

# The Role of Internet Financial Reporting on The Effect of The Family Controlling Ownership to The Asymmetry Information

*I PUTU YOGI VIRGIAWAN*

*VERA DYANTY\**

*Universitas Indonesia*

**Abstract:** *The objective of this study is to examine the effect of Family Controlling Ownership to asymmetry Information and how the Role Internet Financial Reporting to The effect of Family controlling ownership to the information asymmetry. The population is all the companies listed in Indonesia Stock Exchange in 2013. The sample number of 256 observations are selected using purposive sampling method. The study shows that family controlling ownership affect the level of asymmetry information and the application of IFR can lower the level of information asymmetry that occurs in the family company.*

**Keywords:** *family controlling ownership, Internet Financial Reporting (IFR), information asymmetry*

## **1. Introduction**

### *1.1 Research Motivation*

The rapid development of information technology enhance the Internet as a medium that is able to meet the demands of the stakeholders to the need for relevant, accurate, timely information and higher frequency. Internet usage by the company that was originally used to market and sell the products, has now developed into a medium in communicating and disseminating corporate information to shareholders, potential investors, and other stakeholders. Some of the advantages such as easy pervasiveness, borderless-ness, real-time, low cost, high interaction, and can be accessed easily, making the internet is now regarded as one of the critical media reporting .Information that presented in the internet can be quantitative and qualitative data and can be displayed in the form of multimedia graphics, audio, video, and other (Ashbaugh et al., 1999, in Christian, 2012).

---

\* Alamat korespondensi: veranabila1@gmail.com

In East Asia Countries, including Indonesia, the company mostly dominated by concentrated ownership structures where the control rights and cash flow rights are concentrated in certain parties such as family, government, and financial institutions (Claessens et al., 2000). Claessens et al., (2000) found that the majority of companies in Indonesia is dominated by family ownership structure. Concentrated ownership structures tend to cause a shift in the agency conflict, the conflict of interest between management and shareholders (Type I) be a conflict of interest between majority shareholders together with the management to the non-controlling shareholders (Type II) (Villalonga and Amit, 2006). The increasing control over the management give incentive for family controlling to intervene in all managerial and operational activities of the company, triggering to expropriate welfare of non-controlling shareholders and lead to asymmetry of information between the controlling shareholders and non-controlling. information asymmetry occurs when the controlling shareholders have access to private firm's information through its control over the management capabilities directly involved in the company's operations. Byun et al., (2011) state that an increase in information asymmetry occurs along with an increase trading that involved informed traders such as controlling shareholders and other parties who have a connection with the management.

Widely Information Disclosure will minimize the chances of informed traders to take advantage of uninformed traders due to the ownership of private firm information that will reduce the asymmetry of information. Andrew, (2011) and Chang et al., (2008) found that the frequency, quantity, and quality of disclosure can reduce information asymmetry. Application of IFR in this case may be the perfect solution because internet can disseminate financial information more timely, high frequency, more efficient, as well as reach out to stakeholders in the region widely. More studies have stated that the application of IFR by the company give the effect in reducing information asymmetry (Chang et al, 2008, Yoon et al, 2011, and Zhang et al, 2012). Investor relations activity, including press releases and analyst's conferences that give additional information beside from the annual reports proved to improve c symmetrical communication between companies with their investor (Chang et al., 2008 and Hassink et al, 2007).

Application of IFR in the family company will make the company more transparent to the public. More information that is presented in the company's website, will further reduce the chances

of controlling shareholders to hold private information to non-controlling shareholders so can reduce asymmetry of information. In addition, the investor will be able to effectively monitor the performance of the company through flows of information presented in the company's website so as to reduce the incentive controlling shareholders to act in their interests that benefit or harm the interests of non-controlling shareholders. The Usefulness of disclosure via the Internet stated in the OECD Principles of Corporate governance 2004 on Disclosure and transparency Principle. The principle states that the media dissemination of information should provide access to relevant information for users in the equal, timely, and cost efficient, and the Internet and other information technologies provide the opportunity for a better dissemination of information.

The importance of the application of IFR, some countries began to encourage use of the Internet as a medium for the disclosure of firm financial information. Regarding to Regulation on Financial Disclosure published in 2000, US SEC in 2013 suggest the company to use the company's website and social media in disseminating information to all investor. Countries with the family ownership structure such as Turkey and Argentina also require listed companies to use the Internet to publish annual reports and other financial information through a personal website of the company (Erer and Dalgic, 2011; Alali and Romero, 2012). In Indonesia the Regulator had issue the regulation No. KEP-431 / BL / 2012 for Submission Annual Report of Public Company which requires all listed public companies to load its annual report through firm website in conjunction with the annual report submitted to Regulator.

However, IFR itself still is one form of voluntary disclosure given the existing regulations have not been set up specifically on the content, items, or presentation format contained in the company's website (Sabri et al, 2011). The main motivation of the company to implement a higher IFR is because the company wants to increase transparency in the dissemination of corporate information, reduce information asymmetry, and convince outside investors that the company does not expropriate their investments (Heong Yap and Saleh, 2011).

