INTERNET FINANCIAL REPORTING PRACTICES IN ASEAN COUNTRIES

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Abstract - The purpose of this study was to determine how the influence of Secrecy and XBRL status on the disclosure of Internet Financial Reporting (IFR) on company websites in the Association of South-East Asian Nations (ASEAN) region in 2017. This study is a quantitative exploratory study. Data was collected using a disclosure checklist that has been used by several previous researchers. The research sample is companies listed on the Stock Exchange in five ASEAN countries consisting of Indonesia, Malaysia, Singapore, Thailand and the Philippines. Data analysis using descriptive and inferential statistics using multiple linear regression equations as the primary model with the help of Lisrel 8 statistical tools. The results of the study revealed that secrecy has a significant effect on IFR disclosure, while XBRL status has no significant impact on IFR disclosure.

Keywords - Internet Financial Reporting (IFR), Association of South-East Asian Nations (ASEAN).

I. BACKGROUND

The era of the industrial revolution of generation 4.0 presents internet technology as a backbone of information. The internet can provide extensive information to who needs financial reporting in digital format, so that information is more easily accessed and can be used anytime and anywhere (Wang, 2015). Sharing and exchanging information through the internet is changing the world from conventional age to digitalization age. These changes not only enhance the global economy but also create new opportunities and new challenges for the business world (Bonsóna, Cortijo & Escobara., 2009; Rock, Hira & Loibl., 2010; Tu, 2012). The existence of the internet has resulted in the evolution of financial reporting from conventional designs in the form of printed annual reports to contemporary internet-based financial reporting (Lipunga, 2014). Internet-based reporting is commonly referred to as Internet Financial Reporting (IFR). According to Mooduto (2013), IFR is a mechanism for disclosing financial statements of companies through the internet or websites owned by companies.

Research on IFR began in 1996 and 1997 (Petravick & Gillett, 1996; Louwers et al., 1996; Lymer, 1997; Flynn & Gowthorpe, 1997) only one year after the existence of the internet began to be used as advertising media by companies (Allam & Lymer, 2003). The application of IFR in a company can be known through several classifications determined by previous researchers. According to Chan and Wickramasinghe (2006), companies that practice IFR are companies that disclose a complete set of financial statements including footnotes and audit reports, or links to their annual report documents on the internet. The companies classified have an IFR when they are publishing not only financial information but also comprehensive annual reports on the company's website. (Khan and Ismail, 2011).

Signalling theory explains that information about companies can reduce information asymmetry between investors and companies (Hargyantoro, 2010). Disclosure of data on the company's web is an effort to reduce information asymmetry or information mismatch between the company and outside parties. Study of Aly et al. (2010) revealed that 56 percent of companies in Egypt reported most of the information on the company's website. Several factors affect IFR, such as Secrecy and eXtensible Business Reporting Language (XBRL). Companies in the United States, both compiling financial statements must provide financial reports in the form of XBRL to the Securities and Exchange Commission (SEC).

Meanwhile, Indonesia has begun to develop preparations for the implementation of XBRL since 2012 (OJK, 2013). As an initial step in the application of XBRL, the XBRL taxonomy was published on 30 April 2014. The taxonomy was prepared following Financial Accounting Standards (SAK), International Financial Reporting Standards (IFRS), and Financial Services Authority (OJK) provisions. XBRL is a new technology that facilitates direct search and simultaneous presentation of related financial statements and footnotes information (Hodge & Maines, 2004). XBRL provides identification tags for business information to clarify the identification and comparison of data with other companies. The American Institute of CPAs (AICPA) places XBRL as one of the top ten technologies for accountants and auditing professionals (Peng & Chang, 2010). XBRL is believed to be able to improve the accuracy, reliability and efficiency of electronic business data electronic communications.

This XBRL has been implemented in several countries both in Europe, America and parts of Asia

and is used by IFRS as a medium for submitting financial statements. One of the main advantages of using XBRL is the data provided by the bank can be used for other information needs consistently and efficiently understood by other parties authorized for the data.

The data in XBRL binds with information from that data which is different from the data in the form of a regular database that must be searched for data structures to find out the meaning of the data (OJK, 2013). Besides XBRL, another factor that is thought to influence IFR is secrecy (confidentiality). The practice of privacy has been practised since the days of the world empire. Investors will entrust their investment funds to the capital market or banks in countries with high secrecy levels, such as Switzerland, Liechstein, Cayman Island, Panama and Singapore.

The Tax Justice Network in 2015 issued a Financial Secrecy Index (FSI), which contains secrecy indexes for 92 countries. It is defined that if the secrecy score is above sixty, then it is said to be high, whereas if it is equal to sixty or below, then it is categorized low. Countries that have high secrecy values tend to try and hide or not fully disclose relevant financial information (Geiger & Smith, 2010). Even though high financial secrecy will cause high information asymmetry, according to UNCTAD (2014) the development of significant Foreign Direct Investment (FDI), such as the ASEAN countries is used by some parties as an effort to avoid taxes. There are various ways done by companies to evade taxes, for example, by investing in tax haven countries, because these countries have meagre tax rates. Tax haven countries generally have strict regulations regarding financial secrecy (secrecy).

