DETERMINANTS AND COMPARISON OF INTERNET FINANCIAL REPORTING IN DEVELOPING COUNTRY AND DEVELOPED COUNTRY OF SOUTHEAST ASIA (CASE STUDY: PROPERTY AND REAL ESTATE INDUSTRY IN INDONESIA AND SINGAPORE)

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Abstract

Internet financial reporting is the inclusion of financial information through the internet or the website, known as a voluntary disclosure does not because the content of disclosure, but because the tools used. There is a view if a company reports their financial reporting through the internet indicates it has good news, and if does not report indicate it has bad news. This research aims to examine the effect of firm size, profitability, and leverage to internet financial reporting measured by index and furthermore to compare the disclosure level of internet financial reporting between property and real estate companies in Indonesia as developing country and Singapore as developed country. Sample in this research is 56 companies. Data in this research obtained from companies annual report in 2013 and internet financial reporting index. The result of this research showed that firm size and profitability significantly affect internet financial reporting, meanwhile leverage did not affects internet financial reporting. Furthermore this research showed Indonesia and Singapore did not have difference in disclosure level of internet financial reporting.

Keywords: Financial reporting, internet reporting, financial information

INTRODUCTION

The development of information technology encourages the emergence of internet in the world. Internet has many advantages not only easily spread, no boundaries, timely, up to date, low cost, and high interaction, but also become a communication tool for humans. Internet facilitates people to exchange information, one of that is business information such as financial information. Internet gives the conveniences to get business and financial information, that finally encouraging management to use a company website to disclose their financial and business information. The inclusion of financial information through the internet or the website called internet financial reporting (Lai et al, 2010). Accounting literature stated that internet financial reporting known as a voluntary disclosure, do not because the content of disclosure, but because the tools used.

One of industries that used Internet as media of financial reporting is property and real estate industry. The phenomenon that happening now is property and real estate industry has increase of purchase demand by consumers. Based on data obtained from PWC, Singapore entered into the category of top 30 global markets, with rank 9, because it has sales volume amounted to US $ 4.707 in 2013 for property type such as office, Industrial, retail, apartment and hotel. Singapore and Indonesia exactly in Jakarta are in the top 10 for city investment prospect and city development prospect in 2014, so PWC stated Jakarta and Singapore have top investment market in 2014.

The previous research of internet financial reporting has done a lot, they are Ettredge (2002) and Ismail (2002) in their research found that leverage has positive effect to internet financial reporting. Gutiérrez-Nieto, et al (2008) found that size was a significant determinant of financial and social information disclosure on the internet. Aly (2009) founds profitability effect to internet financial reporting. Keumala (2013) in her research founds firm size and profitability affect internet financial reporting in non-financial companies. Lestari (2012) in her research founds firm size, profitability, leverage affect internet financial reporting in non-financial companies listed on Indonesia Stock Exchange. Handoko (2013), Kartika (2013), and Muliati (2013) in their research found firm size and profitability affect internet financial reporting in non-financial companies listed on Indonesia Stock Exchange. Based on previous researches, a company did internet financial reporting because encouraged by factors such as firm size, profitability, and leverage.

Based on data in the World Bank, Indonesia is in the category of lower-middle-income economies, while Singapore is in the category of high income economies. It can be said developed country and developing country have differences in income. This could because developed country has a lot of industries and multinational companies more than small and medium industries, while developing country has a lot of small and medium industries more than big industries and multinational companies. Generally that difference affects differences of technology level in a country.

Most of previous research only examined in manufacturing and banking industry. This research attempts to examine the factors that affect internet financial reporting in property and real estate industry of Indonesia and Singapore, then compare whether there is difference between internet financial reporting in Indonesia as developing country and Singapore as developed country. The author is interested in conducting research on "Determinants and Comparison of Internet Financial Reporting in Developing Country and Developed Country of Southeast Asia (Case Study Property and Real Estate Industry in Indonesia and Singapore).

RESEARCH METHOD

Population in this research use companies of property and real estate industries from two countries in Southeast Asia, which consist of Indonesia as developing country and Singapore as developed country. In this research sample was selected using purposive sampling method, result 28 property and real estate companies of Indonesia and 28 property and real estate companies of Singapore, so total sample in this research is 56 companies.

