Analysis of Internet Financial Reporting on The Financial Statements of State-Owned Enterprises in Indonesia

Mustika Dewi¹, Laely Aghe Africa²
STIE Perbanas Surabaya, Indonesia¹,²
Email: dewimustika037@gmail.com¹, laely.aghe@perbanas.ac.id²

ABSTRACT

Purpose: This study aims to describe the presentation of SOEs’ financial information by presenting the Internet Financial Reporting (IFR) index. This study uses secondary data taken from the website of each SOE. This study uses a sample of all SOEs in Indonesia. The rapid development of the internet has significantly affected activities in the government, business and community sectors. The internet has several characteristics and advantages in the overall disclosure of information, such as pervasiveness, unlimited access, timely communication, and low cost. Internet Financial Reporting (IFR) is a voluntary disclosure of financial statements through a company’s official website, in which its quality is measured using the IFR index. Law No. 14 of 2008 states that one important element regarding information disclosure is the public interest that affects the lives of many people. With this law, public companies, including State-Owned Enterprises (SOEs), must report all information related to their businesses through their websites.

Design/methodology/approach: The research method used is purposive sampling method with 2 observations, in November and December 2018. This study is classified as a quantitative study.

Findings: The results of this study indicate that there are still many SOEs that have not utilized the content, timeliness, technology used, and user support on their websites properly.

Research limitations/implications: There is one sector that does not have a website, namely the sector of accommodation and food and drink providers.

Originality/value: This Paper is Original.

Paper type: Research paper

Keyword: Internet Financial Reporting, Internet, Website, SOE.

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I. INTRODUCTION

The rapid development of the internet has significantly affected activities in the government, business, and community sectors. The internet has several characteristics and advantages in the overall disclosure of information, such as pervasiveness, unlimited access, timely communication, and low cost. The internet serves as a tool used by companies, including state-owned enterprises (SOEs), as a medium to communicate with investors. According to Yudiastri (2015), Law No. 14 of 2008 is a reason for establishing public policies that can affect the lives of many people. Companies, therefore, must continue to innovate in order to provide the best service for investors. In addition, as explained in article 3 (e) of Law No. 14 of 2008, one of the important elements regarding information disclosure is the public interest that can influence the lives of many people. This phenomenon is encouraging companies, including State-Owned Enterprises (SOEs), to start reporting all information related to their business through their official website.
Internet Financial Reporting (IFR) is a public company financial report that is published through the company's official website. IFR is considered as one of the voluntary disclosures because there are no regulations governing the content of any information that must be presented on the website. The website was chosen because it has many advantages, such as ease of accessing data, relatively low cost, and can be accessed anywhere and anytime.

Regulation of the Minister of State-Owned Enterprises of the Republic of Indonesia Number Per-02 / Mbu / 02/2018 concerning the Principles of Information Technology Governance explains that in order for the management and utilization of Information Technology to run smoothly, be coordinated, and achieve Good Information Technology Governance (GIG), it is necessary to have regulations that govern the Information Technology Governance. This is the main attraction why the financial reporting of State-Owned Enterprises must be published through the company website.

The presentation of quality IFR will give a positive signal to the users of the financial statements. IFR will have a positive impact, especially in terms of transparency. Companies that present IFR will get suggestions and criticisms to get better. In addition, IFR can prevent the practice of irregularities in the company. Therefore, IFR is one thing that must be realized and implemented well by SOEs in Indonesia.

State-Owned Enterprises (SOEs) are business entities whose entire or most of their capital is owned by the State through direct statements originating from separated State assets (APBD). SOEs have a very important role for the government and society. Law Number 19 of 2003 article 2 on the purpose and objective of establishing SOEs explains that State-Owned Enterprises contribute to national development and state revenue, pursue profits, carry out public use in the form of providing high quality and adequate goods/services for fulfillment livelihood of many people, and actively participate in providing guidance and assistance to economically weak groups, cooperatives, and the community.

Of 134 state-owned enterprises (stockok.com), 7 SOEs still do not have an official website. SOE is a business entity in which the entire or most of its capital is owned by the State. This research is, therefore, very interesting because there are 7 SOEs that still have not used the website as a medium for delivering financial reports to the public and the government. Internet Financial Reporting (IFR) is the most appropriate means for SOEs to report their corporate financial reports through the company’s websites.

Research related to the level of efficiency of corporate governance and IFR, conducted by Botti, Boubaker, Hamrouni, & Solonandrasana (2014), concludes that improving the quality of information delivery to stakeholders can be done by increasing the disclosure of IFR. Almilia (2009) and Botti, Boubaker, Hamrouni, & Solonandrasana (2014) use four categories to measure the IFR index: Content, Timeliness, Technology used, and User support. This study aims to find out whether SOEs in Indonesia also convey financial information in real time in accordance with Law No. 14 of 2008 where public information must be obtained by every user of public information quickly and on time, at a low cost, and in a simple way. This study describes the presentation of financial information of SOEs in Indonesia. The sample focuses on 13 sectors of SOEs in Indonesia. This is motivated by the information gap and the application of IFR in SOEs.

