



THE EFFECT OF THE INVESTMENT OPPORTUNITY SET ON THE EXTEND OF VOLUNTARY SHARI'A DISCLOSURE

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ABSTRACT

The purpose of the study was to obtain empirical evidence regarding the effect of the Investment Opportunity Set on the Extend Of Voluntary Shari'a Disclosure. This research is a field research using a quantitative descriptive approach using a purposive sampling method from companies listed on the Indonesia Stock Exchange in 2018. There are 22 companies that meet the criteria as research samples. The results showed that the Investment Opportunity Set had no effect on the Extend of Voluntary Shari'a Disclosure

Keywords: extend of voluntary shari'a disclosure; investment opportunity, voluntary

INTRODUCTION

In the era of globalization, the development of information is very rapid. Everyone needs information especially the shareholders in the business unit. Where in the economic environment often changes in information (Indriani, 2013). The benefits and role of information is very dominant for a company or organization. The information that shareholders need is financial statements. With the financial statements can be used by shareholders to make decisions for the parties concerned (Kieso etc, 2002). Companies, especially those listed on the capital market or companies that are often called go public companies, are required to be more transparent in disclosing information within their companies. Where such information must be submitted to the institution that supervises it, namely the Financial Services Authority or OJK. The information disclosed by publicly listed companies can be in the form of financial statements (Dien & Farihah, 2016).

More transparent disclosure of financial statement information can attract investors to invest their capital in the company. In the long term, the company can further enhance its credibility by revealing the identity of the company, so that interested outsiders can observe the state and development of the company they invest their capital in (Dien & Farihah, 2016). Future investment choices are not only shown by the existence of projects supported by research and development activities, but also the company's ability to exploit opportunities to take advantage more than other equal companies in an industry group (Gaver & Gaver, 1993).

Future investment choices are also related to the company's growth rate, so that the company's growth is expected to provide positive aspects for the company such as an opportunity to invest in the future (Hermuningsih, 2011). Or more often known as the Investment Opportunity Set (IOS), which is a collection of investment opportunities owned by a company in the future (Pramiana, et, al., 2015).

IOS demonstrates the company's ability to benefit from growth prospects (Smith & Watts, 1992). Growing companies and non-growing companies are terms used for IOS proxies with the aim that IOS variables can be measured (Prasetyo, 2010). Kallapur and Trombley stated that IOS can be measured by 3 proxies, namely price, investment and variance (Kallapur & Trombley, 2001).

Akhtaruddin and Hossain (2008), show that companies with high profit growth rates indicate that the higher the voluntary disclosure with the ownership control. Cahan and Hossain (1995), found IOS had a positive and significant effect on disclosure. It is stated that companies that have high company growth opportunities, managers are motivated to provide information about the company's future prospects. Hermuningsih (2011) states that the Investment Opportunity Set (IOS) has a positive effect on Disclosure. The Investment Opportunity Set (IOS) is represented by the INVOS, IOE and PE indicators.

Various previous studies have investigated the investment opportunity set aspect of the extent of voluntary disclosure, but there are still many who find inconsistencies in the results of research between several existing studies. This study aims to obtain empirical evidence and examine the Investment Opportunity Set on the Extend Of Voluntary Shari'a Disclosure in the annual reports of companies listed on the Indonesia Stock Exchange (IDX) in 2018.

LITERATURE REVIEW

Stakeholder Theory

Gray said stakeholders are stakeholders. Stakeholder theory is a theory that explains how company management meets or manages stakeholder expectations. This theory emphasizes organizational accountability far beyond simple financial or economic performance and states that organizations will choose to voluntarily disclose information about their environmental, social and intellectual performance, over and above their mandatory demands, to meet actual or recognized expectations by stakeholders (Agustine, 2014). The purpose of stakeholder theory itself is to create added value for stakeholders, because the sustainability of the company is supported by stakeholders (Cahya, 2017). Stakeholders have the right to know other information that the company discloses voluntarily. So that what the company does is not only aimed at meeting the interests and needs of the company itself but also must be able to provide benefits to stakeholders (stakeholder theory) (Purwanto, 2011).