This research was using secondary data. Source of data in this research obtained from: 1) Indonesia stock exchange and Singapore exchange. 2) Companies' website. 3) Variety of journals, books, articles, and some previous research that related to this research.

The data in this research collected through literature study, documentation study, and website observation. The following steps for website observation are: 1) Search for property and real estate companies listed on Indonesia Stock Exchange and Singapore Exchange; 2) Access a company's website to test its accessibility and for the purposes of data collection; 3) If a company website does not find through the stock exchange and search engines, then that a company is considered does not have a website; 4) A company that has a website and disclose financial information on its website in the form of financial report considered conduct internet financial reporting practices,

while a company that has a website but does not disclose financial report on its website or does not have a website, considered does not conduct internet financial reporting.

Dependent variable that use in this research is internet financial reporting. The instrument used in this research adopted from Davey (2004) and Almilia (2008) who uses the disclosure index developed by Cheng et al. (2000) and Lymer et al. (1999). Index developed by Cheng et al. (2000) consists of four components that are weighted as follows content index by 40%, timeliness index by 20%, technology index by 20% and user support index by 20%. Each category is explained below:

a. Content index, this component is related to financial report such as balance sheet, income statement, changes in equity, cash flow, and changes in corporate sustainability report. Financial information that is disclosed in html form has higher score than in PDF form, because information in the html form make it easier for users to access financial information becomes faster.

b. Timeliness index, this component is related to information about dis-closure. When a company's website can provide timely information, then it has a higher index.

c. Technology index, this component is related to technology utilization that cannot be provided by the print media report. Technology index consist of 31 multimedia technology such ad-vanced features like download plug in, online feedback, presentation sli-de, analysis tools, and XBRL.

d. User Support index, this component is related to questions help link, a link to the home page, a link to the above, site map, site search, the number of clicks to obtain financial information, and website design consistency. A company can get higher index if a company optimally implement all facilities to its website.

Three independent variables have measured with a following manner:

1. Firm size is how much wealth that has by a company. Firm size mea-sured by log of market capitalization, the result of multiplying share price on December 31 with the number of outstanding shares (Prasetya, 2012).

2. Profitability is a company's ability to get profits through its resources. Profitability measured by return on assets (ROA) in this research. ROA is ratio of earnings after tax divided to total assets of a company (Prasetya, 2012).

3. Leverage describes the total of debt used to finance a company's assets. Leverage in this research measured by ratio of total liabilities to total assets in a company (Kartika, 2013).

RESULT AND DISCUSSION

The result of statistic descriptive showed in the Table 1 below as follows.

Table 1. Statistics Descriptive Analysis

	N	Minimum	Maximum	Mean	Std. Deviation
IFR	56	0,37	74	55,86	9,797
SIZE	56	0,16	0,22	0,1973	0,01258
ROA	56	0,01	0,87	0,1539	0,18723
LEVE	56	0,07	0,75	0,4234	0,16661
Valid N (listwise)	56				

Table 2. Coefficient Determinants
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0,416[a]	0,173	0,125	9,162

Source: Secondary Data Processed, 2014

Here is the result of R value calculation and the coefficient of determination in this research as seen in Table 2.

Based on Table 2 , R value is amounted to 0.416 and R square value amounted to 0.173. It means the ability of independent variable namely Firm Size, ROA, and Leverage to explain the variance of the dependent variable namely internet financial reporting amounted to 17.30% while 82.70% variance of the dependent variable cannot be explained by independent variables of Firm Size, ROA, and Leverage. The small value of R squared can caused by factors that affect internet financial reporting amounted to 24 variables based on previous research, so it can be said the possibility per variable to affect Internet financial reporting amounted to 4.16%.

Simultaneously Test

F statistical test used to determine whether all the independent variables that included in the model as together have effect to the dependent variable (Table 3).

Based on the table above, F value in model is amounted to 3.629 with a significance level amounted to 0.019 smaller than the significance level of 0.05. This shows that the variable Firm Size, ROA, and Leverage as together affect internet financial reporting. Thus, equation regression model in this research is fit or worthy to use.

Partially Test of Hypothesis

T test (partial) was conducted to determine whether independent variables as individually affect the dependent variable (Table 4).

