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**The Effect of Biological Asset Intensity and Ownership Concentration on the Disclosure of Biological Assets in Plantation Companies**

Fatmah Bagis<sup>1</sup>, Rina Mudjiyanti<sup>2</sup>, Najmudin<sup>3</sup>

<sup>1</sup>PhD Student, of Doctoral Program Management Science, Faculty of Economics and Business, Universitas Jenderal Soedirman, Purwokerto, Indonesia

<sup>1</sup>Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto, Indonesia

<sup>2</sup>Faculty of Economics and Business, Universitas Muhammadiyah Purwokerto, Indonesia

<sup>3</sup>Faculty of Economics and Business, Universitas Jenderal Soedirman, Purwokerto, Indonesia

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**Abstract**

The purpose of this study to examine the effect of biological asset intensity and ownership concentration on the disclosure of biological assets. The theories used in this study are agency theory and stakeholder theory. The population used in this study was plantation companies listed on the Indonesia Stock Exchange in 2018-2021. The sampling technique used is purposive sampling so that a sample of 17 companies that have met the criteria is obtained. Observation data of 56, the results of analysis of 39 data using multiple regression showed the results that in this study found evidence that the variable intensity of biological assets had a positive effect on the disclosure of biological assets and the concentration of ownership had a negative effect on the disclosure of biological assets.

**Keywords:** Biological Asset Intensity, Ownership Concentration.

**1. Introduction**

Indonesia is a country rich in natural resources. Indonesia's abundant natural wealth is formed in terms of astronomy, geography and geology. Indonesia also has a tropical climate and volcanic soils, making the country richer. Agricultural enterprises have asset characteristics called biological assets. This is shown by the existence of management activities and biological transformation of assets owned in the form of animals and live plants (Aliffatun & Saadah, 2020). To show the value of biological assets, the company needs to disclose financial statement information through an annual report.

According to Statement of Financial Accounting Standards (PSAK) 69, agricultural activities are processing processes in the form of biological transformation and harvesting biological assets that are sold or converted into agricultural products or additional biological assets. The existence of biological transformations, it is necessary to take measurements to show the value of the asset reasonably in accordance with its contribution in generating economic benefits for the company. PSAK 69 is an adoption of IAS 41 (International Accounting Standard) Agriculture which contains accounting treatment for the agricultural sector which includes disclosure, presentation,

measurement and reporting of biological assets (Duwu et al., 2018). So the Board of Financial Accounting Standards decided to adopt IAS 41 Agriculture by issuing the Exposure Draft (ED) of PSAK 69 on agriculture and it was passed on December 16, 2015. PSAK 69: Agriculture is effective to apply to the financial statements of agricultural companies on January 1.

One of the factors that influence the disclosure of biological assets is the intensity of biological assets. According to previous research conducted, (Duwu et al., 2018), (Yurniwati et al., 2018), (Selahudin et al., 2018), (Putri & Siregar, 2019), (Azzahra et al., 2020) and (Hayati & Serly, 2020) revealed that the intensity of biological assets affects the disclosure of biological assets. The higher and more detailed the company provides information, the form of agricultural company reports on the main assets owned and managed is a source of profit for companies in the agricultural sector.

In addition to the intensity of biological assets, one of the factors affecting the disclosure of biological assets is the concentration of ownership. In previous studies conducted by (Kamijaya, 2019) and (Riski et al., 2019) stated that the concentration of ownership affects the disclosure of biological assets. This is due to the influence of the concentration of ownership which can make it the center of attention and consideration in making a decision and disclosure of biological assets. The purpose of the study was to find empirical evidence of the influence of biological asset intensity and ownership concentration on the disclosure of biological assets.

## **2. Method**

This research is a quantitative research. The data used in this study is secondary data and collected using documentation methods (Sugiyono, 2017). The population contained in this study are plantation companies listed on the Indonesia Stock Exchange (IDX) website, namely [www.idx.co.id](http://www.idx.co.id). While the sample selected uses a purposive sampling technique which is a sampling technique with certain criteria. The criteria include plantation companies listed on the Indonesia Stock Exchange for the 2018-2021 period. The company has complete data related to the variables used in the study.

