The Effect of Public Ownership, Profitability, Company Size and Independent Commissioners on Internet Financial Reporting

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Abstract. The purpose of this study is to demonstrate how factors such as public ownership, profitability, company size, and independent commissioners affect online financial reporting. The sampel used in this study are banking companies listed on the Indonesia Stock Exchange (IDX) for the period 2018-2020. The sampling technique used is purposive sampling and obtained as many as 84 sampels that meet the criteria. The data analysis technique used is multiple linear regression analysis. Based on the results of the study, it can be concluded that public ownership and profitability have no effect on internet financial reporting, while company size has a positive effect on internet financial reporting and independent commissioners have a negative effect on internet financial reporting.

Keywords: internet financial reporting, public ownership, profitability

1 PRELIMINARY

Nowadays technology has become an important part of human life. With the development of technology, many people use technology for their daily activities. The internet is nothing but a form of technology that can provide information quickly [1]. The internet makes the information obtained is of higher quality at a low cost and can be easily reached by users across regions and even countries [2].

Internet financial reporting (IFR) is nothing but a form of voluntary notification, a form of notification of company financial statements via the internet or corporate web pages. Regulations related to financial reports via the internet have been stated in the Financial Services Authority (OJK) regulation Number 8/POJK.04/2015 [2].

The first factor influencing Internet financial reporting is public ownership. Q Anom is the large percentage of shares owned by the public, thus more information will be needed about the company and the higher the public's demand for company transparency. Therefore, more detailed information about the company should be reported in the annual report [3]. To make it easier for shareholders to access the annual report, the company must publish the annual report on the company's web page. The research conducted by Rizki and Ikhsan (2018) is in line with the research conducted by Abdullah et al. (2017) which proves that public ownership positively affects internet financial reporting. This is different from the research conducted by Marliana and Almunawwaroh (2018) which provides evidence that public ownership does not affect internet financial reporting.

Profitability is the second factor affecting financial reporting on the Internet. Companies with high profitability tend to publish company information, especially financial information on their websites. This is to inform the public that the company itself prioritizes profits over other companies in the same industry, so that stakeholders can evaluate the company's competitiveness [4]. Research conducted by Idawati and Dewi (2017) and Angela (2021) is in line with research conducted by Kurniawati (2018) which provides evidence that profitability positively affects internet financial reporting. This is different from the research conducted by Ardiastuti et al., (2019) which proves that profitability negatively affects internet financial reporting.

The third factor affecting financial reporting on the Internet is the size of the company. The larger the company, the more stakeholders need information about the company. Enterprises need to take into account the ever-improving corporate information by using Internet media on their websites [5]. research conducted by Idawati and Dewi (2017) and Meinawati (2020) is in line with research conducted by Diatmika and Yadnyana (2018) which proves that company size positively affects internet financial reporting. In contrast to the results of research conducted by Ardiastuti et al, (2019) which proves that company size does not affect internet financial reporting.

The fourth factor that affects internet financial reporting is the independent commissioner. Independent commissioners are commissioners who are not originally from the management of the corporation. The independent commissioner is primarily in charge of encouraging the application of good corporate governance principles in a corporation, specifically by enabling the board of commissioners to effectively carry out their oversight responsibilities, provide advice to the board of directors, and add value to the corporation. The greater the number of independent commissioners in the company, the more transparent the disclosure of company reports with internet financial reporting [6]. Research conducted by Puspa et al., (2021) and Abdillah (2015) is in line with research conducted by Yassin (2017), the study proves that independent commissioners have a positive

ICBAE 2022, August 10-11, Purwokerto, Indonesia
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DOI 10.4108/eai.10-8-2022.2320880

influence on internet financial reporting. This is different from the research conducted by Andriyani and Mudjiyanti (2017) which proves that independent commissioners negatively affect internet financial reporting.

2 LITERATURE REVIEW

Agency Theory (Agency Theory)

Agency theory states the agency correlation between principals (investors) who delegate their work to those who manage the work. The correlation itself is bound by an agreement called a contract [7].

Signal Theory (Signalling Theory)

The signaling theory was first proposed by Spence (1973) which explains that the party who sends the information provides a condition or signal in the form of information that reflects the state of a corporation and is useful for the party who receives it, namely the shareholders. Internet financial reporting will be used as a positive communication facility to the public because the accomodation of information with the official corporate website clearly and transparently will signal to the audience that the corporation does not cover up information related to actual conditions [8].