This research is relevant in Indonesia considering most companies in Indonesia is dominated by family ownership structure, which is predicted to have a high information asymmetry. Furthermore, this research want to investigate the level of disclosure of financial information internet / IFR by the

company can significantly reduce the asymmetry of information that occurs in family company. .Regarding to the application of regulation of KEP-431 / BL / 2012 on the mandatory annual report disclosure through firm's website (*content, timeliness, technology, dan user support*) to increase transparency of information and reducing information asymmetries in the family company in Indonesia.

## **2. Theoretical Framework and Hypothesis Development**

### *2.1. Agency Theory and Family Controlling*

Family company is a company controlled by the family of founding families where founders or their descendants continuously hold top management positions the board of commissioners, as well as the largest shareholder of the company (Anderson and Reeb, 2003 in Ali et al., 2007 and Business Week in Hutton, 2007). In addition, the family company is also characterized by the presence of control rights (voting rights) are often in excess of cash flow rights in the form of a pyramid ownership structure and cross-holdings (Claessens et al., 2000). The increase in cash flow rights will motivate controlling shareholders to align their interests with the company or the non-controlling shareholders (alignment effect). While the increase in controlling interest in excess of the cash flow will provide incentives for controlling shareholders to expropriate against the company or the non-controlling shareholders (entrenchment effect), Diyanty (2012).

Arifin (2003 ) stated that the family -controlled company has the agency conflict between principal and agent less than dispersed ownership structure or companies without a controlling shareholder . Control over the management capabilities result inefficiency because fewer agency problems between management and shareholders need less monitoring costs ( Arifin , 2003) .

Family company tends to rise to a new agency problem is the conflict of interest between controlling shareholders with the non-controlling ownership. Thus, a shift in the agency conflict is the conflict between management and shareholders (Type I agency problems) to the conflict of interest between the controlling shareholders with non-controlling shareholders (Type II agency problems) (Villalonga and Amit, 2006). Control capabilities that arise due to the high percentage of

ownership, control rights in excess of the cash flows, as well as dominance over management enhance the controlling shareholders to do the entrenchment that is the action of controlling shareholder that is protected by control right to expropriate the welfare of non-controlling shareholders (Fan and Wong, 2002). Expropriation can do through related party transactions, income theft, and payments to family executives at a higher price.

The ability of the controlling shareholder in conducting the expropriation is closely related to the asymmetry of information between the controlling shareholders and non- controlling ( Jabeen and Shah , 2011) . Information asymmetry arises when the controlling shareholders have more information about the condition of the company as compared to non- controlling shareholders because of its control rights as well as through the placement of family members in management positions.

## *2.2. Asymmetry Information Theory*

Abeen and Shah (2001) divides the asymmetry of information into two types: (1) information asymmetry that are occurs when management has more information about the company than the shareholders as a whole and (2) the asymmetry of information that occurs when there are variations in the amount of information held by some the shareholder like the majority and minority shareholders, resulting emerge an informed and uninformed investor. Scott (2009) state that the information asymmetry can be explained through two approaches, adverse selection and moral hazard. Adverse selection is a concept that is relevant in explaining the asymmetry that occurs in the company concentrated ownership structure. In this case, management that acts in the interests of controlling shareholders tend to hold or select critical company information cause the decision by the non-controlling shareholders is not based on adequate information. This will potentially lead to the occurrence of insider trading in the stock market.

One measure of liquidity that is widely used in measuring adverse selection is the bid ask spread. Bid-ask spread is the difference between the lowest sale pricebid and the highest purchase price bid of shares (Frijns et al in Simamora, 2013). In the asymmetric information models, bid ask spread increased due to the risk of asymmetry between informed and uninformed traders.

Controlling shareholders as informed traders who have non-public information causing they have a future share-price estimate is more accurate than other market participants.

Some factors that may affect the bid ask spread include volatility of stock returns, the size of the company, and the company's stock price. According Kanagaretnam et al (2007), market participants tend to give higher spread when facing the risk of high market volatility that reflected in the yield of its shares. Big companies tend to distribute more information and have more analysts that will increase the availability of information for investors and reduce the bid ask spread (Atiase and Bamber, 1994; Cairney, 2003; Kim and Verrecchia, 1991; and the Main and Cready, 1997 in Jiang et al., 2011). According to research Venkatesh and Chiang (1986) in Kanagaretnam et al (2007), higher information asymmetry typically occur in companies with lower stock prices.

### 2.3. *Internet Financial Reporting(IFR)*

The use of the website to deliver the financial reports of companies in Indonesia began to be regulated by Regulator (Bapepam and LK) namely through XK6 Regulation in 2012 with attachments Chairman of Bapepam -LK Decision No. KEP - 431 / BL / 2012 about Annual Report Submission by Issuer or Public Company . In the regulation, the issuers or public companies are required to submit the annual report company's website other than delivery in hardcopy to Bapepam-LK .

IFR has several advantages such as providing cost saving solutions in information dissemination, offering timely dissemination of information that is more relevant in decision making , providing easy access to information and reaching out to stakeholders in the wider region , offering information in various formats easily downloaded and utilization of technology so facilitate the analysis , and increase the competitive advantage ( Poon et al . , 2003; Almilia , 2009; Evans et al . , 2011; and Basuony and Mohamed , 2014 ) .

There are various kinds of dimensions that are used in assessing the application by the company IFR . Of the existing various dimensions, content and presentation , timeliness , and the technology and user support are the dimensions most commonly used in research related to IFR ( Khan and Ismail , 2011) . Almilia( 2009 ) developed the index used to measure the level of disclosure of the

internet that covers four dimensional measurements include Content , Timeliness , Technology , and User Support Index with different weights on each component.

