EFFECT OF INTERNET FINANCIAL REPORTING AND COMPANY SIZE ON STOCK TRADING VOLUME AT LQ45 COMPANY IN INDONESIA STOCK EXCHANGE

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Abstract

Purpose of Study: The research aims to determine and study the effect of the application of internet financial reporting and the size of the company to the trading volume of shares in companies listed in the LQ45 Index in Indonesia Stock Exchange.

Methodology: The method used in this research is descriptive verification with a quantitative approach. Sampling used in this research is saturated sampling, as many as 63 companies become sample in this research. The object of research studied is the company website LQ45 along with the financial statements of each company. The research data is obtained from financial and non-financial information from the company website and financial data from IDX Fact Year 2012-2014. The analysis method used is panel data test, classical assumption test, multiple regression analysis, coefficient of determination, with the F test statistical test and t-test.

Results: The results showed that internet financial reporting and firm size influence simultaneously to stock trading volume while partially, only company size has a significant influence on stock trading volume.

Implications/Applications: Internet financial reporting does not affect the volume of stock trading.

Keywords: Company Size, Internet Financial Reporting, Stock Trading Volume.

INTRODUCTION

The capital market serves as a place to sell a variety of financial instruments as an alternative to funding other than the banking system. Companies that need funds for their business expansion may be able to issue securities. Securities that are in great demand by investors will affect the frequency of securities trading.

Information on shares can be accessed through the website www.idx.co.id, which includes information of issuers, financial statements of financial issuers, and stock prices. Financial reports are a tool for communicating the company's circumstances to potential investors. A company's financial statements can explain the financial condition of a company. The development of the internet to encourage investment science also experienced changes in order to adjust the conditions and circumstances that occur today. Ease provided by the Internet utilized by various parties to facilitate the dissemination of information, especially by companies to disclose corporate information through the company website. The Internet offers a unique form of disclosure that becomes the media for companies in disseminating information to the wider community as soon as possible. The Internet has several characteristics and advantages such as pervasiveness, borderless-ness, real-time, low cost, and high interaction. It can encourage the disclosure of financial statements through the internet (Abdelsalam, Bryant, and Street 2007).

The form of corporate financial information disclosure through the internet is called Internet Financial Reporting (IFR). IFR is the inclusion of corporate financial information through the internet or website (Lai et al. 2010). IFR is a voluntary form of corporate disclosure. IFR provides ease in making decisions for investors, with the ease of accessing information. IFR is seen as an effective means of communication to customers, investors, and shareholders (Ashbaugh, Johnstone, and Warfield 1999). Through IFR companies can get closer and effective relationships to interested parties quickly and better.

Compared to the traditional way, IFR enables companies to disseminate information to a wider audience more timely (Ettredge, Richardson, and Scholz 2002). The traditional way of using paper is now considered to require more time and money, so IFR is a solution to reduce the funds spent by the company and the time provided to potential investors, especially with the rapidly strengthening technology in implementing IFR.
There is one research that concerns the use of websites in public companies in Indonesia (Almilia, 2008). This research shows that companies in Indonesia have utilized the internet media as a medium to communicate the state of the company to potential investors and investors. Through the media, it is expected that the information has been given by the company to the investor so that any decisions making by investors resulted in increased sales of the company’s shares.

Companies listed in the LQ45 Index are the highest liquidity companies, making it possible to have a website and implement IFR. There are several other factors that affect financial reporting through the internet, one of it is the size of the company. These research concluded a positive relationship between a firm’s size and financial statement disclosure via the internet (Srimindarti, 2008).

Furthermore, other research examines the relationship between IFR and stocks, ie abnormal returns from company stock. This research revealed that the better disclosure of information made by the company, the greater the effect on stock prices (Lai et al., 2010; Ashbaugh, Johnstone, and Warfield 1999). The same research concluded that large companies tend to provide better information disclosure than small firms (Bozcuk, 2012, Borisova, & Parnikova, 2016). In contrast to previous research which proxied the level of information disclosure by IFR, using the basic level determination developed through the Internet Disclosure Index and then redeveloped. The result is IFR to the abnormal return of stock has no effect (Spanos, 2006).

Based on background and previous research, the author is interested to examine more about Internet Financial Reporting, the size of the company and the volume of stock trading.

**LITERATURE REVIEW**

**Internet Financial Reporting**

IFR is the inclusion of corporate financial information through the internet or website (Lai et al., 2010). IFR is a form of voluntary disclosure in financial reporting. Meanwhile, in the opinion of another expert that IFR is a way that companies do to include their financial statements through the internet, namely through the company's website (Ashbaugh, Johnstone, and Warfield 1999).

