THE EFFECT OF LEVERAGE, LIQUIDITY, AND PROFITABILITY ON DISCLOSURE OF FINANCIAL STATEMENTS BY MODERATION OF AUDITOR QUALITY IN INDONESIAN MANUFACTURING COMPANIES

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ABSTRACT

This study aims to show that there is a positive relationship between leverage, liquidity, and profitability on financial statement disclosures, and this study wants to show that auditor quality is able to improve the positive relationship. This study uses secondary data on Indonesian manufacturing companies in 2017. This study uses purposive sampling so that the research sample is 149 companies. This study uses total debt to total assets ratio for proxy leverage, current ratio to proxy liquidity and returns on assets to proxy profitability. The results of this study indicate that in Indonesian manufacturing companies in 2017, leverage has a positive effect on financial statement disclosures required by the OJK, but profitability and liquidity do not show any influence on financial statement disclosures required by the OJK. Auditor quality can directly improve the disclosure of financial statements, so that good auditor quality is able to encourage companies to comply with the financial statement disclosure standards of the OJK. On the other hand, auditor quality is proven to be unable to improve the disclosure of financial statements along with the increase in financial performance. The size of the company proved to be a factor that influences the disclosure of financial statements but has a negative effect so that these results show differences with previous studies where the overall research shows that the size of the company has a positive effect on the disclosure of financial statements. The results of this study can be input for regulators in making financial statement disclosure regulations that can increasingly be fulfilled for larger companies and companies with better financial performance. This study provides novelty by presenting auditor quality as a variable that is capable to strengthen financial performance against financial statement disclosures, other than that it positions the size of the company as a control variable and using the OJK (Otoritas Jasa Keuangan/Financial Authority Sevices) checklist totaling 1231 items for financial statement disclosures that have never been studied previously.

Keywords: Leverage, Liquidity, Profitability, Audit Quality, Disclosure.

INTRODUCTION

Disclosure of financial statements is an important matter in the information disclosure era. That is one of the good corporate governance programs. Financial statement disclosure is one form of good relations and accountability from the company to stakeholders (Wibawa, 2018). Financial statements that have good disclosure, will provide a lot of information needed by stakeholders, and minimize the occurrence of problems that arise from the existence of information asymmetry.

Disclosure of financial statements can be divided into two types, namely mandatory disclosures and voluntary disclosures. Mandatory disclosure is a disclosure of information that is required to be disclosed in accordance with applicable regulations. This mandatory disclosure is thus information that should be disclosed by the company, by not covering up the information. Voluntary disclosure is a disclosure outside of disclosures required by applicable regulations. Regulators need to make regulations so that companies make good disclosures in order information asymmetry does not occur.

Indonesia is currently entering the era of information disclosure, including information from the company, so in minimizing information asymmetry, Otoritas Jasa Keuangan in Indonesia issued Circular Letter Number SE-17/BL/2012 published on December 21st, 2012, which contained the use of a financial statement disclosure checklist. The checklist is used as a disclosure standard as an effort to improve the quality of financial statements. The disclosure increase significantly in order to minimize the opportunity to commit fraud by utilizing information asymmetry. There is an interesting phenomenon regarding the application of this checklist. In Indonesian manufacturing companies through this checklist has been approved since 2012 but in 2016 only one company revealed the results of filling out the checklist, and increase significantly in 2017 there were eight companies that disclosed the checklist to the public. This phenomenon shows that in 5 years, there is no high concern for companies to provide more information to the public, so this needs to be investigated, but the increase disclosure checklist is appropriate with agency theory and signals that cannot be separated from financial performances. The financial performance of companies consists of leverage, liquidity, and profitability.

Financial performance leverage can show the ability of the company to fulfill obligations (Munawir, 2012: 31). Companies that have high liability values, will be increasingly obliged to make disclosures to creditors and convince creditors that the company is in good condition and able to pay off their obligations. This phenomenon has been proven by many studies that show a positive relationship between leverage and disclosure of financial statements that were determined according to Sholeh, et al.

(2018) and Oliveira, et al. (2011). On the other hand, there are also several studies that show different results such as Kılıç and Kuzey (2018), Nerantzidis and Tsamis (2017), and Abhayawansa and Guthrie (2016).