Some of the features contained in the company's website in the dissemination of information include investor relations activities and XBRL. Item most often expressed through the investor relations there are press releases and analyst 's conferences which have a higher frequency than the annual report because it is easy to be presented in the website without big costs thus allowing the company to increase its exposure in the capital markets , improve public perception , increase analyst coverage , and attract institutional investors ( Chang et al . , 2008) . Extensible Business Reporting Language ( XBRL ) is an electronic communication language that is universally used for the transmission and exchange of business information . Useful XBRL to improve the efficiency , speed and automate the data processing that can support the process of analysis and quality of information that will be used for corporate decision making ( [www.ojk.go.id](http://www.ojk.go.id) )

#### *2.4. Hypothesis Development*

Family firms face more problems between family controlling shareholder with a non-controlling shareholder / minority (Villalonga and Amit, 2006). Controlling shareholder has the ability to control the management to take action in accordance with their interests and do expropriation welfare of the non-controlling shareholders.

By placing their families in a strategic position in enterprise management, family shareholders much better able to obtain private information than non-controlling shareholders (Boubaker et al., 2011) .With this, family controllers can be qualified as insider or informed traders. Copeland and Galai (1983) in Simamora (2013) stated that a growing number of informed traders will increase the bid ask spread. Byun et al., (2011) have proved that family firms in Korea have a positive and significant correlation with information asymmetry proxies via PIN (probability of informed trading). The positive influence of concentration of ownership to the information asymmetry is primarily due to an increase in the relative amount of informed trading and not by an increase in privated information events.

Villalonga and Amit (2006), (Boubaker et al., 2011), and Byun et al (2011) concluded that the company with ownership of the family has a level of asymmetry information is higher than the company with non-family ownership. Based on the above argument, the hypothesis:

**H1.** *Family controlling ownership has positive effect to the asymmetry information*

Scott (2009), a mechanism that can control the adverse selection is through accounting reporting by altering the outside inside information into information in a timely and reliable for investors / outsiders. Frequency, quantity, and better disclosure quality can reduce information asymmetry (Andrew, 2011). Thus, the qualified, timey and widely accessible disclosure to all stakeholder will reduce information asymmetry.

Internet Financial Reporting / IFR itself is one way of disclosure of information by using the internet through the website of the company which can provide more timely information, high frequency, easily accessible, more efficient, as well as reach out to stakeholders in the wider region. Thus, the adoption of IFR is expected to reduce the asymmetry of information. Gowthorpe (2004) and Sabri et al (2011) states that the reporting of the information widely via the Internet has the potential to reduce the occurrence of information asymmetry. Chang et al (2008) found that companies with quality disclosure through investor relation activities higher can reduce the bid ask spread. Meanwhile, the results of research Yoon et al., (2011) showed that the adoption of XBRL can reduce the asymmetry of information. Based on research Andrew (2011), Chang et al (2008) Gowthorpe (2004), Yoon et al (2011), and Sabri et al (2011), concluded that the Internet Financial Reporting / IFR has negative effect to information asymmetry . Based on this argument t can be developed hypothesis:

**H2.** *Internet Financial Reporting/ has negative effect to the asymmetry information*

Wang (2006) state that the asymmetry of information that occurs in the family firm enhance the entrenchment effect by controlling shareholders due to the lack of information transparency flow to non-controlling shareholders. The asymmetry information risk can be reduced if there is an effective dissemination of information between the controlling shareholder as informed traders with non-



controlling shareholders as uninformed traders. Therefore, the influence of the controlling shareholder, as informed traders, to the asymmetry of information also depends on how much the voluntary level of information disclosure to the uninformed traders, in this case the non-controlling shareholders (Jiang et al, 2011). One form of the voluntary disclosure is the disclosure of information through the company website.

Family firm commitment to implement the IFR will make the company more transparent to the public. In this case, the public can effectively monitor the performance of the company through the information presented in the company's website. With the growing amount of information that is presented in the company's website, it will further reduce the chances of controlling shareholders to hold company private information to non-controlling shareholders ,

Although the problem of adverse selection on family controlling companies is predicted higher, family firms tend to report higher financial information in order to reduce information asymmetry. Chau and Gray (2010) in the company in family ownership Hongkong show that family ownership more than 25% has more entrenchment effect so enhances company voluntary disclosure level becomes higher. In addition, Utama(2012) found that companies with higher block holder ownership is tend to disclose information higher than the company with ownership with lower bloc holders.

Jiang et al (2011) found that the concentration of ownership is positively associated with the bid ask spread which is a proxy for the asymmetry of information on companies in New Zealand. Voluntary disclosure as moderating variables can significantly reduce the effect of concentration of ownership of information asymmetry. Jiang et al (2011) measured the voluntary disclosure through voluntary information presented in the annual report of the company includes background information, historical results, statistics of non-financial information, projections of the company, as well as the management discussion and analysis. Application of IFR as a form of voluntary disclosure includes information that is presented through voluntary website thus predicted private companies can reduce the positive effect of family ownership concentration of the asymmetry of information through the disclosure of information to the widest uninformed traders. Based on this argument the hypothesis 3, is:

**H3.** *Internet Financial Reporting can weaken the positive effect of family controlling ownership to the asymmetry*

### **3. Research Methods**

#### *3.1. Sample*

The population used in this study are all public companies listed on the Indonesia Stock Exchange during the year 2013. This study did not include companies engaged in the financial sector such as banking, insurance, leasing, investment, and other financial services) because this industry is highly regulated that have distinct characteristics and cannot be compared with others.

