Impacts of ownerships and control on internet financial reporting

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Impacts of ownerships and control on internet financial reporting

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Abstract

The objective of this study is to empirically investigate the impacts of ownerships (managerial ownership and institutional ownership) and control (number of independent commissioners, frequency of audit committee meeting, and audit committee competence) on Internet Financial Reporting (IFR). This study was conducted on manufacturing companies listed at the Indonesian Stock Exchange (BEI) in 2015-2019. This study used secondary data, namely annual financial statements which were accessed through the companies’ websites. The firm years counted 200 with 40 companies and 5 years of research duration. The dependent variable is IFR which analyzed the contents of the websites with the maximum score of 54. The independent variables are managerial ownership, institutional ownership, number of independent commissioners, frequency of audit committee meeting, and competence of audit committee. The results show that institutional ownership, frequency of audit committee meeting, and audit committee competence have significantly and positively influences on IFR. However, institutional ownership negatively affects IFR. Meanwhile, number of independent commissioners does not influence internet financial reporting.

Introduction

This study focuses on whether ownerships and control affect IFR. In this context, there are two types of ownerships, namely managerial ownership and institutional ownership. Also, control in this study involves number of independent commissioners, audit committee competence, and frequency of audit committee meeting. This issue is crucial to investigate since there are contradictions found among the previous research on company governance influences, including concentrated ownership, managerial ownership, board of directors, independent board of directors, as well as audit committee’s competence and meeting frequency, on IFR (Abdullah et al., 2017; Andriyani & Mudijianti, 2017; Asogwa, 2017; Bananuka et al., 2019; Barakat et al., 2020; Dolišek et al., 2014; Hezadeen et al., 2016; Kelton & Yang, 2008; Parlakkaya et al., 2015; Thangatorai et al., 2013; Yassin, 2017).

This study differs from the previous studies because the previous ones did not discuss much institutional ownership. Institutional ownership is included in this study because this type of ownership is believed to have more effective supervision toward the managers. The previous research was still limited to the study of the influence of audit committee characteristics on IFR, while this study investigates the influences of audit committee’s competence and meeting frequency on IFR. There is a significant increase in the use of internet-based technology in Indonesia. The data show that in 2017 as many as 143.26 million Indonesian people used the internet which equals to 54.68% of the total 262 million Indonesian population (APJII, 2017).
The internet is also utilized as the media alternative in business world to disseminate information like in IFR. Puspitaningrum and Atmini (2012) state that a company implements IFR based on some considerations, such as more updated information, efficiency and effectiveness, as well as information symmetry. The dissemination of financial information on the website also signs the third party that the information is accountable and reliable so that it will reduce the uncertainty of the company prospects (Wolk et al., 2016). Kaihatu (2006) argues that IFR is a form of information disclosure. The studies of IFR have been conducted in several countries including Malaysia by Hanifa and Rashid (2005) and Thangatorai et al. (2013), the United States by Kelton and Yang (2008), Kuwait by Alanezi (2009), Nigeria by Agboola and Salawu (2012) as well as Asogwa (2017), Bangladesh by Nurunnabi and Hessain (2012), France by Botti et al. (2014), Slovenia by Dolinšek et al. (2014), Turkey by Parlakkaya et al. (2015), Indonesia by Hanifa and Rashid (2005), as well as Andriyani and Mudiijanti (2017), Jordan by Yassin (2017), Uganda by Bananuka et al. (2019), and Palestine by Barakat et al. (2020).