Liquidity is a financial performance that able to be a signal to investors. The higher of liquidity value in order the better of company condition, so that companies tend to do more in disclosing financial statements to show positive signals (Nerantzidis and Tsamis, 2017). This result has been proven by the research of Nerantzidis and Tsamis (2017) in Europe which showed positive results, but there were also different results, there are studies by the Neliana (2018) in Indonesia and Elzahar and Hussainey (2012) in England.

Financial performance profitability is a performance that is often becoming a benchmark for company performance. With high profitability, it will encourage companies to convey more information. Companies with high profitability will be more likely to disclose more information because they want to show their performance. These results have been proven by studies that show a positive relationship by Rose (2016), Foyeke et al. (2015) in Nigeria and Eddine, et al. (2015). Besides that, there are also studies show different results such as the Kılıç and Kuzey (2018), Hussainey (2016), and Devalle, et al. (2016).

The financial performance explanation shows the result is suitable with the theory and rationalization that financial performance is positively related to financial statement disclosures. However, based on previous research there are still many inconsistent results, so the research gap appears. In increasing the positive relationship, it is necessary to encourage external parties to increase the disclosure of financial statements. The auditor can be an external party capable of encouraging the company to disclose financial statements. There is empirical evidence that proves that auditor quality is able to strengthen financial statement disclosures such as Devalle, et al. (2016) which shows that auditing is influential in strengthening disclosure in Europe.

This study thus aims to show that there is a positive relationship between financial performance such as leverage, liquidity, and profitability on financial statement disclosures, and to show that auditor quality is able to improve the positive relationship. Thus, this study will conduct testing using the moderated regression analysis method to answer this. This study chooses the manufacturing sector because it has experienced a significant increase in the disclosure of the financial statement checklist from 2016 to 2017 by using variable size firms as the control variable because there are many studies that show positive results from firm size to financial statement disclosures.

This paper is then compiled with good systematics. Session 2 contains a literature review and development of the research hypothesis, session 3 contains the design used in the study, session 4 contains the results of the study, session 5 contains a discussion of the results of the research found, session 6 contains the conclusions of this paper.

LITERATURE REVIEW AND DEVELOPMENT OF HYPOTHESIS

The relationship of leverage, liquidity and profitability to the disclosure of financial statements by moderating audit quality is inseparable from the role of theory and previous research. Theories that support these relationships are agency and signal theory. Agency theory is a theory developed by Jensen and Meckling (1976) explaining in his article namely Theory of the firm: Managerial Behavior, Agency Costs and Ownership Structure which explains the agency relationship in the company. The company consists of many contracts between the owner of the company or principal and the manager or agent whose job is to manage the data source belonging to the principal. Agents who manage the principal's resources must have the duty to do their jobs well, and maximize the prosperity of the principal. Agency theory assumes that each individual has motivation according to his own interests, giving rise to conflicts of interest, namely between the principal and the agent (Anthony and Govindrajan, 2005). Principals are assumed to have only an interest in financial results, namely the increase in their investment in the companies they invest, while the agents are assumed to have an interest in obtaining financial compensation on terms according to the contracts that have been made. These differences in interests make each party increase their own interests. Principals want the maximum and quickest possible return on the investment they receive, and the agents still specify "adequate" compensation / bonus / incentives / remuneration.

Signaling Theory is a theory developed by Ross (1977), where management or company executives who have better information about the company, will convey information or positive signals to investors and potential investors so that the company's stock price increases. Signaling theory is rooted in pragmatic accounting theory where the attention of this theory to the influence of information on the attitude or behavior of recipients of information, where if the signal given by the company is of good quality, it is considered good news and vice versa, where the signal is bad it is considered bad news or bad news

Relationship between Leverage and Disclosure of Financial Statements

Leverage can show the company's ability to fulfill obligations both short and long-term obligations (Munawir, 2012: 31). Jensen and Meckling (1976) state that company managers will be required by lenders to make disclosures. If a company with a high degree of leverage will run the risk of failing to fulfill its obligations (Istiningrum, 2016), thus management will provide extensive information to ensure that the company is able to repay its obligations to creditors. Thus companies that have higher leverage will increasingly provide information to those who provide loans as widely as possible (Bhatia and Mehrotra, 2016).