Sample selection technique used is purposive sampling, where samples were selected based on certain criteria that are tailored to the purpose of research, among others: (1) listed in the Indonesia Stock Exchange during 2013, (2) are not included into the financial industry, (3) has a personal website to share financial information and not is in under construction, and (4) have the historical data of shares. Based IDX Fact Book, there were 472 companies listed on the Indonesia Stock Exchange during 2013. The number of companies that became the final sample in this study is as much as 256 companies. The details regarding the sample selection criteria can be seen in Table 3.1

Table 3.1. Sample Selection Criteria

<b>Sample Selection Criteria</b>	<b>Amount</b>
Listed in IDX on 2013	472
Firms in Financial Industry	79
Firms in Non-Financial Industry	393
Firms that do not have <i>website/under construction/Not apply IFR</i>	93
Firm that apply IFR in their website	300
Firm that do not have complete historical data	44
Final Sample	256

#### *3.2. Research Model*

To Test hypotheses 1 and 2 is using Model 1. Meanwhile, to answer the hypothesis 3, is the role of Internet Financial Reporting ( IFR ) companies in moderating the relationship between family ownership concentration by asymmetry of information used Model 2. To test Hypothesis is used multiple regression analysis.

Model To Test Hypothesis 1 and 2

$$BAS_{i,t} = \gamma_0 + \gamma_1 FAMDUM_i + \gamma_2 IFR_i + \gamma_3 VOLATILITY_i + \gamma_4 MKVAL_i + \gamma_5 PRICE_i + \epsilon_i \quad (1)$$

Expected sign for  $\gamma_1$  is positive and for  $\gamma_2$  is negative.

Model to test Hypothesis 3

$$BAS_{i,t} = \gamma_0 + \gamma_1 FAMDUM_i + \gamma_2 IFR_i + \gamma_3 IFR_i \times FAMDUM_i + \gamma_4 VOLATILITY_i + \gamma_5 MKVAL_i + \gamma_6 PRICE_i + \epsilon_i \quad (2)$$

Expected sign for  $\gamma_3$  is negative.

<b>BAS</b>	:	Bid Ask Spread
<b>FAMDUM</b>	:	Family ownership
<b>IFR</b>	:	Internet Financial Reporting (IFR) index
<b>VOLATILITY</b>	:	Daily stock return
<b>MKVAL</b>	:	market value of equity
<b>PRICE</b>	:	The average of stock closing price

### 3.3. Variable operationalization

#### a. Dependent Variables

The dependent variable in this study was measured using the information asymmetry spread of the bid and asks, used in Chang et al. , (2008) , Jiang et al. , (2011) , Zhang et al. , (2012) , and Omari et al. , (2014) . Ask is the lowest selling price offered by a dealer / broker if you want to sell shares while the bid is the purchase price that is willing to pay the dealer / broker when they want to buy shares. The stronger the asymmetry information more spread needed to cover losses due to the higher sales transaction with an informed investor ( Zhang et al. , 2012) . Calculation for bid ask spread are:

$$SPREAD_{i,t} = (Ask_{i,t} - Bid_{i,t}) / [(Ask_{i,t} + Bid_{i,t}) / 2]$$

<b>SPREAD</b>	=	<i>Firm daily bid-ask spread</i>
<b>Ask</b>	=	The lowest sell price
<b>Bid</b>	=	The highest purchase price

Jiang , et al (2011) and Kanagaretnam , et al (2007) suggest to use spread around the date of the earnings announcement in measuring the asymmetry of information because most of the market reaction to new information is around the earnings announcement date . According Jiang et al (2011) , the market reaction on the information occurred relatively from the day before to five days after the information so this study using a span of seven days around the date of the announcement

of the company's annual report that one days before and five days after the date of the announcement of earnings or annual reports (  $t = -1, +5$  ).

#### b. Independent Variable

##### Family Ownership

The Proxy for family ownership will be given a value of 1 when the company including family enterprise category, and 0 (zero) others.

A company is classified as a family company when the percentage of ownership of all shareholders are classified as the family has the largest portion of ownership of shares of the company. Determination of shareholders classified as owner of the family based on the definition mentioned in the study Arifin (2003), which adopted the definition used by La Porta et al (1999) and Claessens et al (2000) that all individuals or companies whose ownership is registered (ownership > 5 %) except for a public company (tbk.) which is listed on the Stock Exchange, states, financial institutions (such as investment firms, mutual funds, insurance, pension funds, banks, cooperatives), and public (individuals who has ownership less than 5%).

##### *Internet Financial Reporting/IFR Index*

IFR index measured through direct observation of the company's website for the level of disclosure of the information presented in around the earnings announcement date or the announcement company annual report.