Nonetheless, the results of those studies are contradictory one to another. Some studies mentioned that managerial ownership positively influenced IFR (Abdelsalam & Masry, 2008; Botti et al., 2014), but the others stated the opposite that managerial ownership negatively affected IFR (Thangatorai et al., 2013). Another contradictory issue is that institutional ownership is considered to have positive influence on IFR in the research conducted by Zadeh et al. (2018), but according to Andriyani and Mudiijanti (2017), the influence is negative on IFR. Also, independent board of directors is concluded to have positive effect on IFR in the studies by Abdelsalam and Masry (2008), Kelton and Yang (2008), Bin-Ghanem and Ariff (2016), and Asogwa (2017); however Thangatorai et al. (2013), Parlakkaya et al. (2015), and Yassin (2017) prove that the influence is negative. Meanwhile, Hezadeen et al. (2016), Barakat et al. (2020), and Zadeh et al. (2018) argue that there is no influence of independent board of directors on IFR. Moreover, the audit committee’s competence and meeting frequency also positively influence IFR (Botti et al., 2014; Ghanem & Ariff, 2016; Hezadeen et al., 2016; Kelton & Yang, 2008). However, Nurunnabi and Hessain (2012) state that the influences are negative, and Barakat et al. (2020) mention no influences of both aspects on IFR. This evidence motivates the writer to examine the influences of ownerships and company governance on IFR. Another drive is because there are still several companies which do not present their annual reports on their company websites.

Theoretically, this study would like to contribute to the assessment on the roles of independent commissioner and audit committee to encourage the company to publish its financial statements on the company website. The supervisory function of the independent commissioner and audit committee can push the company to be more transparent since both parties are paid to protect public interest. The economic resources already spent by the company for independent commissioner and audit committee can be returned in the form of encouragement for the company to present the company information on full-disclosure website. The study result is also to corroborate the Agency Theory which states that the existence of institutional ownership will strengthen the supervision process in a company. Secondly, the study will give a practical contribution in the form of information which will be very helpful for the shareholders to make decision. The information can also decrease the cost of capital since the information is immediately prepared and valid to help the users in the process of decision making. The third contribution is to be dedicated to the regulator namely Financial Service Authority (OJK) in order to be able to issue the regulation which mandates the companies to publish their financial statements on their websites. OJK can also revoke the regulation which obliges the companies to publish their financial statements on mass media with the consideration that the companies must publish their financial statements on their websites earlier before the documents submitted to OJK and Indonesian Stock Exchange (BEI).
Literature Review

Agency Theory is selected in this study since the research is related to supervision process which is directly conducted by independent commissioner and audit committee. Supervision can reduce the agency issues. Managerial ownership can also promote interest alignment between principal and agent. Furthermore, institutional ownership is also able to perform the monitoring on a company’s board of directors. Therefore, this might influence the IFR on website. The less the conflict tendency to occur, the more disclosed the information which can be gained by public through IFR. Jensen and Meckling (1976) explain the relation between agent (manager) and principal (business owner). There is a contract between one or more owners (principal) who delegate another party (agent) to perform the tasks on behalf of the principal and give the authority to the agent to make the best decision for the principal. In the delegation of authority to the agent, the business owners expect better company management to gain more profits (Rankin et al., 2012). The company governance exists due to the conflict of interests between business owner and manager because the manager might have different interest from that of the shareholders (owner).

Managerial ownership is a proportion of the entity stocks owned by the entity management. This type of ownership can create the same interests between manager and the shareholders, which is called alignment. However, at a certain point, this type of ownership can also create a strong conflict of interests between manager and shareholders, which is called entrenchment. Institutional ownership is a type of ownership where the stocks are owned by other institution in the same company. This institutional ownership is one way to reduce agency conflict. Independent commissioner has one main task that is to encourage the implementation of good governance principle in a company by performing the supervision function. The audit committee meeting is held to discuss the preparation of financial statements, to perform the company internal control, and to implement good corporate governance (Puspitaningrum & Atmini, 2012).

IFR is an act of presenting the company financial information on its own website. Lai et al. (2010) affirm that the information published on a website is very useful for the stock market actors in Taiwan. The stock prices change more swiftly for the companies which publish their financial statements on the company websites. Their study result also proves that the information published on the website can help stock exchange liquidity which signs that the financial statements users can make decision quickly. However, IFR is still voluntary in nature since, according to Almilia (2010), the publication of financial statements is not yet officially regulated in the developing countries such as Indonesia.