There are many studies that have examined the relationship of leverage and disclosure of financial statements such as Sholeh, et al. (2018) and Oliveira, et al. (2011) which shows a positive relationship, but Kılıç and Kuzey's (2018) studies actually show a negative result between leverage and disclosure of financial statements. There are also many studies show that there are no influences including leverage and disclosure of financial statements, including by Nerantzidis and Tsamis (2017), Abhayawansa and Guthrie (2016), Bhatia and Mehrotra (2016), Eddine, et al. (2015), García and García (2010), Al-Shammari and Al-Shultan

(2010), and Haron (2010) studies. Thus in other previous studies, although there are still many studies that show no positive relationship, researchers believe based on previous research in accordance with agency theory, the leverage was increased gradually with increasing the disclosure by the company.
H1: Leverage has a positive effect on the disclosure of financial statements

Relationship between Liquidity and Disclosure of Financial Statements
Based on signal theory developed by Ross (1977), the management or company executives who have better information about the company will convey the information or positive signals to investors and potential investors so that the company's stock price increases, and gives confidence to stakeholders. High liquidity shows a positive signal to stakeholders, so it supports to reveal more information to send positive signals (Nerantzidis and Tsamis, 2017).

There is a lot of empirical evidence regarding the relationship between liquidity and disclosure of financial statements. Nerantzidis and Tsamis (2017) study in Europe showed positive results. However, in more specialized studies such as the Neliana (2018) study on pharmaceutical companies in Indonesia and Elzahar and Hussainey (2012) in the United Kingdom, it revealed that there was no relationship between liquidity and disclosure of financial statements. Based on signal theory and previous research, although it is not proven in research that examines a narrow area but on a widely subject there is evidence that liquidity has a positive effect on the disclosure of financial statements.
H2: Liquidity has a positive effect on the disclosure of financial statements

Relationship between Profitability and Disclosure of Financial Statements
Companies with high profitability are appropriate with the signal theory so that they will convey information or positive signals to investors and potential investors in order to increase trust in the public. Nova and Oktaviana (2015) show that companies with high profitability will be more likely to reveal more information because they will be proud of the results of their achievements and want to give a positive impression of the performance they can achieve.

There is a lot of empirical evidence that shows the relationship between profitability and disclosure of financial statements. The research that shows a positive relationship is shown by Rose (2016), Foyeke et al. (2015) in Nigeria, Eddine, et al. (2015) using a meta-analysis of 19 articles published in 2003-2013, and Haron (2010) study in Malaysia. There are also studies that do not show influence, among others: Kılıç and Kuzey (2018), Hussainey (2016) at Bank Islami, Devalle, et al. (2016) in Europe, Elzahar and Hussainey (2012) in British companies. In fact, there are studies that show a negative relationship between profitability and disclosure of financial statements reported by Abhayawansa and Guthrie (2016) in Australia. Based on signal theory and previous research, it can be concluded that there is a tendency for a positive relationship between profitability and disclosure of financial statements.
H3: Profitability has a positive effect on financial statement disclosures

Moderation of Audit Quality
Agency theory assumes that the individual has motivation based on their own interests, giving rise to conflicts of interest, between the principal and the agent (Anthony and Govindrajan, 2005). The efforts to minimize the conflict with the presence of external parties who are able to act as mediators so information asymmetry does not occur. The auditor can be an external party that is able to minimize agency conflicts. Especially when financial performance shows a decline, monitoring from outside parties is needed so that disclosure is getting stronger (Guay, et al., 2015). With good auditing quality, the disclosure will increase, and strengthen the influence of better financial liquidity and profitability performance. When performance leverage increases, to ensure that the company is able to repay its obligations to creditors, high financial statement disclosures are carried out and strengthened with good quality of the audit, it will be an encouragement from the external to expand the disclosure of financial statements.