The model used in measuring the quality of disclosure of information through the website of the company that adopts index developed by Almilia (2009 ) which refers to the study Cheng et al (2000). Assessment is based on the company's website on 4 dimensional measurements with specific weights include content ( 40 % ), timeliness ( 20 % ), technology ( 20 % ) and user support ( 20 % )

#### c. Control Variables

Control variables used in this study is the volatility of stock returns , firm size , and stock prices . Volatility of stock returns measured by using the standard deviation of daily returns from the end of the fiscal year date until the deadline for submission of annual reports in 2013 to IDX (Indonesian Stock Exchange). Company size measured using the natural logarithm of the market value of equity

companies at the end of the financial year 2013. While the share price is measured from the average closing share price during the measurement for time span of bid ask spread.

## 4. Results

### 4.1. Descriptive Statistics

Descriptive statistics for all variables in this study are presented in Table 4.1 . BAS variable is a proxy for asymmetry information has an average value of 0.033 with deviation standard 0.055. This means that on average bid and ask spreads around the announcement date of the company's annual report in Indonesia amounted to 3.27 %, which indicates that the gap expectations of issuer and investors is relatively not too large . For the volatility of stock returns shows that the average volatility of stock returns companies in Indonesia amounted to 2.59% .For the Stock price, most companies have stock prices that are below the average price (more than 50%) that is Rp 3800.12 . The company's stock price in Indonesia is quite varied with a range of values is large enough that stock prices ranging from a lowest price of Rp 7.54 to the highest price at Rp 110,290.14 .

FAMDUM variables are dummy variables of family ownership . From Table 4.1 it is shows that the number of family companies as much as 199 companies , or 77.73 % and non- family companies as many as 57 companies , or 22.27 % of all companies in the research samples . This indicates that the majority of companies in Indonesia is still dominated by family ownership Claessens et al., (2000).

Table 4.1. Descriptive Statistics For The Sanple Research

Var	N	Mean	Std. Dev.	Min.	Max.	Median	Skewness
BAS	256	.0327	.0545	.0016	.3767	.0097	3.053
IFR	256	.3948	.1346	.1267	.7716	.3761	.608
VOLATILITY	256	.0259	.0131	.0046	.0669	.0230	1.227
PRICE (rupiah)	256	3800.12	13,272.97	7.54	110,290.14	643.41	.495
MKVAL (juta rupiah)	256	11,511,424	32,491,073	25,840	275,288,160	2,720,438	-.004
<b>Var</b>	<b>N</b>	<b>Dummy=0</b>		<b>Dummy=1</b>			
FAMDUM	256	57	22,27%	199	77,73%		-1.341

BAS = Bid Ask Spreads as measured from the average difference price between the ask and bid price daily around 1 day before and five days after the announcement date of the annual report ; IFR = Internet Financial Reporting Index at the announcement date of the annual report ; Volatility = standard deviation of daily stock returns around the announcement date of the annual report ; PRICE = average closing stock price around the announcement date of the annual report ; MKVAL = market value of equity at the end of the financial year prior to the announcement date of the annual report ; FAMDUM= dummy variable for family

Table 4.1. Descriptive Statistics For The Sanple Research

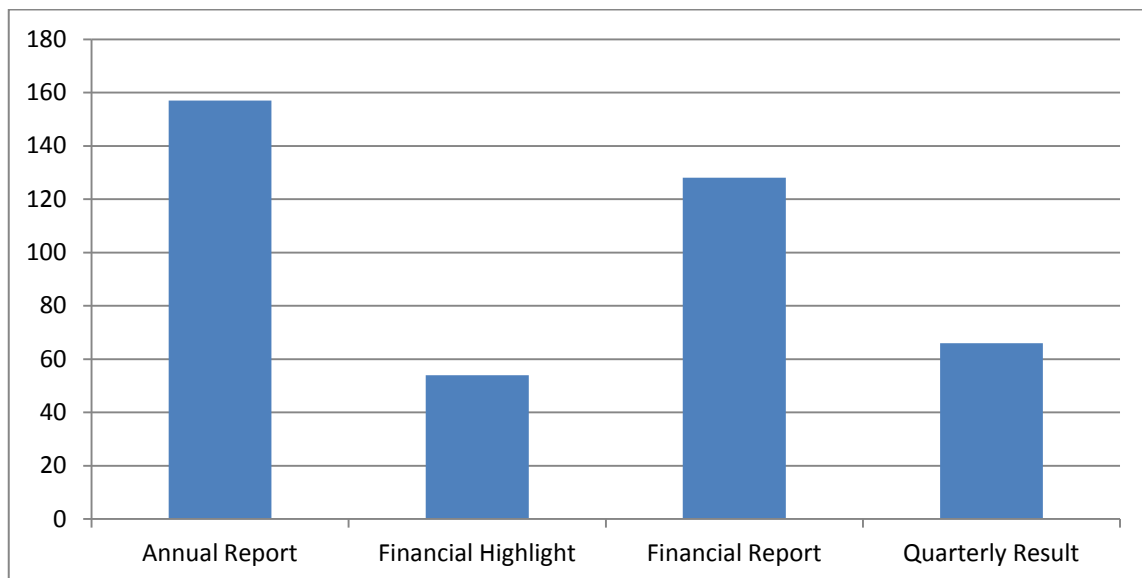
Var	N	Mean	Std. Dev.	Min.	Max.	Median	Skewness
ownership 1 for family firms , 0 for others							

