EFFECT OF VOLUNTARY DISCLOSURE AND SHARE LIQUIDITY OF THE CAPITAL MARKET IN INDONESIAN STOCK EXCHANGE

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ABSTRACT

Disclosure is the information generated from the accounting process. Accounting information is used by investors to make decisions. The research studied how much investors assess the disclosure information of the company. This study looked at the relationship between disclosure and the market liquidity which is seen from the bid-ask spread, ie the difference between highest purchase price a trader is willing to buy a stock and the Lowest sales price that traders are willing to sell the shares. This research was conducted on the company in the best category (LQ45) listed in Indonesia Stock Exchange from year 2011-2013. This study uses multiple linear regression by fulfilling the classical assumption and hypothesis testing to see the effect of the disclosure to the share liquidity. The results show that the relationship between disclosure and the share liquidity is not significant. This indicate that investors are not overly respond to disclosure information resulting from the accounting process. It is also due to Indonesia's capital market which is still in the category of emerging markets.

Key words : Voluntary Disclosure, Share Liquidity, Stock Exchange

Introduction

Capital market development in Indonesia showed a pretty good increase. This is shown by the increasing number of companies listed on the Stock Exchange reached 489 until the end of March 2014. This shows the development in the next 5 years. The amount is an increase of 5 percent per year. In comparing to other ASEAN countries, Indonesia is one of the highest emerging market. This shows the increasing need for companies to increase the company's capital in order to meet the availability of internal funds from public source. Stock Market is one of the providers of funds for the company. Capital market provides the opportunity for companies to obtain funds from investors who wish to invest funds. Capital markets also provide an opportunity for investors to invest both long and short term.

Stock market investor (stocks, bonds or other forms of investment) will generally perform a series of analyzes in their prospect investments. Stock investors will typically perform fundamental analysis or technical analysis. Fundamental analysis uses information derived from the movement of earnings, dividend prospects, the expected interest rate and risk evaluation in determining the company's stock price. Technical analysis use movement pattern (trend) of stock price in estimating it (Bodie et al 2002)

Investors look at the company performance from its financial statements. The annual company financial statements is a summary of information that describes the company's performance in terms of both financial and non-financial information. Financial reports is processed on accordance to accounting standards, which allows investors to get information that is transparent and completely describe the actual condition of the company. The prospective investors can take a decision on whether to invest in the company or not.

The annual financial statements consist two type of information, the mandatory disclosure and voluntary disclosure. There are The level of disclosure in the financial statements will thus have an impact on stock trading volume and liquidity of the stock. That is because the disclosure of financial and non-financial provide by the management is one way to give an idea about the company performance. Disclosure consists of disclosure compulsory (mandatory disclosure) and voluntary disclosure (voluntary disclosure).

Quality information is essential for market liquidity (Heflin and W. Shaw, 2011). Liquidity is the ability of financial markets to absorb the flow demand of buying and selling. Disclosure is expected to give investors doing the trading in an effectively, timely and reasonable rate. This study is aimed to see the relationship between the disclosure and the size of the company to stock liquidity as measured from the effective spread, ie the difference in the bid and ask price.

This study is expected to find out how the capital markets in Indonesia in related to financial information produced by the company. This could be a good reference for investors as well as for the company about how important the disclosure of financial reporting. This paper will describe previous studies and the development of hypotheses. The discussion hereinafter is how the research design used in this study. Discussion of the results followed by a brief conclusion.

Previous Research And Research Hypotheses

Indonesian Stock Exchange

As of April 2014, the number of issuers in effect is Indonesia Stock Exchange (BEI) reached about 494, increased only 29 issuers or rose only about 1.06% of the 465 listed companies in April 2011. It appears that it still far less than the number of listed companies in Malaysia currently reaching more 900 and Singapore are more than 1,000. The value of all outstanding shares and are traded or the market capitalization of the listed companies on the Stock Exchange is currently around 4700-4800 trillion Rupiah, increase about 40-43% of the 3,350 trillion Rupiah in April 2011.