The benefits of IFR as a medium in the delivery of financial information and able to reduce printing and distribution costs associated with the annual financial statements and quarterly (Ashbaugh, Johnstone, and Warfield 1999). Other benefits by applying IFR among others are able to reveal as much information as possible so that investors are able to distinguish which companies are good and bad (Lai et al., 2010, Fateminasab, 2014).

The use of internet media, through the company website, can answer the need for flexible financial reporting system, easy to access, fast and reliable (Almilia, 2008). How to present the financial statements through the website: (1) Make duplicate financial statements that have been printed into electronic paper format. Convert financial statements in HTML format; and (2) Improving the inclusion of financial statements through the website so that more easily accessible by interested parties that the financial statements in print (Wijaya, 2008, Suleri, and Cavagnaro, 2016).

IFR by Almilia (2008) is measured through the Internet financial reporting index by summing the items of disclosure with a content weighting of 40%, 20% timeliness, 20% technology, and 20% user support. Giving weight on the 4 components of IFR, namely: (1). The content in this category includes components of financial information such as balance sheets, profit, and loss statements, cash flows, changes in financial position and company sustainability reports given a score of 1 if it has a lease report, a score of 0 if not. The media format of the financial statements is scored 2 for the company website using HTML format and scored 1 for financial statements using PDF format; (2). Timeliness for press releases and stock price disclosure is given a score of 0-3 as measured from the duration of the update; (3). The use of technology used includes items that can not be provided by printed reports such as plug-in downloads, online feedback, presentation slide usage, use of multimedia technology, analytics tools and advanced features such as XBRL with scores on a scale of 0-5, and (4). User support (user support) or web support facilities in the form of navigation tools search by scoring on a scale of 0-3. Companies that implement tools that facilitate IFR users will easily score higher (Almilia, 2008, Bernasconsi, Andrés, and Emilio Rodríguez-Ponce, 2018).

**Company Size**

Company size is a scale that can be classified the size of the company in various ways, including the size of income, total assets and total capital (Basyaib, 2007). Another understanding explains that firm size is the size or amount of assets
Firm’s size has an important role in determining how quickly managers will exploit certain sections of the information. This indicates that high executives at large companies feel they are subject to greater public scrutiny (Seyhun, 2000). Financial reporting by large corporations require larger funds because large companies tend to be better known to the public and thus have more responsibility for financial reporting. These funds can be called agency cost. Agency cost is the cost of disseminating financial statements, including printing costs and the cost of sending financial statements to the parties targeted by the company (Oyelere, Laswad, and Fisher 2000, Zare, & Rajaeepur, 2013).

Basically, the size of the company is divided into 3 categories: large, medium, and small firm. The determination of the size of the company is based on the total assets of the company. Company size is usually used to determine the level of the company (Suwito, and Herawaty 2005).

Stock Trading Volume

The stock trading volume shows the number of shares traded over a period of time (Tandelilin, 2010). Other experts further explained that trading volume is a reflection of the intensity of buying interest and the pressure behind price movements that occur (Azis, Mintarti, and Nadir 2015).

Increased trading volume coupled with price increases is a stronger symptom of a bullish condition. Trading volume can be used as a tool to analyze the movement of stock because trading volume actually describes the meeting between supply and demand of stock transactions (Husnan, 2015). Stock trading volume is the volume of data used to gauge condition in the market and to help assess its trend. In the market seems to suggest that raising/falling stock prices are associated with rising volume. The statement states that trading volume can be used to confirm whether a trend will continue or a reversal takes place (Azis, Mintarti, and Nadir 2015).

These research concluded a positive relationship between firm large trading volume allows for a good investment, as it tends to have a high stock return so it is said to be in good condition (Gilmer, 2009). Trading volume is good information for insiders who make a sale or purchase. Insider-trading is a stock transaction conducted by company employees, directors of companies and large shareholders of the company itself.

Actively traded stocks definitely have large trading volumes. In addition to stock trading volume changes, the stock trading activity can also be seen through trading volume activity indicators (Azis, Mintarti, and Nadir 2015). Extremely high trading volume activity in the stock will be interpreted as a sign of a market that will improve. Actively traded stocks definitely have large trading volumes and large volume stocks will generate high returns. The results of the calculation of trading volume activity (TVA) reflects the comparison between the number of shares traded with the number of shares outstanding within a certain period (Husnan, 2015).

RESEARCH METHOD

The type of research used is descriptive analysis with the verificative approach. The data used in this study is secondary data in the form of financial and non-financial information contained in the company website obtained from IDX Fact Year 2012-2014.

