Corporate Internet Reporting of Banking Industry and LQ45 Firms: An Indonesia Example

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Abstract:

The technology revolution, in particular the advent of computer technology, has significantly impacted accounting practice and accounting communication. Many companies are now utilizing the advantages of the Web for disseminating financial information. Users of company information can benefit from cost savings in printing and distribution while broadening their disclosure. Users can benefit in a variety of ways depending on the extent to which the capabilities of the medium are exploited. Possibilities include enhanced timeliness, ease of access and search, and improved facilities for data extraction, automatic comparisons, and analysis. The ability of the medium to handle the reporting of greatly expanded information fits well with recent calls in accounting for increased disclosure of a broad range of information.

The purpose of this study was to measure the quality of Internet Financial Reporting of the banking sector and LQ-45 frims on the Jakarta Stock Exchange. An index was developed by basing closely on the work of Cheng et al. (2000) who had devised their framework from three stages of website financial reporting as identified by Lymer et al. (1999). The index developed by Cheng et al. (2000) tended to favor the importance of technology rather than the content of financial statements. Therefore, in order to add weight to content over technology enhancements, the index criteria were divided into four parts and assigned weights – content (40%), timeliness (20%), technology (20%) and user support (20%).

The sample consist of 19 banking sector and 35 LQ 45 firms. The statistic method used to compare internet financial reporting between banking sector and LQ 45 firms is independent sample t-test. The result show that banking sector have highest score on technology and user support component than LQ 45 firms.

Keywords: internet financial reporting, website, traditional financial reporting, internet, financial statement, technology.

Introduction

In recent years there has been an extensive growth in the use of the internet. Many companies have set up their own websites to publish information. This type of disclosure is voluntary and unregulated by professional bodies and institutions in many countries, particularly developing countries. In most cases the information disclosed on the Web has already appeared in printed forms.

Using a corporate website to disclose financial and business information has become commonplace for most firms. Communication possibilities that go far beyond that achievable by traditional means is the advantage offered by web-based corporate reporting. However, the mere existence of a corporate websites does not automatically mean that the quantity and quality of information available is of a uniform high standard. In many ways, the development of internet financial reporting (IFR) during the last decade mirrors the development of accounting practice up to the 1960s in that, over time common practices have emerged, have become the norm, and are underpinned by an assumption that the "best" practices survive. IFR continues to evolve based on common practices rather than prescribed standards.

By placing financial information on the firm's website, users can search, filter, retrieve, download, and even reconfigure such information at low cost in a timely fashion. But Internet financial reporting is not restricted to static texts and graphs. It allows for hyperlinks, search engines, multimedia, and interactivity. For example, users may be allowed to customize the contents of financial reports to match their demands or to define user-specific trigger events for reports. Even more use of interactivity would be a dialogue reporting by which users could specify information demands based on information they received previously.

Firms can learn from tracking users' information request or specific user demands, which users can pose either anonymously or by filling in some kind of access identification. Access statistics are market-driven direct measures of the importance of information, and if interpreted carefully, can guide firms and also standards setters to react to the demand revealed by the user' behavior.

Software application offered by a preparer on the internet could allow firms to learn assumptions investors use in analyzing financial data.

The internet may also improve the availability of financial information within firms themselves. For examples, many of the processes that occur is distant places ca be automated and fed into a firm-wide information system. Reporting and consolidation is improved and speeded up ("fast close"). One opportunity is to increase reporting frequency from annual or quarterly to monthly, weekly, daily or even (almost) instant financial statements. The internet is a perquisite for high-frequency reporting, as the information should be provided immediately after the announcement release and will lose value fast if delivered to users too late relative to the length of the period it covers. A consequence of more frequent reporting could be that the users' focus on quarterly earnings may vanish, and with it the incentives of firms to manage them. However, it would require a major change in most accounting systems because events, such as updates of market price, estimates and judgments, would need to be entered on a real time basis as well.

