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ANALYSIS OF EFFECT NON FINANCIAL MEASURES DISCLOSURE, CORPORATE GOVERNANCE, INTELLECTUAL CAPITAL AND AUDIT QUALITY TO COMPANY PERFORMANCE

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ABSTRACT

The objective of this research was to prove empirically the effect of the nonfinancial measures disclosure, the corporate governance, the intellectual capital, and the audit quality on the corporate performance of banking companies indexed in Indonesian Stock Exchange in the period of 2014-2016. The type of this research was the quantitative research. The independent variables of this research were the non-financial measures disclosure, the corporate governance, the intellectual capital, and the audit quality. The dependent variable of this research was the company performance (CAR). This research used the purposive sampling technique. The number of samples of this research was 111 banking companies indexed in the period of 2014-2016. The type of this research data was the secondary data. The data collecting technique used in this research was documentation. The data analysis technique used in this research was the multiple linear regression by using IBM SPSS Version 21 program. The result of this research showed that the non-financial measures disclosure had an effect on the company performance; while, the corporate governance, the intellectual capital, and the audit quality did not affect the company performance.

Keywords : Non Financial Measures Disclosure, Corporate Governance, Intellectual Capital, Audit Quality, Capital Adequacy Ratio (CAR)

INTRODUCTION

1.1 Background

In early 2014, the performance of the banking industry showed stable growth conditions with increasing assets, capital, resilience and liquidity conditions. It is caused by starting in 2014 the banking industry was included in OJK controlling and the strict supervision caused banking performance to become more prudent. From year to year banking performance has improved due to the supervision, even in December 2016 banking assets reached Rp 6,730 trillion, an increase compared to the position in 2014 of Rp 5,615 trillion. In addition, the capital ratio (CAR) also increased from 19.57 percent in December 2014 to 22.91 percent in December 2016 (Liputan6.com/7feb2017). With this increasingly stringent banking performance, competition in the banking world is also increasing. It is also caused by the large number of banks operating in Indonesia and people who are increasingly selective in choosing banks. The high level of competition will affect the management of banks in maintaining the viability of their businesses. The high level of competition will increase the risks faced by banks. To deal with competition banks must be able to maintain their performance (Santoso, 2015).

The performance used to maintain the health of the bank is the Capital Adequacy Ratio (CAR) which is the ratio or benchmark to assess the adequacy of a bank that is oriented to international standards. Its capital adequacy ratio or benchmark is used by banks to demonstrate company performance. The higher the CAR, the better the bank's ability to bear the risk of credit/productive assets. If the bank's ability to bear the risk of credit/good assets, the overall performance of the company will be good and run according to their goals. According to Bank Indonesia Regulation Number 10/15/PBI/2008 article 2 paragraph 1 listed banks are required to provide a minimum capital of 8% of risk-weighted assets (RWA) (Novitasari, 2016).

However, throughout 2005-2016, the Deposit Insurance Corporation (LPS) liquidated 71 banks consisting of 70 Rural Banks (BPR) and 1 commercial bank was closed due to a lack of capital. one of the examples is the Mutiara Bank case which is allegedly a violation of the bailout. The bailout fund, which was originally estimated to only reach Rp 1.3 trillion, swelled to Rp

6.7 trillion due to the control of banks that robbed the bank's own funds by all means, including bogus bonds that were brought abroad. That caused Bank Mutiara to experience liquidity difficulties with Bank Century's CAR position as of October 31 minus 3.53%. This shows that Century Bank experienced a problem about capital adequacy which is very serious (Liputan6.com/9 Jun 2016/20: 10.WIB).

What distinguishes this research with Hutabarat and Situmeang (2016) research, is the sample used by the researcher using a sample of banking sector companies listed on the Indonesia Stock Exchange during 2014-2016. The sample selection is because the banking sector companies have many risks that will occur such as liquidity risk and credit risk. This risk will cause the company's performance to be disrupted which will have an impact on investors' stocks. Furthermore, the characteristics of corporate governance and performance measurement used. The characteristics of corporate governance are ownership structures in the form of managerial ownership and institutional ownership.
And to measure its performance researchers use the Capital Adequacy Ratio (CAR) by measuring the level of capital adequacy in banking companies to minimize the level of risk that occurs and to show the company's performance in more detail on aspects of capital adequacy in banking companies. In addition, the addition of intellectual capital variables in this research will help measure the performance of companies that focus on providing credit, investments, securities and bills to other banks in companies, especially banks that are funded by the bank's own capital funds.