One of the causes of small number in local retail investor is the lack of socialization and education regarding to investment in capital market. For some local people, they still have a thought that buying stocks is like a gambling. Moreover, it is still assumed by them that investing in the stock market is just for educated people since it needs complex skills. This paradigm is not only assumed by those who are not educated, but also by a number of academics especially for those who have speculated and lost in the stock market.

Voluntary Disclosure

The International Financial Reporting Standards (IFRS) were intended to improve the transparency and quality of the financial information of the companies, to create common and better accounting principles and to improve the mandatory information standards. The goal of the IFRS is to increase the informativeness of the financial information delivered to investors and, more globally, to investors (La Brusselie and Gabtani, 2011). Voluntary financial disclosure refers to additional information disclosed beyond the mandatory information. La Brusselie analyzed voluntary disclosure as a tool of an existing communication policy of the company. The strength and the scope of the policy can be analyzed using an individual voluntary disclosure score. Bagas, and Basuki (2014) find that the higher level of voluntary disclosure improves the association between earnings and current returns.

Empirical study confirms that the disclosure of voluntary information develops in a dynamic, long-term process defining a communication policy. Voluntary disclosure itself selectively reduces the asymmetry of information in the financial market. Highly communicative firms should differ from others (La Brusselie and Gabtani, 2011). They found that highly communicative firms reduce the information asymmetry as measured by the dispersion of analysts' earning forecast.

The development of the disclosure system is closely connected with the development of accounting systems (Nirwan Siparwan, 2011). Standards and disclosure practices are influenced by financial resources, legal system, political and economic, the level of economic development, education, culture and other influences. Differences in disclosure generally driven by differences in corporate governance and finance. In the United States, Britain and the Anglo-American countries, equity markets provide most of companies funding to become a leading company. In the markets where ownership tends to spread widely among many shareholders and investors, protection are highly emphasized. Institutional investors play an increasingly important role in those countries, demanding highly financial returns and increasing shareholder value. In other countries such as France, Japan and some emerging market countries, share ownership remains highly concentrated by certain party while a major source of corporate financing are Bank and private ownership.

Some studies show that managers have the urge to reveal information about the performance of the company's current and future time voluntarily. In a recent report, the Financial Accounting Standards Board (FASB) describes a project on business reporting which supports the view that the company will benefit from the capital market by increasing voluntary disclosure. This report shows how companies can describe and explain its investment potential to investors. Some rules, such as accounting and disclosure rules, and endorsement by a third party (such as auditing) can improve the functioning of the market. Accounting rules try to reduce the ability of managers to record economic transactions in a manner that does not represent the best interests of shareholders. Disclosure rules establish provisions to ensure that shareholders receive timely, complete, and accurate information.

Effect of disclosure on the capital market has been widely discussed in various studies. Research in this field is one of the topics are much in demand. Michael Gruning (2013) stated that this topic is one that many in the evaluation of the research done by Lev and Ohlson (1982). Research in the disclosure and capital markets have not been fully explored and understood. Disclosure is a report that provides information on operations, and financial condition of the company to the users of financial statements. The disclosure is not limited to the disclosure of a financial nature, but also non-financial aspects.

Disclosure will improve the quality of information available to users of financial statements. The effect of this information is a means to achieve the objectives, and the company will not provide information voluntarily. Dye (2001) states that the impact of capital markets on the disclosure is importants. Previous studies revealed the relationship between disclosure and increased return. Haely and Palepu (2001) split the disclosure into: (1) Liquidity Individual Capital Markets and Securities, and (2) Cost of Capital Company.

The company with larger number of disclosure are considered beter rather than ones with less disclosure. Disclosure is thought to reduce the problem of asymmetric informationin an agency theory. Disclosure itself are two contradictory things. From the investor point of view, more information will make better decisions. On the other hand, the company consider it as an increase cost to the shareholder as an increase in compensation for the company manager (Hermalin and Weisbach, 2011). Further Hermalin found that the greater the size of the company, the more compliance company will tend to apply disclosure compared with smaller companies. Company with a good level of disclosure will have better management. While Heflin et al (2005) found that there is an association between the disclosure and the Capital Market Liquidity.