## **Literature Review**

### **Agency Theory**

According to (Jensen & Meckling, 1976) Agency Theory is a theory that explains the contractual relationship between the owner of capital (principal) and manager (agent). This agency theory explains the relationship between capital owners or investors and managers who play a role in carrying out the operationalization of a company. Owners of capital who invest in a business do not directly carry out their role in running the business but delegate authority to managers as agents. To solve agency problems is to make a compensation agreement approved by the manager and owner of the company's capital or shareholders (Duwu et al., 2018).

### **Stakeholder Theory**

Stakeholder theory according to (Deegan, 2004) explains that all stakeholders have the right to know any information from organizational activities that can affect their position. Stakeholders are defined as groups or individuals who can influence or be influenced by the process of

achieving the goals of an organization (Freeman & McVea, 2001). This group of stakeholders is a consideration for company management in disclosing information in company reports or not.

### **Disclosure of Biological Assets**

Accounting standards were developed to detail the requirements of how and when transactions should be recorded (Vukmirovic, Arsenovic, Lalic and Milovanovic, 2012; ASB, 2012; IASB, 2013a; IASB, 2018a). The recording of these transactions and the reporting thereon is regarded as financial accounting (Marilene, Christa W, 2020). Deegan and Unerman (2011), define financial accounting as a process involving the collection and processing of financial information to assist in the making of various decisions by many parties internal and external to the organisation. IAS 41 is applied to the accounting of agricultural activities (IAS 41: 1) such as biological assets, agricultural products at harvest time, and government grants (Martani, Manurung, 2018).

According to PSAK 69 (2018:5) Biological Assets are assets in the form of live animals or plants. Biological assets are part of agricultural activities, agricultural activities are the transformation management of biological assets to produce products that are ready for consumption or that still need further processing. According to (Suwardjono, 2014) Disclosure is the final step in the accounting process, which is to present information that can help effectiveness in decision making for stakeholders or stakeholders. The purpose of disclosure is to protect management's treatment to be open, so that the disclosure rate becomes high or important. The role of disclosure is very important to achieve financial reporting goals for different parties who have different interests.

The disclosures made by agricultural companies are slightly different from other industries, because agricultural companies have the main assets in the form of biological assets (Hayati & Serly, 2020). According to (Azzahra et al., 2020) Disclosure of biological assets can be measured using the following formula:

Disclosure of biological assets =  $n/k \times 100$

Information:

n: The number of items of completeness that is fulfilled in a way if each item is revealed in the annual report then given a score of 1 (one) if it is not disclosed in the annual report then given a score of 0 (zero).

k: The number of all items that may be fulfilled or the total required score according to PSAK 69.

### **Biological Asset Intensity**

According to (Putri & Siregar, 2019) the intensity of biological assets is an illustration of how large the proportion of a company's investment is to the biological assets owned by the company presented in the notes to the financial statements. The intensity of biological assets indicates the magnitude of the value of investments in an enterprise. According to (Aliffatun & Saadah, 2020) stated that the level of disclosure of biological assets will increase if there is an increase in the intensity of biological assets. So it can be concluded that the amount of investment level of a

company and the value of the company's wealth in the form of biological assets are presented in the disclosure in the financial statements.

**Intensitas Aset Biologis = Aset Biologis/Total Aset x 100**

Remarks:

Biological Assets: Plantation assets owned by the company.

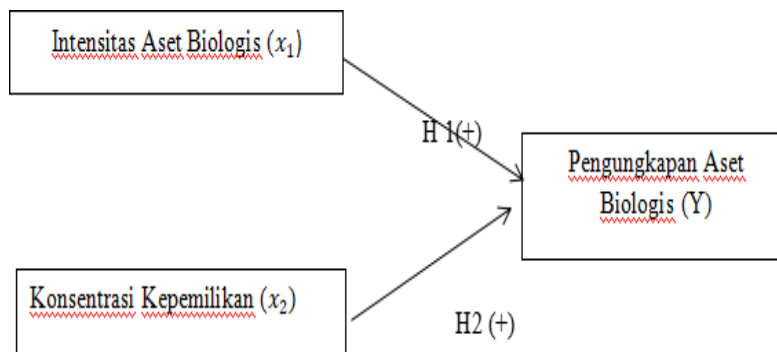
Total Assets: The total assets owned by the company.

