variables namely company size, solvency, liquidity ratio, profit, return, marginal profit, industry type, auditor type, and registration status. . And research conducted by Aljifri (2014) divides company characteristics into three categories namely structure, performance, and market by adding new variables as a refinement of research conducted by Olusegun Wallace et al., (1994) with 9 (nine) accounting variables, namely firm size, leverage ratio, ownership concentration, firm age, marginal profit, equity turnover ratio, liquidity ratio, industry type, and auditor type.

For this reason, the characteristics of companies that are proxied as financial ratios with company size, profitability and leverage are predicted to affect the market response because investors think rationally and long-term in which investors will see whether the company is large or small because when the company is large, the management is usually the management. the company discloses as much or as much profit-related information as possible. Then, of course, investors also want to see how far the company's profits are reflected in the profitability value and also see how the company's debt is reflected in the leverage value. Company size, profitability, and leverage greatly affect the disclosure of earnings information which can directly or indirectly affect the earnings response coefficient. In research conducted by Paramita (2012) proves that company size has a significant effect on the earnings response coefficient. Then, research conducted by Hasanzade et al., (2013) proves that there is an influence between profitability on the earning response coefficient. Meanwhile, other research from Bulutoding et al., (2020) that leverage has a negative effect on the earning response coefficient. This means that the larger the size of the company, the more information contained in the company, the greater the pressure to process information, the company management will have a high awareness of the importance of information. When the value of profitability is higher, the higher the rate of return received by shareholders means that the information needed by investors is also more so that it will be attractive to investors. And when the leverage value is high, the company's dependence on creditor loans will also increase so that it will cause cost monitoring or monitoring of company costs which includes operational costs, planning, implementation, and so on. Therefore, the wider the voluntary disclosure made by the company, it will provide clearer and more detailed information about its performance so that it can be used by investors to predict its performance in the future. Therefore, this study investigates the effect of firm characteristics consisting of firm size, profitability with return on equity proxies, and leverage on voluntary disclosure and earnings.

II. LITERATURE REVIEW

Efficiency Market Hyphotesis Theory (EMH)

The explanation of Gitman dan Zutter (2015:330), "*efficient market hypothesis theory describing the behavior of an assumed "perfect" market in which (1) securities are in equilibrium, (2) security prices fully reflect all available information and react swiftly to new information, and (3), because stocks are fully and fairly priced, investors need not waste time looking for mispriced securities"*. According to Paramita et al., (2020: 51), the factors that influence the market response, namely (a) the characteristics of the company are characteristics that are inherent in the company and distinguish one company from another; (b) corporate governance is a system used to direct and control company activities; (c) voluntary disclosure as the provision of a number of information needed for the optimal operation of the efficient capital market.

Signalling Theory

According to Jogiyanto, (2017:683) explains that an event regarding the announcement of earnings changes finds that earnings changes contain information, namely when there is an abnormal return around the announcement date of the change. Therefore, it can be said that signal theory is a theory that is closely related to information aimed at knowing the market response to the content of an information reflected through the earnings response coefficient. When the information is announced and all market participants have received the information, market participants first interpret and analyze the information as a good signal (good news) or a bad signal (bad news). If the announcement of the information is a good signal for investors, there will be a change in the volume of stock trading.

Ukuran Perusahaan

According to Sevira and Azhari (2021:158) revealed that company size is a size, scale, or variable that describes the size based on several conditions, such as total assets and describes the company's financial characteristics.

Profitability

According to Fahmi (2017:135) stated that profitability measures "the effectiveness of the overall management which is indicated by the size of the level of profits obtained in relation to sales and investment. The better the profitability ratio, the better it describes the company's high profitability."

Leverage

Based on Gitman dan Zutter (2015:465), *"leverage refers to the effects that fixed costs have on the returns that shareholders earn. "fixed costs," mean costs that do not rise and fall with changes in a firm's sales. Firms have to pay these fixed costs whether business conditions are good or bad. These fixed costs may be operating costs, such as the costs incurred by purchasing and operating plant and equipment, or they may be financial costs, such as the fixed costs of making debt payments. A firm with higher fixed costs has greater leverage. Generally, leverage magnifies both returns and risks. A firm with more leverage may earn higher returns on average than a firm with less leverage, but the returns on the more leveraged firm will also be more volatile."*

Voluntary Disclosure

The explanation of Menurut Rouf & Akhtaruddin (2018:1498), *"the extent and excellence of voluntary disclosure (VD) contained by these published reports vary from company to company and also from country to country. Corporate VD refers to information made available at the discretion of the corporation. The extent of VD is influenced by changes in the attitudes in society, economic factors, and behavioral factors such as the particulars of corporate culture VD items may be classified into historical, current, and predictive items, depending on the past, the present, or envisaged performance of the company. VD encourages management discretion in deciding the content of information to disclose."*