II. METHODOLOGY

This study uses secondary data obtained from the websites of State-Owned Enterprises in Indonesia. This study is a quantitative study using descriptive analysis technique that describes the results of data collection. The focus of this research is on the Internet Financial Reporting (IFR) index in State-Owned Enterprises in Indonesia. The Internet Financial Reporting (IFR) index is used to measure the attributes of a company's website, such as the content, timeliness, technology used, and user support. A company's Internet Financial Reporting (IFR) can be said to be of quality if the use of technology in the company's website and the company’s financial information reporting in accordance with the Internet Financial Reporting (IFR) index. The research procedures include sampling methods for data analysis and are presented briefly and concisely with numbering.

The population used in this study is State-Owned Enterprises (SOEs) in Indonesia. The sample used is SOEs included in 13 business sectors. Data are taken from the official websites of SOEs registered in 13 business sectors. The sampling technique used in this study is purposive sampling with the criteria that each company must have an official website and the website does not experience errors. There are 113 SOEs under study. This study uses secondary data obtained from documents taken from the SOEs’ official websites. Data collection is done by browsing the official websites of SOEs in Indonesia using a checklist.
A. Signaling Theory

Signal is an action, taken by the management of a company, which conveys information to investors about how management sees the company’s prospects (Anwar, 2019). Signaling theory explains how a company should give signals to users of financial statements. The signal can be in the form of promotions or other information stating that the company is better than other companies. Research conducted by Almilia (2008) explains that signaling theory can be used to predict the quality of corporate disclosure. Using the internet as a medium for corporate disclosure can improve the quality of disclosure. The actions taken by management to provide quality IFR as a signal to stakeholders can benefit the company, or in other words, these actions can be a positive signal. However, if the actions taken management do not provide a quality IFR, it can be detrimental to the company, or in other words, these actions can be a negative signal.

B. Good Corporate Governance (GCG)

The principles of GCG, which consist of transparency, accountability, responsibility, independence, and fairness and equality, are needed to achieve the sustainability of the company's business while taking into account the interests of stakeholders.

C. Internet Financial Reporting (IFR)

Internet Financial Reporting is a voluntary disclosure, made by companies, that concerns not only the content of the disclosure, but also the tools used. Internet Financial Reporting refers to the use of a company's website to disseminate information related to the company's financial performance. The application of Internet Financial Reporting (IFR) is carried out in accordance with the objectives of each company, that is, for reporting company’s financial information and other information which is considered to be able to help increase the company’s credibility. Internet Financial Reporting (IFR) is a financial reporting, conducted by a company via the internet, which can be presented through the company’s official website. Financial reporting via the internet can make it easier for local governments to convey information about the transparency of SOEs’ financial reporting to external parties.

According to Handayani & Almilia (2013), there are four index components to measure Internet Financial Reporting: a) Content; financial information consists of balance sheet, income statement, cash flow statement, statement of changes in financial position, and the company's ongoing report. Financial information disclosed in the form of HTML has a higher score than in PDF format because information in the form of HTML will make it easier for users to access company financial information. b) Timeliness; if a company's website can present information on time, the index will be higher. c) Technology used; this component is related to the use of technology that cannot be provided by print media, the use of multimedia technology, analysis tools such as Excel's Pivot Table, and advanced features such as XBRL. d) User support; it can be said that the company’s website index is getting higher if the company optimally implements all the facilities on the company's website including search engines and navigation and navigation tools, such as FAQ links to homepage, site map, and site search.

III. RESULTS AND DISCUSSION

A. Internet Financial Reporting (IFR) Index

Based on the results of the analysis, the SOE with the highest score and the highest index is PT. Bank Negara Indonesia (BNI) with the score of 42 points and the IFR index of 69 percent, and followed by PT. Aneka Tambang (PLN) and PT. Bank Mandiri with the same score of 41 points and the IFR index of 67 percent. Although PT. Aneka Tambang and PT. Bank Mandiri have the same IFR index of 67 percent, the score of user support owned by PT. Aneka Tambang is higher than that owned PT. Bank Mandiri. PT. Bank Negara Indonesia, PT. Aneka Tambang, and PT. Bank Mandiri are SOEs that have made the best use of Internet Financial Reporting because they have the highest IFR index compared to other SOEs.

