

The Accessibility Determinants of Internet Financial Reporting in Banking Website Listed in Indonesia Stock Exchange

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To keep the sustainable competitive advantage, a company must face the business challenge. By considering the strategic accounting, a company will use the best way to disclose the company financial performances. Many companies have recognized the large scale adoption of the internet for information searches in their company websites. The financial information through internet is called IFR (Internet Financial Reporting) which is a combination with the internet multimedia capability and capacity of interactive communication of financial information. Its accessibility concerns with the ease which users can locate and view the financial reporting data provided at the company website. This research is aimed to examine an association between the accessibility of IFR in the company website by using Accessibility Index Value (Style and Tennyson, 2007) and the determinant variables named as the company size, profitability, liquidity, and leverage, which explain the choice to provide IFR in the company website.

JEL Codes: M41- Accounting (Financial Reporting)

1. Introduction

Nowadays, business competition gets tighter. The former paradigm of competition based on the power business is obsolete. To face this, a company must try to apply many new ways of communication solutions so they do not lag behind other communities in achieving business opportunities.

The happening trend in business competition is the protrusion of the business aspect in transparency by managing the critical key to success in competition. The company began carrying out the communication technologies to create a closer relationship with its shareholders and potential investors, and at the same time also to democratize the access to company information.

In general, the communication technology is now mostly related to the internet which is a kind of information technology promising more in easiness and facility. Through this medium, various kinds of information needed are easily provided. The fundamental advantage is having no limits of time and territory. Besides, compared with other medias, the information and communication obtained are easier, faster, and cheaper with a global reach.

The internet also gives the opportunities for a company to provide global corporate communication. The fact is that the number of people who use the internet to find information through the World Wide Web is growing bigger including the investors, analysts, and also people who monitor the company as the stakeholders.

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By launching the company's website on the internet, the company will be able to reduce costs such as printing and staffing. Shareholders will be able to choose to receive financial data online, rather than to use the postal delivery service. In addition, the investor relations manager will also be able to respond to requests from analysts and fund managers with more up-to-date information.

According to Xiao et al., (2002), the internet also offers a wide range of possibilities for the companies to disclose the financial information with higher quantity and quality, more rational costs, and can reach more users and larger areas without having to consider the geographic factors. The internet also provides a variety of opportunities for companies to improve their images by involving stockholders in the company's control to implement corporate governance practices better. One element of corporate governance is the transparency, strongly influenced by the quality and the richness of the information published to the stakeholders.

Trends in the use of the internet as a medium of disclosure also impact on the banking sector. Just as in general corporate purposes, banks also want to obtain the highest profit by attracting as many clients with one strategy is the transparency of financial information. Not only focusing on the availability of the financial information in the company website, but also its accessibility. With the accessibility of financial information in the internet, shareholders and potential investors will be easier to determine the development of the stock or the funds they have invested. But even so, not all banks understand these benefits. There are several determinants that influence the accessibility of IFR (Internet Financial Reporting) based on the prior researches.

2. Literature Review

According to Oyelere, Laswad, and Fisher (2003), IFR (Internet Financial Reporting) is a combination of capacity and capability of internet multimedia to communicate financial information interactively. Financial reports are usually printed, but through the internet, the financial statements can be distributed faster (timeliness aspects) and are able to exploit the usefulness of this internet technology for the company to open further by informing its financial statements (aspects of the disclosure).

Accessibility to the IFR is calculated by using an accessibility index value based in research of Styles and Tennyson (2007). This index has not been used to assess the IFR in the private sector. Research of Styles and Tennyson (2007) is a study in the public sector. So far, the research on the IFR is just stick with what is disclosed, no further research assessing how the accessibility is. The focus of accessibility is how many steps it takes to find the financial statements on the company's website.

The determinants that will be discussed are the company size, liquidity, profitability, and leverage. Company size is a measure of the large-size of a company, such as total assets, total sales, or the average level of sales. In general, large companies have greater total assets so it can attract the potential investors to invest in the company and eventually the stock will be able to hold at a high price. Oyelere, Laswad, and Fisher (2003), Singhvi and Desai (1971) and Buzby (1975) describe three reasons to explain the relationship of financial disclosure and company size.

First, large companies generally have a wider range of products and more complex distribution networks than smaller firms. Of course, larger and complex management information systems and databases are required for management control purposes. As a result, the cost of disclosure may be generally lower for larger companies. *Second*, large companies are able to maximize the potential that exists in the capital markets than smaller firms. The company is able to increase the marketability of their securities in the capital markets, and obtain capital more easily and inexpensively through a wider disclosure in the internet. *Third*, small firms may be more considering that full disclosure of financial information could endanger their competitive positions. Thus, the greater the company size, the greater the proportion of equity, the higher the demand the company to disclose information, including enhancing the accessibility of financial statement information.