Previous Empirical Studies

Several previous studies still focused on the fundamental aspects of company which influenced IFR, such as what was conducted by Hanifa and Rashid (2005) who investigated the company size, leverage, growth, foreign ownership, and concentrated ownership influences on IFR in Malaysia from the companies listed at Kuala Lumpur Stock Exchange. Hanifa and Rashid (2005) found that the company size, leverage, growth, foreign ownership, and concentrated ownership positively influenced IFR.

In the next development, the study of IFR was extended to company governance and ownership. Kelton and Yang (2008) investigated the influences of shareholders rights, ownership structure, board of directors’ composition, and audit committee characteristics on transparency of information disclosure which was measured based on the level of IFR in the United States. The study used 3.488 samples of the companies listed at NASDAQ. The result of the study showed that corporate governance index, independent board of directors, audit committee characteristics, including financial specialist member and meeting frequency, positively influenced IFR. This study revealed that there was a positive effect of corporate governance mechanism which was implemented by the companies listed at NASDAQ to give an access and ease to public to get the
information on the company websites.

Alanezi (2009) studied the influences of family involvement in the board of directors, board size, and dispersed ownership on IFR in Kuwait. Alanezi (2009) discovered that board size affected IFR, while the other variables showed no impact on IFR. Agboola and Salawu (2012) conducted the research which focused more on the effect of dispersed ownership on IFR in Nigeria. Agboola and Salawu (2012) found that dispersed ownership did not affect IFR. Nurunnabi and Hossain (2012) empirically examined the influences of dispersed share ownership and proportion of audit committee size to the size of board of directors in the companies listed at Dhaka Stock Exchange and Chittagong Bangladesh. The results demonstrated that dispersed ownership proxied by non-family ownership positively affected IFR. However, audit committee negatively influenced IFR.

Thangatorai et al. (2013) performed a study of the impact of corporate governance mechanism on voluntary IFR in Malaysia. The study collected 265 samples of the companies listed at Malaysian Stock Exchange. The study showed an interesting result related to independence and family involvement in the board of directors which had negative influences on IFR. The variables examined involved independent board of directors, proportion of family members in the board of directors, and directors’ share ownership. Meanwhile, independent board of directors that has mastery on financial skill positively influenced IFR. Botti et al. (2014) examined the efficiency of independent board of directors and audit committee on the implementation of IFR in France. The audit committee components included members’ presence in the meeting and audit committee independence. The study which was conducted in the French CAC40 firms showed the result that independent board of directors and audit committee could promote the companies to perform IFR.

Dolinski et al. (2014) performed a study of IFR in the big companies in Slovenia based on the Slovenian Companies Act. They found that 52.64% of the big companies of Slovenia disclosed their financial information on their websites. Company size, concentrated ownership, regulations, and operational sectors influenced the implementation of IFR. The interesting thing found in the research results was that the big companies with the low level of concentrated ownership had the tendency to disclose their IFR. Parlakkaya et al. (2015) investigated the influences of managerial ownership, independent board of directors, as well as audit committee’s number of meetings and level of education on IFR in the public corporations in Turki as listed at Istanbul Stock Exchange. This study revealed that managerial ownership and independent board of directors negatively influenced IFR, while other main variables had no influences on IFR.

Hezadeen et al. (2016) studied the influences of board of commissioners, audit committee, concentrated ownership, and number of shareholders on IFR in Indonesia. The study took the sample from the manufacture companies listed at Indonesian Stock Exchange. The result showed that the competence of board of commissioners and audit committee as well as the board’s number of meetings positively affected IFR. However, the board size negatively influenced IFR. Other variables involving the independence, size, and activities of audit committee, concentrated ownership, and number of shareholders did not affect IFR. Abdullah et al. (2017) researched IFR at Indonesian Stock Exchange and revealed that company size and age, as well as public ownership positively influenced the implementation of IFR.

