THE IMPACT OF MUTUAL FUND PERFORMANCE ON MUTUAL FUND MARKET VALUE WITH INTERNET FINANCIAL REPORTING (IFR) AS INTERVENING VARIABLE

Amanda Dwiluthfia Joanna

Gunadarma University, amandadj@staff.gunadarma.ac.id

Abstract

Every investor would expect a big profit from their investments. However, big profit from the investment must be accompanied by the greater risk. In determining the choice of investment in mutual fund, investor must make an assessment of its performance despite there is no certainty that a good fund performance will equal past performance of mutual funds in the future. This research aims to analyze the effect of mutual fund performance on the Internet Financial Reporting (IFR) and its market value. This research used all sharia equity mutual funds that active in 2014 as the sample. The sampling technique used is purposive sampling and get 14 mutual funds as samples. Data analysis is performed by using path analysis which is a straightforward extension of multiple regressions and Kendall of concordance test first. The result shows that the three methods of assessment fund performance is aligned and has an impact on mutual fund market value. The better the performance of a mutual fund tend to improve financial reporting conducted by the investment manager delivered to investors and potential investors, the market value of mutual funds will be higher and this will trigger potential investors to invest their funds into mutual funds and will be profitable.

Keywords: IFR, Internet Financial Reporting, Mutual Funds, Mutual Fund Market Value, Mutual Fund Performance.

INTRODUCTION

In the globalized world as today, investment has an important role in the economy. Capital market is one of place for the people to channel their funds to invest. Every investor would expect a big profit from its investments. However, big profit from the investment must be accompanied by the greater risk. Therefore, investors need to pay attention to aspects of risk and rate of return of any investment activity. To reduce the risk of the investment, investor can do some diversification on investment instruments. Many investors who do not have time to manage their funds and limited expertise to calculate the risk of investment they did. Now, it is not a big issue that hinders the investor to make investments as potential investors could give their trust to the investment managers to manage their funds. In 1995, was introduced a new investment instrument known as mutual funds.

Mutual Fund is an investment alternative for public investors, especially small investors and investors who do not have time and expertise to calculate the risk on their investment (Darmadji, 2001). Before investing in mutual funds, investors need to know what types of mutual funds in accordance with its investment objectives and needs. Choosing the right mutual fund will provide a return as expected, it also requires a perspective and proper analysis anyway. There are several considerations that must

be considered investors when investing in mutual funds. The main consideration for investors in general is the performance of mutual funds. Another consideration is the risk, the cost, the level of prices or often referred to as the Net Asset Value (NAV)/unit, the amount of assets managed by mutual funds (mutual fund size), as well as investment reports and communications with the investment manager (Pratomo and Nugraha, 2009).

Investors in determining the choice of investment in mutual fund must make an assessment of its performance. Performance is an interesting object to be studied, especially for investors who want to invest through mutual funds. Fund performance measurement can be performed using a model or parameters that can be universally accepted which is often attributed with return and risk (risk-adjusted performance), both total risk (Sharpe Ratio) and systematic risk (Treynor Index and Jensen Alpha). This is because the measurement of the performance of mutual funds without taking into account the element of risk would likely produce misleading information for investors.

Information on the return and risk of a mutual fund can be obtained through a prospectus provided by the Investment Manager. Development of information technology is very fast, makes the Internet has become one of the essential communication tool to convey such information. Internet has affected the traditional forms of presentation of information, so that information about the performance of mutual funds are accessible to all investors globally, than through traditional means, by various hand such as creditors, shareholders, and analysts (Ashbaugh et al., 1999). The Internet is an alternative media that can be used to perform investor relations activities more efficiently. Internet in this case combines the quality of information that can be provided to investors with a more economical cost in providing such information.

Survey from Carol (1999 in Khan, 2006) to 1000 major companies in Europe, showed that 67% of companies already have a website and 80% from companies that have the website reveal the financial statements on the Internet. By 2006, more than 70% of big companies in the world apply the IFR (Khan, 2006). The Internet offers a unique form of disclosure to the media of the company in providing information to the public as soon as possible (Abdelsalam et al., 2007). On this basis appears an additional media in the presentation of the financial statements via the internet or the website, commonly called the Internet Financial Reporting (IFR). Disclosure of financial information on the company's website (IFR) is a voluntary disclosure form that has been practiced by various companies.