Earnings Response Coefficient

The explanation of Scott (2015:163), *"an earnings response coefficient measures the extent of a security's abnormal return in response to the unexpected component of reported earnings of the firm issuing that security".* Lebih lanjut penjelasan Mahjoubi dan Abaoub (2015:377) dalam jurnal yang berjudul *"earnings response coefficient as a measure of market expectations: evidence from tunis stock exchange"* menjelaskan bahwa *"the earnings response coefficient (ERC) captures the return sensitivity to the earnings surprises. These surprises are measured by the unexpected earnings defined as the difference between realized and forecasted earnings. In other words, ERC represents the market reaction, in terms of price change, corresponding to a unit of unexpected earnings. Furthermore, the ERC provides an overview of the quality of the expected earnings, measured by their ability to reflect market expectations."*

The Hypothesis

The Relationship of Firm Size on Voluntary Disclosure

According to Ross (1976), signaling theory is a theory that explains why companies have the urge to provide financial statement information to external parties. The company urges to provide information because there is information asymmetry between the company and outsiders where the company knows more about future prospects than outsiders where the bigger the company, the more company information provided by management to investors or creditors. In line with this, research conducted by Schreck & Raithel (2018) proves that company characteristics measured using firm size have a positive effect on voluntary disclosure. Meanwhile, other research from Permatasari et al., (2020) proves that company size also has a positive and significant effect on voluntary disclosure. This can strengthen that the larger the size of the company can affect the voluntary disclosure because with the amount of information disclosed will have an impact on investor behavior in investing. Based on the theoretical studies and empirical studies described above, the hypotheses adopted in this study are:

H1: Company size has a significant effect on voluntary disclosure

The Relationship of Return on Equity to Voluntary Disclosure

According to Brigham and Houston (2019:499), signal theory views that company management provides instructions to investors regarding how management views the company's prospects. Signaling theory emphasizes the importance of information issued by the company on the investment decisions of parties outside the company. Information is an important element for investors and business people because information essentially presents information, notes or descriptions for past, present and future conditions which are reflected in the company's profitability. Complete, relevant, accurate and timely information disclosed regarding the company's ability to gain profitability is very much needed by investors as a tool for making investment decisions.

Research conducted by Damayanti & Priyadi (2016) examines the company's characteristics which are reflected in the profitability value which has a positive and significant effect on voluntary disclosure. And other research, from Widayawati et al., (2020) proves that profitability has a positive effect on voluntary disclosure. This makes it clear that the higher the company's profitability value, the investors view that the financial statements disclosed are also good and have good prospects for investing. Based on the theoretical studies and empirical studies described above, the hypotheses adopted in this research are:

H2: Profitability has a significant effect on voluntary disclosure

The Relationship of Leverage Relationship to Voluntary Disclosure

According to Brigham & Houston (2019), signaling theory is a management action in providing instructions to investors about how management views the company's prospects. Companies with high leverage provide broader information to meet the information needs of creditors in the long term. Information is needed by the creditor to determine the financial condition so that the debtor can convince the creditor that the debtor will fulfill his obligations when they fall due. However, research conducted by Ibrahim & Karajeh (2020) proves that leverage has a negative and insignificant effect on voluntary disclosure. This means that the higher the leverage, which means the high debt, the lower the disclosure of information. Based on the theoretical studies and empirical studies described above, the hypotheses adopted in this research are:

H3: Leverage has no significant effect on voluntary disclosure

The Relationship of Voluntary Disclosure on Earnings Response Coefficient

According to Fama (1970), the theory of efficient market efficiency (EMH) explains the efficient market, which means that the current stock price reflects all available information. This means that information comes from past, present information and information from the company itself. According to the signal theory proposed by Spence (1973), the sender gives a signal or signal in the form of information that reflects the condition of a company that is beneficial to investors. In line with research conducted by Paramita (2012) proves that voluntary disclosure has an effect on earning response coefficient. Then, further research by Sudarma & Ratnadi (2015) proves that voluntary disclosure has a negative effect on the earning response coefficient. However, other research from Setyabudi (2018) strengthens that voluntary disclosure has a positive and significant effect on the earning response coefficient. This means that the more information released from the earnings announcement, the higher and faster the market response to the disclosed earnings. Based on the theoretical studies and empirical studies described above, the hypotheses adopted in this research are:

H4: Voluntary disclosure has a significant effect on earnings response coefficient

The Relationship of Firm Size on Earnings Response Coefficient

According to Ross (1976), signaling theory explains that prospective companies, namely companies that are large in scale and have high growth rates, dare to convey more information to shareholders. Signaling theory explains why companies have the urge to provide financial statement information to external parties. The company urges to provide information because there is information asymmetry between the company and outside parties because the company knows more about the company and its future prospects than outside

parties (investors and creditors). Research conducted by Paramita (2012) proves that company size has a positive and significant effect on the earnings response coefficient. Then, another study from Sasongko et al., (2020) revealed that company size has a positive and significant effect on the earnings response coefficient. This means that the larger the company, the more and more complete the information provided to shareholders will have an impact on the market response to profits. Based on the theoretical studies and empirical studies described above, the hypotheses adopted in this research are:

H5: Firm size has a significant effect on the earnings response coefficient.