Andriyani and Mudjiyanti (2017) conducted research on the influences of profitability, leverage, independent commissioner, and institutional ownership on IFR in the manufacture industries listed at Indonesian Stock Exchange. The result of the study showed that profitability and leverage had positive influences on IFR. Meanwhile, the size of board of commissioners and institutional ownership negatively affected IFR. Asogwa (2017) carried out a study of the impacts of shareholder voting rights, managerial ownership, and independent board of directors on IFR in the banking industries listed at Nigerian Stock Exchange. The result was interesting because the voting rights of shareholders and independent board of directors positively influenced IFR, while managerial ownership negatively impacted IFR. Yassin (2017) investigated the company size,
profitability, leverage, separation of chairperson position from CEO position, size of board of directors, and independent board of directors’ effects on IFR in the public companies in Jordan. He found that all the independent variables except independent board of directors promoted the public companies in Jordan to implement IFR. Independent board of directors negatively affected IFR.

Bananuka et al. (2019) examined the effects of board on IFR in financial service corporations in Uganda. The data were collected using questionnaire. Bananuka et al. (2019) revealed that the roles of boards in the corporations encouraged the corporations to conduct IFR. Barakat et al. (2020) investigated the influences of directors’ educational background, independent board of directors, audit committee, public accounting firm, concentrated ownership on IFR of the public companies listed at Palestine Stock Exchange. Educational background, public accounting firm, and concentrated ownership had positive effects on IFR. Meanwhile, independent board of directors and audit committee did not affect IFR.

Hypothesis Formulation
Managerial ownership reduces agency conflict between agent and principal. This will reduce the agency cost Jensen and Meckling (1976). This also shows that managerial ownership functions to synchronize the interests of principal and that of agent. Therefore, managerial ownership can reduce the demand of shareholders to monitor the work of board of directors. Kelton and Yang (2008) argue that managerial ownership can be a substitute of the board of commissioners to affect IFR and will reduce the need for supervision and more transparent disclosure because of the larger percentage of managerial ownership. Thangatorai et al. (2013), Parlakkaya et al. (2015), and Asogwa (2017) prove that managerial ownership negatively affects IFR. This means that IFR will decrease as managerial ownership increases. However, the empirical studies performed by Botti et al. (2014) and Abdelsalam and Masry (2008) show that managerial ownership positively influences IFR which implies that increasing managerial ownership will also promote IFR. In regard to the contradictory results of the studies, the researcher corroborates the argument of Kelton and Yang (2008) that managerial ownership can be a substitute of the board of commissioners to influence IFR. Therefore, the first hypothesis is formulated as follows.

H₁: Managerial ownership negatively influences internet financial reporting.

Institutional ownership has an ability to control the management through effective supervision process. Larger institutional ownership results in more intensive monitoring by the institutional investors which in turn will reduce the agency conflict between principal and agent. Empirically, Zadeh et al. (2018) found that institutional ownership positively influences IFR. Nonetheless, Andriyani and Mudjiyanti (2017) show that institutional ownership negatively affects IFR. Sartawi (2016) does not find institutional ownership influence on IFR. Though there are some opposing results, the studies support the concept that the existence of institutional ownership in a company is good since it will promote the monitoring toward board of directors. Hence, the formulation of the second hypothesis of this study is as follows.

H₂: Institutional ownership positively affects internet financial reporting.