1.2 Problem Formulation

Based on the background, the problems formulated in this study are:

a) Does the Non Financial Measures Disclosure affect the company's performance?
b) Does Managerial Ownership affect the company's performance?
c) Does Institutional Ownership affect the company's performance?
d) Does Intellectual Capital affect company performance?
e) Does Audit Quality affect company performance?

1.3 Purpose of the Problem

In accordance with the background and formulation of the problem, the purpose of this study are :

a) To prove empirically the influence of Non financial Measures Disclosure on company performance.
b) To prove empirically the effect of managerial ownership on company performance.
c) To prove empirically the effect of managerial ownership on company performance.
d) To prove empirically the influence of Intellectual Capital on corporate performance.
e) To prove empirically the influence of audit quality on company performance.

1.4 Benefits of Research

a) For researchers : The results of this study are expected to provide added value in the form of knowledge and insight regarding the influence of enterprise risk management disclosure and intellectual capital disclosure on company value.
b) For the company : This research is expected to provide useful information for consideration in order to increase the value of a company that can reduce the information asymmetry that occurs within the company.
c) For further researchers : This result is expected to provide additional knowledge for academic progress and can be used as a reference or reference for further research

LITERATURE REVIEW

2.1 Performance (Performance) of the Company

According to Rahman (2016) performance comes from the word performance, performance is expressed as an achievement achieved by the company in a certain period that reflects the level of health of the company. Performance measurement is a periodic determination of the appearance of a company in the form of operational activities, organizational structures, and employees based on pre-determined targets, standards and criteria. Performance that is closely related to banking companies is in the form of financial performance that is used to measure risks that will occur in banking. In this study, company performance was measured by using Capital Adequacy Ratio. What is meant by Capital Adequacy Ratio is capital adequacy which shows the ability of financing in maintaining sufficient capital and financing management capabilities in identifying, measuring, controlling, and controlling the risks that arise that can affect the amount of capital.

CAR (Capital Adequacy Ratio) is a ratio that shows how far all bank assets that contain risks (credit, investments, securities, bills with other banks) are also financed from the bank's own capital funds, in addition to obtaining funds from sources in outside the bank, such as public funds, loans (debt), and others. In other words, the capital adequacy ratio is the ratio of bank performance to measure the adequacy of capital owned by a bank to support assets that contain or generate risk, for example loans provided (Dendawijaya, 2005: 121).

2.2 Non Financial Measures Disclosure

The company discloses through an annual report that has been regulated by Bapepam both mandatory disclosure and voluntary disclosure in addition to the minimum prescribed disclosures. According to the Decree of the Chairman of Bapepam-LK Number KEP-38/PM/1996 (later revised in the Decree of the Chairman of Bapepam-LK KEP-134/BL/2006), and based on the provisions of the Indonesian Institute of Accountants concerning the Obligation to Submit Annual Reports to Issuers or Public Companies , that is :

a. Mandatory disclosure is information that must be disclosed by the issuer regulated by the regulation of capital markets in a country.
b. Voluntary disclosure is the disclosure that is done voluntarily by the company without being required by existing standards.

2.3 Corporate Governance

Corporate governance is related to how investors believe that managers will benefit them, confident that managers will not steal or embezzle or invest in unprofitable projects. It also relates to the accountability of funds (capital) that has been invested by investors, and how investors control the managers of the company can continue to live. In this research, corporate governance is explained by managerial ownership and institutional ownership. Where managerial ownership is a condition in which the company management has multiple positions, namely its position as the management of the company and also the shareholders and play an active role in making decisions and institutional ownership is ownership of shares by external institutions. Institutional investors are often the majority owner in share ownership, because institutional investors have greater resources than other shareholders so that they are considered capable of carrying out good oversight mechanisms.

2.4 Intellectual Capital

Intellectual capital does not have definite definitions. Some interpret differently because the concept of IC is very broad and often divided into several categories. In research states that intellectual capital is an applied experience, organizational technology, customer relations, expertise that can create a competitive advantage of a company. Intellectual Capital refers to the knowledge and abilities possessed by social collectivities, such as an organization, intellectual community, or professional practice. Intellectual capital represents valuable resources and the ability to act based on knowledge (Adeline, 2012).