The Relationship of Profitability on Earnings Response Coefficient

According to Fama (1970), the theory of efficient market efficiency (EMH) essentially explains that the market is said to be efficient if the market reacts quickly and accurately to reach a new equilibrium price that fully reflects the available information, which means that the prices formed in the market are a reflection of the information provided. available or "stock prices reflect all available information". Profitability as an indicator of the company's ability to earn a profit the more information is disclosed and absorbed related to the profits or profits achieved by the company in the accounting period, the market responds quickly to analyze and predict the company to be invested. According to research conducted by Hasanzade et al., (2013) proves that there is an influence between profitability on earning response coefficient. However, another study from Sutrisna Dewi & Yadnyana (2019) revealed that probability has a negative effect on the earning response coefficient. Then, another study from Bulutoding et al., (2020) strengthens that profitability has a significant effect on the earning response coefficient. This means that the higher the company's profits or profits, the higher the market reaction in responding to profits, thereby increasing the value of the company. Based on the theoretical studies and empirical studies described above, the hypotheses adopted in this research are:

H6: Profitability has a significant effect on the earnings response coefficient

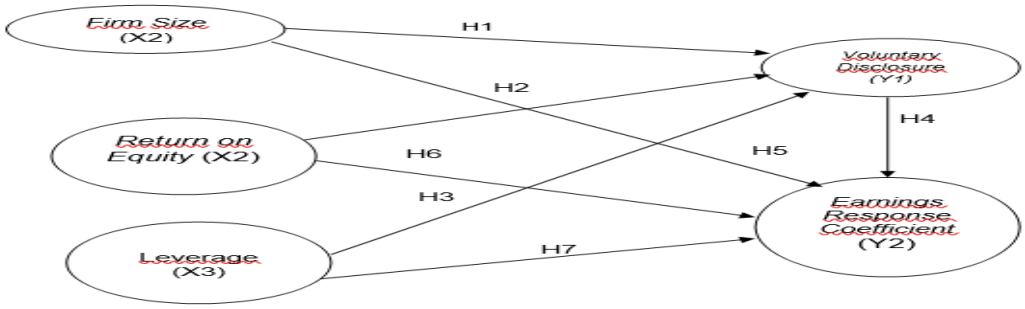
The Relationship of Leverage Terhadap Earnings Response Coefficient

According to Ross (1976), signaling theory views that leverage has the ability to test the extent to which the company is financed by liabilities or debt in the form of ratios. Companies with a high level of leverage will produce a low earnings response coefficient and get a negative response from investors because investors suspect that the company is not able to provide the desired rate of return on investment. According to this, research conducted by Hasanzade et al., (2013) proves that leverage has no significant effect on the earning response coefficient. And reinforced from another study by Bulutoding et al., (2020) that leverage has a negative effect on the earning response coefficient. This means that a company that has a high level of leverage means that it has greater debt than capital. Thus, if there is an increase in profit, the debtholders will benefit, so that the better the condition of the company's profits, the more negative the response of shareholders, because shareholders assume that the profits only depend on creditors. Based on the theoretical studies and empirical studies described above, the hypotheses adopted in this research are:

H7: Leverage has a significant effect on the earnings response coefficient

Research Conceptual Model

Based on the background of study and problem formula has been to state so research conceptual model for the investigate of relationship between construct that can be able shown on the Figure 2.1 in this below.



Gambar 2.1. The Framework of The Study

Source: Developed by Researchers, Processed in 2022.

Based on Figure 2.1 above illustrates the existence of a relationship between exogenous variables, namely company size (X1), profitability (X2) and leverage (X3) which function as predictor variables and endogenous variables are voluntary disclosure (Y1) and earnings response coefficient (Y2) which serves as response variable. The process developed in this research originates from a study of the theory and the underlying concepts and is then supported by several empirical research whose results have been tested. Theoretical and empirical studies are then used as the basis for determining the hypotheses to be proposed. This

research model explains and examines the effect of firm characteristics as measured by firm size, profitability, and leverage variables on voluntary disclosure and their implications for earning response coefficient, which is a measure of market reactions to earnings.

III. RESEACH METHOD

Operationalization Variable

a. Firm size is a measure of the size of a company as measured by using the company's total assets (assets). The formula used to measure the size of the company, namely.

Size = Ln Total Aset

Source : Wati (2019:31).

b. Profitabilitas is a measure of the company's ability to earn a profit or profit expressed in the form of a percentage. To measure profitability, a return on equity (ROE) proxy is used which is this ratio to assess the return on investment of shareholders which is measured by comparing the amount of profit with the amount of capital invested. The formula used for return on equity (ROE), namely.

Return on equity (ROE) = net income / common equity

Source : Brigham dan Houston (2019:118).

c. *Leverage* is the ability of a company to use assets that have fixed costs to increase the company's income which is expressed as a percentage. In this study, the proxy used to measure leverage is the debt to equity ratio (DER), which is the division between total liabilities and total capital. The formula used to measure the debt to equity ratio (DER), namely.

Debt to equity ratio (DER) : $\frac{\text{Total liability}}{\text{Total equity}}$

Source : Bui et al., (2017:276).

d. *Voluntary disclosure* is a voluntary disclosure made by public companies to provide accounting and other information. Based on PSAK and SK Bapepam No-Kep-06/BL/2006 revealed that the disclosure index score, namely.