Lack of information on mutual funds, will be a weapon for investors to protect themselves by providing a low price for the fund. Therefore, the Investment Manager may increase the value of the company by reducing the information asymmetry. One way to reduce the information asymmetry is to provide reliable financial information that will reduce uncertainty about future prospects of mutual funds (Wolk et al., 2000, in Sari and Zuhrotun, 2006). Despite there is no certainty that a good fund performance will equal past performance of mutual funds in the future, but a good mutual fund in the past likely to have a good performance also in the future. Each type of mutual fund has a different performance, depending on how the investment manager to manage.

Based on these descriptions, the research was conducted to further investigate the performance of mutual funds are assessed by the Sharpe method, Treynor method and Jensen method and its influence on the Internet Financial Reporting (IFR) and the market value of

the fund. The time period of the research is the year 2014. This research used a sample of Islamic mutual funds which active in Indonesia.By doing this research, it expected to provide an overview of mutual funds and can provide information to the Investment Manager on the effect of the performance of mutual funds that they manage on IFR and its the market value, so that the Investment Manager may determine the steps that should be taken to improve the performance and the mutual funds market value. The results of this research can also be used as a reference for investors to choose which Mutual Fund to be selected as a place investment and what is the proper method to assess the performance of the fund. In addition, the information contained in this research is expected to create curiosity for researchers, both researchers who already know and researchers who do not know about mutual funds and how to measure its performance.

RESEARCH METHODS

The variables that will be examined in this research consist of two kinds of variable, namely dependent and independent. Variables used in research as seen in Table 1.

Data used in this research are secondary data and the technique of data collection is by documentation, which is studying the documents or data required, followed by recording and counting. The time of data collection used in this research is cross section data, which is data that collected at a part of the time that usually describes circumstances or events at any given time. Population used in this research is all sharia equity mutual funds active in 2014.The selection of the sample in this research is purposive sampling. From the total 22mutual funds into the study population, sampling is done with a variety of criteria to the research problems, as seen in Table 2.

Table 1.Variables Used in Research

No	Variable	Definition	Data Source	Scale
1	Market Value	Measured by net asset value divided by the total outstanding investment units	NAV/Unit	Nominal
2	Mutual Funds Performance	Measured by using the third fund performance assessment methods to test the concordance, but in only one path analysis method among the three	Sharpe Method, Treynor, andJensen	Index
3	IFR	Reporting mutual funds information via the internet or the website	Mutual Fund Website	Nominal

Table 2.Sampling Selection

Notes	No of Mutual Funds
Active sharia mutual funds in 2014	22
Mutual funds are excluded from the sample, because:	
- has not run at least 1 year	(7)
- incomplete data	(1)
Total sample	14 mutual funds

Source: OtoritasJasaKeuangan (data has been processed, 2015)

Based on the empirical findings, the hypothesis proposed of this research are:

H$_1$: Mutual fund performance as measured by Sharpe method, Treynor method and Jensen method are aligned.

H$_2$: Mutual fund performance has significant influence on Internet Financial Reporting (IFR)

H$_3$: Mutual fund performance has significant influence on mutual fund market value through Internet Financial Reporting (IFR)

Based on the hypothesis development, then model of this research is as follows figure 1.

The data analysis is performed using path analysis which allows including all the variables observed in accordance with the existing theoretical models. According to Robert D. Retherford (1993), path analysis is a technique for analyzing a kind of causal relationship that occurs in multiple regressions when the independent variables affect the dependent variable not only directly but also indirectly. Before doing the multiple regression analysis, the classical assumption (normality, heteroscedasticity, and multicollinearity) needs to be tested first, so that the sample data are processed can truly represent the population overall. In this research, a statistic used in the AMOS program is regression weight. The tests include hypothesis and determinant coefficient test.