The purpose of this study was to measure the quality of Internet Financial Reporting of the banks and LQ 45 firms on the Jakarta Stock Exchange. This study also comparing Internet Financial Reporting score of the bank sector and LQ 45 firms to explore which one group have a highest Internet Financial Reporting score. An index was developed by basing closely on the work of Cheng et al. (2000) who had devised their framework from three stages of website financial reporting as identified by Lymer et al. (1999).

Previous Research

Pirchegger and Wagenhofer (1999) analyze the use of the internet to present financial information by Austrian companies listed in the most liquid market segment of the Vienna Stock Exchange. Pirchegger and Wagenhofer (1999) covers two points in time, end of December 1997 and 1998. The scores of the companies are analyzed across firms and over time, and Austrian firms' scores are compared to those of the German DAX 30 companies. A comparison of

Austrian and German websites in 1998 shows that German websites do not substantially differ on average but are much homogeneous in the scores than Austrian ones. Hypotheses test provide strong evidence that the quality of Austrian websites rises with size and percentage of free float. These results do not hold for German companies' websites.

Ismail (2002) examine the extent of financial information disclosed on the internet by the Gulf Co-operation Council (GCC) countries. In this research using forward stepwise in logistic regression was undertaken to assess whether voluntary dissemination of financial information on the internet was related to firm size, leverage, and profitability. The result of this research show that the profitability of a firm to publish financial information on the internet does not only depend on Individual characteristic, but on a combination of interaction effects among firm characteristics (size, leverage, and profitability), industry type and country.

Oyelere, Laswad, and Fisher (2003) examine the voluntary adoption of the internet as a medium for transmitting financial reports and determinants of such voluntary practice by New Zealand companies. The result indicate the some determinants of traditional financial reporting such as firm size, liquidity, industrial sector and spread of shareholding are determinants of voluntary adoption of internet financial reporting (IFR). The other findings of this research show that the other firm characteristic such as leverage, profitability and internationalization do not explain the choice to use the internet as a medium for corporate financial reporting.

Wagenhofer (2003) examine two major economic effects created by the internet for financial accounting and disclosure. First, the internet changes the costs of information processes and with it the demand and supply of financial information in capital markets. Second, internet financial reporting creates a demand for standardization, which has been taken up with the development of XBRL. It is argued that while XBRL is designed to standardize only the format of information, it will also standardize contents. Finally, the issue of assuring high quality Internet Financial Reporting.

Andrikopoulos and Diakidis (2007) examine the characteristics and the determinants of internet reporting practices of companies listed in the Cyprus Stock Exchange. The research approach was based upon the construction of an Internet Reporting Index that captured the content of disclosure with respect to financial and corporate governance information. Exploring the potential explanatory power of long-established determinants of voluntary disclosure they found that a company's size significantly affected the extent of internet disclosure, whereas other traditional explanatory factors, such as profitability and leverage did not have any significant effect on the disclosure practices of the companies listed in the Cyprus Stock Exchange.`

Davey and Homkajohn (2004) reviews an empirical study into the extent and quality of Internet Financial Reporting (IFR) among the Top 40 Thai listed companies. By measuring the IFR of the top 40 Thai Companies is was shown that, while most companies in the sample had websites and provided financial data on their sites, Thai companies still lag behind those in other advanced economies in communicating with stakeholders via electronic means. Most companies did not take full advantage of the computer technologies to add value to the financial disclosures. Most companies employ a rather conventional web presentation, with text and static graphics, equivalent to a paper presentation. In addition, there is substantial variation in the quality and extent of Thai firms' IFR practices. Some firms provide a full set of annual reports, while some ones present only summary financial statement. Quality pertaining to timeliness also varied with just as many firms providing timely data, as those who present outdated information.