To investigate the application of IFR or not on the company website, it can be done by: (1). Opening the website through the link listed on the IDX site; (2). If the website address on the IDX site could not be found, then the search is done through search engine applications like google, yahoo or bing; (3) If the result is still the same after using both methods, the company is considered as not having IFR, because they do not have website; and (4) Companies implementing IFR, further investigated on matters relating to the 4 components of the IFR measure.

The 4 component measurements are tailored to the data requirements of each component. The above steps can fulfill component 1, whereas the second to fourth component has another criterion, ie the use of the website in access in the same year. In order to meet the second to the fourth component in 2012, digital library, called Internet The Archive Wayback Machine is accessed from the website address.archive.org., which allows viewers to view in the year required, ie 2012-2014, which then can meet the second to the fourth component. Secondary data obtained then processed again and adjusted to the needs of this study.

The scale used in the operationalization of this research variable is ordinal scale and ratio. The data that are still ordinal scale will be converted into an interval scale using the Method of Successive Interval (MSI). The analysis technique used regression analysis and termination coefficients. Testing using Hypothesis test F da hypothesis test t.
RESULTS AND DISCUSSION

Research’s Result

1. Multiple Regression Analysis

The results of multiple regression analysis can be seen in Table 1:

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>2.688435</td>
<td>3.924235</td>
<td>0.685085</td>
<td>0.4941</td>
</tr>
<tr>
<td>IFR</td>
<td>0.040424</td>
<td>0.133720</td>
<td>0.302301</td>
<td>0.7628</td>
</tr>
<tr>
<td>LN_TA</td>
<td>0.262624</td>
<td>0.072950</td>
<td>3.600076</td>
<td>0.0004</td>
</tr>
</tbody>
</table>

Dependent Variable: LN_SAHAM

Method: Panel EGLS (Cross-section random effects)

Date: 01/08/16 Time: 16:34

Sample: 2012 2014

Periods included: 3

Cross-sections included: 63

Total panel (balanced) observations: 189

Swamy and Arora estimator of component variances

Based on the above table, the multiple regression model is as follows:

\[
\text{Ln (Stock)} = 2.688435 + 0.040424 \text{IFR} + 0.262624 \text{Ln(TA)}
\]

The value of the regression coefficient on the independent variables describes, if the variable rises by one unit and the value of the other independent variable are estimated to remain or equal to zero, then the value of the dependent variable is estimated to rise. Based on the regression equation above, then:

1. The constant value of 268,8435%, meaning that if the volume of trading volume of stock (Y) is influenced by the two independent variables of IFR (X1) and size of the company (X2) is 0, then the average percentage of trading volume of LQ45 shares 268,8435%.

2. The regression coefficient for IFR (X1) has a positive value of 4.0424%, meaning that every 1% IFR increase, it will increase the trading volume of 4.0424%.

2. Coefficient of Determination (R2)

Here are the results of the coefficient of determination:

<table>
<thead>
<tr>
<th>Weighted Statistics</th>
<th>Weighted Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.733190</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.633550</td>
</tr>
<tr>
<td>S.E. of regression</td>
<td>0.437245</td>
</tr>
<tr>
<td>F-statistic</td>
<td>7.358189</td>
</tr>
<tr>
<td>Prob. (F-statistic)</td>
<td>0.000840</td>
</tr>
</tbody>
</table>

Test results obtained \( R^2 = 0.733190 \), meaning 73.33% variation of stock trading volume can be explained by IFR and company size, the remaining 26.67% explained by other variables.

3. Hypothesis Testing

a. Simultaneous Hypothesis Testing (F-test)

To determine whether or not a significant influence of independent variables on a non-free variable is used F test. Based on Table 2 above obtained the value of p-value 0.00. This F-value, when compared to a significant level of 5%, will be much smaller, then H1 is accepted. Means there is a simultaneous influence of IFR and firm size on stock trading volume.
b. Partial Hypothesis Testing (t-test)

The significance of the influence of each independent variable partially on a non-free variable is used the t-test.

(1). Effect of Internet Financial Reporting on stock trading volume

Based on table 2 above, the result that the variable IFR has a p-value of 0.7628. If this p-value is compared to a significant level ($\alpha = 5\%$) then it is larger, thus H2 is rejected. Therefore, IFR has no significant effect on stock trading volume.

(2). The effect of firm size on stock trading volume

Company size (Ln TA) has a p-value of 0.0004. If the p-value is compared with a significant level ($\alpha = 5\%$) then it is smaller. Thus H3 is accepted. Therefore, it can be concluded that firm size has a significant influence on stock trading volume. Based on the above information stated that of the two variables of IFR and size of the company, only the size of the company that affects the volume of stock trading.

