The Influence of Internet financial Reporting on The Market Value of Case Study Companies on LQ45 Companies Listed on The Indonesia Stock Exchange

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ABSTRACT

The problem in this research is the advancement of technology to make the company that makes official website in disclosing financial and nonfinancial information, Internet change the presentation of company information. This research aims to determine the influence of Internet Financial Reporting practices on the market value of LQ45 decisively company listed on the Indonesia Stock Exchange (IDX) period 2018. The population of this research is 50 LQ45 companies listed on the Indonesia Stock Exchange (IDX) period 2020. The sampling method used is purposive sampling, with a sample number of 32 companies. The data analysis technique in this study is a double linear regression analysis. An independent variable is internet financial reporting. The research uses control variables i.e. company size, profitability, and liquidity. The dependent variables in this study are the company's market value. The conclusion in this study is that internet financial reporting practices have a significant effect on the company's market value. Variable control company size, liquidity, and profitability have a significant effect on the company's market value. The advice in this research is that the Indonesian Institute of Accountants (IAI) should issue financial accounting standards themed on Internet Financial Reporting. Because the disclosure of financial and non-financial information through the Internet called Internet Financial Reporting is still mandatory disclosure or voluntary disclosure. So that each company can make website-based disclosures in accordance with the standards officially enforced by the Indonesian Institute of Accountants (IAI).

Keywords: Internet Financial Reporting, Company market value

1. INTRODUCTION

One of the companies performance appraisal techniques can be done with the company's market value. The market value of a company is an assessment of the company's financial performance by assessing how much - added value the company has successfully provided to investors. With regard to market valuation, market value can only be calculated on companies that have gone public and registered in the capital market. By using the company's market value, it expected that the company can measure the level of prosperity of the firm's value (Novitasari, 2017).

Market value often referred to as exchange rate, is the price that occurs from the bargaining process in the stock market. This value can only be determined if the company's shares are sold on the stock market. Market value is used as an indicator to measure the expensive and cheapness of stock, the most complete measure of company performance for shareholders, and it can help investors find stocks that have great potential returns before investing. (Yulius Jogi, 2016).

The increase in computer and internet technology has significantly impacted the practice of communicating financial statements in the world. Many companies create official websites for companies to disclose financial and non-financial information, the internet has changed the traditional presentation of corporate information. The practice of disclosing financial and non-financial information that uses the internet as a medium is known as Internet Financial Reporting (Rozak, 2012).

With Internet Financial Reporting, investors can more quickly access company financial information as a basis for decision making. Furthermore, investor's actions will be reflect in the movement of shares on the stock exchange. The more information available and the sooner it becomes available, the easier it will be for investors to re-evaluate their investment decisions. This information will create supply and demand by investors which leads to increased share trading transactions, so the company's share price will increase which directly contributes to the company's market value. (Novitasari, 2017).

Research results from (Khikmaawati.Insani & Agustina.Lina, 2015) With the title, financial ratio analysis to financial reporting via the internet on the company's website, it can be concluded that the activity has a significant positive effect on the quality of financial

reporting via the internet. Liquidity has a significant negative effect on the quality of financial reporting via the internet. Meanwhile, profitability and leverage have no significant effect on the quality of financial reporting via the internet.

Research results from (Rozak, 2012) with the title, the effect of the level of profitability, company size, share ownership by the public, leverage, and industry groups on the level of internet financial reporting (ifr), it can be concluded that the profitability level and company size variables have a significant effect on the internet financial reporting (ifr) level while the share ownership by the public, leverage and industry groups do not have a significant effect on the level of internet financial reporting.

Research results from (Puspitaningrum & Atmini, 2012) With the title, corporate governance mechanism and the level of internet financial reporting from this study, it can be concluded that the frequency of audit committee meetings has a positive effect on internet financial reporting, while managerial ownership, block holder ownership, independent commissioners, and audit committee competence do not affect on internet financial reporting.

Research results from (Reskino & Sinaga, 2017) shows that company size has a positive effect on disclosure of internet financial reporting while leverage, profitability, liquidity do not have a significant effect on disclosure of internet financial reporting for companies in the property, real estate, and building construction sectors.