There is empirical evidence showing this result. Muñoz, et al. (2016) reported that companies indexed by the Institute for Scientific Information in the 1980 to 2015 period showed data that financial performance was positively related to disclosure. Devalle, et al. (2016) showed that auditing is influential in strengthening disclosure in Europe. Oliveira, et al. (2011) and Al-Shammari and Al-Shultan (2010) also state that audits are able to improve disclosure of financial statements. Based on the theory and previous studies audits are believed to be able to strengthen the positive relationship of financial performance to the disclosure of financial statements.
H4a: Auditor quality strengthens *the positive relationship of leverage to financial statement disclosures*
H4b: Auditor quality strengthens the positive relationship of liquidity to financial statement disclosures
H4c: Auditor quality strengthens the positive relationship of profitability to financial statement disclosures

RESEARCH MODEL

Population and Samples
This research focuses on Indonesia, because Indonesia has strict requirements in disclosing financial statements with the contents of a checklist of more than 1000 items, so that it can be information for other countries regarding the application of financial statement disclosures in their countries.The population in this study is manufacturing companies listed on the Indonesia Stock Exchange in 2017. This study uses a purposive sampling method. The criteria carried out by researchers are:
1. The company is a manufacturing company in the Indonesia Stock Exchange (IDX) in the 2017 period.
2.Publication of audited financial statements is available in full on the IDX official website and or company website.
3. The company has complete data for the purposes of research calculations.

Based on the companies population questioned 156 companies, then there are 7 companies that do not meet the criteria, so the research a sample of 149 companies was chosen.

Data Sources and Types

This study uses secondary data types from the official IDX website that is www.idx.co.id. The data collected is in the form of annual financial statements of the companies from manufacturing companies that have to go public on the Indonesia Stock Exchange (IDX) and have been audited in 2017.

Operational Definition and Variable Measurement

Dependent Variable

This study uses the quality of financial statement disclosure as a dependent variable. The quality of the measurement in this study is in accordance with Circular Letter Number SE-17/BL/2012 published on December 21, 2012, there is "Use of the Financial Statement Disclosure Checklist for all types of Industries in the Indonesian Capital Market", totaling 1231 items. Completing this checklist appropriate with OJK(Otoritas Jasa Keuangan) regulations is as follows:

1.Sign (v) is filled in the "Yes" column if the Issuer / Public Company has fulfilled the required disclosure requirements and then in the "Remarks" column is added a cross-reference to the record number of the financial statements.

2. If the Issuer / Public Company does not meet the required disclosure requirements then the sign (v) is filled in the column "None" by adding the explanation of the reason in the remarks column.

3.If the Issuer / Public Company does not have certain posts so that it is not required to fulfill the existing disclosure requirements, the sign (v) is filled in the "N/A" column.

Measurement of disclosure index with formulas (Subroto, 2014: 97)

$$\text{Disclosure Index} = \text{Yes} / (\text{Yes} + \text{No}).$$

Independent Variables

1. Leverage

This study calculates leverage by using the calculation of the ratio of total liabilities to assets, it was calculated using the formula below:

$$\text{Leverage} = \text{Total Liabilities} / \text{Total Assets}$$

2. Liquidity

This research calculates liquidity by calculating the ratio of total current assets to current liabilities, it was calculated using the formula below:

$$\text{Liquidity} = \text{Total Current Assets} / \text{Total Current Liabilities}$$

3. Profitability

This study calculates profitability with the ROA ratio that is by using the calculation of the ratio of total profit after tax to assets, it was calculated using the formula below:

$$\text{ROA} = \text{Net profit after tax} / \text{Total Assets}$$

Moderation variable

This study uses auditor quality as a moderating variable. A qualified audit can be seen from the auditor, which in this study uses a dummy variable, so a qualified audit is an audit result from Public Accountant Firm affiliated with the "Big Four" are = 1, and Public Accountant Firm that not affiliated with Big Four are = 0.