1. Giving a score for each item of voluntary disclosure is done in a dichotomous manner, where the item disclosed is given a value of one (1), while if the item is not disclosed it is given a value of zero (0).
2. The scores obtained by each company are added up to get a total score.
3. Measurement of the disclosure index of each company is done by dividing the total score of each company by the expected total score.

The following formula is used to calculate the disclosure index (IDX), namely.

IDX = total disclosure score / maximum disclosure score

Source : Jogiyanto (2017:408).

e. *Earning response coefficient* (ERC) is a coefficient obtained from the regression between stock price proxies with cumulative abnormal returns (CAR) and accounting earnings with unexpected earnings (UE).

1) *Cummulative abnormal return* (CAR) is the sum of the previous day's abnormal returns in the event period for each security. The formula used to calculate the cumulative abnormal return (CAR), ie.

$$CAR_{i,t} = \sum_{a = t_5}^{t} AR$$

Source : Collin dan Kothari (1989) Paramita et al., (2020:116).

Where,

CAR_{it} : cumulative abnormal return of the i-th security on the t-th day or during the observation period of approximately 5 days from the publication date of the financial statements. (5 days before, 1 day of publication date and 5 days after the date of submission of financial statements).

AR : *abnormal return* for the i-th security on day t

In this study, abnormal returns are calculated using a market adjusted model that explains the estimated return of securities. To get the abnormal return (ARit) value, the actual return must first be searched with the formula used, namely.

$AR_{i,t} = R_{i,t} – R_{m,t}$

Where.

$AR_{i,t}$: abnormal return of company i in period t

$R_{i,t}$: market return in period t

$\varepsilon_{i,t}$: *standard error*

Source : Collin dan Kothari (1989) Paramita et al., (2020:116).

To obtain abnormal return data, first determine the daily stock return and daily market return with the formula used, namely.

Daily stock return is calculated by the formula, ie.

$$R_{it} = \frac{P_{it} - P_{it-1}}{P_{it-1}}$$

Where,

Rit : actual return of company i on day t

Pit : closing price of company i's shares on day t

Pit-1 : closing price of company i's shares on the day before t

Source : Collin dan Kothari (1989) Paramita et al., (2020:116).

The formula used to calculate the daily market return, ie.

$$Rm_t = (IHSG_t - IHSG_{t-1}) / IHSG_{t-1}$$

Where,

Rmt : daily market *return*

$IHSG_t$: composite stock price index on day t

$IHSG_{t-1}$: composite stock price index on day t-1

Source : Collin dan Kothari (1989) Paramita et al., (2020:116).

2) *Unexpected earning* (UE) is defined as the difference between the realized accounting profit and the accounting profit expected by the market. The formula used to measure unexpected earnings, ie.

$$UE_{it} = \frac{EPS_{it} - EPS_{it-1}}{P_{it-1}}$$

Where,

UE_{it} : unexpected earnings of company i in year t

EPS_{it} : earnings pershare of company i in year t

P_{it-1} : previous share price

Source : Collin dan Kothari (1989) Paramita et al., (2020:116)

Population and Sample

The population used in this study is the Consumer Goods Sector Companies listed on the Indonesia Stock Exchange from 2014 to 2021, totaling 65 companies. In determining the sampling, the authors use a non-probability sampling technique which does not provide an opportunity or opportunity for each member of the population to be sampled and one of the non-probability sampling techniques is purposive sampling with 22 samples of companies taken in this study.

IV. Data Analysis Method

Measurement Model Evaluation

PLS-SEM is the preferred approach when formative constructs are included in the structural model. The formative measurement model was evaluated based on convergent validity, indicator collinearity, statistical significance, and the relevance of indicator weights (Hair et al., 2017). For formatively measured constructs, convergent validity was assessed by the correlation of the constructs with alternative measures of the same concept. Originally proposed by Chin (1998), this procedure is referred to as redundancy analysis. When the model is based on secondary data, variables measuring similar concepts will be used (Houston, 2004). Hair, et. al. (2019) suggested that formatively measured construct correlations with single-item constructs, measuring the same concept, should be 0.70 or higher. Variance inflation factor (VIF) is often used to evaluate the formative collinearity of indicators. A VIF value > 5 or more indicates a critical collinearity problem among the construction indicators measured formatively. However, collinearity problems can also occur at VIF values lower than 3. (Mason and Perreault, 1991; Becker et al., 2015).