Disclosure of the company is very important for the efficient functioning of capital markets. Haely Palepu (2001) explains that the financial information contains, the financial statements, footnotes, results management discussion and analysis. Some companies also give other information on the disclosures. There are also the company disclosure available in other media, such as financial analyst, industry expert, and the financial media.

In Indonesia, several previous research study the effect or the relationship between the level of disclosure of the financial information such as cost of capital, cost of debt, cost of earnings and stock liquidity. Many studies conducted both in the Indonesian capital markets and in other countries. Dedi Junaedi (2005) found that there is a relationship between the size of the company and stock return to the level of disclosure, but in fact the disclosure is not an important consideration for investors decission. Wardani (2011) found that the company profitability positively affect, and company age negatively effect on voluntary disclosure of the company, while leverage, stock ownership, and liquidity does not affect the voluntary disclosure.

Balakrishnan et.al (2006) in his research found that media coverage had a relatively bad impact on the company. Research associated with the scandal Enron case shows that the role of the media is strong enough in the period during which the company showed a disclosure or information are limited amount in the period 2002-2004. Research also shows the role of the media as a replacement of the lack of information disclosed by the company. It indicates how important the information for investor's decision. Investors are looking for other information when the company provided only limited information related to their internal problems. The media as a source of information acts as a substitute when the companies limit their information disclosures.

Liquidity is the ability of financial markets to absorb the demand flow of buying and selling. According to Von Wyss (2004) This sentence is not able to fully explain the phenomenon of liquidity because liquidity is not a one-dimensional variable but involves several other dimensions (Brunner, 1994). There are several reasons why liquidity should be considered in the development of the capital markets include:
(1) In order to contribute optimally in supporting economic growth, capital markets must be liquid; (2) In addition, capital markets (stocks and bonds) that liquid made it easier for investors to invest in instruments with risk and yield (return) is more varied.

There are some efforts that can be undertaken to make a market becomes more liquid (Nirwan Suparwan, 2014) ; (1) Provision of tax incentives; (2) Issuance of the rules of dual listing; (3) The Government needs to take steps to support the creation of a more liquid stock markets and more attractive to investors; (4) Increasing the integrity of the capital markets; (5) Expand the local investor base; (6) The entry of state-owned companies to the capital markets will be able to boost the level of liquidity of capital markets; (7) Functions as an alternative source of financing for businesses in their country.

In conjunction with the stock market, many studies has been conducted. Heflin et.al (2011) found that there is a relationship between market liquidity and disclosure. The better disclosure of the share price spread is getting smaller (inversely). Michael Grunning (2011) looked at the relationship between the disclosure in the annual reports, market liquidity and capital cost. Disclosure comprehensively measured using the Artificial Intelligent Measurement of Disclosure (AIMD). Friction in the capital market was found inversely related to the disclosure. Grunning found that the disclosures in the annual financial statements strengthen the liquidity of the market by changing the expectations of investors and adjust the portfolio. CW.Chen et.al (2011) found that for the emerging capital markets where factors such as the infrastructure of the legal protection of investors and corporate governance is still not strong, then it should be done to strengthen the improvement of corporate governance rather than adapting a strict disclosure policy. Thus we will be able to see how disclosure policy implementation in companies that have gone public in Indonesia.

While Lathifani (2010) conducted a study to determine the effect of the level of compliance mandatory disclosure and voluntary disclosure to the stock return, and to determine which variables are the dominant influence on stock returns. Lathifani found that the practice of mandatory disclosure are already widely applied by the company, on the other hand the willingness to give voluntary disclosure is still relatively low. Neither disclosure mandatory or voluntary disclosure have been associated with stock returns, but the degree of compliance of disclosure required to have a stronger effect than the voluntary disclosure. Chen et.al (2013) found that disclosure of measurement quality (DQ) related to the analyst forecast dispersion and negatively related to the bid-ask spread and the cost of capital.

