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THE EFFECT OF LIQUIDITY, PROFITABILITY, LEVERAGE, AND COMPANY SIZE ON INTERNET FINANCIAL REPORTING IN MANUFACTURING COMPANIES

Ika Andani
Faculty of Information Systems Management, Gunadarma University, Indonesia
ikhaandani@gmail.com

Syntha Noviyana
Faculty of Information Systems Management, Gunadarma University, Indonesia
Syntha_n@yahoo.com

Abstract

The presentation of financial reporting using internet media is called the Internet Financial Reporting. The disclosure of financial information on the company's website is one of the company's efforts to reduce the communication and information gaps that might occur between the company's internal and external parties. Companies that practice Internet Financial Reporting can make it easier for various parties to know the company's financial and non-financial conditions, especially investors, to invest their capital. This study aims to analyze the factors that affect the internet financial reporting of manufacturing companies listed on the Indonesia Stock Exchange in 2017. The variables used in this study are independent variables, namely Liquidity, Profitability, Leverage and Company Size. While the dependent variable is Internet Financial Reporting. The samples used 106 companies in a 1 year vulnerable study period using purposive sampling. Multiple linear regression analysis was applied using SPSS 25.0. The results of the analysis are the variables of Profitability, leverage and Company Size influence on Internet financial Reporting, while Liquidity do not affect the Internet financial Reporting. For liquidity variables, profitability, leverage, and company size have a simultaneous effect on Internet financial reporting. This shows that the four variables are able to influence the disclosure of financial reporting through the Internet or Internet financial reporting.

Keywords: Liquidity, Profitability, Leverage, Company Size, Internet Financial Reporting

INTRODUCTION

The development of technology and of communication that proceeds rapidly to have a positive impact for the company. The company can use technology to enlarge the easily through the website on the internet. Website easy to access financial information to provide financial and nonfinancial required by the external and internal it unnecessary difficulties in introducing a company to the community. Company in the form of financial information company, financial report can be easily is available in the company website.

PSAK No. 1 (IAI 2009) financial report is a presentation of structure of the financial position and financial performance an entity. The purposes of finance report is provided information about the financial position, financial performance, and cash flows an entity that beneficial for the majority of users among the report in economic decision making

The company use of the internet through website to give financial information called with an internet financial reporting (Wolk et. al, 2000). Disclosure of information on the page is a signal from the company on an external party, for example financial information that can be trusted and will reduce the uncertainty about the prospect of a company that will come. The disclosure of information on the website is also the company effort to reduce inequalities in communication and information that might happen between the internal and external company. The internet is an alternative new in financial reporting which came to be known with the internet financial reporting

The industrial sector manufacturing industry is the most attractive to investors as the first. Subsector that will trigger 2018 national manufacturing growth in the steel industry and automotive, electronics, chemical, pharmaceutical, and food and drink. This is of course a chance to invite investors foreign and domestic to invest in the country, that funds flows Indonesia through foreign capital investment and can provide benefit to help business growth the manufacturing sector in Indonesia.

Timeliness in publishing financial statements of manufacturing sector companies is needed, it is agreed that investors are safe in putting their capital in the country. Based on the description, the authors are interested in conducting research with the title of Effect of liquidity, profitability, leverage, company size and auditor quality on the Internet Financial reporting. So that it can be seen that the purpose of this research is to determine the effect of liquidity, profitability, leverage, company size and quality of auditors on Internet Financial reporting partially and simultaneously.

LITERATURE REVIEW

Internet Financial reporting (Variable Y)

Internet Financial reporting is the method the company financial reports, for example through the websites which owned company (Prasetya dan Irawan, 2012). Definition financial reporting on the use of internet reference website Company to give information relating to corporate financial performance (Handayani dan Almilia, 2013). The commonly used by companies to publish financial information on the website is pdf, html, xbrl audio or video (Yurano dan Harahap, 2014).

Index the internet financial reporting is an instrument for measuring used for measuring the quality of the internet financial reporting in company website. An index that consisting of four components , of the four components weighting for the as follows each of us will be 40 percent of the content , timeliness of about 20 percent , technology 20 percent, and user support of about 20 percent. The company that has the quality of the internet financial reporting good will give the required information by investors more complete and it would ease investors to get the information required. It will give signals positive on investors (Handayani dan Almilia, 2013). So the internet financial reporting (IFR) can be calculated as follows:

IFR = ((skor) / (Maks) X % Content) + ((skor) / (Maks) X % Time) + ((skor) / (Maks) X %Tech) + ((skor) / (Maks) X % US)

1. **Liquidity (Variable X1)**

Liquidity is the company ability to pay a short-term obligation. The state of being less or not liquid likely to cause the company could not pay off short-term debt on the maturity (Prasetya & Irwandi, 2012).The ratio of liquidity is a comparison between current assets with it is current liabilities.