Structural Model Evaluation

In evaluating the structural model with PLS, there are several criteria used to measure the prediction of the model, namely.

a. Coefficient of determination (R2 or R-square)

Evaluation of the structural model begins by looking at the coefficient of determination (R2 or R-square). The value of R-squares for each endogenous latent variable as the predictive power of the structural model. The interpretation is the same as OLS regression. Changes in the value of R-squares. Changes in the value of R-squares can be used to explain the effect of certain exogenous latent variables on endogenous latent variables whether they have a substantive effect. According to Chin (1998) in Ghozali and Latan (2015:81), the role of thumb evaluation of structural models for R2 or R-square values of 0.66, 0.50, and 0.25 can be concluded that the model is strong, moderate, and weak.

b. Effect size (f2 or f-square)

According to Ghozali and Latan (2015:79) explaining that changes in the value of R2 can be used to assess the effect of the exogenous latent variable on the endogenous variable whether it has a substantive effect as measured by the effect size ($f2$) and expressed in the form of a formulation, namely.

$$f^2 = \frac{R^2 included - R^2 excluded}{1 - R^2 included}$$

Where,

R^2 *included* : R^2 value of endogenous latent variables obtained when exogenous variables are entered into the model

R^2 *excluded* : Nilai R^2 value of endogenous latent variables obtained when exogenous variables are entered into the model

The value of Effect size (f2 or f-square) is the same as recommended, i.e. 0.02 has a small effect; 0.15 has a moderate effect; and 0.35 has a big influence on the structural level. (Chin, 1998 in Ghozali and Latan, 2015:81).

c. *Predictive relevance* (Q^2 atau *Q-square*)

According to Ghozali and Latan (2015:79) explained that in addition to looking at the magnitude of the value of R2 (R square) above, the evaluation of the structural model in PLS is carried out with Q2 predictive relevance or predictive sample reuse developed by Stone (1974) and Geisser (1975). . The value of Q2 is useful for validating the ability to predict the model in which this model is only suitable for use on endogenous constructs that have reflective indicators. In addition, the value of Q2 is used to measure how well the observed values generated by the model and its parameter estimates are. The following approach is used with the blindfolding procedure with the formula, viz.

$$Q^2 = 1 - \frac{\Sigma_D E_D}{\Sigma_D O_D}$$

Where,

D : *Omission distance*

E : *The sum of squares of prediction errors*

O : *The sum of squares errors using the mean for prediction*

The value of Q2 > 0 indicates that the model has predictive relevance while the value of Q2 < 0 indicates that the model lacks predictive relevance. In relation to f2, changes in Q2 have a relative impact on the structural model. The value of q2 predictive relevance which shows a value of 0.02; 0.15, and 0.35 that the model is weak; moderate; and strong.

Hypothesis Test

Hypothesis testing using the boostrap resampling method where the normal distribution is not considered while the statistical test used is the t statistic or t test. The t-statistic test was used to partially test the independent variables on the dependent. In addition, this test also examines the level of significance of each independent variable (independent) in influencing the dependent variable (dependent). The test is carried out by t-test, if the p-value is 0.05 (alpha 5%) or a maximum p-value <0.1 (alpha 10%), it can be concluded that it is significant.

V. ANALYSIS AND DISCUSSION

Measurement Model (Outer Model)

The measurement model (outer model) is used to determine the results of testing the validity and reliability of the instrument. However, because the construct formed is formative (mode B), the evaluation of the measurement model is carried out using the weight significance so that the validity and reliability test of the instrument is not needed. The following is the measurement model (outer model) as shown in Table 5.1 below.

Tabel 5.1. Hasil Model Pengukuran *(Outer Model) Formative*

Konstruk	Composite Realibility	Croncbach's Alpha	AVE (Average Variance Extracted)	Collinieritas (VIF)
Ukuran Perusahaan (X1)	1,000	1,000	1,000	1,025
Return on Equity (X2)	1,000	1,000	1,000	1,438
Leverage (X3)	1,000	1,000	1,000	1,436
Voluntary Disclosure (Y1)	1,000	1,000	1,000	1,053
Earnings Response Coefficient (Y2)	1,000	1,000	1,000	1,041

Source: Processed with WarpPLS 8.0, 2022.

Based on the Table 5.2 above, it shows that the composite reliability value; croncbach's alpha; and AVE of 1,000 while for collinearity (VIF) the variable of firm size (X1) is 1.025; return on equity (X2) of 1.438; leverage (X3) of 1.436; voluntary disclosure (Y1) is 1.053, and earnings response coefficient (Y2) is

1.041. This shows that because the measurement model is formative (mode B), it can be seen from the collinierity (VIF) where all variables (constructs) have values below 5, so it can be concluded that they meet the criteria.

Structural Model (Inner Model)

Structural model (inner model) or measurement of the inside is a model that relates the latent variables. The structural model or inner model is evaluated by looking at the percentage of variance explained by looking at R2 (R square) for endogenous latent constructs using Stone-Geisser measures or Q Square test, effect size (f2) and also the structural path coefficient. The following diagram of the structural model can be seen in Figure 5.1 below.