Trabelsi, Labelle and Laurin (2004) examine the impact of Internet Financial Reporting (IFR) on financial accounting theory by incorporating it into the general Gibbins, Richardson, and Waterhouse (GRW) disclosure-management framework. Trabelsi, Labelle and Laurin (2004) find that the financial information disclosed in Traditional Financial Reporting (TFR) , as compared with website disclosures of a random sample of Canadian companies, documents a significant differences between TFR and IFR as well as a wide variability among the sample firms in their

use of IFR content, format, and technology. Trabelsi, Labelle and Laurin (2004) interpret this variability in the incremental difference of IFR over TFR as an indication that a firm's ritualistic or opportunistic behavior under IFR is not different from its behavior under TFR. The strength of this conclusion is limited by the fact that we did not control for the firms' TFR disclosure positions, which are unobservable, other than by considering the incremental information disclosed under IFR over TFR.

Integration of the Internet Financial Reporting into Investor Relations

Generally, "investor relations" can be defined as the strategy of corporations with regard to communication targeting current and potential investors. The primary objective of investor relations activities is to provide information needed by investors in order to make capital allocation decisions. In addition, investor relations activities are seen as an instrument to reduce under or overpricing of corporation's shares. Especially with respect to the reduction of perceived under pricing, investor relations activities can be seen as a possibility to decrease the probability of unfriendly takeovers by giving value relevant information to market participants. According to the efficient market hypothesis a corporation may influence its market value by presenting new information to market participants.

The most common traditional instruments (without the use of internet) of investor relations in practice are the corporate report, the interim report, the annual general meeting, press and financial analyst conference, round table and one on one discussions as well as telephone conference calls. The internet can be seen as an alternative distribution channel for corporate information with the quality of combining cost reductions for the reporting corporation with additional benefits for the target groups.

On the other hand, new forms of communication that are inherent to internet technology become possible. Application of internet technology is possible in the following areas:

1. Distribution of corporate reports via the internet, thereby exploiting technology-specific presentation advantages using unlimited storage capacity.
2. Identification and tracking of users with the help of technology.
3. Provision of press releases and further information services.
4. Direct communication between the investor relations department and target groups, using features such as individual electronic mailings or mailing lists, online participation in company general meetings, analyst conferences or internet chat settings.

The main characteristic of the internet as a medium for investor relations is that almost every element of investor relations can be combined within this medium. It is not surprising that corporations use internet technology within their investor relations activities to a growing extent. In summary, the internet offers the facility to provide all interested groups with information to make well-informed, timely investment decision thus reducing the information advantages of institutional investors and information intermediaries.

Information Quality

The quality of financial disclosures on the internet is an important issue. Unreliable financial information on the internet is less relevant or irrelevant for rational users, and can have detrimental impact on other users. Financial information generally has a higher degree of trustworthiness than other information because it is embedded in corporate governance mechanisms, and it is subject to auditing and enforcement. A major advantage of the internet it is flexibility, which, however, creates a disadvantage for credibility and authenticity. Data can easily be changed, often without leaving a trace, particularly if the website is dynamically linked with an underlying database. New information can be communicated not only by adding that information, but also by replacing the original information. For example, in the light of new events, why not revise a previous forecast in the latest directors' report? What about just changing the wording in the financial statements, at least for a few critical days?

Often, it is not so much the fact that data can be manipulated by a company, rather is it conscious selection of which data a firm provides via the internet. Hyperlinks can be included to point to various other sources, including the auditor's report, which may or may not be appropriate in the context, or to external sources like a favorable analyst report. With XBRL, firms may have incentives to become creative in their tagging: For example, because investors will be tempted to work with the data provided by the extracting software, and without double checking all details, a company that wishes to hide a certain piece of information may well attempt to not tag it, to place it in a certain tag, or to define an individual tag. To assure the quality of disclosures, the auditor would have to check whether the assignment of tags was meticulously performed.

Another issue affecting information quality is the security of the website. It may be difficult to control who has access to the website or its underlying database. Needless to say, fraud hostile intruders, and hackers can and do find holes in the security net and alter data without knowledge of the company.

Issues like these suggest that financial disclosure provided via the internet is less credible than is information from other company source. The credibility is not only of concern to companies and users, but also to auditors and regulators.