Control Variables

In this study, adding the size of the company as a control variable, because according to the agency theory, larger the company will increase the agency costs. Thus, stakeholders must get farther disclosures than small companies. Company size is a control variable because the overall results of the study indicate the influence of financial difficulties and disclosure of financial statements, including: Kılıç and Kuzey (2018), Nerantzidis and Tsamis (2017), Muñoz, et al. (2016), Hussainey (2016), Bhatia and Mehrotra (2016), Abhayawansa and Guthrie (2016), Abdullah, et al. (2015), Eddine, et al. (2015), Elzahar and Hussainey (2012), Ettredge, et al. (2011) and study by García and García (2010). Company size is measured by the total assets.

Analysis Method

Hypothesis testing using moderated regression analysis (MRA) by using multiplication between the independent variables and their moderation (Liana, 2009). The analysis technique used hierarchical regression analysis. The regression model must pass the classical assumption, including normality test, heteroscedasticity test, and multicollinearity test. It was calculated using the following equation:

$$Y= \alpha + ß1.X1 + ß2.X2+ ß3.X3+€ \qquad \text{(model 1)}$$
$$Y= \alpha + ß1.X1 + ß2.X2 + ß3.X3 + ß4.X4 \qquad \text{(model 2)}$$
$$Y= \alpha + ß1.X1 + ß2.X2 + ß3.X3 + ß4.X4+ ß5.X1.X4+ß6.X2.X4+ß7.X3.X4+ € \qquad \text{(model 3)}$$

Note:Y = Financial statement disclosure, α = constant, ß1-ß7 = Regression coefficient, X1 = Leverage, X2 = Liquidity, X3 = Profitability, X4 = Audit Quality, € = Error

Testing of hypotheses 1, 2 and 3 uses multiple regression analysis in model 1. This test is conducted to test the influence of the independent variables with the dependent variable. H1 is accepted if ß1 is positive and has a significant probability value of <0.05, in the model (1). H2 is accepted if ß2 is positive and has a significant probability value of <0.05, in the model (1). H3 is accepted if β3 is positive and has a significant probability value <0.05, in the model (1). Hypothesis 4 testing is done by moderated regression analysis (MRA), by looking at models (2) and (3). H4a is accepted if ß5 in model 3 is positive and has a significant probability value of <0.05, and if in model 2 ß1 there is a significant positive value, partial moderation occurs, but if not, then full moderation occurs. H4b is accepted if ß6 in model 3 is positive and has a significant probability value of <0.05, and if in model 2 ß2 there is a significant positive value, then there is partial moderation, but if not, then full moderation occurs. H4c is accepted if ß7 in model 3 is positive and has a significant probability value of <0.05, and if in model 2 ß3 there is a significant positive value, then there is partial moderation, but if not, then full moderation occurs.

RESULTS

Table 1: Result of Descriptive Analysis

	Minimum	Maximum	Mean	Std. Deviation
Leverage	0,08	5,07	0,5405	0,50780
Likuidity	0,03	15,82	2,3219	2,05556
Profitability	-0,21	0,54	0,0430	0,10303
Audit Quality	0,00	1,00	0,4027	0,49209
Disclosure	0,81	0,96	0,8964	0,03143
Firm Size (in milion (Rp))	86.202	295.646.000	9.276.760	28.127.646

The results of the descriptive analysis have been shown in table 1. The results show that in Indonesian manufacturing companies have an average value of leverage of 0.5405 so that in general the assets of the company are mostly derived from debt compared to equity. The average value of liquidity is 2.3219, this result shows that in general Indonesian manufacturing companies are liquid companies with current assets that are very capable of covering the value of current liabilities. The average value of profitability of 0.04 indicates that in general, the company experiences a profit as evidenced by the positive value of profitability. The average auditor quality is 0.4027 so that in general more auditors that audited Indonesian manufacturing companies in 2017 are Public Accounting Firms that were unaffiliated with the "Big Four". The results of the disclosure of financial statements show a result of 0.89 so that in general the company has made good disclosure, which is 89% of what is required by the OJK. For the size of the company itself, the average company has a large size reaching 9 trillion rupiahs.