Nowadays Internet Financial Reporting is important because of the geographic spread of investors living in various countries, and traditional hardcopy disclosure methods have drawbacks where there is a limited time to deliver. The use of Internet Financial Reporting is very useful for disclosing information because the information is already available on the company's official website and can be accessed anywhere and anytime (Adityawarman & Khudri, 2018).

2. BASIS OF THEORY AND HYPOTHESIS DEVELOPMENT

Agency Theory

Agency theory can be said to be a basic theory that models the contract process between two or more people. Companies have many contracts, for example, a work contract between the company and its manager and a loan contract between the company and its creditors. The principle of this theory states that there is a contract between management (agent) and investors (principal), an agency relationship exists when one party (principal) hires another party (agent). This impulse is shown in the literature as a driving tool used to reduce information asymmetry between the agent and the principal. Agency theory arises because of

differences in interests so that each party tries to increase profits for itself. (Rizki & Ikhsan, 2018).

Signal Theory

Signal theory suggests how companies should provide signals to users of financial statements. The intended signal is in the form of information about what management has done to realize the owner's wishes. Companies that believe they have positive prospects are more likely to share the news with investors. The signals that are given can be conveyed through the company's website so that they can be seen by anyone and to obtain the same information, the signals given can also explain the advantages of the company compared to other companies (Rizki & Ikhsan, 2018).

Efficient Market Theory

The concept of efficient market was first put forward and popularized by (Fama, 1970). In this context, what is meant by the market is the capital market (capital market) and the money market. A market is said to be efficient if no one, either individual investors or institutional investors, will be able to obtain an abnormal return, after adjusting for risk, using existing trading strategies. That is, the prices that are formed in the market are a reflection of existing information or "stock prices reflect all available information".

2.1 HYPHOTESIS DEVELOPMENT

The Effect of Internet Financial Reporting Practices on Firm Market Value

Maximizing the market value of a company through its share price to increase investors' wealth is the goal of corporate financial management. for this to happen, the company must perform well in managing corporate risk and profit so that the firm's value and investor's wealth will increase. Shareholders' wealth will increase due to the distribution of dividends or capital gains that come from an increase in share prices.

Financial and non-financial information is needed to find out how the company manages finances in each period; therefore, financial and non-financial information must be published so that investors can always judge the market value of the company through its share price. The market value of a company is influenced by factors such as earnings per share, book value per share, company size, leverage, liquidity, and profitability. (Amanah et al., 2014; Pujo Gunarso, 2014).

By carrying out IFR practices through the company website, investors have official access to the company website regarding company information and news that has been released. The existence of IFR practices makes

relevant financial and non-financial information available and can contribute to the decision making process.

This study aims to determine whether there is information disclosure through IFR practices that reflect stock prices according to the efficient market hypothesis, where IFR practices have an influence on the market value of the company at the time the financial statements are published.

H₁ = Internet Financial Reporting effect on Firm Market Value.

Independent Variable   *Dependent Variable*
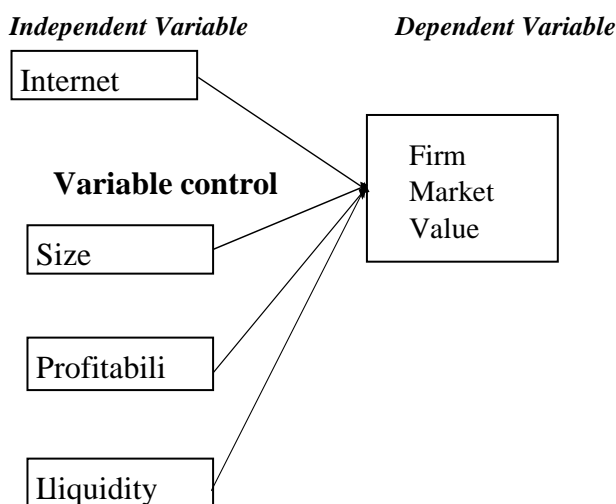
Picture 1 : Research Model

3. RESEARCH METHOD

3.1 Population and Sample

The population in this study is LQ45 companies listed on the Indonesia Stock Exchange. A population in this study are LQ45 companies that are listed (go public) on the Indonesia Stock Exchange (IDX) for 2019 and 2020. LQ45 companies listed on the IDX are used as a population because companies listed companies are from various fields. This study used non-random (nonprobability sampling) where the sample was chosen not based on random probability. The method used is purposive sampling, where the sample selection is based on predetermined criteria.