2.5 Audit Quality

The general definition of audit quality is the possibility that the auditor will find and report material misstatements in the client's financial statements or accounting system. The possibility of finding material misstatements depends on the technical ability of the auditor, among others, auditors who have technological capabilities, understand and carry out the correct audit procedures, understand and use the right sampling method, etc. Whereas the possibility of error reporting depends on the auditor's independence, namely in the form of an auditor who, if it finds material misstatement or errors in the audited financial statements, will independently report the error (Kirana, 2013).

RESEARCH METHOD

3.1 Population and Samples

The target population in this study are companies that are in the group of financial companies listed on the Stock Exchange and on time to publish the annual report for the period 2014 to 2016 on an ongoing basis. The sample in this study are banking companies listed on the Indonesia Stock Exchange (IDX) and publish annual reports for the period 2014-2016. The sampling technique used in this study was purposive sampling, which is a sample based on the suitability of sample characteristics with predetermined sample selection criteria, with the following criteria : Banking companies listed on the Stock Exchange in 2014-2016, The company publishes its annual reports in a row in 2014-2016 and The company's annual report is available in full in accordance with the data needed during 2014-2016.

3.2 Research Variables

3.2.1 Company Performance

Formula according to Santoso (2015) to calculate CAR, namely :

$$CAR = \frac{Capital\ of\ Bank}{ATMR} x\ 100\%$$

3.2.2 *Non Financial Measures Disclousure*

With the following formula:

$$Indeks = \frac{Number\ of\ Score\ md +\ vd}{total\ disclosure\ of\ all\ items}$$

3.2.3 Managerial Ownership

With the formula according to Rachman (2014) as follows:

$$\text{Managerial Ownership} = \frac{\text{Number of Stockl}}{\text{Total outstanding shares}} \text{x } 100\%$$

3.2.4 Institutional Ownership

With the formula according to Rachman (2014) as follows:

$$\text{Institusional Ownership} = \frac{\text{Number of institusional stock}}{\text{Total outstanding shares}} \text{x } 100\%$$

3.2.5 Intellectual Capital

VAIC™=VACA+ VAHU+ STVA

Remarks :

VAIC™= *Value Added Intellectual Capital*

VACA = *Value Added Capital Coefficient*

VAHU = *Value Added Human Capital*

STVA = *Value Added Structural Capital*

3.2.6 Audit Quality

In this study audit quality is proxied using KAP size. This variable is measured by a dummy variable, 1 for an audit measured by KAP The Big 4, and 0 if the company is not audited with KAP non The Big 4 (Setiawan, 2011).

FINDINGS AND DISCUSSION

In the table shows that banking companies are listed on the Indonesia Stock Exchange during the period 2014 to 2016, there are 43 companies. In addition, companies that did not publish their annual reports in a row during 2014 to 2016 were 6 companies. And companies that do not have the complete data needed during the study in the 2014 to 2016 period are 21 companies. So, the banking companies that were sampled in this study were 16 companies multiplied by 3 years to 48 companies in the period 2014 to 2016.

4.1 Normality Test

Based on the normality test using the Kolmogorov-Smirnov test which has been described in table 4.3 the results of normality testing with Kolmogorov smirnov 1,336 with a significance of 0,056> 0,05, so that the sample is normally distributed.

4.2 Multicolinearity Test

From the results of the multicolinearity test in the table it can be seen that all independent variables have tolerance greater than 0.10 and no VIF value is greater than 10, this proves that there are no symptoms of multicolinerity.

4.3 Autocorrelation Test

Based on table 4.6 above, it can be seen that the value of Durbin-Watson simultaneously is equal to 1.069, the value will be compared with the table value using a 5% or 0.05 level of confidence, the number of samples 48 with the number of independent variables From the table data above, it can be seen that the DW value is more small from the upper limit of dU 1,7206 and smaller than (4-dU = 2,2794), dU> dw <4-dU so it can be concluded that in this regression equation there is a negative autocorrelation4.4 Uji

Determinant Coefficient (R2).

Based on the table, it is obtained the number 0.376 which means that the dependent variable can be explained by an independent variable that is equal to 37.6 which can be concluded that the ability of the dependent variable variance is relatively low. Adjusted R square (R2) obtained a value of 0.039 means 3.9% of the adequacy of the model by non financial measures disclosure variables, managerial ownership, institutional ownership, intellectual capital and audit quality. While the remaining 96.1% is influenced by other variables not examined in this study.