**Konsentrasi Kepemilikan**

The concentration of ownership can affect the extent of disclosures on financial statements. A company is said to be concentrated if the majority voting rights are held by an institution or individual. The concentration of ownership is a power in decision making for both owners and managers (Riski et al., 2019). The concentration of ownership is divided into ownership structures, namely concentrated ownership and spread ownership (Nuryaman, 2009).

The concentration of ownership shows how and who is the holder of control over the business and who is as the holder of control over an enterprise. Therefore, this concentration of ownership is a measure of power in power making and decisions (Kamijaya, 2019). The concentration of ownership can be measured using the following formula:

The concentration of ownership = 
$$\frac{\text{Jumlah jenis saham terbesar}}{\text{Jumlah saham yang beredar}} \times 100$$



**3. Results**

This descriptive statistical analysis shows an overview or description of sample data that can be seen from the number of samples, the average value, the maximum and minimum values (Ghozali, 2013), as well as the standard of deviation from each independent variable, namely Biological Asset Intensity and Ownership Concentration, and Disclosure of Biological Assets as dependent variables. The following are the output results from the descriptive statistics of the study below:

Table 1. Descriptive Statistics

	N	Min	Max	Mean	Std Dev
IAB	56	0,09	2,96	1,3584	0,67312
KP	56	4,42	97,20	51,3934	24,82491
PAB	56	50,00	63,89	56,9941	4,06720
Valid N (listwise)					

Based on the results of the descriptive analysis in table 1, it is explained that the disclosure value of biological assets is measured using the number of grains of completeness that must be met divided by the entire disclosure index multiplied by one hundred. So that the results obtained are in the form of percentages.

From the results of descriptive statistical testing in table 1 of 56 observational data, showing that dependent variables are disclosure of biological assets has an average value of 56.9941 or 56.99%. This means that the average plantation company discloses 56.99% of biological asset disclosure items out of a total of 36 biological asset disclosure items.

The results of descriptive statistical testing of biological asset intensity in table 1, a total of 56 observational data showed that the independent variable is biological asset intensity has an average value of 1.3584 or 1.35%. This value is small which means that the average plantation company has a proportion of biological asset intensity to the total assets owned by 1.3584 or 1.35%.

The results of descriptive statistical testing of ownership concentration in table 1, a total of 56 observational data showed that the independent variable is ownership concentration has an average value of 51,3934 or 51,39%. This value is calculated small, which means that the average plantation company has a concentration of ownership of the number of shares outstanding at 51, 3934 or 51, 39%. The average value is greater than the standard deviation which means that the distribution of data in this study is quite good.

**Results of Multiple Regression Analysis**

Multiple linear regression analysis is used to determine the influence of independent variables consisting of variables of biological asset intensity and ownership concentration on dependent variables or biological asset disclosure variables. The results of multiple linear regression analysis can be seen in the table as follows:

Table 2. Multiple Regression Analysis Results

	B	t	sig
constant	57,904	41,901	0,000
IAB	1,520	2,240	0,031
KP	-0,052	-3,013	0,005

Persamaan regresi berganda sebagai berikut:

$$PAB = 57,904 + 1,520IAB - 0,052KK IAB$$

**Coefficient of Determination Test**

The coefficient of determination is used to find out how much the disclosure variables of biological assets are explained by the variables of intensity of biological assets and concentration of ownership. The results of the coefficient of determination test are as follows:

Table 3. Determination Coefficient Test Results

Model	R Square	Adjusted R Square
1	0,534 <sup>a</sup>	0,245

a. Predictors: (constant). KP, IAB

The results of the determination coefficient test obtained an Adjusted R Square value of 0.245 which means that 24.5% of biological asset disclosure variables can be affected and explained by variable biological asset intensity and ownership concentration. The remaining 75.5% was explained by other variables not studied in the study.