Research on IFR or company disclosures via the web for more specific reports, namely financial statements, has been done a lot, not only in Indonesia but also in ASEAN countries such as Malaysia, Thailand, Singapore and the Philippines. Akbar, Anggoro, and Daljono (2014) revealed that disclosure of information on the company's web is a company's effort to reduce information asymmetry or information mismatch between the company and outsiders. Web media is a great benefit for companies to disclose as much information as possible so that investors can judge which companies are good and which are bad. Cheng, Lawrence and Coy (2000) stated that 32 (80%) of the 40 companies in Thailand already have websites, and 70% have submitted their financial reports on websites.

Research by Handayani and Almilia (2013) only compares the quality of IFR between companies listed on the Singapore stock exchange and companies listed on the Malaysian stock exchange. Meanwhile, Debreceny et al. (2002), Suripto (2006), and Chariri and Lestari (2007) focus more on examining the factors that influence the adoption of IFR. While research considering the effect of Secrecy and XBRL Status on IFR Disclosure in five ASEAN countries has never been done. Thus, this research is essential to provide empirical evidence of the relationship between Secrecy and XBRL Status on IFR disclosure. Research findings are expected to contribute to the limitations of the literature discussing the relationship between Secrecy and XBRL status with the current IFR disclosure.

II. LITERATURE REVIEW

Internet Financial Reporting (IFR)

Asbaugh et al. (1999) state that Internet Financial Reporting (IFR) is seen as an effective means of communication to customers and investors. IFR is referred to as voluntary disclosure through the media or tools used (Barac, 2004). IFR is the inclusion of company financial information via the internet or website (Lai et al., 2010). According to Almilia (2009), the advantages of implementing IFR first is the use of the internet as a medium for delivering financial statements is cost saving for companies because they no longer need to print financial reports using paper.

The process of distributing financial statements to interested parties is also more efficient and real-time because it can be directly obtained via the internet. Second, the ease of accessing the latest information. Every investor can access financial statement information quickly and easily wherever and whenever they want. Third, it provides a two-way communication medium between company management and website visitors. IFR is a modern technology that was introduced in the area of financial reporting (Moradi et al., 2011). Information disclosed in IFR must reflect complete, comprehensive conditions and show the actual terms of the company so that that information can be useful for investors (Maryati, 2014).

Secrecy

Gray (1988) explains that secrecy is an accounting value that chooses to safeguard information and does not provide disclosures about a business activity. Secrecy tends to prevent disclosure to external parties. Meanwhile, Radebaugh and Roberts (1990) revealed that secrecy is an activity that is consistent with uncertainty avoidance to avoid disclosure to external parties so as to reduce company security.

The Tax Justice Network (2015) issued Financial Secrecy Index (FSI) for 92 countries, where if the secrecy score is above 50 then it is said to be high, whereas if it is equal to 50 or below then it is categorized as low. Geiger and Smith (2010) revealed that countries that have high secrecy values tend to

try and hide or not fully disclose relevant financial information. Some methodologies used by the Tax Justice Network (2015) in calculating the secrecy index are: (1) Banking secrecy, (2) Recorded Company Ownership, Public Company Accounts, (4) Country by Country Reporting, (5) Efficiency of Tax Administration, (6) Anti-Money Laundering, (7) Automatic Information Exchange, and (8) International Transparency Commitments.

XBRL status

Extensible Business Reporting Language (XBRL) is an electronic communication language that is universally used for the transmission and exchange of business information to perfect the process of preparation, analysis, and accuracy for various parties who provide and use business information (IDX, 2018).

Research Hypothesis

Companies in the Gulf Cooperation Council (GCC) countries are still hiding important information from shareholders due to a culture of confidentiality so that IFR disclosure practices are harmful and can harm shareholders (Ariff, Bin-Ghanem, & Hashim; Halawi & Awan, 2008). Thus, researchers hypothesize:

H1: Secrecy influences Internet Financial Reporting Disclosures.

IFR creates the need for standardization. The development of XBRL is carried out to standardize the information format. Standardization is needed because IFR can be accessed by anyone and anywhere so that it influences financial decision making for stakeholders, including shareholders, auditors and regulators (Rosmaini et al., 2009; Sayidah, Nurhayati, & Handayani, 2016). Yassin's study (2017) empirically proved that policymakers and regulators began to consider building a voluntary IFR disclosure framework using internet-based XBRL technology.

Companies can further expand their financial information disclosure capabilities (IFR) through the use of XBRL technology (Sheridan & Drew, 2012; Kuruppu, Oyelere, & Jabri., 2015). This technology is increasingly being used by companies to spread financial information quickly throughout the world. Thus, researchers hypothesize:

H2: XBRL status influences Internet Financial Reporting Disclosures

III. RESEARCH DESIGN AND METHODS

Research design

This research on internet financial reporting (IFR) uses a scientific method (quantitative) approach that emphasizes the testing or verification of deductive theories that form the basis of solving research problems.