Liquidity indicates a company's ability to fulfill its financial obligations that must be met, or the company's ability to meet financial obligations when billed. Financial analysis can use some liquidity ratios to assess that the company has the ability to pay its obligations which are due immediately. According to Cooke (1989) in Fitriani et al (2007) stated that a high level of liquidity will demonstrate the strong financial condition. Thus, the greater the liquidity, the higher the demand for the company to disclose information, including enhancing the accessibility of financial statement information.

Profitability is the ability of the company to make a profit related to sales, total assets or equity. Shingvi and Desai (1971) in Subiantoro (1996) argues that the economic profitability and profit margins will encourage managers to provide detailed information about the disclosure of financial statements. The relationship between profitability and disclosure has been tested in several researches. It is said that the disclosure is used by company managers to demonstrate the profitability performance to investors, (Singhvi and Desai, 1971; Malone et al, 1993 in Subiantoro (1996)). Thus, the greater the profitability, the higher the demand for the company to disclose information, including enhancing the accessibility of financial statement information.

Leverage is the ratio that describes the relationship between company debt to equity and assets. This ratio can assess how far the company is financed by debt or outside parties with the ability of companies represented by the stock (equity). According to Jensen and Meckling (1976), companies with high leverage contain high cost control (monitoring cost). Agency theory has been largely used to describe the relationship between company leverage and disclosures. Because bondholders have price-protect on their own investments, managers and shareholders have an incentive to increase the level of monitoring voluntarily by increasing the disclosure of information about its activities (Myers, 1997). Thus, the greater the leverage, the higher the demand the company to disclose information, including enhancing the accessibility of financial statements.

Financial reporting researches through the internet in Indonesia context, are Almilia (2009) and Kamal (2012) and the international researches are Oyelere, Laswad, Fisher (2003), Style and Tennyson (2007), Laswad, Fisher, and Oyelere (2005), Chase and Phillips (2004), Gore (2004), and Groff and Pittman (2004). This research will refer to the research Oyelere, Laswad, Fisher (2003), but there are significant differences that the research will focus more on the accessibility of financial information by using an accessibility index value used in research of Styles and Tennyson (2007).

The banking sector is chosen as the object of the research because it is a highly regulated industry that is hypothesized that it will inform the financial information to the public with the highest accessibility. The bank performance will affect the public trust because basically, the bank is a business industry which requires public trust.

This research discusses the determinants of the accessibility of IFR of banking companies listed on the Indonesia Stock Exchange. The discussion will expand the theories and models that have been developed from voluntary reporting through traditional medium towards IFR. The formulation of this research is that there is a positive relationship between the company size, liquidity, profitability, and leverage and the accessibility of IFR through the company website. Based on the above statements, this research tries to analyze the determinants of the accessibility of IFR (Internet Financial Reporting) on banking websites listed in Indonesia Stock Exchange.

3. The Methodology and Model

The population in this research is the banking companies listed in Indonesia Stock Exchange. The sample was selected in certain parts of the population. The sample in this research is a banking company with the criteria. They are *first*, a company listed on the Indonesia Stock Exchange, *second*, the company's website is active and not in a condition under maintenance, and *third*, it must have a company's financial statements in 2012.

The banks included in the sample criteria shown in the table below.

Tabel 1. Bank List

1	Bank Agro Niaga	17	Bank Bumi Arta
2	Bank ICB Bumi Putra	18	Bank CIMB Niaga
3	Bank Capital Indonesia	19	Bank Internasional Indonesia
4	Bank Ekonomi Raharja	20	Bank Permata
5	Bank Central Asia	21	Bank Sinar Mas
6	Bank Bukopin	22	Bank Swadesi
7	Bank Negara Indonesia	23	Bank Tabungan Pensiunan Nasional
8	Bank Nusantara Parahyangan	24	Bank Victoria International
9	Bank Rakyat Indonesia	25	Bank Artha Graha International
10	Bank Tabungan Negara	26	Bank Mayapada International
11	Bank Mutiara	27	Bank Windu Kentjana International
12	Bank Danamon Indonesia	28	Bank Mega
13	Bank Pundi Indonesia	29	Bank NISP OCBC
14	Bank Jabar Banten	30	Bank Pan Indonesia
15	Bank Kesawan	31	Bank Himpunan Saudara 1906
16	Bank Mandiri		

The hypotheses on the accesibility of the financial information provided in the company website will be tested by using the following regression model:

$$IFRACCESS_{it} = \alpha_{it} + \beta_1 SIZE_{it} + \beta_2 LIQUIDITY_{it} + \beta_3 PROFITABILITY_{it} + \beta_4 LEVERAGE_{it} + e_{it}$$

Where:

$IFRACCESS_{it}$	=	the value of the ccessibility index for bank i in the year t
α_{it}	=	constanta
$SIZE_{it}$	=	<i>log of market capitalisation</i> for bank i in the year t
$LIQUIDITY_{it}$	=	<i>cash assets by total assets</i> for bank i in the year t
$PROFITABILITY_{it}$	=	<i>ROE (return on equity)</i> for bank i in the year t
$LEVERAGE_{it}$	=	<i>total debt to equity ratio (DER)</i> for bank i in the year t
e_{it}	=	<i>error term</i>

Here is the Calculation of Accessibility Index as the basis for assessing how many steps it takes to find the financial statements in the company's website:

Tabel 2. Calculation of Accessibility Index Value

<p>The accessibility index was calculated as follows for each city that provided CAFR* data on its official website:</p> <ul style="list-style-type: none"> 1 point if official city website appears on first page of result for Google or Yahoo search using city name and state (A). + 1 point if official city website has link to CAFR data on website homepage (B). + 1 Point if official city website has search engine that finds CAFR using terms CAFR and/or financial statements (C). + 1 Point if 3 or less web pages (or clicks of mouse) to view CAFR data from city website homepage (D).± + 1 Point if CAFR provided on official city website as indexed pdf file(s) or HTML format (E). + 1 Point if city provides CAFR data in more than one file; files for different sections/pages of full CAFR document (F). + 1 Point if individual file(s) providing CAFR data less than 3MB in size (G). ±± + 1 Point if official city website provides CAFR data for prior years (H). + 1 Point if official city website provides information on obtaining or acces to a printed copy of the city's CAFR (I). + 1 Point if official city website provides contact details (phone and/or email) for individual/department that compiled CAFR (J). <p>= possible score of 10 points</p>
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*CAFR (Comprehensive Annual Financial Report) or equivalent : comprehensive sets of financial statements, including footnotes, partial sets of financial statements and/or financial highlights which include summary financial statements and the core of the financial statements published by the company.

4. The Findings

Because the data of Bank Ekonomi Raharja is incomplete and Tabungan Pensiunan Nasional in the observation period is not active or is in conditions under maintenance, so

they are not included in the data test. The following table of data to be will be processed to test existing hypotheses:

Tabel 3. Research Data

NO	BANK NAME	IFR ACCESS	SIZE*	LIQUIDITY	PROFITABILITY	LEVERAGE
1	Bank Agro Niaga	7	11.66	0.12	0.36	7.73
2	Bank ICB Bumi Putra	7	11.88	0.01	0.12	8.59
3	Bank Capital Indonesia	8	11.69	0.06	0.26	6.93
4	Bank Central Asia	8	14.25	0.29	0.14	7.98
5	Bank Bukopin	8	12.70	0.19	0.15	11.84
6	Bank Negara Indonesia	8	13.85	0.20	0.22	7.05
7	Bank Nusantara Parahyangan	7	11.73	0.14	0.24	11.52
8	Bank Rakyat Indonesia	7	14.19	0.37	0.23	7.38
9	Bank Tabungan Negara	7	13.05	0.18	0.14	11.35
10	Bank Mutiara	7	12.15	0.18	0.25	11.39
11	Bank Danamon Indonesia	8	13.76	0.16	0.16	4.84
12	Bank Pundi Indonesia	7	12.19	0.26	0.13	9.66
13	Bank Jabar Banten	8	12.95	0.23	0.31	9.96
14	Bank Kesawan	7	12.39	-0.03	0.08	3.78
15	Bank Mandiri	7	14.22	0.25	0.17	7.06
16	Bank Bumi Arta	7	11.60	0.15	0.29	5.24
17	Bank CIMB Niaga	7	13.44	0.23	0.12	7.88
18	Bank Internasional Indonesia	8	13.37	0.15	0.16	10.75
19	Bank Permata	8	13.11	0.07	0.15	10.26
20	Bank Sinar Mas	7	12.31	0.18	0.15	10.48
21	Bank Swadesi (Bank Of India In	7	12.21	0.16	0.33	5.20
22	Bank Victoria International	7	11.89	0.14	0.15	8.01
23	Bank Artha Graha International	7	12.01	0.14	0.30	16.90
24	Bank Mayapada International	7	12.90	0.25	0.19	6.51
25	Bank Windu Kentjana Internatio	7	11.85	0.20	0.23	9.81
26	Bank Mega	7	13.06	0.16	0.18	9.01
27	Bank NISP OCBC	8	12.97	0.05	0.14	7.12
28	Bank Pan Indonesia	8	13.27	0.16	0.14	5.48
29	Bank Himpunan Saudara 1906	7	13.31	0.21	0.14	10.63

*: log10

The following table shows the descriptive statistics for all research variables:

Table 4. Descriptive Statistics of Accessibility Index Value for Companies Providing Financial Reporting in The Company Website