Current Ratio=(current asset) / (current liabilities) X 100%

2. **Profitability (Variable X2)**

Profitability is the ratio to assess the ability of companies in looking for profit (Kasmir, 2011:196). The ratio profitability is the comparison between earning after tax and total assets

Return on Asset = (earning after tax) / (total asset) X 100%

3. **Leverage (Variable X3)**

Leverage is the company capacity to use assets or funds that have the burden of fixed to enlarge the level of income of the company. Ratio *Debt Equity Ratio* or DER is the comparison between total liabilities and total equity (Lukman, 2007:89).

DER=(Total liabilities)/(Total Equity) X 100%

4. Company Size (Variable X4)

The Company Size used to divide the company in a large scale, medium and small. The size of the company is the scale of the company as seen from the company total assets by year end. The Company Size calculated by a log (total assets). When sales were bigger than the cost of variable and fixed costs, will have the number of earnings before tax. But if sales were smaller then the company would suffer losses.

Size = Log (Total Assets)

RESEARCE METHOLOGY

Variables used in this research as the independent variable is liquidity, profitability, leverage and Company Size while the dependent variable is Internet financial reporting. Population in this research is several manufacturing companies who listed at the Indonesian stock exchange in 2017.

The data used was secondary data in the form of financial information and non financial available in the official website. The samples in this research technique using purposive sampling. The technique of analysis that was used are analyzed multiple linear regression analysis use SPSS 25.

The hypotheses that will be tested are is:

H1 : Liquidity had an influence on the internet financial reporting

H2 : Profitability had an influence on the internet financial reporting

H3 : Leverage had an influence on the internet financial reporting.

H4 : Company Size had an influence on the internet financial reporting

H5 : Liquidity, Profitability, leverage and Company Size had an influence on the Internet Financial Reporting.

RESULTS AND DISCUSSION

Descriptive Statistics

Descriptive statistical analysis used to describe the variables in the study and show the maximum value, the minimum, the average, and standard deviations from each variable. Variable in the research is Internet Financial Reporting (IFR), Liquidity (CR), Profitability (ROE), *Leverage* (DER), and Company Size (SIZE).The following results of descriptive statistics.

Table 1. Descriptive Statistics Test Result

	N	Min	Max	Mean	Std. Deviation
Liquidity	106	0.003	15.822	2.37857	2.195020
Profitability	106	-90.735	0.716	-0.79067	8.820225
Leverage	106	-10.188	11.098	1.08549	2.128501
Size	106	21.399	33.320	28.15239	1.767347
IFR	106	33.300	77.320	55.55491	8.532713
Valid N (listwise)	106				

Classic Assumption Test

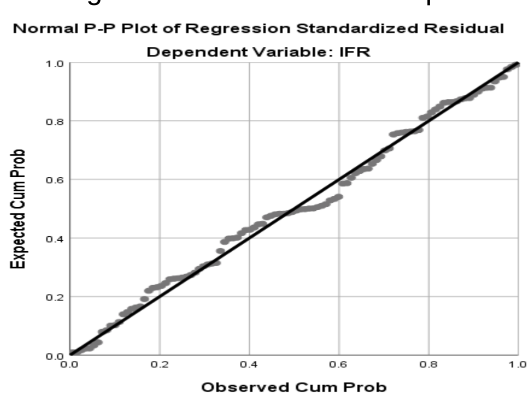
a) Normality Test

Table 2. Normality Test Result

One-Sample Kolmogorov-Smirnov Test		
		Unstandardized Residual
N		106
Normal Parameters[a,b]	Mean	0.0000000
	Std. Deviation	7.54472741
Most Extreme Differences	Absolute	0.062
	Positive	0.062
	Negative	-0.047
Test Statistic		.062
Asymp. Sig. (2-tailed)		0.200[c,d]

The results *Kolmogorov-smirnov* Value Asymp Sig.(2-tailed) has value 0.200 where the value is greater than 0.05, it can be concluded that the data is normally distributed.