Research Hypothesis

This research has a close relationship with previous studies. In his paper Cahyani (2009) stated that compulsory or voluntary disclosure can reduce asymetri information to investors. Hossain and Hammami (2009) found an association between certain characters of the company with a voluntary disclosure. Research using a 44 item checklist on voluntary disclosure by using multiple regression.

Heflin and Shaw (2012) saw the liquidity of the capital markets several types of spreads, the effective bid-ask spread, Quoted Spread Depths and adverse selection. Heflin and Shaw found that companies with a high level of disclosure has effective bid-ask spread is low. They concluded that the accounting information published high for all investors it can reduce asymetric information. Heflin and Shaw also look at other variables as control variables that stock returns, trading volume and size of the company to market liquidity.

Based on the above discussion, the research hypothesis is:
Ho: $a^1 = 0$ the disclosures has no significant effect on the share's liquidity
Ho: $a^1 \neq 0$ the disclosure has significant effect on the share's liquidity

Research Design

Sample and Population
Research will be conducted on the companies listed on the Indonesia Stock Exchange. Samples will be taken 40 companies with the best category (LQ45) and is active in the trade.

Variable voluntary disclosure
This variable measures how many component disclosure of financial statements disclosed by the Integration. Item disclosure includes voluntary disclosure (voluntary disclosure). Give a score for each item of disclosure, whereby if an item is disclosed rated one (1) and, if not disclosed rated zero (0).

List of Voluntary Disclosure
Hossain and Hammami (2009) using a checklist list below to measure the completeness of voluntary disclosure.

A. Company Background (6):
1. Outline of the history of the company
2. The organizational structure of the company
3. A general description of the company's activities
4. The date of establishment of companies
5. Address correspondence / officials
6. Address of website / email address

B. Corporate Strategy (2):
1. The purpose of the management strategy / vision / moto / goal enterprise
2. The future strategy-information about the business development plan

C. Corporate Governance (9):
1. Detailed explanation about leadership (besides the name / title), background college / work / experience of other businesses
2. Description of the directors (other than the name / title), background college /
work / experience of other businesses
3. The number of shares held by directors
4. A list of senior managers (not directors) / senior management structure
5. Attachment directors to other companies
6. Photos of the entire board of directors
7. Photos main leaders
8. The composition of the board of directors
9. Number and date BOD meeting
D. Financial Performance (6):
1. Brief description of funds analysis of financial position
2. Return on equity
3. Net interest margin
4. Earnings per share
5. Debt-to-equity ratio
6. Dividend per share

E. Public Risk Management (8):
1. Discussion of overall risk management philosophy and policy / framework
2. Narrative discussions on risk assets, risk measurement and monitoring
3. Information on risk management committee
4. Information on assets-liability management committee
5. Information on risk management and reporting system
6. Disclosure of the credit rating system / process
7. General descriptions of market risk segments
8. Disclosure of interest rate risk
F. Accounting Policy Review (2):
1. Discussion on accounting policy
2. Disclosure of accounting standards uses for accounts
G. Corporate Social Disclosure (3):
1. Sponsoring public health, sponsoring of recreational projects

2. Information on donations to charitable Organizations
3. Supporting national pride / government-sponsored campaigns

H. Others (8):
1. Age of key employees
2. Chairman's / MD's report / directors report
3. Information on the ISO 9001: 2000 cdertification
4. Graphical presentation of performance indicators
5. Performance at aglance-3 years
6. Related party disclosure
7. Details of non-compliance
8. Year of listing at market

Variable Market Liquidity
For variable market liquidity used effective bid-ask spread (Heflin and Shaw, 2011). Measuring the effective bid-ask spread by multiplying two absolute value of the difference in the price of the transaction with the midpoint of the bid and ask quotes at the time of the transaction such as Lin, Sanger, and Booth (1995). The difference between highest purchase price a trader is willing to buy a stock and the lowest sales price that traders are willing to sell the shares.

$$\text{Bid-ask spread}_{iT} = \frac{\sum_{d=1}^{N} \frac{ask_{it} - bid_{it}}{(ask_{it} + bid_{it})/2}}{N}$$

Variable Controller
For the purposes of regression, then we enter the controlling variable is the stock price, trade volume and size of the company (Heflin and Shaw, 2011), but here we only use size of the company.