DISCUSSION OF RESEARCH RESULT

1. Influence of Internet Financial Reporting and Company Size simultaneously to Stock Trading Volume

The result of statistical test on simultaneous influence of independent variable to the dependent variable is obtained and the result that simultaneously with a trust level of 95% IFR and Company Size have a significant effect to Stock Trading Volume LQ45 Index.

While the coefficient of determination of 73.33% indicates that the variation of stock trading volume can be explained by the two independent variables of IFR and firm size, while the rest of 26.67% explained other factors not included in the model.

The use of IFR can be seen from the rising internet users. Central Bureau of Statistics and Association of Internet Service Providers Indonesia recorded the number of internet user growth in Indonesia at the end of 2013 reached 71.19 million people, an increase compared to the previous year of 63 million people. Based on the data, most internet users in Indonesia are people who work/entrepreneur that is equal to 55%. The majority of internet user jobs in Indonesia are employees with an amount of 65%.

While viewed from the employment sector, the internet in Indonesia is predominantly in the trade and services sector by 31.5%. The main reasons Indonesians access the internet are for social/communication (72%), information sources (65%) and follow the times (51%). Website is a source of information, which comes from website users to parties who need information. As many as 65% of users of information resources, but not all of the 65% is the company's website access, there are news portal website and other information.

Meanwhile, on firm size when viewed from the average LQ45 company 2014, it indicates that the companies listed in the LQ-45 are in the category of large companies. Large companies generally have better access to capital markets and it is easier to raise funds at a lower cost. Increased fund in the company in question is to sell its shares in the stock exchange. This indicates that the dependence of internal funds will decrease with the increase of company size, which is measured from total assets. Companies that have high assets indicate that the company has reached the stage of well established so that it has a good dividend payout prospects in the future, so as to attract investors to invest in the company.

The above statement is supported by the condition that 11 of 45 LQ-45 companies managed to gain profit (capital gain) above 10% until the end of the third quarter-2013. Vice President of RHB OSK Securities Indonesia said that the fundamentals of LQ-45 stocks are still good amid the unfavorable market conditions, where high inflation and rising fuel prices with inflation not exceeding 9.2%, the rupiah remains at The value of Rp12,000,00 and the BI rate is not more than 7.5%. LQ-45 shares were helped by high domestic consumption. Although only about 20-30 companies LQ45 shares are the best issuers with stable revenue and profit growth.

2. The partial effect of IFR on stock trading volume

The result of t-test shows that there is no influence from the IFR variable to stock trading volume. This means that the increase in IFR value is not followed by an increase in trading volume of shares. Companies that make IFR changes by investors do not get a positive response, so the stock trading volume does not change.

A company that publishes financial statements through the website, was less responded by investors in determining investment decisions. Investors are more interested in the stigma of people who say that a company is bona fide or not.
Another thing that causes IFR less impact is because of the average listed companies belonging to the LQ45 group on average already have a website, but less updated data. When investors need information, most investors rely more on information from electronic media.

The results of this study are in line with previous research, which states that IFR does not have an effect on the abnormal return of the stock. But the results of this study are not in line with other research that states that IFR is providing convenience in making decisions for investors, with the ease of accessing information. IFR is seen as an effective communication tool for customers, investors, and shareholders.

3. The Effect of Firm Size partially on Stock Trading Volume

The size of the company is how much corporate wealth one of which is measured by total assets. The larger the company, the larger the company will be more careful in its financial reporting to maintain its corporate reputation. The company's reputation must be well preserved to increase investor confidence in stock transactions. This means that the larger the size of the company, the easier the investor in making decisions in investing shares.

Based on the results of the study stated that the size of the company has a significant influence on the volume of stock trading, which means that the increase in the size of the company as measured by total assets is also followed by an increase of the trading volume of shares of the company. Changes in the firm size indicated by changes in total assets will be the attention of investors in determining investment decisions. The results of this study are in line with Srimindarti (2008) concluding the effect of firm size on stock trading volume.

CONCLUSION

Based on the results of research and discussion on the influence of Internet Financial Reporting and Company Size on Stock Trading Volume, the following conclusions are obtained:

1) Independent variables studied ie Internet Financial Reporting and Size Company simultaneously affect the volume of stock trading. Influence together is shown with value $R^2$ equal to 73.33%. This shows that the contribution of Internet Financial Reporting and Company Size to Share Trading Volume is equal to 73.33% while the rest of 26.67% is the contribution of other variables other than the independent variables studied.

2) Internet Financial Reporting has no significant effect on stock trading volume, while Company Size has a significant effect on stock trading volume.

REFERENCES