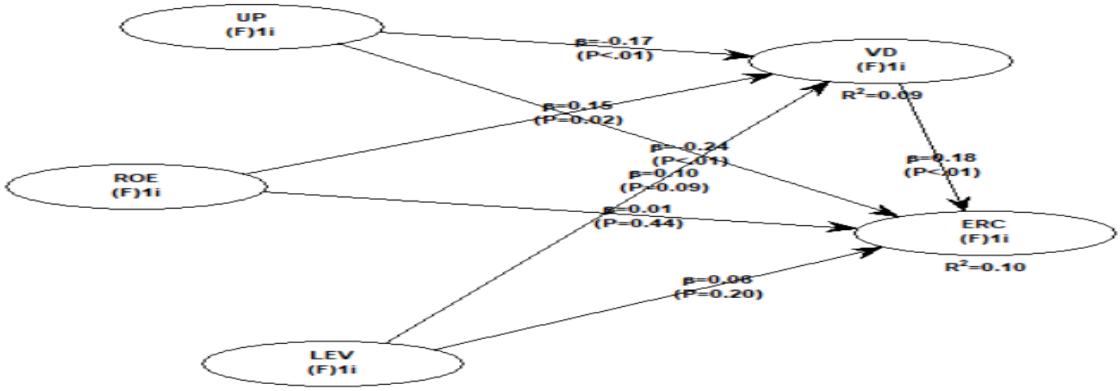


Figure 5.1 Structural Model with Path Coefficient and P-Value

Source: Processed with WarpPLS 8.0, 2022.

Based on Figure 5.1 above, it shows the relationship between the constructs by displaying the path coefficient and P-Value. The following are the criteria for testing this structural model (inner model), as follows:

1. Coefficient of determination (R2 or R square)

The coefficient of determination (R2 or R square) is used to determine how much influence between endogenous and exogenous variables. The value of R2 (R square) for each endogenous variable as the predictive power of the structural model where the value of R2 (R square) can be seen in Figure 5.1 above. Changes that occur in the value of R2 (R square) can be used to assess the ability of exogenous variables to explain the effect of endogenous variables. The following are the results of testing the R2 (R square) value of the endogenous variables in Table 5.2 below.

Table 5.2. Test Results R2 (R square)

Endogen Variable	R^2 (*R Square*)	Adjusted R-Square
Voluntary Disclosure (Y1)	0,088	
Earnings Response Coefficient (Y2)	0,097	

Source: Processed with WarpPLS 8.0, 2022.

Based on the Table 5.2, the value of R2 (R square) for the voluntary disclosure variable (Y1) is 0.088 or 8.8%, while the earnings response coefficient (Y2) is 0.097 or 9.7%. These results show that the voluntary disclosure variable (Y1) with a coefficient of determination of 8.8% is influenced by the firm size variable (X1); return on equity (X2); and leverage (X3) while the remaining 91.2% is influenced by other variables outside this research model. For the variable earnings response coefficient (Y2) with a coefficient of determination of 9.7% is influenced by the firm size variable (X1); return on equity (X2); leverage (X3); and voluntary disclosure (Y1) while the remaining 90.3% is influenced by other variables outside this research model.

According to Ghozali & Latan (2015:78) in Chin (1998) explains that the value of R2 (R square) is 0.67; 0.33; and 0.19 it can be concluded that the model is strong, moderate, and weak. According to the test results, the value of R2 (R square) for the voluntary disclosure variable (Y1) is 8.8% and the variable earnings response coefficient (Y2) is 9.7%, so it can be concluded that the model is in the weak category.

2. *Effect size* (f^2 or *f square*)

Effect size (f^2 or *f square*) used to determine changes in the value of R2 (R square) or the magnitude of the effect on endogenous constructs in the structural model. According to Chin (1998) in Ghozali & Latan (2015:81)

revealed that the value of effect size (f2) is 0.02; 0.15; and 0.35 which is interpreted as small; medium; and big. The following are the results of the effect size or f-sqaure test in Table 5.3 below.

Table 5.3. Effect Size Test Results (f2 Test)

Construct	Voluntary Disclosure (Y1)	Earnings Response Coefficient (Y2)
Firm Size (X1)	0,034	0,057
Return on Equity (X2)	0,033	0,001
Leverage (X3)	0,021	0,007
Voluntary Disclosure (Y1)	-	0,032
Earnings Response Coefficient (Y2)	-	-

Source: Processed with WarpPLS 8.0, 2022.

Based on the Table 5.3 above, the results show that the magnitude of the effect on the firm size variable (X1) on voluntary disclosure (Y1) is 0.034; the effect or effect on the return on equity variable (X2) on voluntary disclosure (Y1) is 0.033; the effect or effect on the leverage variable (X3) on voluntary disclosure (Y1) is 0.021; the effect of voluntary disclosure variable (Y1) on earnings response coefficient (Y2) is 0.032; the effect of the firm size variable (X1) on the earnings response coefficient (Y2) is 0.057; the effect of the return on equity variable (X2) on the earnings response coefficient (Y2) is 0.001; and the effect of the leverage variable (X3) on the earnings response coefficient (Y2) is 0.007. This means that the size or magnitude of the influence of the entire variable is relatively small.

3. Predictive relevance (Q^2 atau Q square test)

The Q-Square coefficient is used to assess the predictive validity or relevance of the predictor latent variable to the criterion latent variable. The following are the results of the predictive relevance test or Q-squares test as shown in Table 5.4 below.

Tabel 5.4. Hasil Uji *Predictive Relevance (Q-Square Test)*

Construct	Q-Square Test
Voluntary Disclosure (Y1)	0.094
Earnings Response Coefficient (Y2)	0,104

Source: Processed with WarpPLS 8.0, 2022.