Data collection

This research was conducted in Indonesia. Data used in this study are secondary data obtained through (1) ASEAN (Indonesia, Malaysia, Singapore, Thailand, and the Philippines) company website, (2) Corporate audit Financial Statements, (3) Reports Company Annual Report, (4) Journal articles, (5) Books that support this research.

Data analysis

The analytical model used in this study is the multiple linear regression analysis models. The equation of the multiple linear regression analysis used in this study is:

$$IFR = \propto + \beta 1.SECRECY + \beta 2.XBRL + \varepsilon$$

IV. FINDINGS AND DISCUSSION

Hypothesis testing

Effect of Secrecy and XBRL Status on Internet Financial Reporting (IFR)

Hypothesis testing is done using the help of the Lisrel application. The following are the results of testing the hypothesis shown in Figure 2.

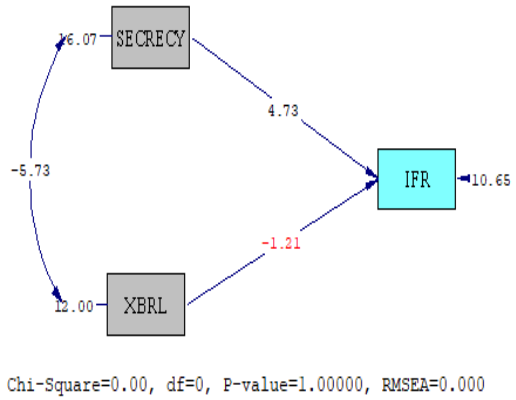


Figure 2. Hypothesis Testing

The results of hypothesis testing, as shown in the data in Figure 2, can be explained as follows:

1. Effect of Secrecy on IFR Disclosures.

The calculation results obtained at-count of 4.73, greater than 1.96 so that H0 is rejected, and H1 is accepted.

Conclusion Secrecy has a significant positive effect on the disclosure of Internet Financial Reporting (IFR).

2. Effect of XBRL Status on IFR Disclosures.

The calculation results obtained t-count of -1.21, smaller than -1.96 so that H0 is accepted, and H1 is rejected.

Conclusion XBRL status has no significant positive effect on the disclosure of Internet Financial Reporting (IFR).

Next, to find out the magnitude of the effect of each independent variable and XBRL status on IFR, an estimation of the impact of the variable shown in Figure 3 is tested.

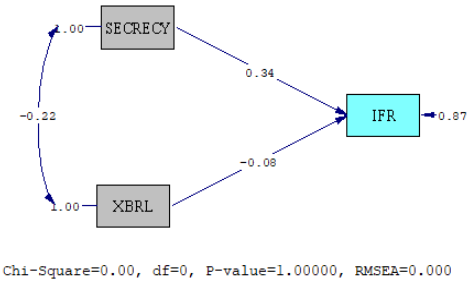


Figure 3. The estimated amount of influence between variables

Data in Figure 3 shows the magnitude of influence between research variables, which are explained as follows:

1. SECRECY → IFR has a significant effect of 34% at an error rate of 5%, and a significance of 95%.
2. XBRL Status→ IFR has no significant negative effect of 8% at an error rate of 5%, and a significance of 95%.

V. DISCUSSION

Effect of Secrecy on IFR Disclosures

Based on the results of hypothesis testing shows that the higher the level of secrecy, the higher the level of IFR disclosure. This finding supports the study of Houqe, Monem and Tareq (2013) which states that companies in countries with high secrecy levels tend to report higher disclosures as well, especially for countries that mandatory implementing IFRS. The findings of this study refute the study of Geiger and Smith (2010), which states that countries that have high secrecy values end to try and hide or not fully disclose relevant financial information. According to Akbar and Daljono (2014) that disclosure of information on the company's web is an effort of the company to reduce information asymmetry or information mismatch between the company and outsiders. Web disclosure (IFR) is a great benefit for companies to disclose as much information as possible so that investors can judge which companies are good and which are bad. Cheng, Lawrence and Coy (2000) stated that 32 (80%) of the 40 companies in Thailand already have websites, and 70% have submitted their financial reports on websites.

Effect of XBRL Status on IFR Disclosures

Based on the results of hypothesis testing shows that the longer the application of XBRL, the lower the level of IFR disclosure of the company. The results of this study are not following the statement expressed by Asbaugh et al. (1999), which states that IFR is seen as an effective means of communication to customers and investors. Thus, it can be said that XBRL can assist companies in disclosing various company information through the company's website.

VI. CONCLUSION

Based on the results of research on secrecy and XBRL status on IFR disclosure, it is concluded; first, Secrecy has a significant positive effect of 34% on IFR disclosure. Second, XBRL status has an insignificant negative effect of 8% on IFR disclosure. Referring to the results of the research, suggestions that can be delivered related to the impact of secrecy and XBRL status on IFR disclosure are for companies that have implemented IFR can be further enhanced associated with the delivery of information through the media website even though the secrecy level is high. Likewise with the status of XBRL, where for a long time the company has implemented XBRL is expected to help the company in increasing the disclosure of company information through the company's website because it will be beneficial for users of company information.

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