The presence of independent directors in the board of directors is purposed to protect the interests of non-controlling shareholders. Independent directors are to improve the effectiveness of supervision toward the board of directors through routine meetings of the company’s board of directors. This will prevent and reduce the agency conflict between principal and agent. In one-tier system, independent board of directors is equivalent to the independent board of commissioners in two-tier system. Indonesia subscribes to two-tier system. Abdelsalam and Masry (2008), Kelton and Yang (2008), Ghanem and Ariff (2016), and Asogwa (2017) found that independent board of directors positively influences IFR. Thangatorai et al. (2013), Parlakkaya et al. (2015), and Yassin
(2017) show that independent board of directors negatively influences IFR. Meanwhile, Hezadeen et al. (2016), Barakat et al. (2020), and Zadeh et al. (2018) demonstrate that independent board of directors have no influence on IFR. The results of the study are not consistent. The election process of independent commissioners in General Meeting of Shareholders is still influenced by the votes of controlling shareholders. Independent board of commissioners is deemed to be independent, yet it is still “steered” by the votes of controlling shareholders because the controlling shareholders can use their voting rights to replace the independent board of commissioners in General Meeting of Shareholders. Based on the elaboration, the researcher formulates the third hypothesis as follows.

H3: The size of independent board of commissioners influences internet financial reporting.

Audit committee, board of directors, and board of commissioners’ meeting frequency serves as a tool to control board of directors. Whenever there is a deviation in the financial reporting and company operations, audit committee can prevent it by giving its opinion during the meeting. This will minimize the conflict of interests between agent and principal since the existence of audit committee is to assist the board of commissioners in supervisory tasks. The frequency of meetings attended by audit committee can create effective corporate governance to reduce agency conflict.

Kelton and Yang (2008), Botti et al. (2014), Hezadeen et al. (2016), Ghanem and Ariff (2016) found that audit committee’s meeting frequency and competence positively influence IFR. In contrast, Nurunnabi and Hossain (2012) found that audit committee’s meeting frequency and competence negatively influence IFR. Barakat et al. (2020) demonstrate that both audit committee’s meeting frequency and competence do not have any influences on IFR.

More specifically, Ho and Wong (2001) as well as Puspitaningrum and Atmini (2012) reveal that audit committee’s meeting frequency has a positive impact on IFR. The frequency of audit meeting can improve IFR so that the shareholders can easily get and analyze the financial information to make decision. Although Yap et al. (2011) do not show that the frequency of audit meeting influences IFR, this study predicts that audit committee’s meeting frequency will push a company to implement IFR. Therefore, the fourth hypothesis is formulated as follows.

H4: Audit committee’s meeting frequency positively influences internet financial reporting.

The competence of audit committee also supports the effectiveness of supervision conducted by audit committee. The competence in accounting and finance will affect the capacity of audit committee to prevent the fraudulent actions in financial reporting and company’s financial resource utilization. Consequently, it will also influence the IFR quality of the company, so the IFR will not mislead the financial statements users. The competence of audit committee can prevent the unhealthy practices performed by the board of directors, and this will then reduce the agency conflict between agent and principal. A number of empirical studies such as those of Kelton and Yang (2008), Botti et al. (2014), Hezadeen et al. (2016), Ghanem and Ariff (2016), Nurunnabi and Hossain (2012), and Barakat et al. (2020) are related to the competence of audit committee which influences IFR, as already discussed previously. Even though Puspitaningrum and Puspitaningrum and Atmini (2012) do not find the relation between audit committee competence and IFR, this study predicts that the competence of audit committee can improve IFR. Hence, the fifth hypothesis of this study is as follows.

H5: Competence of audit committee positively influences internet financial reporting.

Research Method

The sampling method used was non-probability with purposive sampling technique based on the predetermined criteria, namely: (1) The manufacture company was listed at Indonesian Stock Exchange from 2015 to 2019; (2) The manufacture company published its complete annual
financial statements from 2015 to 2019 on their company websites; (3) The manufacture company website could be accessed; (4) The manufacture company used rupiah currency.

The data analyzed in this study were secondary data in the form of archived data of annual financial statements of the manufacture companies listed at Indonesian Stock Exchange. The data were published in the period of 2015-2019 and could be accessed at the company websites. The firm years were 200 from 40 samples during 5 years of research period.