Table 2: Results of Regression Analysis

Model	Variable	Koef(B)	T	Sig	R^2	R$^{2'}$	Test
Model 1	Konstanta (α)	0,400	7,140	0,000	0,019	0,072	
	Leverage	0,064	2,137	0,017			Hipotesis 1
	Likuiditas	0,003	0,228	0,410			Hipotesis 2
	Profitabilitas	0,009	0,233	0,408			Hipotesis 3
	Firm Size	-0,021	-2,664	0,004			
Model 2	Audit Quality	0,024	1,956	0,026	0,013	0,097	Hipotesis 4
	Firm Size	-0,029	-3,274	0,000			
Model 3	Konstanta (α)	0,426	7,058	0,000	0,018	0,094	
	Mod1	0,028	1,026	0,307			Hypothesis 4a
	Mod2	-0,001	-0,103	0,082			Hypothesis 4b
	Mod3	0,075	0,927	0,356			Hypothesis 4c
	Firm Size	-0,027	-3,076	0,003			

Note: R$^{2'}$= R^2 with Control Variable (Firm Size), Mod1= Leverage*Audit Quality, Mod2= Likuiditas*Audit Quality, Mod3= Profitabilitas*Audit Quality

The hypothesis testing of this research has been carried out as presented in Table 2. The testing hypotheses 1,2 and 3 are shown from the results of model 1. Based on data from table 2 model 1, it can be concluded that hypothesis 1 which mentions the positive influence of leverage on disclosure of financial statements the results have the coefficient in positive value that is 0.064 with a significance value of 0.019 (0.019 <0.05 so that it is significant), so it is concluded that hypothesis 1 is accepted. Hypothesis 2 which states that there is a positive influence of liquidity on the disclosure of financial statements the results have a positive coefficient of 0.003 with a significance value of 0.410 (0.410> 0.05 so that it is not significant), so it is concluded that hypothesis 2 is rejected. Hypothesis 3 which mentions the positive influence of profitability on the disclosure of financial statements the results have a positive coefficient of 0.009 with a significance value of 0.408 (0.408> 0.05 so that it is not significant), so it is concluded that hypothesis 3 is rejected.

The moderation variable testingis shown in models 2 and 3 in table 2. Testing of hypothesis 4a states that auditor quality strengthens the positive relationship of leverage and financial statement disclosure is shown in model 3 mod1 variable, the result has a positive coefficient of 0.028 with a significance value of 0.307 (0.307> 0.05 so it is not significant), so it is concluded that hypothesis 4a is rejected. Testing hypothesis 4b which states that auditor quality strengthens the positive relationship of liquidity and disclosure of financial statements on model 3 mod2 variables, the result has a negative coefficient that is -0.001 with a significance value of 0.082 (0.082> 0.05 so it is not significant), so it is concluded that the hypothesis 4b rejected. Hypothesis 4c testing states that auditor quality strengthens the positive relationship of profitability and disclosure of financial statements in model 3 mod3 variables, the result has a positive coefficient that is 0.075 with a significance value of 0.356 (0.356> 0.05 so it is not significant), so it is concluded that hypothesis 4c rejected. Rejection of the hypothesis both 4a, 4b, and 4c proves that auditor quality cannot be a moderating variable, but when viewed from model 2 the auditor quality has a positive coefficient value of

0.024 with a significance value of 0.026 (0.026 <0.05 so significant), then the quality variable audit can be an independent variable that influences the disclosure of financial statements.

The control variable testing shows good results. The addition of company size as a control variable can be seen from the results of the coefficient of determination (R^2) without the control variable which is proven to be lower than the results of the coefficient of determination with the control variable ($R^{2'}$). Regression model by increasing company size as a control variable worth 9.4%. These results indicate that the regression model is able to answer 9.4% of financial statement disclosures, and 90.6% is still caused by other factors outside the research. The value of the control variable is negative, namely -3,076 with a significance of 0,003 (0,003 <0,05 so that it is significant), this result indicates that firm size has a negative effect on the disclosure of financial statements.