	N	Minimum	Maximum	Mean	Std. Deviation
IFRACCESS	29	7	8	7.34	.484
SIZE	29	11.60	14.25	12.7573	.83228
LIQUIDITY	29	-.03	.37	.1681	.08278
PROFITABILITY	29	.08	.36	.1941	.07229
LEVERAGE	29	3.78	16.90	8.6324	2.74149
Valid N (listwise)	29				

The relationship of the variables are shown below:

Table 5. OLS result for Test of IFR Accessibility Model

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.683	1.890		.891	.382
	SIZE	.454	.140	.780	3.234	.004
	LIQUIDITY	-3.219	1.300	-.551	-2.476	.021
	PROFITABILITY	1.587	1.326	.237	1.197	.243
	LEVERAGE	.013	.031	.071	.403	.690

a. Dependent Variable: IFRACCESS

Based on the results of the regression with a significance value of 0.004 ($p < 0.01$), this research shows that there is a positive relationship between company size of the bank with the proxy of logs of market capitalization and accessibility of IFR (Internet Financial Reporting) provided in the company website. Thus the larger the bank size company, the greater the demand for the company financial disclosure. According to Wallace and Naser (1995), larger companies naturally attract a lot of suppliers, customers, and analysts, which consequently increase the demand for information on their activities, including financial information. Such demands can be accommodated through an IFR which is more effective disclosure alternate method and the accessibility that theoretically is the more points earned based on how many steps it takes to find the financial statements on the website, the better. That is, market capitalization may be a determinant that can explain the accessibility of IFR.

Based on the results of the regression with a significance value of 0.021 ($p < 0.10$), this research doesnot show that there is a positive relationship between bank liquidity with the proxy of cash assets to total assets and the accessibility of IFR (Internet Financial Reporting) provided in the company website. Although based on the descriptive statistics in Table 4, with a mean at the points of 0.17 and a standard deviation at the points of 0.08, the majority of banks have the accessibility value index at the points of 8 (the highest value of 10), but did not have a high point in cash assets to total assets, and vice versa. According to Wallace et al. (1994), liquidity has a positive relationship associated with the IFR. It seems that companies with high liquidity are very likely to engage in IFR by taking advantage of the internet to communicate financial information. However, this research

does not support the statement. Thus, ROE cannot be a determinant that can explain the accessibility of IFR.

Based on the results of the regression with a significance value of 0.243 ($p < 0.10$), this research does not show that there is a positive relationship between bank profitability with the proxy of ROE (Return on Equity) and financial statements and the accessibility of IFR (Internet Financial Reporting) provided in the company website. Although based on the descriptive statistics in Table 4, with a mean at the points of 8.63 and a standard deviation at the points of 2.74, the majority of banks have the accessibility value index at the points of 8 (the highest value of 10), but did not have a high ROE, and vice versa. It is said that the disclosure is used by company managers to demonstrate the profitability of the company to investors, (Singhvi and Desai, 1971; Malone et al, 1993 in Subiantoro (1996). Yet this research does not support the statement so that ROE can be a determinant that can explain the accessibility of IFR.

Based on the results of the regression with a significance value of 0.690 ($p < 0.10$), this research does not show that there is a positive relationship between bank leverage with the proxy of total debt to equity ratio and accessibility of IFR (Internet Financial Reporting) provided in the company website. Although based on the descriptive statistics in Table 4, with a mean of 0.19 and a standard deviation 0.07, most banks have the accessibility value index at the points of 8 (the highest value of 10), but did not have a high total debt to equity ratio, and vice versa. According to Myers, 1997, the bondholders have a price-protect on their own investments, managers and shareholders have an incentive to increase voluntarily the level of monitoring by increasing the disclosure of information about the activities of the company. This means that the greater the leverage, the higher the demand the company to disclose information, including enhancing the accessibility of financial statement information. However, these results do not support the statement that the total debt to equity ratio can be a determinant that can explain the accessibility of IFR.

5. Conclusion and Limitation

This research discusses the determinants of the accessibility of IFR (Internet Financial Reporting) with the sample of banking companies listed on the Indonesia Stock Exchange. The formulation of this research is that there is a positive relationship between company size, liquidity, profitability, and leverage and the accessibility of IFR (Internet Financial Reporting) provided in the company website. Based on the above statement, this research tried to analyze the determinants of accessibility IFR (Internet Financial Reporting) on banking websites listed in Indonesia Stock Exchange. The results of this research concluded that there is only a positive relationship between size at the significance level of 1%. This means that the market capitalization of the banking sector has a positive relationship with the accessibility of the financial statements.

Considering the limitations of this research, the future researches are suggested to improve these factors by increasing the number of samples such as the other sectors listed on the Stock Exchange so that research results can be generalized, adding other variables to explain the proper use of the accessibility of IFR through the bank's website such as the type of industry or ownership spread, and time data series used so that the trend can be seen through a website medium providing IFR banking from year to year.

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