It can be concluded that the websites of the three SOEs have utilized and implemented user support well, or close to the ideal percentage of 100 percent. Companies that can implement user support well on their websites are the companies that can facilitate visitors to access all the information related to the companies through their official websites, such as for looking for information on annual financial statements, looking for job vacancies, and others. The average IFR index of SOEs is 41.56 percent with a total sample of 113 SOEs. Mode is the Internet Financial Reporting index that appears most frequently in research. The most frequently occurring IFR index is 66 percent, in which there are 11 SOEs that have an IFR index of 66 percent.

Following is an illustration of the explanation of three SOEs that have the highest IFR score and index.
B. Presentation of Content, Timeliness, Technology Used and User Support Content

Based on observations made on 113 SOEs’ websites, the components of content presented on the SOEs’ websites are quite diverse. The component that is most widely presented by companies in PDF format is the content of statements of financial position / balance sheet (56 companies or 50 percent), followed by the content of income statement (56 companies out or 50 percent). The component that is most widely presented by companies in HTML format is the content of social responsibility reports (4 companies or 4 percent). In presenting information in PDF format, the least component presented is financial highlight content (only 3 companies or 3 percent). They are engaged in the manufacturing sector (PT. Bukit Asam), the mining and quarrying sector (PT. Aneka Tambang), and the financial and insurance services sector (PT. Asuransi Ekspor Indo). In presenting information in HTML format, the least components presented are the content of the statement of changes in equity and the content of notes to the financial statements (only 1 company or 1 percent), namely PT. Asuransi Kredit Indo engaged in financial services and insurance sector, chairman’s report content (only 1 company or 1 percent), namely PT. Asuransi Ekspor Indo.

Based on the results of the analysis, as many as 56 SOEs or 50 percent present financial reports through the company's official website. This means that 56 SOEs have applied the basic principle of corporate governance, namely the principle of transparency, in which the companies provide timely, adequate, clear, accurate, comparable, and accessible information to stakeholders and the public. Meanwhile, the other 57 SOEs have neither implemented good corporate governance nor applied the principle of accountability. Therefore, the SOEs must be managed properly in accordance with the interests of the SOEs while taking into account the interests of shareholders and other stakeholders. Based on the principle of responsibility, in running business practices, companies must carry out social responsibility such as community care and environmental sustainability, especially around the company by making adequate planning and implementation by making social responsibility report in the company's annual report.

C. Timeliness

Based on observations made on 113 SOEs, 106 SOEs’ websites or 94 percent already have press releases. However, 41 SOEs or 36 percent have updated the news on the website more than one week since the observation date, while 65 SOEs or 58 percent have updated the news on the website less than one week since the observation date. 20 SOEs or 18 percent report the unaudited latest quarterly results on the company’s website. 103 SOEs or 91 percent present the company's vision and mission or performance reports on the company’s website and 10 SOEs do not present their vision and mission or performance reports on the company's website. From observations, 39 SOEs or 35 percent present sustainability reports on the company's website and 74 other SOEs do not present sustainability reports on the company's website. 53 SOEs or 47 percent update management statements more than one week from the day of observation. 56 companies or 50 percent present a chart of future
on the company's website or on the company's financial statements, while 57 other companies do not present a chart of future on their company's website or on the company's financial statements.

106 companies make press releases on the company's website. The lowest timeliness index obtained by SOEs in Indonesia is 20 percent, while the highest timeliness index obtained by SOEs in Indonesia is 80 percent. Based on the assessment, the State-Owned Enterprises that have implemented the level of timeliness properly are PT. Bank Negara Indonesia, PT. Bank Mandiri, and PT. Bank Rakyat Indonesia (in the financial and insurance services sector), PT. Perusahaan Listrik Negara (in the gas, electricity and steam procurement sector), PT. Telkom Indonesia (in the information and communication sector), PT. Garuda Indonesia, PT. Jasa Marga and PT. Pelabuhan Indonesia III (in the transportation and trade sector), and PT. Pembangunan Perumahan and PT. Aneka Tambang (in the mining and quarrying sector). SOE that has the lowest timeliness index is PT. Berdikari, which is 0 percent or absolutely does not provide information about the timeliness index.

Based on the explanation above, most SOEs have applied the basic principles of corporate governance, especially the principle of transparency, by conveying information about the company accurately and clearly. The submission of information or news through the company's website shows that the company provides extensive information for the visitors of the company's website.

D. Technology Used

Based on observations made on 113 SOEs, 80 SOEs or 71 percent provide plug-in spot download on the company’s website, which means that it will make it easier for visitors to find and download information about the company's financial statements. 69 SOEs or 61 percent use online feedback on the company's website. 106 SOEs or 94 percent use slide presentations and multimedia on the company's website, which means that the slide presentation and multimedia can provide a more attractive appearance when visitors access the company's website. 10 SOEs or 9 percent use or apply analysis tools on the company's website. The SOEs that apply analysis tools are only those dealing with the financial services and insurance sectors. No State-Owned Enterprise or 0 percent that does not utilize and implement advanced features or XBRL on the company’s website.