Table 1 : Sample Criteria

Sample Criteria	Amount
Population of lq45 companies listed on the IDX in 2020	(50)
Companies that experienced changes during February-August 2020	(10)
Dollar-denominated companies	(7)
Companies whose financial statements cannot be accessed	(1)
Companies used as samples	**32**

From the table above, there are 50 lq45 companies listed during 2020 on the Indonesia Stock Exchange. A total of 10 companies are in an inconsistent position in the placement of companies listed on the lq45 index. A total of 7 companies listed on the Indonesia Stock Exchange display foreign currency, namely in the form of dollars in the presentation of their financial statements. Meanwhile, there is 1 company that publishes its financial reports on the Indonesia Stock Exchange, but it cannot be accessed. So after the sample criteria were carried out in this study, 32 companies were used as research samples.

3.2 OPERATIONAL DEFINITIONS AND VARIABLES MEASUREMENT

3.2.1 FIRM MARKET VALUE

Maximizing the market value of a company through its share price to increase investors' wealth is the goal of corporate financial management. This is measured using the formula for the price of shares outstanding in the capital market multiplied by the shares outstanding (Ahmed et al., 2015; Livant & Segal, 2000)

Market Value = Outstanding Share Price x Outstanding Shares.

3.2.2 INTERNET FINANCIAL REPORTING

To find the disclosure value of internet financial reporting, this study uses the Ohlson model where the Ohlson model is used to determine the extent to which companies disclose internet financial reporting (Ota, 2002). Measurement of the quality of report disclosure on the internet uses the content score in the index compiled by (Boubaker et al., 2011) based on the literature that has been developed by (Debreceny et al., 2002; Spanos, 2006; Xiao et al., 2004) then the item- Index items in Internet Financial Reporting (IFR) have 101 items which are divided into general and investor-related information (25 items), financial information (27 items), corporate social responsibility (6 items), user friendly and technology (26 items) , timeliness (7 items). Given a score of 1 if disclosed and a score of 0 if not disclosed.

$$IRI = \frac{Total\ item\ disclosed}{The\ Total\ item\ maybe\ disclosed}$$

3.2.3 CONTROL VARIABLE

Control variables are variables that are controlled or made constant so that the influence of the independent variable on the dependent is not influenced by external factors that are not examined (Sugiyono,1999:33). In this study are company size, profitability, and liquidity.

3.3 ANALYSIS METHOD DATA

Multiple regression analysis is used to examine the effect of two or more independent variables on the dependent variable (Ghozali, 2011:96). Multiple regression analysis in this study is used to test the effect of internet-based corporate reporting using the Ohlson model because this model has been widely used by other researchers to see the effect of IFR levels as an independent variable. The dependent variable is the company's market value, using four control variables in this study, namely firm size, liquidity, and profitability.

The regression models developed for this study are:

$$\ln MV_{i,t} = \alpha_0 + \alpha_1 IFR_{i,t} + \alpha_2 \ln SIZE_{i,t} + \alpha_3 ROA_{i,t} + \alpha_4 LIQ_{i,t} + \varepsilon_{i,t}$$

LNMV : Logarithmic value on the market value of the company at the end of the fourth month of each year, the publication of annual financial statements

LNSIZE : Company size based on the calculation of company assets at the end of each year

ROA : Company profitability in *return on asset*

LIQ : Company liquidity in *current ratio*

4. RESEARCH RESULTS AND DISCUSSION

4.1 DESCRIPTIVE STATISTIC

Descriptive statistics provide an overview or description of data seen from the average value (mean), standard deviation, variance, maximum, minimum, sum, range, kurtosis, and skewness (slope distribution) (Ghozali, 2016). The number of research samples used in this study amounted to 32 total research samples.