**Variables**

The dependent variable of this study is IFR. The measurement of IFR index in this study adopted the technique developed by Lymer (1999). The contents of each company website were analyzed, then each item of information disclosed was scored. Subsequently, each component score was summed and divided by the maximum score. In the IFR index measurement developed by Lymer (1999), the maximum score is 54.

This study employs managerial ownership, institutional ownership, number of independent commissioners, frequency of audit committee meeting, and audit committee competence as the independent variables.

Percentage of managerial ownership is measured as follows.

$$KM = \frac{Managerial \ ownership}{Total \ share \ outstanding} \times 100 \% \quad (1)$$

Percentage of institutional ownership is equated as follows.

$$KI = \frac{Institutional \ ownership}{Total \ share \ outstanding} \times 100 \% \quad (2)$$

Percentage of number of independent commissioners is counted as follows.

$$DI = \frac{Number \ of \ independent \ commissioners}{Total \ number \ of \ board \ of \ commissioner \ members} \times 100 \% \quad (3)$$

Frequency of audit committee meetings is measured as follows.

$$RK = \sum \text{number of meetings in a year} \quad (4)$$

Percentage of the competence of audit committee is counted as follows.

$$KK = \frac{Number \ of \ skillful \ audit \ committee \ members}{Total \ number \ of \ audit \ committee \ members} \times 100 \% \quad (5)$$

**Empirical Model**

$$IFR_{it} = \alpha + \beta_1 KM_{it} + \beta_2 KI_{it} + \beta_3 DI_{it} + \beta_4 RK_{it} + \beta_5 KK_{it} + \epsilon_{it} \quad (6)$$

where:

IFR$_{it}$: Internet financial reporting of company i in year t
KM$_{it}$: Managerial ownership of company i in year t
KI$_{it}$: Institutional ownership of company i in year t.
DI$_{it}$: Number of independent commissioners of company i in year t
RK$_{it}$: Number of audit committee meetings in company i in year t
KK$_{it}$: Competence of audit committee of company i in year t.
$\epsilon_{it}$: Error term.
Result and Discussion

Table 1. Descriptive Statistics

|       | KM | KL | DI | KR | KK | IFR |
|-------|----|----|----|----|----|-----|
| Mean  | 0.38| 0.67| 0.39| 5.00| 0.96| 0.57|
| Std. Deviation | 0.26| 0.201| 0.07| 2.05| 0.13| 0.16|
| Minimum | 0.01| 0.01| 0.30| 1.00| 0.33| 0.23|
| Maximum | 0.99| 0.99| 0.67| 11.00| 1.00| 0.90|

Table 2. Multiple Linear Regression Test

| Variable | Coefficient |
|----------|-------------|
| Constant | 0.269**     |
| KM       | -0.095**    |
| KL       | 0.113**     |
| DI       | -0.059      |
| RK       | 0.012**     |
| KK       | 0.233***    |
| F-test   | 3.620***    |
| Adjusted R Square | 0.062 |

***significant at alpha 1%, ** significant at alpha 5%, * significant at alpha 10%.

Hypothesis Test and Discussion on Result

Managerial ownership negatively and significantly influences internet financial reporting. The result thus supports H₁. Institutional ownership has significant and positive influence on internet financial reporting, hence, H₂ is also supported. However, number of independent commissioners does not affect internet financial reporting, and H₃ is not confirmed. Furthermore, the frequency of audit committee meeting significantly and positively influences internet financial reporting, and this result supports H₄. Similarly, the competence of audit committee shows significant and positive effect on internet financial reporting thus ascertains H₅.

Based on the result of this study, managerial ownership negatively affects internet financial reporting. This result is consistent with the research result of Thangatorai et al. (2013) and Parlakkaya et al. (2015). Nevertheless, this result is contradictory with the study conducted by Botti et al. (2014) and Abdelsalam and Masry (2008). The result of this study is in line with the argument proposed by Kelton and Yang (2008). In relation to the percentage of company shares owned by the management, the managerial ownership can be a substitute which results in the decrease in the demand for more information disclosure. Managerial ownership causes interest alignment between principal and agent, so the need for the stricter supervision is reduced. The larger the managerial ownership, the more aligned the interests between principal and agent, therefore, the need for IFR decreases.