Based on the results of the analysis, there are SOEs that have not utilized technology on the company’s website. It can be interpreted that the SOEs have not implemented corporate governance on technology index properly. Meanwhile, to find out whether a company has been well managed by company management is to see how well the application of the basic principles of Good Corporate Governance in the company.

E. User Support

105 SOEs’ websites or 93 percent use help and FAQ feature. The help and FAQ feature can make it easier for website visitors to find information related to contact person of the internal parties if they want to invest and others. 99 percent or 112 SOEs’ websites use the link to homepage feature. The link to homepage feature can make it easier for website visitors to return to the main menu or homepage menu by clicking the company logo or clicking the homepage, and then visitors will automatically go to the home page or main menu faster and easier. There is only 1 company or 1 percent that does not use the homepage link feature, namely PT. Berdikari.

Based on observations, 35 SOEs or 31 percent utilize or provide a link to top feature on their websites. The link to top feature can make it easier for visitors to access the company’s website. If visitors want to return to the top pages of the website, they just click the up arrow symbol and the visitors will automatically be on the top page. 101 SOEs or 89 percent utilize and provide site map feature. This site map feature can make it easier for visitors to find financial reports. 55 SOEs or 49 percent provide site search feature on their websites.

The category of assessing the number of clicks in the user support index aims to make it easier for website visitors to get information about financial statements. The less website visitors click to get information about the financial statements, the better the value the company gets, while the more website visitors click to get information about the financial statements, the less value the company gets. Based on observations, 23 SOE’s websites or 20 percent provide only 1 click (with a score of 3 points), 53 SOE’s websites or 47 percent provide 2 clicks (with a score of 2 points), and 6 SOE’s websites or 5 percent provide more than 2 clicks (with a score of 1 point). The highest user support index value (100 percent) is in the category of consistency in the web design, which means that all SOEs are consistent and do not change the appearance of the company's website.

Based on GCG principles, SOEs in Indonesia have applied the principle of transparency, such as providing timely, adequate, clear, accurate, comparable, and accessible information to stakeholders and the public. The principle of accountability is realized by accounting for the company's performance transparently and fairly. The principle of responsibility is realized by SOEs by complying with laws and regulations and carrying out responsibilities to society and the environment so that long-term business continuity can be maintained and the SOEs are recognized as good corporate citizens. In realizing the principle of independence in the implementation of GCG, there is independence in managing the company so that each organ of the company does not dominate each other and cannot be intervened by other parties. Meanwhile, in realizing the basic principle of fairness and equality in their activities, the SOEs always pay attention to the interests of shareholders and other stakeholders.
based on the principle of fairness and equality. The SOEs provide an opportunity for stakeholders to give input and express opinions for the interests of the company. In addition, the SOEs also open access to information, such as providing Help and FAQ feature on their websites.

IV. CONCLUSION

Based on the analysis, it can be concluded that SOEs in Indonesia have implemented GCG principles well, especially in the user support index. Regulation of the Minister of State-Owned Enterprises of the Republic of Indonesia Number Per-02 / Mbu / 02/2018 regarding Information Technology Governance Principles states that the Ministry of SOEs provides IT services. Therefore, all IT activities can be carried out effectively and efficiently. Good IT governance is very useful to improve the quality of IT services, minimize risk, and save costs. The existence of the Help and FAQ feature on the company’s website is an example of technology governance in the company, making it easier for the public to get the right and actual information quickly.

56 SOEs have applied the basic principles of corporate governance, especially on the principle of transparency and the principle of accountability, where the SOEs have been able to provide timely, adequate, clear, accurate, comparable, and accessible information to stakeholders and the public. So, it can be concluded SOEs in Indonesia have implemented the theory of corporate governance well. Regulation of the Minister of State-Owned Enterprises of the Republic of Indonesia Number Per-02 / Mbu / 02/2018 concerning the Principles of Information Technology Governance states that the Ministry of SOEs provides IT services. Therefore, all IT activities can be carried out effectively and efficiently. Good IT governance is very useful to improve the quality of IT services, minimize risk, and save costs. Good implementation of GCG by the company shows that the company has been well managed by the company management as a form of accountability to the public, shareholders, and other parties.

This research has limitations. There is one sector that does not have a website, namely the sector of accommodation and food and drink providers. Therefore, this sector was excluded from the sample because in that sector there was only one company, namely PT. Hotel Indonesia Natour. In addition there are several SOEs in various types of sectors that do not have a website and there are 14 SOEs that have website errors when accessed. This makes the sample reduced. It is recommended that the next researchers observe the SOEs’ websites for a longer period and observe the SOE’s websites more than 3 times.

REFERENCES