One way to cope with these concerns is to restrict the opportunities the internet offers to those that are less affected by such possibilities. For example, auditors may decide not to allow links to and from the auditor's report, or to require that it be stored on the auditor's own or on an official registrar's website. Actually, the most common practice is to provide the annual report in a read-only facsimile version (e.g., in Adobe's PDF format). Such formats can be interpreted as assuring the internet user of the boundaries and quality of the information.

If firms were to produce real time reports or allow users to access raw data, auditors would have to change their audit procedures from mainly outcome-related to continuous, process-related audits. That is, since the data are dynamically changed during the course of the business, the audit would have to attest to the system of data entry rather than the result. This system includes the processes, preparation, and integrity of the data. The auditor could also be asked

to actively monitor the client's website or to keep track of changes of particular pages. Currently, there are no auditing standards that adequately address these issues. For example, the AICPA maintains that websites are not "documents", which implies that auditors are not required to read such information. However, currently, not all corporate disclosures are audited. In fact, most disclosures other than annual financial statements are unaudited, and so could be internet disclosures. Some stock exchange and regulators have issued guidelines which include certain principles that financial disclosure on the internet should follow. In the future, we can expect to see increasing regulation of financial disclosure in the internet.

Research Method

The purpose of this study was to measure the quality of Internet Financial Reporting of the banks and LQ 45 firms on the Jakarta Stock Exchange. This study also comparing Internet Financial Reporting score of the bank sector and LQ 45 firms to explore which one group have a highest Internet Financial Reporting score. This study compare banking sector and LQ 45 firms because banking sector are fully regulated sector in Indonesia and LQ 45 firms are firms with highest stock trading. The statistic method that use to compare Internet Financial Reporting score between banking firms and LQ 45 firms are independent sample t-test. An index was developed by basing closely on the work of Cheng et al. (2000) who had devised their framework from three stages of website financial reporting as identified by Lymer et al. (1999).

The index developed by Cheng et al. (2000) tended to favor the importance of technology rather than the content of financial statements. For example, a company that disclose a full set of financial statements in pdf format for one year could gain only 6%. This score to be too low when compared with the usefulness of the content. Therefore, in order to add weight to content over technology enhancements, the index criteria were divided into four parts and assigned weights – content (40%), timeliness (20%), technology (20%) and user support (20%). Three new items were added to the checklist, namely company address,

and language, under content, and proper disclaimer under timeliness. IFR disclosure instruments are content, timeliness, technology and user support.

Content, this category includes the components of financial information from statement of financial position, cash flow through shareholder information and social responsibility disclosures. Financial information disclosed in html format scores higher (2 points) than disclosure in pdf format (1 point), since the former makes better use of the web technology and as a result it is easier for users to access effectively. A copy of the content index is attached as Appendix 1.

Timeliness, since the web can provide information in real time it is important to find out the extent to which this facility is utilized. These real time data include press release, unaudited latest quarterly results, vision/forward-looking statements, and charts of future profits forecast. For disclosure of press releases and stock quotes, there is an added score for the recently of information (on a scale from 0 to 3). Companies receive a score for disclosing unaudited quarterly results and vision statements and a score is also given for appropriate disclaimers. This is included since companies may face potential legal risk if they endorse the unaudited or forward looking statements and omit meaningful cautionary disclaimers. A copy of the timeliness index is attached as Appendix 2.

Technology, these item related to enhancements that cannot be provided by printed reports. Those items that uphold that quality of the electronic financial reporting and facilitate communication with site users score highly on the index. The elements are download plug-in on spot, online feedback, use of presentation slides, use of multimedia technologies (audio and video clips), analysis tools (for example, Excel's Pivot Table), advanced features (such as implementing an "Intelligent Agent" or XBRL). A copy of the technology index is attached as Appendix 3.

User Support, users' computer skills are different. Some of them are experts, some are novice. Those who do not have state-of-the-art technology may find themselves unable to use a site at all. Companies score is higher if they implement tools that facilitate use of the IFR irrespective of computer skills. The

tools scored in the index are: search and navigation tools (such as FAQ, links to homepage, site map, site search), number of clocks to get financial information (on a scale from 0 to 3), and consistency of web page design. A copy of the User Support index is attached as Appendix 4.