Internet Financial Reporting (IFR)

According to Meinawati et al. (2020) Internet Financial Reporting (IFR) aims to use financial statements to strengthen relationships between all shareholders, analysts, shareholders, and all stakeholders of the company via the Internet on the company's website. The process of sending financial information. Reporting financial information via the internet is nothing but a form of voluntary disclosure.

Effect of Public Ownership on Internet financial reporting

The bigger the public ownership, the bigger the mechanism in controlling management behavior. The presence of the composition of public investors will facilitate monitoring, intervention and a number of other disciplinary influences on managers, which culminate in triggering managers to take action in accordance with the interests of investors, namely the need to accommodate corporate financial information [4]. The information provided by the agent to the shareholders is used to analyze the performance of management and the state of the corporation in the future. This can lead to the disclosure of various corporate information that is increasingly widespread, namely through internet financial reporting [9].

Based on this explanation, the proposed hypothesis is:

H1: Public ownership has a positive effect on internet financial reporting.

The Effect of Profitability on Internet Financial Reporting

Corporations with high profitability have a strong desire to expand corporate information, especially financial information [10]. Considering the company wants its success to the stakeholders [11]. This is in line with signal theory, where if the company's profitability value is high, it is considered good news and the company will disseminate the information through internet financial reporting.

Based on this statement, the second hypothesis proposed is:

H2: Profitability has a positive effect on internet financial reporting.

The Effect of Company Size on Internet Financial Reporting

The larger the size of the corporation, the more complete and complex its management information system will be, therefore the corporation itself must also be able to improve in accommodating information [12]. Large companies tend to put the spotlight on capital markets, which also pressures companies to provide more complete information. More information sharing can increase corporate agency costs. Agency costs budgeted by corporations are in the form of costs for distributing financial reports, which include the costs of printing and sending financial reports to various parties to which the company is headed. Corporations use Internet financial reporting as a budget minimization method to distribute financial reports to interested parties. [13].

Based on this explanation, the second hypothesis proposed is:

H3: Company size has a positive effect on internet financial reporting.

Influence of Independent Commissioners on Internet Financial Reporting

The increasing number of independent commissioners who supervise the performance of corporations, thus corporations will increasingly convey corporate financial and non-financial information through internet financial reporting [8]. So as to minimize information asymmetry between investors and management because information about the company has been disclosed on the company's website transparently.

Based on this explanation, the second hypothesis proposed is:

H4: Independent commissioners have a positive effect on internet financial reporting.

3 RESEARCH METHODS

This kind of research is a quantitative study. The population of this survey are financial sector companies listed on the Indonesia Stock Exchange (IDX). The sample in this study is the banking sub-sector companies listed on the Indonesia Stock Exchange in 2018-2020. The type of data used in this study is secondary data in the form

of corporate financial reports for the banking subsector Listed on the Indonesia Stock Exchange in 2020. The data collection method used in this study is documentation, which is collecting data in the form of financial reports that are available on the company's official website. and from www.idx.co.id.

Research variable

1. Dependent Variable

Internet financial reporting is a method used by companies to report financial information displayed on their websites over the Internet [14]. Internet financial reporting is declared qualified if it discloses various reasons that are in accordance with the internet financial reporting index. Internet financial reporting is measured against the Internet Financial Reporting Disclosure Index, which consists of four components. Each of the four components is weighted like 40% content, 20% timeliness, 20% technology usage, and user support. User support is 20% [15].

$$IFR = \left(\frac{Score}{Max} \times \%CONT\right) + \left(\frac{Score}{Max} \times \%TIME\right) + \left(\frac{Score}{Max} \times \%TECH\right) + \left(\frac{Score}{Max} \times \%SUPP\right)$$

2. Independent Variable

a. Public Ownership

Public ownership is the percentage of ownership held by the public in the total of all shares of the corporation. The formula for public ownership is [1]:

$$Public\ Ownership = \frac{Number\ of\ Public\ Shares}{Number\ of\ Company's\ Shares} \times 100$$

b. Profitability

In this study, profitability is measured through the use of Return On Assets (ROA). The formula used to calculate ROA is as follows:

$$ROA = \frac{Profit\ After\ Tax}{Total\ Assets} \times 100$$

c. Company Size

The size of the company is everything owned by the corporation that is used to illustrate the size of the corporation [17]. Firm size can be measured using the logarithm (Ln) of total assets [5]. The formula used is as follows:

$$Company\ Size = Ln\ Total\ Asests$$

d. Independent Commissioner

Independent brokers are measured by comparing the number of independent brokers to the total number of brokers in the company. The formula used is as follows [18]:

$$Independent\ Commissioner = \frac{\sum\ Independent\ Commissioner}{\sum\ Board\ of\ Commissioners} \times 100$$