Figure 1. Normal P-Plot Graph



Based on a normal after this transformation, the probability visible points spread around. Diagonal lines. The result showed that meet the normality regression models.

b) MulticorealiniearityTest

Table 3. Multicorealiniearity Test Result

		Tolerance	VIF
1	(Constant)		
	Liquidity	0.941	1.063
	Profitability	0.844	1.184
	Leverage	0.929	1.076
	Size	0.814	1.229

The results obtained in the tolerance value of variables greater than0.10 (Tol >0.10) and VIF in the overall variable is greater than (VIF < 10), which means that this variable is free from multicorealiniearity problems between independent variables.

c) Autocoreality Test

Table 4. Autocoreality Test Result

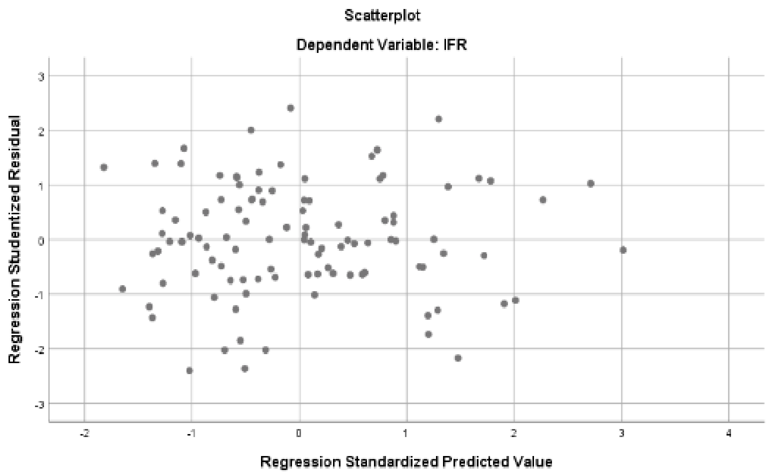
Model	Durbin-Watson
1	1.472

Based on the criteria determined by Durbin-Watson counting 1.472 into the criteria -2 greater than 2. Then it can be concluded that there is no autocorrelation and indicates the autocoreality test is fulfilled. Multiple Linear Regression Analysis.

d) Heteroscedasticity Test

Based on the normal graph of the Probability plot after the transformation, visible points spread around the diagonal line. These results indicate that the regression model meets the assumptions of normality.

Figure 2. Scatterplot Heteroscedasticity Test



Multiple Linear regression Analysis

a) Determinant Coefficient

Table 5. Results of Determinant Coefficient

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.467[a]	0.218	0.187	7.692677

The results obtained that the Adjusted R2 value is 0.187 or 19%. This value shows the ability of the Liquidity variable, Profitability, leverage, Company Size and Auditor Size to explain the Internet Financial Reporting variable is 19% while the remaining 81% is influenced or explained by other variables outside the researcher variable.

b) **F-Test**

Table 6. ANOVA

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1667.849	4	416.962	7.046	0.000[b]
	Residual	5976.906	101	59.177		
	Total	7644.755	105			

The results obtained that F test result is 7.046 with a significant 0.000 < 0.05 then the hypothesis is accepted and it can be concluded that the Liquidity variable, Profitability, leverage and Company Size have an effect jointly or simultaneously on Internet Financial Reporting.

Effect of Liquidity, Profitability, Leverage and Company Size on Internet Financial Reporting

The testing of hypotheses about the influence of independent variable simultaneously dependent on variables internet financial reporting, f-test value of 7.046 with significant on 0.000 (P > 0.05). Hypothesis: liquidity, profitability, leverage and company size effect simultaneously on internet financial reporting.

Concluded that the internet financial reporting is often applied to company that owns high profitability, they use internet financial reporting to help disseminate goodnews. The higher a company profitability means that the company had been more effectively, because the rate of return capital investors will be bigger. The value of leverage who either made a can managers use the internet financial reporting to help disseminate information showed signs of positive sentiments a company to a creditor or the state and the number of shareholders. The larger size of the company more and more information coming and attract investors so it influences the Internet financial reporting practices.

c) T- Test

Table 7. T-test Result

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
1 (Constant)	-8.059	13.377		-0.602	0.548
Liquidity	-0.219	0.353	-0.056	-0.621	0.536
Profitability	-0.291	0.093	-0.301	-3.146	0.002
Leverage	-0.732	0.366	-0.183	-2.000	0.048
Size	2.298	0.471	0.476	4.880	0.000

IFR = -8.059 – 0.219 CR – 0.291 ROA – 0.732 DER + 2.298 SIZE + e

Of the equation on may be analyzed as follows:

The constant value of - 8059 shows that there is a relationship that is not in the same direction. The independent variable is the Liquidity variable, Profitability, leverage, Company Size has a constant value of use or the change is considered to be non-existent. Then this will reduce the Quality of the Internet Financial Reporting Index.

The variable liquidity (CR) regression coefficient has a negative coefficient value of - 0.219 and a significant level of 0.536 <0.05 so it can be stated that liquidity has no effect on Internet Financial Reporting.

The regression coefficient of profitability variable (ROA) has a negative coefficient value of - 0.291 and a significant level of 0.002 <0.05, so it can be stated that profitability has an effect on Internet Financial Reporting.

The regression coefficient of (DER) has a negative coefficient value of – 0.732 and a significant level of 0.048 < 0.05 so it can be stated that profitability has an effect on Internet Financial Reporting.