Model Research

$LIQ = a^o + a^1DQ + a^2SIZE + e$;

LIQ = effective bid-ask spread

DQ = point of disclosure

SIZE = size of company

Table 1: Operationalization of Variables

Variabel	Description	Indicator	Scale
(X) *LIQ*	Effective bid-ask spread: the difference between the highest buying price the trader is willing to buy a stock with the lowest sales price that traders are willing to sell these shares	$\text{Bid-ask spread}_{iT} = \frac{\sum_{d=1}^{N} \frac{ask_{it} - bid_{it}}{(ask_{it} + bid_{it})/2}}{N}$	Rasio
(Y) *DQ*	Point of Disclosure	Total Point of disclosure (Hossain, Amami, 2009)	Rasio
Control variabel *SIZE*	Size of Company	Total Asset	Rasio

Test The coefficient of determination (R^2)
Test The coefficient of determination (R^2) done to see large variations of the independent variables together in influencing the dependent variable using the following formula:

$$R^2 = \frac{JK_r}{JK_y}$$

R^2 = determination coofesien

JK_r = regression square number

JK_y = square total

t-Test

T-test is a test that is used to test hypotheses about the regression slope coefficients individually (partial). T-test significance test also called constants of each independent variable, which is carried out with the aim to determine the effect of each independent variable on the dependent variable. T-test is necessary because research using sample data that is representative of the population.

To calculate the values of t in each coefficient estimation results can be obtained with the statistical formula as follows:

$$t_{count} = \frac{b_i}{\text{Se}(b_i)}$$

b_i = coefisien regression of independent variabel i

$\text{Se}(b_i)$ = independent variabel error standard i

From the results of these calculations, then compared between the value of T-count with t-tabel value at 95% confidence level (α = 0.05), with a significance level of decision criteria when obtained (p-value) is smaller than 0.05, it is not enough evidence to accept H_0.

Classic Assumption Testing
In this study will be used panel data regression model. This testing should also be protected from the possibility of deviation of classical statistical assumptions. Therefore the OLS estimator (Ordinary Least Square) should be able to meet the expectations that as estimator BLUE (Best Linear Unbiased Estimator) as proposed theory of Gauss Markov (Gujarati, 2003). Classical statistical assumptions testing process conducted jointly with a panel data regression testing process. The steps are performed in the classic assumption test statistic using the same media with regression test using statistical software SPSS 21. The classical assumption test regression models conducted in this study are included tests of normality, heteroscedacity, multicollinearity, and autocorrelation.

Normality Test

Normality test aims to test whether the regression model, the dependent variable and independent variables both have a normal distribution. A good regression model have a normal or near normal data distribution.

Heteroscedacity Test

Heteroscedacity test is aimed to see whether there are differences in residual variance or observation period to another period of observation. A good regression model is that having a period equal to the residual variance other observation period. Can also be seen whether the relationship between the value of homoscedacity. How to predict the presence or absence heteroscedacity on a model can be seen from the Scatter Plot of the model (Sugiyono, 2013). Analysis of the images Scatter Plot stating that there are no multiple linear regression heteroscedacity if:

- Data points spread above and below or around the number 0.
- Data points do not accumulate just above or below it.
- Data points deployment armpits may form wavy pattern widened and widened and then narrowed back.
- The spread of dots should not be patterned.

Multicollinearity Test
Multicollinearity test is needed to determine whether there is an independent variable that has similarities with other independent variables in a model. Similarities between the independent variables in a model will cause a very strong correlation between an independent variable.