Data Analysis Method

Multiple Linear Regression

This study uses a multiple linear regression equation model. The multi-linear regression equation model in this study analyzes the effects of independent variables (public ownership, profitability, company size, and independent commissioner) on dependent variables (Internet financial reporting). So the equation in multiple linear regression is as follows:

$$IFR = \alpha + \beta 1KS + \beta 2PROF + \beta 3UP + \beta 4KI + \varepsilon$$

Information

IFR = Internet financial reporting
B = Constant
KS = Public Ownership
PROF = Profitability
UP = Company Size
KI = Independent Commissioner
1 = Regression coefficient for variable X1
2 = Regression coefficient for variable X2
3 = Regression coefficient for variable X3
4 = Regression coefficient for variable X4
e = Error

4 RESULTS AND DISCUSSION

Descriptive Statistics

Tabel 4. 1

Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
IFR	84	10,60	17,60	14,62	1,67
Public Ownership	84	0,97	60,35	21,88	16,93
Profitability	84	0,02	9,10	1,32	1,46
Company Size	84	28,98	36,76	31,93	1,75
Independent Commissioner	84	33,33	100,00	59,33	11,91
Valid N (listwise)	84				

Source: Secondary Data processed by researchers, 2021

Table 4.1 can be seen that the IFR Mean of variables 14.62 and a standard deviation of 1.67 owned by IFR shows that the mean value exceeds the standard deviation, meaning that the data is homogeneous. This reflects IFR has a low level of storage. The variable of public ownership has an average value (mean) of 21.88 and a standard deviation of 16.93 which is owned by public ownership, indicating that the mean value exceeds the standard deviation, meaning that the data is homogeneous. This reflects that public ownership has a low level of deviation. The profitability variable with an average value (mean) of 1.32 and a standard deviation of 1.46 which is owned by profitability shows that the mean value is smaller than the standard deviation, meaning that the data is heterogeneous. This reflects the profitability of having a high level of storage. Firm size variable has an average value (mean) of 31.93 and a standard deviation of 1.75 which is owned by firm size. It shows that the mean value exceeds the standard deviation, meaning that the data is homogeneous. This reflects the size of the company has a low level of storage. The independent commissioner's variable has an average value (mean) of 59.33 and a standard deviation of 11.91 owned by the independent commissioner showing that the mean value exceeds the standard deviation, meaning that the data is homogeneous. This reflects the independent commissioner has a low level of storage.

Regression Analysis Results

Table 4. 2

Multiple Linear Regression Analysis

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-1,783	1,287		-1,385	0,170
	Public Ownership	-0,011	0,007	-0,109	-1,482	0,143
	Profitability	-0,030	0,078	-0,028	-0,384	0,702
	Company Size	0,634	0,071	0,685	8,949	0,000
	Independent Commissioner	-0,032	0,009	-0,261	-3,372	0,001
a. Dependent Variable: IFR						

Source: Secondary Data processed by researchers, 2021

In accordance with the acquisition of the regression coefficient, thus a multiple linear regression equation model can be made as below:

IFR = - 1.783 – 0.011 KP – 0.030 PROF + 0.634 UP – 0.032 KI + e

Regression Coefficient

Table 4. 3

Adjusted R-Square. Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,811[a]	0,657	0,637	0,796

Source: Secondary Data processed by researchers, 2021

According to table 4.3, it can be seen that the Adjusted R Square value is 0.637 or 63.7%. This value shows that the independent variables, namely public ownership, profitability, company size and independent commissioners can explain the dependent variable, namely IFR amounting to 63.7% and the remaining 36.3% is explained by other variables outside the regression model in this study.

Model Fit Test (F Statistics Test)

Tabel 4. 4

Statistical Test Results F

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	83,973	4	20,993	33,074	0,000[b]
	Residual	43,796	69	0,635		
	Total	127,769	73			

Source: Secondary Data processed by researchers, 2021

According to table 4.4, it is known that the calculated F value is 33.074 with a probability value (sig) = 0.000. Calculated F value (33.074) > F table (2.501) and sig. (0.000) < (0.05). Means jointly (stimulant) Public Ownership, profitability, company size and independent commissioners have a significant effect on internet financial reporting.