The F test is used to test whether the model used is feasible or not. The data can be said to be different if the significant value is less than 0.05. The results of the F test can be seen in table 4 as follows:

Table 4. Model Fit Test ANOVA

F	Sig
7,179	0,002

The value of the F test, or model feasibility test, can be seen in table 4. Significant value of 0,002 or less than 0,05 then it can be concluded that the regression model in this study is feasible or accepted.

**4. Discussion**

**First Hypothesis Testing**

Biological Asset Intensity positively affects Biological Asset Disclosure

The results of the t test in table 2, show that the intensity of biological assets (IAB) has a significance of 0.031 or less than 0.05 which means that the intensity of biological assets affects the disclosure of biological assets. The value of the IAB coefficient or beta value is 1.520 which means that the intensity of biological assets has a positive effect on the disclosure of biological assets. Based on these statistical results, the first hypothesis is accepted.

Based on the results of the first hypothesis test, the intensity of biological assets was tested to have a positive effect on the disclosure of biological assets. This means that the higher the intensity value of biological assets, the higher the disclosure value of biological assets. This can

be seen from the average biological asset intensity of 1.3584 or 1.35% this value is considered small, which means that the average plantation company has a proportion of investment in biological assets owned by 1.35% the average can be said to be small, but the distribution of data is not too far from the maximum value of biological asset intensity of 2.96 or 2.96%.

This is because the intensity of biological assets in plantation companies reflects the breadth in the disclosure of biological assets carried out by these companies. The plantation company will still disclose the biological assets of the company because biological assets are the main assets owned by the company. This will provide an assessment from investors on the influence of biological asset intensity on the disclosure of biological assets as the center of attention in making investment decisions in the company.

In accordance with the theory of stakeholders where the intensity of biological assets can show the amount of investment value in the company so that company management is expected to provide information about the intensity of biological assets in order to make it easier for stakeholders to find out how much the proportion of investment in a company is to the biological assets owned (Hayati & Serly, 2020). This is not in line with the research of (Duwu et al., 2018), (Yurniwati et al., 2018), (Selahudin et al., 2018), (Putri & Siregar, 2019), (Azzahra et al., 2020) and (Hayati & Serly, 2020) which stated that the intensity of biological assets has a positive effect on the disclosure of biological assets.

### **Second Hypothesis Testing**

Concentration of Ownership positively affects Disclosure of Biological Assets

The results of the second hypothesis test in table 2 show that the concentration of ownership (KK) has a significance of 0.005 or less than 0.05 which means that the concentration of ownership affects the disclosure of biological assets. The value of the ownership concentration coefficient or beta value is -0.052 which means that the concentration of ownership negatively affects the disclosure of biological assets. Based on these statistical results, the second hypothesis was rejected.

Based on the results of the second hypothesis test, the concentration of ownership was tested to have a negative effect on the disclosure of biological assets. This means that the higher the value of the concentration of ownership, the value of disclosure of biological assets decreases, and vice versa. This can be seen from the average ownership concentration of 51.3934 or 51.39% of this value is small which means that the average plantation company has a concentration of ownership of biological assets owned by 51.39% on average it can be said to be small, but exceeds 50% of the maximum value of ownership concentration of 97.20 or 97.20%.

The results of this study do not support agency theory where the concentration of ownership can minimize agency problems or conflicts of interest between managers and shareholders because managers who simultaneously act as shareholders will work optimally and not only attach importance to their own interests (Jensen and Mecling, 1976). Problems that arise as a result of the company's ownership system such as agents do not always make decisions aimed at meeting the best interests of the principal.

This is because a high concentration of ownership does not guarantee fair decision-making. So that it can cause unilateral decision making due to voting in the GMS which causes the results achieved not to be optimal (Riski et al., 2019). This is not in line with Kamijaya's research (2019) which states that the concentration of ownership has a positive effect on the disclosure of

biological assets.

### **Conclusion**

This study examined the effect of biological asset intensity and ownership concentration on the disclosure of biological assets in plantation companies listed on the Indonesia Stock Exchange 2018-2021. The results showed evidence that the intensity of biological assets has a positive effect on the disclosure of biological assets. The concentration of ownership negatively affects the disclosure of biological assets.

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