Source : The data is processed using Excel and SPSS 20 , 2014

#### 4.2. The Content of IFR Disclosure

Based on observations on the company's website found that the rate of adoption of IFR varied between one company and another company both in terms of quantity, quality, and the way of presenting information. From the dimensions of disclosure content, as many as 248 companies have loaded annual report on the website as required in Bapepam Regulation No. KEP-431 / BL / 2012. A total of 128 companies providing a complete set of financial statements and its annual report quarterly. The annual report published in most of the company's website in PDF (portable document format) while a fraction company also load it in the form of HTML (hypertext markup language). HTML usage easier for readers who want to obtain financial information more quickly without having to download the PDF format. As can be seen in Graph 4.1, in addition to annual reports and quarterly financial reports, some companies also presents the financial highlights for the current year or previous years. Some companies also includes quarterly results that contain the company's quarterly operating results include the number of sales, expenses, net income that more up to date and relevant for business decisions by investors.

Graph 4.1. Content Website



From the aspects of timeliness, a total of 181 companies have presented company news on their website. However, only 30% of them are presenting the latest information in the form of a press release which are updated daily. In establishing a more intensive communication with their shareholders, the company delivery information through corporate secretary of the company. Of the 256 companies that were observed, it is found that there are 28 companies that are late in submitting financial reports on the website with a delay time ranging from 1 day up to 184 calendar days (i.e. Petrosea Tbk / PTRO) since the last time of delivering an annual report to the FSA at the end of the next fourth month since the end of the financial year.

From the aspect of technology, many companies provide online feedback to facilitate those users who want to get more information about the company. Some companies have taken advantage of the use of multimedia and information display in the form of presentation that is more interesting to read by the user. Some companies also provide features user analysis can be used to perform calculations regarding their investment plans in the future. However, none of the companies has found to have revealed the implementation of XBRL in their website. Meanwhile, from the aspect of user support, some companies provide FAQs (Frequent Asked Questions) that contains frequently the same questions asked and the company's response. Many companies also have to provide search and a site map so it is easier for users to find information in accordance with their interest.

Table 4.4. Descriptive Statistics of IFR Indexes

	<b>Family Company</b>	<b>Non Family Company</b>	<b>All company</b>
<b>Amount</b>	199	57	256
<b>Averages</b>	0,372	0,473	0,395
<b>Deviation Standard</b>	0,119	0,155	0,135
<b>Min.</b>	0,127	0,205	0,127
<b>Max</b>	0,772	0,766	0,772

Table 4. 5. The Average Score of IFR component Index

<b>IFR Component Index</b>	<b>Weight</b>	<b>Family company</b>	<b>Non family company</b>	<b>All company</b>
<i>Content Index</i>	0,4	0,164	0,191	0,170
<i>Timeliness Index</i>	0,2	0,055	0,096	0,064
<i>Technology Index</i>	0,2	0,026	0,043	0,029
<i>User Support Index</i>	0,2	0,128	0,143	0,131
<b>Total</b>	<b>1,0</b>	<b>0,372</b>	<b>0,473</b>	<b>0,395</b>

The user level of IFR over 256 observed companies is still fairly low, with an average index of 0.395 and 0.135 standard deviation range . This is mainly due to the low content and timeliness of disclosure and the technology used , as shown in Table 4.5 .

Family company has a lower level than the application of the IFR non- family companies . As shown in Table 4.4 , the family company had an average IFR index of 0.372 while the non- family companies have an average index of 0.473 . Based on Table 4.5, the company nonfamily have higher scores for each component of the index compared IFR family company .

#### 4.3. Analysis of Regression Result

regression results for model 1 are listed in Table 4.7. Tests on model 1 shows that the effect of family ownership concentration is significant in influencing the asymmetry of information. Thus , one hypothesis is accepted . There is evidence that family ownership significantly affect the amount of information asymmetry .

Table 4. 7. Regression Result For Model 1

Dependent Variable : BAS					
Independent Variables	Exp. Sign	Coefficient	Sig (1-tailed)		
FAMDUM	(+)	0,002	0,000	*	
IFR	(-)	-0,056	0,000	***	
VOLATILITY	(+)	0,564	0,000	***	
PRICE	(-)	0,015	0,000	***	
MKVAL	(-)	-0,006	0,012	**	
_CONS		0,076	0,023		
R-squared	0,354				
F-statistic	19,43				
Prob(F-statistic)	0.0000				
Number of obs	256				
***	Significantat $\alpha = 1\%$				
**	Significantat $\alpha = 5\%$				
BAS = Bid Ask Spreads as measured from the average difference price between the ask and bid price daily around 1 day before and five days after the announcement date of the annual report ; IFR = Internet Financial Reporting Index at the announcement date of the annual report ; Volatility = standard deviation of daily stock returns around the announcement date of the annual report ; PRICE = average closing stock price around the announcement date of the annual report ; MKVAL = market value of equity at the end of the financial year prior to the announcement date of the annual report ; FAMDUM= dummy variable for family ownership 1 for family firms , 0 for others					

The results showed that the company is controlled by the family has a positive effect to the asymmetry of information (hypothesis 1 is accepted). By placing families or people trust in a strategic position in enterprise management, family controlling shareholders much better able to obtain private information than non-controlling shareholders (Boubaker et al., 2011) .With this,



family controlling shareholders can be qualified as insider or informed traders. This results support the research Copeland and Galai (1983) that proves that with the increasing number of informed traders will increase the bid ask spread. The results also support the research Byun et al., (2011) that the family firm in Korea has a positive and significant correlation with information asymmetry proxies via PIN (probability of informed trading). The positive influence of family ownership to asymmetry information is primarily due to an increase in the number of relative of informed trading and not by an increase in private information events. So it can be concluded that the company with family ownership has a degree of higher asymmetry information compare with the non-family controlling company .