Table 3. Simultaneously Test

ANOVA[b]

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	913,865	3	304,622	3,629	0,019[a]
	Residual	4364,992	52	83,942		
	Total	5278,857	55			

a. Predictors: (Constant), LEVE, SIZE, ROA
b. Dependent Variable : IFR

Table 4. Partially Test

		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	12,457	19,643		0,634	0,529
	SIZE	212,503	98,250	0,27	2,163	0,035
	ROA	-15,007	6,618	-0,287	-2,268	0,028
	LEVE	8,929	7,437	0,152	1,201	0,235

The result show that firm size in property and real estate companies of Indonesia and Singapore has significance effect to internet financial reporting with the significance value amounted to 0.035 smaller than α value 0.050. The coefficient b value of firm size is 212.503. This defines if the value of firm size measured by market capitalization increased by one point, while the others independent variables are fixed, then the disclosure level by internet financial reporting in property and real estate companies of Indonesia and Singapore will increase amounted to 212.503 percent. Generally big companies have a number of shareholders and creditors that numerous and widespread, result in they must reporting financial report as a whole to those parties. To reduce agency cost such as publication cost of financial report as electronics and printing also shipping costs of financial report, these companies use internet financial re-porting. Big companies also faced with political costs as a form of corporate social responsibility to the public and the government. To reduce it cost, these companies use internet financial reporting to decrease regulations pressures from governments and from environmental conscious organizations. With the disclosure of financial report to the public, property and real estate companies in Indonesia and Singapore can improve its image in the public eyes. This result consistent with research by Kajüter (2006), Almilia (2008), Prasetya (2012), and Muliati (2013).

Multiple regression equation for the variable internet financial reporting on the above table can be written:
IFR = 12,457 + 212,503 SIZE - 15,007 ROA + 8,929 LEVE

Where:
IFR : Internet financial reporting measured by index
SIZE : Company size measured by market capitalization
ROA : Profitability measured by return on asset
LEVE : Leverage measured by total liabilities to total assets

The result of partially test show that profitability measured by ROA in property and real estate companies of Indonesia and Singapore has significant effect to internet financial reporting, with the significance value amounted to 0.028 smaller than α value 0.050. The coefficient b value of profitability is -15.007. This defines if the value of profitability measured by ROA increased by one point, while the others independent variables are fixed, then the disclosure level by internet financial reporting in property and real estate companies of Indonesia and Singapore will decrease amounted to -15.007 percent. The ability to generate profits by property and real estate companies in Indonesia and Singapore make these companies have obtained public trust regarding management ability to realize shareholder desires, it result these companies have a good reputation and become a topic of talks in the mass media both electronic and print. That information does not only accessible by investors, public, creditors, and government through companies' website but also easier to find that information in mass media like Google and Yahoo. With the result that property and real estate companies in Indonesia and Singapore reduce disclosure level in their website. This result consistent with research by Ismail (2002), Keumala (2013) and Kartika (2013).

The result of partially test shows that leverage has significant value amounted to 0.235 greater than α value 0.050, means that leverage does not have significant effect to internet financial reporting in property and real estate companies of Indonesia and Singapore. Leverage is the ratio of total liabilities to

total assets, shows a number of debts used to finance assets in a company. The average value of leverage ratio owned by property and real estate companies in Indonesia and Singapore amounted to 42% that can be seen from Table 1 about Statistics Descriptive Analysis. That leverage value is below 50%, it can be said those property and real estate companies in Indonesia and Singapore did not have high debt to finance its asset. Because these companies do not have high debt value to finance companies assets, so managers do not motivated to reveal information with use internet financial reporting to convince creditors that a company will pay the bond debt and managers do not motivated to improve the company image using internet financial reporting. This result consistent with research by Almilia (2008), Prasetya (2012), and Kartika (2013).

Independent Sample t-Test

Statistics independent sample t-test aims to compare the average of two groups that do not related to each other.