RESULTS AND DISCUSSION

This research consists of four variables; those are mutual fund performance, IFR, and market value. The samples used in this research were a total of 14 mutual funds in accordance with the considerations in sampling. These mutual funds as seen on Table 3.
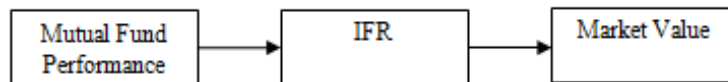

Figure 1. Research Model

Table 3. Sample Research Companies

Code	Name of Mutual Fund	Effective Date
0086363	TRIM SyariahSaham	December 26, 2006
0085530	Batavia Dana SahamSyariah	July 06, 2007
035600493431	PNM EkuitasSyariah	July 26, 2007
0085480	CIMB Principal Islamic Growth Syariah	August 06, 2007
0084863	MandiriInvestaAtraktifSyariah	December 19, 2007
0082594	CiptaSyariah Equity	April 16, 2008
035600022436	Manulife SyariahSektoralAmanah	January 16, 2009
0087411	Panin Dana SyariahSaham	June 20, 2012
BIGDM	MNC Dana SyariahEkuitas	December 13, 2012
000D4F	SAM Sharia Equity Fund	December 27, 2012
00D54U	LautandhanaSahamSyariah	December 27, 2012
HKRDOSEF	OSO Syariah Equity Fund	August 23, 2013
0088336	Avrist Equity 'Amar Syariah	September 30, 2013
0088310	Sucorinvest Sharia Equity Fund	October 22, 2013

Source: OtoritasJasaKeuangan (2014)

Sample that collected and documented before did classical assumption test to rate research model which used is feasible or not. The classical assumption must fill because data used in this research are parametrically, but not all classical assumption test must be done at regression analysis. If analyzed data is cross section, it does not need auto-correlation heteroscedasticity test because the test is done to detect errors when the data is not sequential observation and detection of variance between observations, while for cross section dataobservation sequence is not important. Multi-collinearity test is also not required if the independent variables in the research only one because multicollinearity test is done to determine the correlation between the independent variables. Because data in this research is cross section, which means data has collected at a point of time that describes condition or activity at some period, then classical assumption test using in this research were pass the test which means had no problem at all.

Based on the results of testing hypothesis 1 to hypothesis 3, Table 4 summarizes the results of hypothesis tests.

The table 4 shows that the hypothesis 1, hypothesis 2 and hypothesis 3 are accepted. Acceptance or rejection of this hypothesis based on a significance value generated by each path. The hypothesis is rejected if the significance exceeds the limit of 0.05 or 5%, otherwise hypothesis is accepted if the significance is less than the limit of 0.05 or 5%.Path analysis diagram of this research is as seen in Figure 2.

Figure 2 shows a path analysis diagram which illustrates the results of hypothesis examination in this research. The figure listed in the diagram shows the regression coefficients (standardized regression weight) which show the influence within the variable in the research. Hypothesis 2 is accepted with mutual fund performance in effect IFR has standardized regression weight value is 90.15 and hypothesis 3 is accepted with mutual fund performance in effect marketvalue through IFR which has standardized regression weight value is 30.59.

Table 4. Summary of Hypothesis Test Results

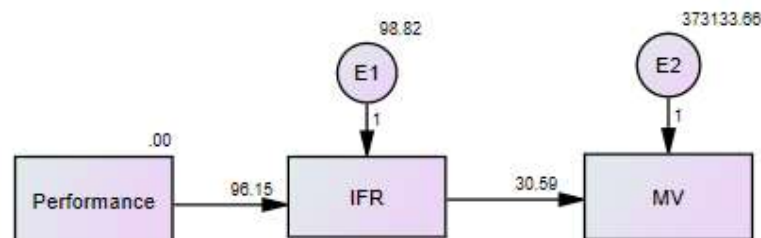| Hypothesis	Variable	Result
1	Mutual Fund Performance	Accepted
2	Performance→IFR	Accepted
3	IFR→MV	Accepted

Source: AMOS Output (data has been processed, 2014)

Figure 2.Path Analysis Diagram

Basically, fund performance measurement conducted to evaluate a portfolio quantitatively and qualitatively. The measurement results will show the manager's success in achieving the investment objectives that have been set and can also be used to perform a comparison with a benchmark or other portfolio. Fund performance assessment is not solely based on the rate of return (return) is obtained, because the position or rank the performance of a mutual fund depends on the target level of risk that is contained in the mutual fund portfolio, the comparison with the performance of the market today, and the level of expertise Investment Manager (Haugen, 1993 in Evi 2005).