Individual Parameter Significant Test (Test Statistical t)

Table 4. 5

Statistical Test Results t

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-1,783	1,287		-1,385	0,170
	Public Ownership	-0,011	0,007	-0,109	-1,482	0,143
	Profitability	-0,030	0,078	-0,028	-0,384	0,702
	Company Size	0,634	0,071	0,685	8,949	0,000
	Independent Commissioner	-0,032	0,009	-0,261	-3,372	0,001

Source: Secondary Data processed by researchers, 2021

Acceptance of the hypothesis is done if the value of t arithmetic > t table or probability < significance (sig. < 0.05), then Ho is rejected and Ha is accepted or vice versa. The variable of public ownership obtained a regression coefficient value of 0.011 which had a negative direction and a significance value of 0.143 > 0.05 and the value of t count (-1.482) < t table (1.667) meaning Ho was accepted and Ha was rejected. According to the results of the analysis, the Public Ownership variable does not affect IFR. The profitability variable obtains a regression coefficient value of 0.030 which has a negative direction and the significance value is 0.702 > 0.05 and the value of t count (-0.384) < t table (1.667) means Ho is accepted and Ha is rejected. According to the results of the analysis, the profitability variable does not affect IFR. The firm size variable obtains a regression coefficient of 0.634 which is positive and has a significance value of 0.000 <0.05 and the magnitude of the t count (8.949) > t table (1.667) means that Ho is rejected and Ha is accepted. According to the results of the analysis, the firm size variable has a positive influence on IFR. The independent commissioner variable obtained a regression coefficient value of 0.032 which had a negative direction and a significance value of 0.001 <0.05 and the value of t count (-3.372) > t table (1.667) meaning Ho was accepted and Ha was rejected. According to the results of the analysis, the independent commissioner variable negatively affects IFR.

Discussion

1. Effect of Public Ownership on Internet financial reporting

According to the results of the hypothesis in this study, it shows that public ownership It does not affect financial reporting on the Internet because public ownership is share ownership below 5% which is for sale and purchase to the public and not for management control [12]. It is unlikely that people who hold corporate shares will directly participate in corporate business cases and directly supervise corporate governance by management [8].

The results of this study are also supported by research conducted by Meliana et al, (2020) which states that public ownership does not affect internet financial reporting.

2. Effect of Profitability on Internet financial reporting

A hypothetical survey of this study shows that profitability does not affect Internet financial reporting, as high or low profitability does not affect a company's Internet financial reporting. Because corporations will always carry out their financial reporting through the internet as a form of management transparency. Companies that have a low level of profitability but always implement internet financial reporting practices can increase the credibility of their company in the eyes of shareholders because it is transparent [17].

The results of this study are also supported by the research conducted by Diatmika & Yadnyana (2017), Meinawati et al (2020), Arifianti & Africa (2021) which states that profitability does not affect internet financial reporting.

3. The Influence of Company Size on Internet Financial Reporting

The study's findings confirmed the hypothesis, which said that a company's size has a beneficial impact on online financial reporting since large companies have a lot of stakeholder obligations and incur significant agency costs as a result of information disclosure. Depends on the company. In addition, large corporations are also attracting the attention of capital markets, pressured to disclose complete information [12]. To minimize agency costs, the company uses Internet financial reports to disclose financial information.

The results of this study are supported by research conducted by Yassin (2017), Idawati & Dewi (2017), and Abdullah et al., (2017) which state that company size positively affects internet financial reporting.

4. Influence of Independent Commissioners on Internet financial reporting

According to the results of the hypothesis in this study, it shows that independent commissioners negatively affect internet financial reporting, because more and more the proportion of independent commissioners in corporations is considered unable to carry out monitoring activities as internal representatives of the control mechanism so that there is no match of interests between investors and managers which leads to to the emergence of information asymmetry that affects the lack of financial reporting on the internet that meets the requirements [19].

The results of this study are supported by research conducted by Andriyani & Mudjiyanti (2017) and Yassin (2017) which state that independent commissioners negatively affect internet financial reporting.

5 CONCLUSION

1. Public ownership does not affect internet financial reporting.
2. Profitability does not affect internet financial reporting.

3. Company size positively affects internet financial reporting.
4. Independent commissioners negatively affect internet financial reporting.

6 LIMITATIONS

1. There are several companies that do not make a profit, until then the researcher omitted company data from the sample.
2. The data in this study experienced problems in the normality test so that the researchers conducted data outliers.

7 SUGGESTION

1. The sample in this study is a banking sub-sector company, so that further research is recommended to examine other sectors such as the industrial sector.
2. In this study only use 4 variables that buy public ownership, profitability and company size as well as independent commissioners, so that future research should add other variables such as company age and audit quality.

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