Homogeneity variance test results from the two groups of samples obtained from Levene's test, result F value amounted to 0.456 with significance value amounted to 0.502 (sig> α 0.05). It can be concluded that the two samples from the same variance or homogeneous. Since both have the same variety, then used the t-test on the first line (equal variance assumed) (Nurjannah, 2008: 14). Based on the table above, it can be seen that the t value amounted to -0.352 with a significance level amounted to 0.726. Because of 0.726 > 0.05, then Ho accepted or it can be said that there was not significant difference between

disclosure level of internet financial reporting in Indonesia as developing country and Singapore as developed country.

This is because the objects in this research use a sample of companies which upload its financial report to the website. The nature of financial reporting through the website is a voluntary disclosure; it means the disclosure level of internet financial reporting by property and real estate companies at a reasonable disclosure level beyond obligation of accounting reporting standards. Fair disclosure made to provide additional information to the stakeholder with the same treatment or can be said all information is equal. The result also indicates Indonesia and Singapore have same advanced information and communication technology infrastructure. Companies use internet financial reporting not only to provide information on their products and services but also sell their products online through the implementtation of an e-commerce web site. Overall these two countries reveal the contents of financial report completely in the content index, while the other items in internet financial reporting index do not shown completely.

Based on the figure above, the average disclosure of internet financial reporting by property and real estate companies in Singapore is higher than disclosure level by property and real estate companies in Indonesia. This average differences of internet financial reporting is not significant because property and real estate companies in Singapore has the average disclosure level amounted to 56, while property and real estate companies in Indonesia has the average disclosure level amounted to 55.

Table 5. Independent Samples t-Test of Internet Financial Reporting

Independent Samples Test

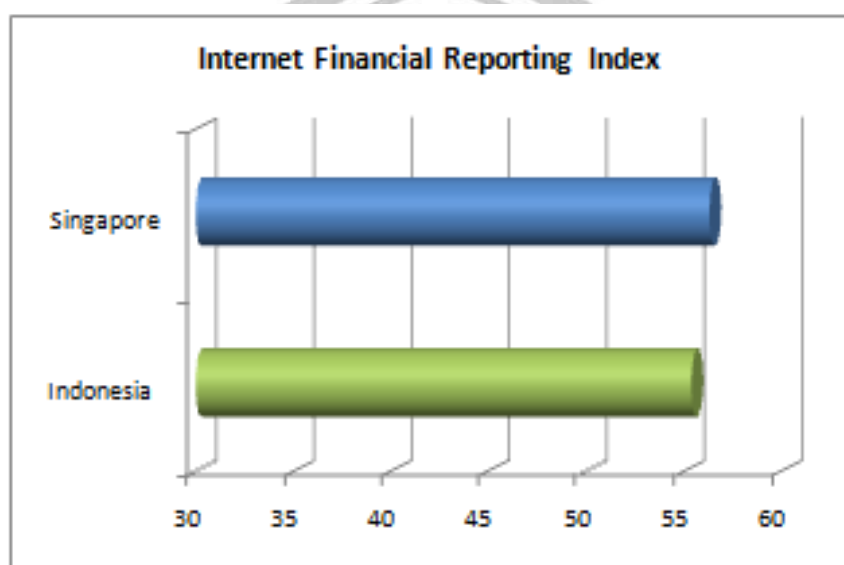|		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
IFR	Equal variances assumed	0,456	0,502	-0,352	54	0,726	-0,929	2,639	-6,220	4,363
	Equal variances not assumed			-0,352	53,211	0,726	-0,929	2,639	-6,220	4,365

Figure 1. Comparison of Internet Financial Reporting

CONCLUSSION

This research examine factors that affect internet financial reporting and compare internet financial reporting in property and real estate companies of Indonesia as developing country and Singapore as developed country. Based on the result and discussion that have done, this research can be concluded as follow:
1. Firm size significantly affects internet financial reporting.
2. Profitability significantly affects internet financial reporting.
3. Leverage did not significantly affect internet financial reporting.
4. There is no significant difference between Internet financial reporting in Indonesia as developing country and Singapore as developed country.

RECOMMENDATION

Recommendations can be given for further research includes:
1. Extend observation research period.
2. Adding company samples that do not only the existing companies in property and real estate industry.
3. Adding country to compare internet financial reporting in various coun-tries.

4. Adding others variables that may affect internet financial reporting, to know what factors that can give greater contribution to explain disclosure level of internet financial reporting.

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