Voluntary Shariah Disclosure

According to Hendriksen and Breda Disclosure is defined as the delivery (release) of information. Disclosure means providing useful data to parties who need it, in this case stakeholders (Hendrikswan & Michael, 2002). Evans identified three disclosures made by the company, namely Adequate Disclosure is a concept that is often used, namely the minimum disclosure required by applicable regulations, so that the figures presented can be interpreted correctly by investors. Fair Disclosure indirectly is an ethical goal to provide equal treatment to all report users by providing appropriate information to potential readers. And Full Disclosure (Full Disclosure) concerns the completeness of the presentation of the information disclosed in a relevant manner. There are two benefits of full disclosure that can be achieved simultaneously, namely the possibility of investors making better investment decisions and increasing the ability of the capital market to make the most productive direct investments (Evan, 2003).

Voluntary Disclosure is a disclosure that the company can freely make in accordance with the company's interests that are considered relevant and supportive in making economic decisions

that will be made by users of annual information (Adhi, 2012). Voluntary Shariah Disclosure is the disclosure of information from financial statements related to sharia compliance in a company with a list of disclosure items that are not contained in Bapepam Decree No: KEP-347/BL/2012 concerning Presentation and Disclosure of Financial Statements of Issuers or Public Companies.

Investment Opportunity Set

Myers stated that the Investment Opportunity Set (IOS) is an investment decision in the form of a combination of assets in place and future investment options (Myers, 1977). The main factors that determine the Investment Opportunity Set are industry factors such as barriers to entry and product life cycles. The value of IOS depends on expenditures set by management in the future which are currently investment choices that are expected to generate returns that are greater than the cost of capital and can generate profits. Thus, IOS is unobservable, so it is necessary to choose a proxy that can be related to other variables in the company (Ramdani, 2016). Kallapur and Trombley state that the proxies that can be used by the Investment Opportunity Set (IOS) measuring instrument can be divided into three proxies, namely Price-Based Proxies, Investment-Based Proxies and Varian Measures (Kallapur & Trombley, 1999).

METHOD

This research is a field research using a descriptive quantitative approach with data analysis techniques using multiple linear regression analysis. The sample selection using the purposive sampling method was obtained by 22 companies that received Good Corporate Governance scores from companies listed on the Indonesia Stock Exchange in 2018. Testing the data using SPSS 16.0 software.

RESULTS

Descriptive Statistics

The descriptive statistics used in this study are the mean (mean), maximum value (max), minimum (min) and standard deviation. This descriptive statistical test uses 22 company observation data. The variables tested were descriptive statistics, namely 1 (one) dependent variable and 1 (one) independent variable consisting of Voluntary Sharia Disclosure (VSD) and Investment Opportunity Set (IOS) as shown in table 1:

Table 1.
Descriptive Statistics

Variabel	N	Min	Max	Mean	Std. Deviation
VSD (Y)	22	0.515	0.939	0.758	0.124
IOS (X1)	22	0.001	2.831	1.317	0.789
Valid N (listwise)	22				

Table 1 seen from 22 research samples describing descriptive statistics on the Extent of Voluntary Shariah Disclosure variable using the disclosure item index obtained from previous researchers' disclosure items. The disclosure index is measured by dividing the total disclosures actually disclosed by the company, divided by the total disclosures that are expected to be disclosed. The results of the statistical descriptive test with a minimum value of 0.515 obtained by Clipan Finance Indonesia Tbk and a maximum value of 0.939, namely the company Semen Indonesia (Persero) Tbk. While the average value of 0.758 obtained by the company Bakrie & Brothers Tbk. IOS standard deviation is 1.317.

The Investment Opportunity Set (IOS) variable as proxied by Market to Book Value of Equity reflects the market assessing that future investment returns will be greater than the expected return on equity, resulting in a minimum value of 0.001 obtained by the company Adhi Karya (Persero) Tbk and a maximum value of IOS this amounted to 2,831 by the company Radana Bhaskara Finance Tbk. The average value of the relationship between outstanding shares and closing price of shares with total equity is 1.317, while the standard deviation value is 0.789.