Result

Of the 23 listed banks, web sites were not identified for four ones. Thus 19 (82.61%) of the 23 listed banks were evaluated. The IFR index scores ranged from a low of 22% to the highest score of 64.50% with average sore of 44.34%. Only 4 banks (21.5%) scored more than 50%. The highest total score for banking sector is Kesawan Bank and the lowest total score for banking sector is Victoria Bank.

The LQ 45 firms that listed in Jakarta stock exchange, only 35 firms that use in this research because the rest is include in the banking sector. Thus 35 (77,78%) of the 45 listed firms were evaluated. The IFR index scores ranged from a low of 12% to the highest score of 55,50% with average sore of 39.98%. Only 5 firms (14.29%) scored more than 50%. The highest total score for LQ 45 firms is Telekomunikasi Indonesia firm and the lowest total score for LQ 45 Firms is Sumalindo Lestari Jaya firm.

The current state of the 19 sample banks' and 35 sample LQ 45 firms web site is discussed, based upon the checklist, which is divided into 4 categories, namely, content, timeliness, technology and user support.

Table 1.
IFR Disclosure Scores

% Sore	No. of Sample		% of Sample	
Sample	**Banks Sector**	**LQ 45 Firms**	**Banks Sector**	**LQ 45 Firms**
100	-	-	-	-
90 – 99	-	-	-	-
80 – 89	-	-	-	-
70 – 79	-	-	-	-
60 – 69	1	-	5.27%	-
50 – 59	5	5	26.32%	14.29%
40 – 49	6	15	31.58%	42.86%
30 – 39	5	11	26.31%	31.43%
20 – 29	2	2	10.52%	5.71%
10 – 19	-	2	-	5.71%
0 – 9	-	-	-	-
Total	**19**	**35**	**100%**	**100%**

Content

All of the sample in the survey had financial reports on their websites, although these appear in very different forms. Of the 19 banks, 13 (68.42%) ones provided a complete set of period financial statement, namely annual reports and quarterly reports. Of the thirty five LQ-45 firms, 25 (71.43%) firms provide a complete set of period financial statement (namely annual reports and quarterly report) and 8 (22.85%) firms provide only annual reports and 2 (5.71%) firms not publish financial statement on the internet.

All of bank use Indonesian version to inform their information and 11 banks (58%) use bilingual version (Indonesian and English version). Of the thirty five LQ-45 firms, 26 (74.29%) use English version to inform their information and 3 (8.57%) firms use Indonesian version and 6 (17.14%) firms use bilingual version (Indonesian and English version).

The highest content score for banking sector is Kesawan Bank and the lowest content score for banking sector is Mayapada Bank. The highest content score for LQ 45 firms is Adhi Karya (Persero) firm and the lowest content score for LQ 45 Firms is Sumalindo Lestari Jaya firm. The number of banks and LQ 45 firms in the sample that provide complete content of financial reporting on their websites is shown in table 2.

Table 2.
IFR Content Disclosure Scores

% Sore	No. of Sample		% of Sample	
Sample	**Banks Sector**	**LQ 45 Firms**	**Banks Sector**	**LQ 45 Firms**
41 - 50	-	-	-	-
31 – 40	1	8	5%	23%
21 – 30	11	16	58%	45%
11 – 20	7	8	37%	23%
0 – 10	-	3	-	9%
Total	**19**	**35**	**100%**	**100%**

Timeliness

The number of banks and LQ-45 firms in the sample that provided timely information on their website is shown in table 3.

Table 3.
Disclosure of timely information

Timeliness	No. of Sample		% of Sample	
Sample	**Banks Sector**	**LQ 45 Firms**	**Banks Sector**	**LQ 45 Firms**
Press releases	17	32	89%	91%
Unaudited Latest Quarterly Results	18	30	95%	86%
Stock Quote	8	21	42%	60%
Vision Statement				
Existence	18	28	95%	80%
Disclaimer	0	2	0%	6%
Charts	3	1	16%	3%

The most frequent item of disclosure on bank websites was the Unaudited Latest Quarterly Result, Press Release and Vision Statement, being disclosed in 89% - 95% of the websites. And the most frequent item of disclosure on LQ 45 firm websites was the Unaudited Latest Quarterly Result, Press Release and Vision Statement, being disclosed in 80% - 91% of the websites. This was not particularly surprising since press release are generally text – only document that can be added to the websites without alteration or format subject. The final item in the timeliness category is the vision statement. Most of banks and LQ 45 firms

in the sample disclosed descriptive statement about future profit forecast or trends for the banks' performance.