Furthermore, the regression on model 1 shows that the level of implementation of the IFR by the company negatively correlated significantly to the asymmetry of information. In other words, the results are consistent with the hypothesis 2. The IFR as one way of disclosure of company financial information can significantly reduce the degree of asymmetry of information around the date of publication of the company annual report. The results are consistent with the results of research conducted by the Chang et al (2008), Yoon et al (2011), and Zhang et al (2012) . Disclosure of financial information through website give several advantages for companies such as better availability of information is more timely, easy accessible, more efficient, as well as available to stakeholders in the wider region. The wider and more timely of Disclosure of information through the company's website will be able to minimize the chances of informed traders as controlling shareholder to take advantage of uninformed traders as a result of the company private information. With the more availability of company financial and non-financial information to the public in a timely manner will cause stock prices quickly adjust to the viability of such information and the spread becomes small.

Table 4. 8. Regression Result Model 2

Dependent Variables: BAS					
Independent Variables	Exp. Sign	Coefficient	Sig(1-tailed)		
FAMDUM	(+)	0,018	0,000	***	
IFR	(-)	-0,065	0,000	***	
IFR*FAMDUM	(-)	-0,004	0,04	**	
VOLATILITY	(+)	0,435	0,000	***	
PRICE	(-)	0,004	0,000	***	
MKVAL	(-)	-0,001	0,065	**	
_CONS		0,064	0,024		
R-squared			0,365		
F-statistic			17,78		
Prob(F-statistic)			0,0000		
Number of obs			256		
***	Significant at $\alpha = 1\%$				
**	Significant at $\alpha = 5\%$				
BAS = Bid Ask Spreads as measured from the average difference price between the ask and bid price daily around 1 day before and five days after the announcement date of the annual report ; IFR = Internet Financial Reporting Index at the announcement date of the annual report ; Volatility = standard deviation of daily stock returns around the announcement date of the annual report ; PRICE = average closing stock price around the announcement date of the annual report ; MKVAL = market value of equity at the end of the financial year prior to the announcement date of the annual report ; FAMDUM= dummy variable for family ownership 1 for family firms , 0 for others					

Based on Table 4.8, the results of model 2 shows that the application of IFR weaken the positive influence of family ownership of the asymmetry of information (hypothesis 3 has been proven). Wang (2006) state that the asymmetry information that occurs in the family firm increase entrenchment effect by controlling shareholders due to the lack of transparency and lack of information flow to non-controlling shareholders. The asymmetry information risk can be reduced if there is an effective dissemination of information between the controlling shareholder as informed traders with non-controlling shareholders as uninformed traders. Therefore, the influence of the controlling shareholder, as informed traders, to the asymmetry information also depends on how much the level of disclosure of their information in the form of voluntary disclosure to the uninformed traders, in this case the non-controlling shareholders (Jiang et al, 2011). One form of the voluntary disclosure is the disclosure of information through the company website or IFR.

Family firm commitment to implement the IFR will make the company more transparent to the public. In this case, the public can effectively monitor the performance of the company through the information presented in the company's website. With more information that is presented in the company's website, it will further reduce the chances of controlling shareholders to hold private

company information to the non-controlling shareholders so that will lead to asymmetry information.

The results support Jiang et al (2011) that the concentration of ownership is positively associated with the bid ask spread as a proxy for the asymmetry of information on companies in New Zealand. Voluntary disclosure as moderating variables can significantly reduce the effect of concentration of ownership to the asymmetry information. Jiang et al (2011) measured the voluntary disclosure through voluntary information presented in the annual report of the company includes background information, historical results, non-statistical information -Financial, projections of the company, as well as discussions and management analysis. IFR as a form of voluntary disclosure includes information that is presented through voluntary website thus predicted can reduce the positive effect of family ownership to the asymmetry of information through the wider disclosure of information to uninformed traders.

Based on the result on model 1 and 2 can be concluded that the volatility of stock returns have a significant positive effect on the bid ask spread that indicates the higher volatility of stock returns will increase the bid ask spread. Stock price has significant positive effect on the bid ask spread. According to Yoon et al (2011), the relationship between stock prices and spreads are relatively inconclusive because the market with high asymmetry information provide a challenge for investors to assess the company's performance accurately. Furthermore, the size of the company has a significant negative effect on the bid ask spread indicates big companies have bid ask spread relatively smaller.

## **5. Conclusion, Implication, and Limitation**

### *5.1. Conclusion*

Family controlling ownership cause a degree of higher asymmetry than the non-family company. family controlling ownership has the ability to control the management to take action in accordance with their interests and expropriate the welfare of non-controlling shareholders, Management that acts in the interests of controlling shareholders tend to hold or select critical

company information leading to the decision by the non-controlling shareholders are not based on this sufficient information. This condition potentially lead to insider trading in the stock market.