Based on the Table 5.4 above, the results show that the voluntary disclosure variable (Y1) has a Q-Square value of 0.094, which means that because the coefficient value is close to 0 it has not been able to be a predictive model while the earnings response coefficient (Y2) variable has a Q-Square value of 0.104 which shows that the model is accurate to the construct as a predictive model because the construct or endogenous variable has a Q2 value greater than 0.

4. Model Fit and Quality Indexes

Model fit is used to identify the quality of the fit index or model fit which can be seen in Table 5.5 below.

Table 5.5. Results of Fit Indexes

No	Model Fit and Quality Indeces	Fit Criteria	Evaluation	Descr
1	Average path coefficient (APC)	P < 0.05	0.019	Fit
2	Average R-Squared (ARS)	P < 0.05	0.053	No fit
3	Average adjusted R-Squared (AARS)	P < 0.05	0.080	No fit
4	Average block VIF (AVIF)	Acceptable if < = 5, ideally <= 3.3	1.427	Fit

Source: Processed with WarpPLS 8.0, 2022.

Based on the Table 5.5 above, it shows that the APC value of 0.019 is less than 0.05 which means that it meets the requirements and can be accepted; ARS value of 0.053 is greater than 0.05 which means that it does not meet the requirements and cannot be accepted; AFVIF value of 1.427 below 5 which means it meets the requirements and can meet the criteria. From the overall quality of the fit model index, it can be concluded that the model is acceptable.

Hypothesis Test

Hypothesis testing can be done by looking at the p-value results, while path coefficients are used to see the level of significance of the relationship. The basis for making decisions on hypothesis testing is obtained by comparing the p-value with a probability index of 0.05 or 5%. The following are the results of path coefficients

and P-Values as shown in Table 5.6 below.

Table 5.6. Results of Path Coefficients and P-Values

Relationship between Variable	Path Coefficient	P-Value	Descr
UP to VD	-0.174	0.009	H1 is accepted (significant)
ROE to VD	0.150	0.021	H2 is accepted (significant)
LEV to VD	0.097	0.095	H3 is rejected (not significant)
VD to ERC	0.180	0.007	H4 is accepted (significant)
UP to ERC	-0.240	<0.001	H5 accepted (significant)
ROE to ERC	0.011	0.443	H6 is rejected (not significant)
LEV to ERC	0.633	0.200	H7 rejected (not significant)

Source: Processed with WarpPLS 8.0, 2022.

DISCUSSION

1. Pengujian Hipotesis Pertama; Pengaruh Ukuran Perusahaan Terhadap *Voluntary Disclosure*

Berdasarkan hasil uji hipotesis parameter estimasi untuk pengujian hubungan ukuran perusahaan terhadap *voluntary disclosure* pada perusahaan manufaktur sektor industri barang konsumsi dengan nilai koefisien jalur sebesar -0.174 dan mempunyai arah hubungan negatif atau tidak searah dengan probabilitas sebesar 0,009. Nilai tersebut memenuhi syarat untuk penerimaan H1 (hipotesis pertama) karena probabilitas yang kurang dari 0,05 yang berarti hipotesis diterima.

2. Pengujian Hipotesis Kedua; Pengaruh *Return on Equity* Terhadap Kepuasan *Voluntary Disclosure*

Berdasarkan hasil uji hipotesis parameter estimasi untuk pengujian hubungan *return on equity* terhadap *voluntary disclosure* pada perusahaan manufaktur sektor industri barang konsumsi dengan nilai koefisien jalur sebesar 0,150 dan mempunyai arah hubungan positif atau searah dengan probabilitas sebesar 0,021. Nilai tersebut memenuhi syarat untuk penerimaan H2 (hipotesis kedua) karena probabilitas yang kurang dari 0,05 yang berarti hipotesis diterima.

3. Pengujian Hipotesis Ketiga; Pengaruh *Leverage* Terhadap *Voluntary Disclosure*

Berdasarkan hasil uji hipotesis parameter estimasi untuk pengujian hubungan *leverage* terhadap *voluntary disclosure* pada perusahaan manufaktur sektor industri barang konsumsi dengan nilai koefisien jalur sebesar 0,097 dan mempunyai arah hubungan positif atau searah dengan probabilitas sebesar 0,095. Nilai tersebut tidak memenuhi syarat untuk penerimaan H3 (hipotesis ketiga) karena probabilitas yang lebih besar dari 0,05 yang berarti hipotesis ditolak.

4. Pengujian hipotesis Keempat; Pengaruh *Voluntary Disclosure* Terhadap *Earnings Response Coefficient*

Berdasarkan hasil uji hipotesis parameter estimasi untuk pengujian hubungan *voluntary disclosure* terhadap *earnings response coeficinet* pada perusahaan manufaktur sektor industri barang konsumsi dengan nilai koefisien jalur sebesar 0,180 dan mempunyai arah hubungan positif atau searah dengan probabilitas sebesar 0,007. Nilai tersebut memenuhi syarat untuk penerimaan H4 (hipotesis keempat) karena probabilitas yang kurang dari 0,05 yang berarti hipotesis diterima.