DISCUSSION

Based on the results of hypothesis testing, there is acceptance in hypothesis 1 and the rejection of hypotheses 2.3 and 4. Acceptance of hypothesis 1 shows that the higher the level of leverage, the higher the disclosure that will be made by the company. These results indicate that in Indonesian manufacturing companies, when they have a high level of total debt, they will be more open to the public, especially to creditors. This is because they want to show that they are able to fulfill their obligations. These results are of concern to policy makers to increase disclosure for companies that still have a low level of leverage, because disclosure of financial statements is an obligation for companies to stakeholders.These results are in accordance with Sholeh, et al. (2018), and Oliveira, et al. (2011) which shows the existence of a positive relationship of the level of leverage towards disclosure of financial statements. These results also prove that leverage is a consideration for companies to disclose their financial statements.

Rejection of hypotheses 2 and 3 shows that liquidity and profitability do not have a positive effect on the level of disclosure of financial statements. These results indicate that Indonesian manufacturing companies do not consider the company's liquidity and profitability factors in disclosing financial statements as required by the OJK. This result is different from the research of Nerantzidis and Tsamis (2017) in Europe which shows a positive result between liquidity and financial statement disclosure and is different from Foyeke et al. (2015) in Nigeria, Haron research (2010) in Malaysia, and several other studies. Liquidity and profitability in Indonesia proved not to be a factor that influenced the disclosure of financial statements. This is because in Indonesia most of the company's ownership comes from family ownership. This fact has been demonstrated through information from The International Finance Corporation (IFC) that 95% of companies in Indonesia are family-owned companies (beritamoneter, 2016), and companies that go public on the Indonesian stock exchange 80% are family-owned companies (konfrontasi, 2016). This family ownership causes companies not to publish information to the public too much so that even though they have good financial liquidity and profitability performance, they do not need to increase the disclosure of financial statements to the public.

In testing hypothesis 4 it shows that auditor quality is not able to strengthen the positive influence between financial performance, but auditor quality is able to directly improve disclosure of financial statements. This result is in line with Muñoz, et al. (2016), Devalle, et al. (2016), Oliveira, et al. (2011) and Al-Shammari and Al-Shultan (2010), but this study is not in accordance with the research of Guay, et al., (2015) which revealed that external monitoring can increase disclosure when financial performance has decreased. These results indicate that good auditors in Indonesian manufacturing companies can directly encourage companies to disclose financial statements, but because companies in Indonesia are mostly family companies, public accounting firms are unable to encourage companies to disclose financial statements when the company's performance is in good condition, especially because the disclosure from the OJK is still not an obligation for the company, and in general the company has done a good disclosure that is fulfilling 89%. These results are a consideration for policy makers to make more regulations that encourage an increase in audit quality, because auditors are proven to be able to strengthen the disclosure of financial statements.

The size of the company is also proven to be a driving factor for companies in conducting financial statement disclosures, so incorporating company size into the research model enhances the regression model. The interesting thing here is that even though the size of the company is a variable that enhances the research model, the larger the company the more it decreases the level of disclosure of financial statements. This is because the larger the company, the more things that need to be disclosed compared to small companies, so even though large companies do more disclosures than small companies, but things that are not disclosed are also more compared to small companies. This also happened because there was no obligation from OJK for companies to comply with the financial statement disclosure checklist, so many companies that did not understand the details of financial statement disclosure proved that only 8 companies from 149 companies revealed the results of their financial statement disclosure checklist.

CONCLUSION

Financial performance is a factor that influences the disclosure of financial statements. Financial performance that is proven to be able to increase the disclosure of financial statements in Indonesian manufacturing companies in 2017 is leverage, while profitability and liquidity are not proven to be variables that can improve disclosure of financial statements. This result is because many Indonesian manufacturing companies consist of family companies, so they do not need to increase their disclosure when they have good financial performance, especially because they generally comply with OJK disclosure requirements. Different things happen if they have a high level of leverage, so they will increase disclosure to increase creditor trust. Auditor quality can directly improve the disclosure of financial statements, but cannot increase disclosure along with improving financial performance. The size of the company proved to be a factor that influences disclosure, but it has a negative effect, because the larger the company, the more disclosure that they must fulfill, and often companies pay less attention to the OJK checklist in detail. These results are input for regulators to pay more attention to companies that have low leverage levels, so they must be more obedient in implementing financial statement disclosures, and increasingly improve the quality of auditors, because auditors are proven to be able to increase disclosure of financial statements.

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