Technology

As most banks in the sample provided their annual report in pdf format it was not surprising that most banks allowed the users to download pdf files, so that they could obtain financial information of the banks without any trouble. The result showed that direct e-mail contact and mailing list were quite common – around 74% of the banks and 3% of the LQ 45 firm in the sample allowed the users send e-mails to the banks.

Table 4.
Technology provided on bank website

Technology	No. of companies (%)	
Download plug-in on spot	0	0%
Online feedback	14	74%
Presentation slides	3	16%
Multimedia technology	1	5%
Analysis tools	1	5%
Advanced features (XBRL)	0	0%

In terms of presentation slides, 3 (16%) banks used presentation slide to present their annual meetings or companies' profile. The audio or video presentation of annual meetings, press gatherings or analyst conferences were generally not available on the sample companies' websites. In only of few cases (1 or 5%) did banks in the sample offer selections of corporate presentations, speeches at annual general meetings or addresses from analyst conferences.

Although the report in digital from provides investors with the opportunity to download files that can be used as input in computer-based analysis at very low cost, it is rather surprising that only 1 or 5% of the banks in sample provided analysis tools or allowed users to download data for analysis. One reason for the reluctance to allow users to create their own financial analyses may be an unwillingness to provide more information than can be found in the traditional paper-based reporting. In table 5, show that LQ 45 firms not use technology in

the internet such as download plug-in on spot, presentation slides, multimedia technology, analysis tools and advanced features (XBRL).

Table 5.
Technology provided on LQ 45 firm website

Technology	No. of companies (%)	
Download plug-in on spot	0	0%
Online feedback	1	3%
Presentation slides	0	0%
Multimedia technology	0	0%
Analysis tools	0	0%
Advanced features (XBRL)	0	0%

Although XBRL is emerging, and its benefits are quite obvious, such as shortening implementation times and alleviating errors, no companies in the sample were found to be using the XBRL format to create their website.

User Support

Table 6.
User Support provided on bank website

Technology	No. of companies (%)	
Help & FAQ	14	74%
Link to Home Page	19	100%
Link to Top	14	74%
Site Map	14	74%
Site Search	14	74%

The type and number of user support facilities on the banks' websites are shown in table 6. Even though FAQ is useful for companies in reducing the number of incoming e-mails, there are 14 (74%) banks in the sample offered FAQ on their websites. In this category, links to homepage and links to top were assessed. All of the banks in the sample provide a link to homepage on their websites, there are 14 (74%) banks provided a link to the top. This may be because many companies present their annual report in pdf format, which is incompatible with this technology. A site map is very useful as it can show the structure of the website on just one page. However, there are 14 banks provide

site maps on their websites. Relatively most banks (74%) provided a site search instrument on their websites.

Table 7.
User Support provided on LQ 45 firm website

Technology	No. of companies (%)	
Help & FAQ	3	9%
Link to Home Page	32	91%
Link to Top	1	3%
Site Map	19	54%
Site Search	20	57%

The type and number of user support facilities on the LQ 45 firms' websites are shown in table 7. Even though FAQ is useful for companies in reducing the number of incoming e-mails, there are 3 (9%) LQ 45 firms in the sample offered FAQ on their websites. In this category, links to homepage and links to top were assessed. There are 32 firms of the LQ 45 firms in the sample provide a link to homepage on their websites, and there are 1 (3%) firm provided a link to the top. This may be because many companies present their annual report in pdf format, which is incompatible with this technology. A site map is very useful as it can show the structure of the website on just one page. However, there are 19 firms provide site maps on their websites. Relatively most firms of LQ 45 firms (57%) provided a site search instrument on their websites.