Table 2 : Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IFRit	32	,50	,58	,5300	,02185
LNSIZEit	32	27,11	34,80	31,5722	1,76404
ROAit	32	,01	,47	,0953	,10294
LIQit	32	,09	5,28	1,8226	1,51533
LNMVit	32	29,36	34,08	31,6467	1,37736
Valid N (listwise)	32				

4.2 REGRESSION TEST RESULTS

Regression analysis is a study of the dependent dependence (bound) with one or more independent variables to estimated or predicting the population average or the value of the dependent variable based on the value of the known independent variable (Gujarati, 2003).) in (Ghozali, 2016). The following are the results of the research regression test:

Table 3 : Regression Test Results

Model		Unstandardized Coefficients	
		B	Std. Error
	(Constant)	-2,208	6,410
	IFRit	18,452	7,941
	LNSIZEit	,660	,019
	ROAit	9,024	1,973
	LIQit	-,089	,084

a.Dependent variable:LNMVit

From the multiple linear regression analysis tables above, it can be seen that the regression equation model formula is as follows:

LNMVit = -2,208 + 18,452IFRit + 0,660 LNSIZEit+ 9,024ROAit+(-0,116)LIQit+ εit

4.4 HYPOTHESIS TEST RESULTS

4.4.1 Simultaneous Significance Test (Uji f)

Simultaneous significance test (statistical test f) is used to test the magnitude of the influence of all research variables together or simultaneously on the dependent variable (Ghozali, 2016). The results of the simultaneous significance test (F test) in this study are shown in the table below:

Table 4 : Uji F

Model		Sum of Squares	Df	Mean Square	F	Sig.
	ANOVAª					
1	Regression	40,081	7	5,384	7,793	,000ᵇ
	Residual	17,970	24	,749		
	Total	58,811	31			

a. Dependent Variable: LNMVit
b. Predictors: (Constant),LEVit, EPSit, BVPSit, IFRit, ROAit, LNSIZEit, LIQit

4.4.2 Significance Test of Individual Parameters (Uji T)

A Partial test is used to determine the effect of each independent variable on the dependent variable (Ghozali,

2016). Following are the test results for the partial test (t - test):

Table 5. T-test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-2,208	6,410		-,344	,734
IFRit	18,451	7,941	,293	2,324	,029
LNSIZEit	,660	,119	,846	5,528	,000
ROAit	9,024	1,973	,674	4,573	,000
LIQit	,089	,170	,098	,525	,605

Coefficientsª

a. Dependent Variable: LNMVit

4.5 DISCUSSION

Based on the results of the SPSS test, it can be stated that the hypothesis in this study is accepted. Because the results of the SPSS test show that the statistical F value is 0.000. This means that the IFR, SIZE, ROA, and LIQ variables together have an effect on the market value variable. Negative constants generally occur when there is a large enough range between the independent variable and the dependent variable. This negative constant also indicates a change in the number of the dependent variable. Based on the t hypothesis test for IFR, it shows the value of t count 2.324> t table value of 2.042 (2.324> 2.042) and a significance value of 0.029 <0.05, which means that the IFR disclosure variable is proven and has a significant effect on the company's market value. With a coefficient value of 0.293, it means that statistically, the IFR variable has a significant effect on the company's market value.

This study also includes several control variables such as company size (SIZE), profitability (ROA), and liquidity (LIQ). However, only the firm size (SIZE) and profitability (ROA) variables have a significant effect on the firm's market value.

5. CONCLUSIONS, LIMITATIONS, AND SUGGESTIONS

5.1 CONCLUSION

Based on the results of the research analysis, it can be proven that internet financial reporting (IFR) affects the market value of the company. These results indicate that when companies practice disclosure of financial and non-financial information known as internet financial reporting, it has a significant effect on the company's market value because investors use the information disclosed on the company's website to assess the company. Meanwhile, the

control variable in the T - test shows that only company size (SIZE) and profitability (ROA) show a significant value and have an effect on the company's market value. However, the leverage control variable (LEV) is not proven and does not significantly influence the company's market value.

5.2 LIMITATIONS

The limitation in this study is that the population used in the index company used is not the latest index and because there is no official standard enforced by the Indonesian Institute of Accountants (IAI) so there are not many official indexes that can be used by companies to disclose website-based reporting.

5.3 SUGGESTIONS

The suggestion in this research is that the Indonesian Institute of Accountants (IAI) should issue financial accounting standards with the theme of Internet Financial Reporting. Because the disclosure of financial and non-financial information via the internet, which is called Internet Financial Reporting, is still mandatory disclosure or voluntary disclosure. So that each company can make website-based disclosures in accordance with standards officially enforced by the Indonesian Institute of Accountants (IAI).

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