From the research result, known that mutual fund performance which measured using Sharpe method, Treynor method, and Jensen method are aligned or no difference. Probability value resulting by the three methods was 0.000 (less than 0.05). These results conflict with the research conducted by SteffyJulianti (2012) which shows the difference in mutual fund performance were measured using the method of Sharpe, Treynor, and Jensen. Although there is one similarity that is a mutual fund that outperform most well during 2006 and 2007 were mutual fund of Trim Capital, while in 2008 occupied by Si Dana Saham.

This research also analyzes the effect of mutual fund performance on the financial reporting through the internet which commonly called Internet Financial Reporting (IFR). Provision of business and financial information over the Internet can also improve the efficiency of capital markets and investor relations (Lybaert, 2000).The Internet is an alternative media that can be used to perform investor relations activities more efficiently. Internet in this case, combining the quality of information that can be provided to investors with a more economical cost in providing such

information. With the Internet, information about return and risk of a mutual fund can be obtained through the prospectus provided by the Investment Manager.

Research results show that the mutual fund performance has positive influence on Internet financial reporting because it has a significant value of 0.024 or less than 0.05. This supports the theory that there is a tendency agency for investment managers to report something in a certain way in order to maximize their utility (Mursalim, 2005), in this case the relationship with investors and prospective investors. The better performance of a mutual fund will make investment managers reported the tendency of the performance of mutual funds over the internet higher.

In addition, the results showed that the mutual fundperformance have a significant effect on the market value of mutual funds through the Internet Financial Reporting (IFR). Mutual fund performance is said to affect the market value through IFR because it has a significant value of 0.034 or less than 0.05. The results of this research support the research Beaver (1968 in Lai et al, 2009) which states that the information about company's earnings announcement may lead to changes in stock prices because the information is useful information for investors. Similarly, mutual funds, it can be said that any information can affect the market value of a mutual fund.

Although there is no certainty that a good mutual fund peerformance in pass will equal with mutual fund performance in the future, but a good mutual fund performance in past have a chance to have a good performance also in the future even though each type of mutual fund performance is different depending how investment manager to manage. Lack information about mutual funds will become a weapon for investors to protect

themselves by providing a low valuation for the fund. Therefore, the Investment Manager may increase the value by reducing information asymmetry by providing reliable financial information that will reduce uncertainty about future prospects of mutual funds (Wolk et al., 2000, in Sari and Zuhrotun, 2006).

The research result also supports signaling theory that suggest about how investment manager should provides a signal to the stakeholder. This signal contains information about what management had been done to realize the desire of investors. The signal can be either promotional or other information that states that mutual funds are better than other mutual funds.Meanwhile, the efficient market theory states a market said to be efficient if no one, both individual investors and institutional investors, will be able to earn abnormal returns (abnormal returns), after adjusting for risk, using existing trading strategies (Fama, 1969). That is, the price, volume and frequency of shares that are formed in the market are a reflection of existing information. Similarly, mutual fund, the value formed in the market is a reflection of information (both financial and non-financial) which reported to investors and potential investors.

CONCLUSSION

Overall, it can be concluded that the three methods of assessment fund performance is aligned andhas an impact on IFR and mutual fund market value.The better the performance of amutual fund will tend to improve financial reporting conducted by the investmentmanager delivered to investors and potential investors.Information on what has been done by the management torealize the desire of investors can be the main point shows the mutual funds that they manage better than other mutual funds.

With a good performance ofmutual funds, the market value of mutual funds will be higher and this will trigger-potential investors to invest their funds into mutual funds and will be profitable. Although there is no certainty that a good mutual fund performance in pass will equal with mutual fund performance in the future, but a good mutual fund performance in past have a chance to have a good performance also in the future even though each type of mutual fund performance is different depending how investment manager to manage.

For further research, the recommendations are compare the effect of mutual fund performance on Internet financial reporting, and the market value of sharia mutual fund to conventional in Indonesia. This can be a reference for prospective investors that are still confused in choosing mutual funds for investment. Further research may use more samples so it can reflect more accurate research results and may develop the variables used. This is because the value of squared multiple correlations were obtained from the results of the analysis are relatively small, which shows that there are many factors outside the research that affect the Internet financial reporting and mutual fund market values, but was not used in this research.

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