Study Results

Population and Sampling Techniques
According Sugiyono (2012:80), the population is a generalization region consisting of the objects / subjects that have certain qualities and characteristics determined by the investigator to be studied and then drawn conclusions. The population used in this study is that companies listed in the Indonesia Stock Exchange (IDX) 2011-2013. The selection of the sample using nonprobability sampling technique using purposive sampling in order to obtain a representative sample in accordance with predetermined criteria. In this method each element of the population does not have the same opportunity to qualify the specific criteria of the study, but only the elements of the population is eligible that could be used as a sample in the study. Company

selected as the study sample good categorized companies (LQ45) listed on the Stock Exchange during the 2011-2013 study period.. The company publishes a complete financial statement data for the period 2011-2013.

Discriptive Statistics

Tabel 2

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
DQ	95	30.00	33.00	31.4105	1.01578
SIZE	95	.00	213994000.00	16542311.7263	33709856.23545
LIQ	95	2110.00	308845669.00	45217999.9895	77659368.04551
Valid N (listwise)	95				

The regression model used to predict and examine the changes in share liquidity due to the disclosure variable.

Tabel 3 :Regression Model

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
	(Constant)	-567563159.671	248445757.338		-2.284	.025		
1	DQ	19214383.029	7957336.404	.251	2.415	.018	.831	1.204
	SIZE	.559	.240	.243	2.331	.022	.831	1.204

a. Dependent Variable: LIQ

Dependent Variable : Market Liquidity (LIQ)
Through the data processing as described in Table 3 , it can be formed variables predictive models free cash flow and profitability of the debt policy as follows ;

LIQ = -567563159.671 + 19214383.029DQ + .559 SIZE + e

Based on the above equation , the regression coefficients can be interpreted from the independent variables as follows : The positive coefficient of Disclosure and Size shows that any increase in the Disclosure and Size of the company is expected to higher the Liquidity of Market or we can say the asymetri information, assuming there is no other variables unchanged.

Before testing the hypothesis, we first performed classical assumption test to test the validity or legitimacy of the results of the regression model estimation. Some classical assumptions that must be met in order to conclude from the regression results are not biased, such normality test, multicollinearity test (for multiple linear regression), heteroscedasticity test and autocorrelation test (for data in the form of time series). In this study, the four assumptions mentioned above were tested as independent variables used in this study is more than one and the data collected contains elements of the time series (3 years of observation).

Normality Test
Test Assumptions The assumption of normality is very important in terms of the significance test of regression coefficients. When the regression model is not normal then the conclusion of the F test and t test was dubious, because statistical F test and t test on regression analysis derived from a normal distribution.

Table 4 :Normality Assumption Test Result
Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
DQ	.393	95	.205	.699	95	.110

a. Lilliefors Significance Correction

The data set of the study is smaller than 2000 elements, so we use the Shapiro-Wilk test, otherwise, the Kolmogorov-Smirnov test is used. From the table, the p-value is 0.110. We can reject the alternative hypothesis and conclude that the data comes from a normal distribution.

Multicollinearity Test

Multicollinearity means that there is a strong relationship between some or all of the independent variables in the regression model. In this study we used the variance inflation factors (VIF) as an indicator of the presence or absence of multicollinearity among the independent variables. Through the VIF values were obtained as shown in Table 3 shows no strong correlation among the independent variables. This is shown by VIF value of two independent variables is smaller than 10 so it can be concluded there is no multicollinearity between the two independent variables.