5. Pengujian Hipotesis Kelima; Pengaruh Ukuran Perusahaan Terhadap *Earnings Response Coefficient*

Berdasarkan hasil uji hipotesis parameter estimasi untuk pengujian hubungan ukuran perusahaan terhadap *earnings response coeficinet* pada perusahaan manufaktur sektor industri barang konsumsi dengan nilai koefisien jalur sebesar -0,240 dan mempunyai arah hubungan negatif atau tidak searah dengan probabilitas sebesar <0,001. Nilai tersebut memenuhi syarat untuk penerimaan H5 (hipotesis kelima) karena probabilitas yang kurang dari 0,05 yang berarti hipotesis diterima.

6. Pengujian Hipotesis Kelima; Pengaruh *Return on Equity* Terhadap *Earnings Response Coefficient*

Berdasarkan hasil uji hipotesis parameter estimasi untuk pengujian hubungan *return on equity* terhadap *earnings response coefficient* pada perusahaan manufaktur sektor industri barang konsumsi dengan nilai koefisien jalur sebesar 0,011 dan mempunyai arah hubungan positif atau searah dengan probabilitas sebesar 0,443. Nilai tersebut tidak memenuhi syarat untuk penerimaan H6 (hipotesis keenam) karena probabilitas yang lebih besar dari 0,05 yang berarti hipotesis ditolak. .

7. Pengujian Hipotesis Kelima; Pengaruh *Leverage* Terhadap *Earnings Response Coefficient*

Berdasarkan hasil uji hipotesis parameter estimasi untuk pengujian hubungan *leverage* terhadap *earnings response coefficient* pada perusahaan manufaktur sektor industri barang konsumsi dengan nilai koefisien jalur sebesar 0,633 dan mempunyai arah hubungan positif atau searah dengan probabilitas sebesar 0,200. Nilai tersebut tidak memenuhi syarat untuk penerimaan H6 (hipotesis ketujuh) karena probabilitas yang lebih besar dari 0,05 yang berarti hipotesis ditolak.

CLOSING

Conclution

1. Firm size has a negative and significant effect on voluntary disclosure in manufacturing companies in the consumer goods industry sector. This means that the size of a company is not necessarily able to encourage

the creation of a full presentation of financial statement information through voluntary disclosure.

2. Return on equity has a positive and significant effect on voluntary disclosure in manufacturing companies in the consumer goods industry sector. This means that the high return on equity is able to encourage investors to invest because of the benefits obtained from the capital provided.
3. Leverage has a positive and insignificant effect on voluntary disclosure in manufacturing companies in the consumer goods industry sector. This means that the higher the level of leverage has not been able to encourage voluntary disclosure.
4. Voluntary disclosure has a positive and significant effect on the earnings response coefficient in manufacturing companies in the consumer goods industry sector. This means that the more information disclosed in the financial statements is able to encourage an increase in company profits so as to provide a positive response from the market.
5. Firm size has a negative and significant effect on the earnings response coefficient in manufacturing companies in the consumer goods industry sector. This means that the size of a company is not necessarily able to encourage the market response to the shares or profits earned because the market views the company's long-term prospects.
6. Return on equity has a positive and insignificant effect on the earnings response coefficient in manufacturing companies in the consumer goods industry sector. This means that the level of company profits or profits does not necessarily increase the market response to the profits generated.
7. Leverage has a positive and insignificant effect on the earnings response coefficient in manufacturing companies in the consumer goods industry sector. This means that the high level of leverage is not able to encourage the market to respond quickly to the information presented by the management.

VI. RECOMMENDATION

For Manufacturing Companies in the Consumer Goods Industry Sector

The management should still maintain to disclose the reports presented and record any information that is needed by the public to be disclosed because it is proven that a lot of information from companies with large categories is able to encourage investment decisions made by investors; Management should focus more on disclosing current and future financial statements because investors sometimes want to know future business prospects before making economic decisions; The management should further increase the company's voluntary disclosures because information on funding levels, both short-term and long-term, can assist investors in making quick and appropriate decisions; The management should continue to provide complete financial information through voluntary disclosure because it is proven that complete and accurate information can provide a positive response to the market as reflected in the earnings response coefficient; Management should continue to record, disclose, and report in detail information related to the company's total assets because the size of the company reflected in total assets can provide a positive response to the market in economic decisions; The management should further improve the company's ability to earn profits because the Covid 19 pandemic that occurred last year had a negative effect on the market; And the management should focus on disclosing information on funds or company obligations which are reflected in the leverage value because the high leverage value will have an impact on a negative market response.

For Further Research

In this study, there are variables that have no significant effect either through voluntary disclosure or earnings response coefficient. Therefore, further researchers focus on disclosing the relationship between these variables; One that affects the market response with the characteristics of the company is reflected in corporate governance or corporate governance which the next researcher should add a new variable of corporate governance whether it can function as a supervisor or mediator variable. As for further research, the concept of earnings response coefficient is based on accounting information that is very important for investors. Therefore, this finding with determinants that affect ERC does not have a significant impact such as return on equity and leverage, it is necessary to create a new concept with accounting earnings response coefficient (AERC), which in this concept includes a new element, namely cash flow (CFO). This is because when looking at the cash flow statement that occurs in the company in full, investors can make economic decisions quickly and accurately.

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