Internet Financial Reporting Score Between Banks Sector and LQ 45 Firms

The difference of internet financial reporting score between banks sector and LQ 45 firms are shown in table 8. There are no differences on total score of internet financial reporting score between banks sector and LQ 45 firms. Table 8 show that technology and user support component have a significant differences for banks sector and LQ 45 firms. Technology component for banks sector (2.3684) have highest mean score than LQ 45 firms (0.0571). User support component for banks sector (12.4737) have highest mean score than LQ 45 firms (7.7429).

Most of the banks sector and LQ 45 firms in the sample do not take full advantage of the computer technologies and user support. Only one banks allow users to download financial information or provided analysis tool for users to make their own analyses. The common technology feature provided by the banks is the download plug-in spot, but none of the banks and LQ 45 firms in the sample provided download plug-in spot. Another common feature is online feedback. None of the banks used advanced futures (XBRL) to create their websites.

Table 8
Independent Sample t-test

No.	Component	Mean Score		t-value	Sig. (2-tailed)
		Banks Sector	LQ 45 Firms		
1.	Content	21.8684	23.8357	1.019	0.313
2.	Timelines	8.1053	8.3429	0.278	0.782
3.	Technology	2.3684	0.0571	-3.543	0.002
4.	User Support	12.4737	7.7429	-4.965	0.000
5.	Total Score	44.8158	39.9786	-1.620	0.111

Summary

Due to the dynamic business world, traditional paper-based corporate reporting is becoming less timely and thus less useful to decision makers. Firms must improve their communication strategy to be more efficient. With electronic-based reporting, the confines of the paper based reported are removed. The companies as the preparers can benefit from cost saving and improve their financial reporting strategies. The users can benefit by getting financial information in more breadth and dept. However, a significant benefit for the information consumers of Indonesian banks, is that the users can obtain financial information more easily than before.

By measuring the IFR of the 19 go public banks and LQ 45 firms in Indonesia it was shown that, while most go public banks and LQ 45 firms in the sample had websites and provided financial data on their sites. The survey findings show that the nature of IFR disclosure varies considerably across the sample banks. The variations in the content of the websites suggests that firms had different reasons

for establishing an Internet presence. Some website contain only product and service advertising. Most financial reporting is confined to pdf, which looks exactly like the paper-based annual reports. Apart from the lower cost consideration, this may be because the firms would like to protect themselves from legal risk in the event of providing uncorrected financial data to the users.

The result show that banking sector have highest score on technology and user support component than LQ 45 firms. Most of the banks and LQ 45 firms in the sample do not take full advantage of the computer technologies. Only one banks allow users to download financial information or provided analysis tool for users to make their own analyses. The common technology feature provided by the banks is the download plug-in spot, but none of the banks in the sample provided download plug-in spot. Another common feature is online feedback. None of the banks used advanced futures (XBRL) to create their websites.

With respect to user support, most go public banks and firms index their investor relation section on their homepages, so it relatively easy for the users to find their financial information. The linkage that most of the companies provide is a link to homepage. However, link to top, site search and site map are uncommon features. The majority of the banks' website were well-organized in terms of page layout and font type.

In Indonesia, firms are using IFR to supplement their traditional corporate reporting practice and engaging in IFR voluntary. Indonesian security regulation currently do not require firms to disseminate financial information on the internet. The lack of formal guidance and the huge differences in the nature and extent of reporting on the web are likely to raise issue concerning the comparability and reliability data. The national standards setters and regulators of accounting practices will not be able to continue to treat financial reporting on the internet as identical to traditional distribution channels of corporate data. The Indonesia government or other regulatory bodies should decide to introduce guidelines that provide both corporations and information users with a framework within which the exchange of data can take place with maximum of efficiency.

This study is restricted to the 19 go public banks and 35 LQ 45 firms listed on the Jakarta Stock Exchange in Indonesia during the study. So, conclusions at this stage should be restricted to go public banks and LQ 45 firms disclosure, and the same conclusion may not necessarily hold for the other sector not only in banking.