The Company Size variable regression coefficient (SIZE) has a positive coefficient value of 2.298 and a significant level of 0.000 <0.05, so it can be stated that Company Size (SIZE) has an affects on the Internet Financial Reporting.

Effect of Liquidity on Internet Financial Reporting

The hypothesis test states that the value of a significant level of liquidity is (0.536> 0.05) so this study states that liquidity has no effect on Internet financial reporting. This is because, a healthy financial condition could describe the condition of a good corporate. The company which has good financial conditions that can be seen by fulfilling the needs of their current assets to pay for their current debt. A company that owns the high liquidity although they are still difficult to want to express financial reporting into company website and what can be done to be easily accessible by the financial statements and investors.

The research consistent with research conducted by Mellisa and Soni (2012),and Reskino (2016) Indicates that the liquidity no effect on internet financial reporting. But the opposite happens, this study did not consistent with the results of research conducted by Insani and Linda (2015) show that liquidity has an effect on the Internet financial Reporting.

Effect of Profitability on Internet Financial Reporting

The hypothesis test states that the value of a significant level of profitability is (0.002< 0.05)so this study states that Profitability has an effect on Internet financial Reporting. This shows that company profitability is an indicator of good corporate management. This will further increase the attractiveness of investors to the company, because profit reports are the most sought after by shareholders and the general public. Therefore profit level good a mainstay for companies to reflect that companies are in condition are active and healthy.

The research consistent with research conducted by Luciana (2008), Abdul Rozak (2012), Indri and Apsarida (2013),and Riyan and Rina (2017)Indicates that the profitability effect on internet financial reporting. But the opposite happens, this study did not consistent with the results of research conducted by Mellisa and Soni (2012), Lidiawati and Ratih (2015), and Reskino (2016) shows that profitability has no effect on Internet financial Reporting.

Effect of Leverage on Internet Financial Reporting

The hypothesis test states that the value of a significant level of leverage is (0.048 <0.05)so this study states that leverage has an effect on Internet financial Reporting. This shows that every company that will publish its report requires a lot of approval by many parties including the board of commissioners, shareholders, investors and workers. This requires considerable time to publish, the leverage value in a company is very important because it shows how much the company depends on creditors in financing company assets. Therefore, approval and caution are needed in publishing financial statements on the company's website.

The research consistent with research conducted by Riyan and Rina (2017) Indicates that the leverage effect on internet financial reporting. But the opposite happens, this study did not consistent with the results of research conducted by Luciana (2008), and Abdul Rozak (2012) shows that profitability has no effect on Internet financial Reporting..

Effect of Company Size on Internet Financial Reporting

The hypothesis test states that the value of a significant level of company size is (0.000< 0.05) so this study states that company size has an effect on Internet financial Reporting. This is because, increasing the size of the company we have the more information coming and attract investors so it influences internet financial reporting practices. This seems to indicate that big company have the resources to produce more information and the cost is needed is lower than that of the company which has to restrictions in financial reporting. The Large companies also have incentives to provide reports on the voluntary because large companies are faced with higher cost than a small company.

The research consistent with research conducted by Luciana (2008), Reskino (2016), Mellisa and Soni (2012) Indicates that the company size effect on internet financial reporting. But the opposite happens, this study did not consistent with the results of research conducted by Lidiyawati and Ratih (2015), Sari and darsono (2011) shows that company size has no effect on Internet financial Reporting.

CONCLUSION

Based on the results of research conducted on Manufacturing Companies listed on the Indonesia Stock Exchange in 2017.So it can be concluded that the variable profitability, leverage and the size of the company had an influence on the internet financial reporting while liquidity variable have no significant influence on the internet financial reporting. Liquidity, profitability, leverage and company size variables have a simultaneous influence on Internet financial reporting. This shows that the four variables affect the disclosure of financial reporting through the Internet or Internet financial reporting.

RECOMMENDATIONS

a. For companies, it is recommended hat always update information on the company's website, because this can facilitate investors and the public to find out a variety of company information, namely financial and non-financial needed. This can add investors to invest in the company.
b. For investors, it is recommended that investing must pay attention to the financial conditions that occur in the company and the financial statements of independent auditors can be used as accurate information material, whether the company is in good condition so that investors are right to invest their capital.
c. For the next researcher, it is recommended the coefficient of determination (R square) is 0.187 which means that the variability of the dependent variable can be explained by the independent variable at 19%, while the rest can be explained by other variables outside the research. This means that there are still other variables that need to be identified to explain the influence of Internet Financial Reporting. Therefore further research can consider other variables to be tested. This study only uses the Manufacturing sector listed on the Indonesia Stock Exchange. Subsequent research may be able to conduct longer research to obtain different consistency results.

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