Hypothesis Testing

Regression Analysis

This analysis was conducted to test the hypothesis of the research that had been formulated previously, namely to determine the effect of the Investment Opportunity Set variable on the Extend Of Voluntary Shariah Disclosure. Then it can be seen the results of the regression analysis that the Investment Opportunity Set does not exist in companies listed on the Indonesia Stock Exchange against the Extend of Voluntary Shari'a Disclosure in companies listed on the Indonesia Stock Exchange of 0.059, meaning that if the Investment Opportunity Set is high, it will not decrease or increase the Extend of Voluntary Shari'a Disclosure.

Partial Statistical Test (T Test)

It is known that the coefficient value is 0.059 with a significance level for the influence of the X1 variable on Y is $0.078 > 0.05$ and the t-count value is $1.870 < t$ table 2.101 so it can be concluded that H1 is rejected which means that there is no influence of the Investment Opportunity Set variable on the Extent of Voluntary Shariah Disclosure.

DISCUSSION

Effect of Investment Opportunity Set (IOS) on Extend of Voluntary Shari'a Disclosure

The research findings show that the Investment Opportunity Set as proxied by the Market to Book Value of Equity (MBVE) ratio cannot affect the Extent of Voluntary Shariah Disclosure. This shows that the extent of sharia voluntary disclosure required by stakeholders can not only be measured by the Investment Opportunity Set proxy ratio, which reflects that the market assesses that the return from the company's investment in the future will be greater than the expected return on its equity.

Investment Opportunity Set (IOS) is an investment decision in the form of a combination of assets owned (assets in place) and future investment options (Myers, 1977). The Investment Opportunity Set or the average investment opportunity leads to the actual investment and therefore affects the actual growth over a three to five year period. The data used is the past growth in book values for three consecutive years as the basis for measuring growth. Through the use of the relationship with actual growth as a benchmark, the Book-To-Market Ratio is the most valid indicator for growth (Kallapur & Trombley, 1999). The Book-To-Market Ratio can also be called an indicator that has a strong correlation with future growth. However, the company's future growth cannot affect the Extent of Voluntary Shariah Disclosure (Smith & Watts, 1992).

Extent of Voluntary Shariah Disclosure is a form of good quality disclosure according to sharia, in this case the ability to provide and convey better information as a basis for decision making for stakeholders. The quality of disclosure can be through transparent disclosure of information in the company's annual report (Indriani, 2013). Disclosure of this information is in fact driven by management's desire to handle potential conflicts between the company and shareholders efficiently (Hermuningsih, 2011).

This study has not been able to provide empirical evidence that companies that have high growth opportunities (growth companies) tend to take the initiative to make sharia voluntary disclosures in their companies. In fact, growing companies are companies that are still growing, so they require large amounts of funds. Companies should try to attract the attention of investors or stakeholders through voluntary disclosure, so that they will get a positive response and increase their investment. However, in this study, companies that have high or low growth opportunities will not affect the extent of sharia voluntary disclosure.

Consistent with the results of Hermuningsih (2011) research, the Investment Opportunity Set (IOS) has a positive effect on Disclosure only represented by the indicators of Investment Ratio to Sales, Investment Ratio to Profit and Earnings to Price (EP). However, it is not affected by the ratio of Market to Book Value of Assets (MBVA) and Market to Book Value of Equity (MBVE) (Hermuningsih, 2011). In contrast to research by Akhtaruddin and Hossian (2008) which state that companies with high profit growth rates indicate that the higher the voluntary disclosure with ownership control. This is reinforced by research by Hossain, Ahmed and Godfrey (2005) that high investment opportunities increase the disclosure of prospective information significantly and positively.

CONCLUSION

Based on the description of the results of the research and discussion of the Extent of Voluntary Shariah Disclosure, it can be concluded that the Extent of Voluntary Shariah Disclosure cannot be influenced by the Investment Opportunity Set. The higher the score of a company's Investment Opportunity Set does not result in a higher extent of sharia voluntary disclosure and vice versa.

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