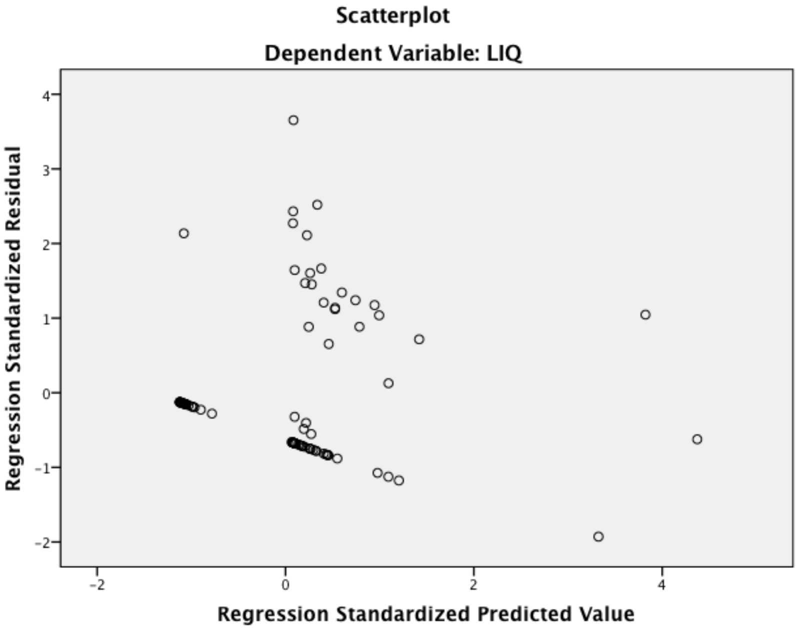
Heteroscedacity Test

Heteroscedacity is an indication of inhomogeneous residual variance between the estimated value of the result obtained is no longer efficient . To test whether the variance of the residual homogeneous. Based on the graphic plot on Graph 1 gives an indication that there is no clear pattern in which the dots spread above and below the numbers from 0 on Y axis. This can be concluded that there are no heteroscedacity.

Autocorrelation Test

Autocorrelation is defined as the correlation between the measured observation based on time series. In a regression model autocorrelation is the correlation between observations residual of the year with the residuals from the previous year observation. Durbin-Watson test was used to determine whether there is autocorrelation in the following regression model and the it value obtained through the estimation of regression models.

Graphic 1



Tabel 5 :Durbin-Watson Value for Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.415[a]	.172	.154	71419027.00743	1.514

a. Predictors: (Constant), SIZE, DQ

b. Dependent Variable: LIQ

Based on the results obtained by processing the value of the Durbin - Watson statistic (DW) = 1.514. Test whether there is autocorrelation in the residual value seen through the Durbin - Watson statistic (DW). Because the value of the two models were above 1.489, it can be concluded there is no autocorrelation problem in both models.

Hypotesized Model Results
From the SPSS software output as shown in the table 3 of t values obtained Disclosure on Liquidity with a significance value of 0.018 at α level of 0.05. Thus the significance value is smaller than the table t. This means that with the 95% confidence level, it can be concluded that the Disclosure does not have a significant effect on Liquidity. This may have occurred because of the limited data. Another reason is it could be possible that investors have not been given significance response to the disclosure value of the company in deciding whether to invest or not. Thus the stock market is considered inefficient. This is supported by studies Subekti Priest (2005) which states that the stock market in Indonesia is not semi- strong efficient. Even so anyway Erlynda Kasim (2010) find that the market has not responded to discretionary accrual of the companies. This is caused by several things , such as investors have not fully perform in-depth analysis of the financial statements in making investment decisions. Thus the stock market is considered inefficient. This is supported by studies Subekti Priest (2005) which states that the stock market in Indonesia is not semi-strong efficient. Imam stated that there was no difference in abnormal returns between the firms that performs income smoothing and those who do not.

Conclusions and recommendations

From the data processing, it obtained t count with a significance value of 0.018 α= 0.05 level. Thus the significance value is smaller than the table t. Since the value of t (0.018) then the error rate of 5%, it can be concluded that the 95% confidence level, disclosure does not have a significant effect on the share liquidity on companies listed in Indonesia Stock Exchange. In other words investors response, which in this case is indicated by the share liquidity of best categorized companies listed in Indonesia Stock Exchange does not have a significant effect with disclosure of the financial reporting of the companies. Suggestion For subsequent studies suggested a few things, among others: Enlarge the sample of firms that acquired the data processing can be better. Adding other variables related to the study above, to see its effect on Share Liquidity.

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