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Appendix 1.
The Content Index of IFR Disclosure Instruments

Index Items	Explanations	Score	Multiplier	Max
1. Component of Financial Information				
1.1. Statement of Financial Position				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.2. Statement of Financial Performance				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.3. Statement of Cash Flows				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.4. Statement of Movement in Equity				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.5. Notes to the Financial Statement				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.6. Disclosures of Quarterly Results				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.7. Financial Highlight/Year-in-Review				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
Growth rate, ratios, charts	1 = Yes, 0 = No	1	2	2
1.8. Chairman's Report				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.9. Auditors' Report				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.10. Stakeholder Information				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.11. Corporate Information				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2
1.12. Social Responsibility				
Pdf	1 = Yes, 0 = No	1	1	1
HTML	1 = Yes, 0 = No	1	2	2

2. Number of years/quarters Shown				
Annual Report	No. of years	1	0.5	2
Quarterly Report	No. of quarters	1	0.5	2
3. Past Information (HTML Only)				
Annual Report	1 = yes, 0 = no	1	1	1
Quarterly Report	1 = yes, 0 = no	1	1	1
Graph of Share Price	1 = yes, 0 = no	1	2	2
4. Language				
English	1 = yes, 0 = no	1	2	2
Other than English or Indonesia	1 = yes, 0 = no	1	1	1
5. Address (HTML only)				
Company Address	1 = yes, 0 = no	1	1	1

Appendix 2.
The Timeliness Index of IFR Disclosure Instruments

Index Items	Explanations	Score	Multiplier	Max	
1. Press Releases					
Existence	1 = Yes, 0 = No	1	2	2	
Number of days since last updated news	See note 1	1	1	3	Note 1: Press Release
2. Unaudited Latest Quarterly Result (3 = updated on the date of investigation)					
Existence	1 = Yes, 0 = No	1	2	2	2 = 1 week or less before the date of investigation
With proper disclaimer	1 = Yes, 0 = No	1	1	1	1 = 2 weeks or less before the date of investigation
3. Stock Quote (0 = news is updated more than 2 weeks ago)					
Existence	1 = Yes, 0 = No	1	2	2	
Updated in how many hours	See note 2	1	1	3	Note 2: Stock Quote
4. Vision Statement/Forward Looking Statement (3 = updated every hour or less)					
Existence	1 = Yes, 0 = No	1	2	2	2 = update every day or less
Proper disclaimer	1 = Yes, 0 = No	1	1	1	1 = updated every week or less
Charts of future profit forecasts/trends	1 = Yes, 0 = No	1	1	1	0 = updated every week or less

Appendix 3.
The Technology Index of IFR Disclosure Instruments

Index Items	Explanations	Score	Multiplier	Max	
Download Plug-in On Spot	1 = Yes, 0 = No	1	2	2	
Online Feedback	1 = Yes, 0 = No	1	2	2	
Use of Presentation Slides	1 = Yes, 0 = No	1	2	2	
Use of Multimedia Technology	1 = Yes, 0 = No	1	3	3	
Analysis Tools	1 = Yes, 0 = No	1	4	4	
Advance Features (XBRL)	1 = Yes, 0 = No	1	5	5	

Appendix 4.
The User Support Index of IFR Disclosure Instruments

Index Items	Explanations	Score	Multiplier	Max	
Help and Frequently Asked Questions	1 = Yes, 0 = No	1	2	2	
Link to Home Page	1 = Yes, 0 = No	1	1	1	
Link to Top	1 = Yes, 0 = No	1	1	1	
Site Map	1 = Yes, 0 = No	1	2	2	
Site Search	1 = Yes, 0 = No	1	2	2	Note 3: Number of Clicks to get to financial Info
Number of Clicks to get to Financial Info	See note 3	1	1	3	3 = 1 clicks
Consistency of Web Page Design	0 = poor, 1 = fair, 2 = good	1	2	4	2 = 2 clicks