This can also result from the fact that the management knows better about the conditions of the company, and it has the same interest as that of the principal. As a result, the management is not interested in information disclosure such as IFR since it requires costs. The result of this study confirms that the larger the percentage of managerial ownership, the lower the need for IFR.

Institutional ownership positively influences internet financial reporting. This corroborates the study conducted by Zadeh et al. (2018). However, this contradicts the study of Andriyani and Mudijianti (2017). Institutional ownership is the ownership of a company’s shares by an institutional investor that is a third party. Larger institutional ownership enables the institutional investor to perform a strict supervision on the management and have the voting rights to suppress the management. This can stimulate the management to disclose the information voluntarily, one
of which is internet financial reporting, as expected by the shareholders. Thus, larger percentage of institutional ownership positively affects internet financial reporting.

The number of independent commissioners does not influence internet financial reporting. The results of the fourth and fifth hypotheses test might be related to the third hypothesis result. The fourth hypothesis is related to the frequency of audit committee meeting, and the fifth hypothesis concerns the competence of audit committee. The hypothesis related to the influence of the number of independent commissioners in this study is not supported. This might result from the fact that the supervision on financial statements (including IFR) is conducted by audit committee. This is shown by the frequency of meeting and competence of audit committee that affect IFR. Audit committee is a committee which assists the board of commissioners in the monitoring the composition of financial statements and company operations. Because the functions are already performed by audit committee and it is empirically proven in this study that audit committee has positive influence on IFR, the number of independent commissioners might not influence IFR.

The frequency of audit committee meeting positively influences internet financial reporting. This result seconds the study performed by (Zulfikar, 2018). They found that the frequency of audit committee meeting affected internet financial reporting. Frequent meetings of audit committee in a company can promote the coordination in the supervision task and make the controlling system applied by the audit committee in the company more effective. The frequent meetings enable audit committee to discuss more the tasks to do in supervision. This can reduce the opportunistic behaviour of the management in hiding some parts or all of the information for personal interests. This can also encourage the company to disclose and upload its financial statements in the company website or what so called internet financial reporting. Hence, the frequency of audit committee meeting has positive impact on the company financial information users because they can easily get the information from the company website.

The competence of audit committee has positive influence on internet financial reporting. This supports the research conducted by Zulfikar (2018) which empirically reveals that the competence of audit committee positively affects internet financial reporting. One of the signs of the audit committee’s effective performance is an improvement in the information transparency of a company, such as internet financial reporting. The competence of audit committee includes assisting the board of commissioners in monitoring the preparation of financial reporting and internal control mechanism as well as the implementation of good corporate governance. To effectively carry out the functions, the members of audit committee must have adequate financial knowledge. If the number of the audit committee members who master the accounting skills and have educational background in finance is large enough, the transparency in financial information and audit committee performance will also increase. Agency theory states that this can improve the quality of financial reporting, prevent the potential of information asymmetry by the management, and increase the tendency of voluntary disclosure such as internet financial reporting. The increase in the percentage of competent audit committee members positively influences internet financial reporting.

Conclusion

This study concludes that managerial ownership negatively influences internet financial reporting, while institutional ownership positively influences internet financial reporting. The number of independent commissioners does not influence internet financial reporting. Furthermore, both the frequency of audit committee meeting and the competence of audit committee have positive influences on internet financial reporting.

There are some limits of this study. First, there was a company which had website but did not have annual report. In addition, there was a company which changed its name; however, the new name did not appear in the company website since this company still used the previous name.
This study employs ultimate ownership data (controlling shareholder) to measure the managerial and institutional ownerships because it was very difficult to collect the data from the manufacture companies. Further study is expected to investigate other sectors listed in Indonesian Stock Exchange.

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