4.5 Model Feasibility Test (Test F)

From the table above it can be seen that the results of the model feasibility test (ANOVA) obtained the results of significant coefficient shows that a significant value of 0.250 with a calculated F value of 1.383 means that the model is not feasible to test. According to Gujarati (2011) if the model is not feasible, this study ignores the f test for testing hypotheses. In this test, researchers have tested using casewise outliers, zscore, log (all variables) and ln (all variables) but the results remain the same ie the model shows not feasible to test.

4.6 Partial Significant Test (T Test)

Table 1. Partial Significant Test (T Test)

Model	Sig.
(Constant)	.096
NFM	.985
KM	.144
KI	.159
IC	.129
KA	.289

4.6.1 Effect of Non Financial Measures Disclosures To Company Performance

Based on the test results it is known that the coefficient value of the variable Non Financial Measures Disclosures is 0.985. This shows that the level of NFM disclosure does not have a significant effect on performance that is proxied by CAR. Based on agency theory the higher the level of corporate disclosure will reduce the level of information asymmetry. By reducing the level of information asymmetry, the financial statements are more transparent and cause the estimation of risk by investors to be low because there is no information that is hidden, then the rate of return requested by investors is also low. The company revealed not only the company's opportunities but also the risks that exist within the company that caused a decline in market response even though it was not significant (Wondabio, 2007).

4.6.2 Effect of Managerial Ownership on Company Performance

Based on the test results it is known that the coefficient value of the managerial ownership variable is 0.144. The result of this coefficient value is greater than 0.05, which means that there is no influence of institutional ownership on company performance as measured by capital adequacy. Managerial ownership is a condition where the manager is the manager of the company and is also the owner of the shares in the company so that he has multiple positions, namely as management and as an investor. However, in this study, the proportion of managerial ownership is still very small which causes managers to feel less direct benefits from the decisions taken. This will not be able to unite the interests between managers and shareholders, so it cannot improve the company's performance.

4.6.3 Effect of Institutional Ownership on Company Performance

Based on the test results it is known that the coefficient value of the institutional ownership variable is 0.159. The result of this coefficient value is greater than 0.05, which means that there is no influence of institutional ownership on company performance as measured by capital adequacy. According to Aprianingsih (2016) Institutional ownership is a condition where the institution has a stake in a company and usually a large shareholding. Ownership of a high number of shares by this institution causes the institutions to act for their own interests at the expense of the interests of minority shareholders and will create an imbalance in determining the direction of company policies which will lead to conditions not conducive. This non-conducive situation will not improve financial performance.

4.6.4 Intellectual Capital Influence on Company Performance

Based on the test results it is known that the coefficient value of the Intellectual Capital variable is 0.129. The result of this coefficient value is greater than 0.05, which means that there is no influence of intellectual capital on the company's performance as measured by capital adequacy. Intellectual capital is an applied experience, organizational technology, customer relations, expertise that can create a competitive advantage of a company. While the performance measured by the capital adequacy ratio is the capital owned by the bank to support assets that contain or generate risk, for example loans. Capital or capital adequacy ratios for risk-weighted asset ratios are a way to measure bank capital, which is shown as the opening of bank risk-weighted credit. Therefore, intellectual capital is not related to the process of measuring company performance directly.

4.6.5 Effect of Audit Quality on Company Performance

Based on the test results it is known that the coefficient value of the audit quality variable is 0.289. The result of this coefficient value is greater than 0.05 which proves that H5 is rejected. This means that there is no effect of audit quality on company performance as measured by capital adequacy. This is because the data used in this study tend to be homogeneous. In addition, audit quality as measured by audits conducted by the big fours and non the big fours audits did not fully and surely influence their capital adequacy in maintaining a company.

CONCLUSION

Based on the results of data analysis and discussion that has been carried out in the previous chapter, the following conclusions can be drawn : (a) Non Financial Measures Disclosure does not significantly affect the performance of companies listed on the IDX for the 2014-2016 period. (b) Managerial ownership does not significantly influence the performance of companies listed on the IDX for the 2014-2016 period. (c) Institutional ownership does not significantly influence the performance of companies listed on the IDX for the 2014-2016 period. (d) Intellectual Capital does not significantly influence the performance of companies listed on the IDX for the period 2014-2016. (e) Audit quality does not significantly influence the performance of companies listed on the IDX for the 2014-2016 period.

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