IFR can significantly reduce the degree of asymmetry information around the earnings announcement date. Application of IFR provide more timely information, accessible, more efficient, as well as the viability to stakeholders in the wider region so as to minimize the chances of informed traders to take advantage of uninformed traders as a result of the ownership of the private information of the company. With the increasing the availability of financial and non-financial company information to the public in a timely manner will cause stock prices quickly adjust so that the difference between the ask price and the bid will be lower.

The application of IFR can moderate the level of information asymmetry that occurs in family company. This research also found variations in usage of IFR. Variations contained in the company's website both in terms of quantity, quality, or way of presenting information indicating that each company has a different reason to use the Internet in order to meet the information needed by its stakeholders. Furthermore, this study also found that family firms have a level of IFR application lower than non-family companies.

Some companies have been providing a complete set of financial statements and its annual report accompanied by the quarterly financial highlight, meanwhile others only show quarterly financial reports. From the aspect of timeliness, still a few companies that present the latest information in the form of a press release which is updated every day and there are even some companies that are still late in submitting financial statements / annual report. From the aspect of technology, there are still a few who use multimedia in presenting information to the user. In addition, there are still a few companies were found containing analysis features that can make the users easier to perform calculations regarding their investment plans in the future.

## *5.2. Research Implication*

a. This study provides empirical evidence that the application of the IFR by the company can significantly reduce the asymmetry of information that occurs in companies registered in Indonesia. To further improve the quality of disclosure of financial information through the internet companies in Indonesia, the regulator of capital markets in Indonesia can develop policies regarding the

disclosure standards of financial information over the Internet more specific. It aims to further boost the company's financial information disclosure practices quickly and on time in order to improve transparency, protecting the rights of individual investors, as well as improve the efficiency of capital markets in Indonesia.

b. Company in Indonesia should be able to disclose financial information and non-financial companies with a more complete content includes annual reports, quarterly reports, and more timely financial highlightin his personal website to be useful for investors decision making.

### 5.3. *Limitation and Suggestion For Future Research*

a. The sample used in the study only one year of observation ( 2013 ) and is limited to non-financial sector. To obtain more accurate results, further research can use the span of more than one year of observation .

b . The dependent variables used in measuring the level of asymmetry in this study using the average spread between the daily ask and bid price around earnings announcement date .

Future studies may use other liquidity as a proxy variable levels of information asymmetry as Total Depth Theory, and PIN ( The Probability of Informed Trading ) in order to further improve the validity of the measurement of enterprise information asymmetry.

## **References**

- Alali , F. &Romero, S. (2012). The use of the Internet for corporate reporting in the Mercosur (Southern common market): The Argentina case. *Advances in Accounting, incorporating Advances in International Accounting* 28, 157–167.
- Ali, A., Chen, T., & Radhakrishnan, S. (2007). Corporate disclosures by family firms. *Journal of Accounting and Economics*, 44 238–286.
- Almilia, L.S. (2009). Determining Factors of Internet Financial Reporting in Indonesia. *Accounting & TaxationSTIE Perbanas Surabaya*, Volume 1 Number 1.
- Andrew, V. (2011). Disclosure frequency and information asymmetry. *Ohio State University Fisher College of Business 2100 Neil Avenue Columbus, OH 43210 (614) 688-5791*.
- Arifin, Zaenal. (2003). *Masalah Agensi dan Mekanisme Kontrol pada Perusahaan dengan Struktur Kepemilikan Terkonsentrasi yang Dikontrol Keluarga: Bukti dari Perusahaan Publik di Indonesia*. Program Pascasarjana Ilmu Manajemen, Fakultas Ekonomi UI. D 334,
- Ashbaugh, H., Johnstone, K.M., & Warfield, T.D., (1999). Corporate reporting on the Internet. *Accounting Horizons* 13 (3), 241–257.
- Badan Pengawas Pasar Modal dan Lembaga Keuangan (Bapepam-LK). KEP-86/PM/1996 tentang *Keterbukaan Informasi Yang Harus Segera Diumumkan Kepada Publik*.
- Badan Pengawas Pasar Modal dan Lembaga Keuangan (Bapepam-LK). KEP-431/BL/2012 tentang *Penyampaian Laporan Tahunan Emiten atau Perusahaan Publik*.
- Basuony, M. A. K. (2014). Determinants of Internet Financial Disclosure in GCC Countries. *Asian Journal of Finance & Accounting*, ISSN 1946-052X, Vol. 6, No. 1.

- Boubaker, S., Lakhali, F., & Nekhili, M. (2011). The Determinants Of Web-Based Corporate Reporting In France. *Managerial Auditing Journal*, Vol. 27 No. 2, pp. 126-155.
- Byun, H., Hwang, L., & Lee W. J. (2011) How does ownership concentration exacerbate information asymmetry among equity investors?. *Pacific-Basin Finance Journal*, 19 511–534.
- Chang, M., D'Anna, G., Watson, I., & Wee, M. (2008). Does Disclosure Quality via Investor Relations Affect Information Asymmetry?. *Australian Journal of Management*, Vol. 33, No. 2.
- Chau, G. & Gray, J. (2010). Family ownership, board independence and voluntary disclosure: Evidence from Hong Kong. *Journal of International Accounting, Auditing and Taxation*, 19 93–109.
- Claessens, S., Djankov, S., & Lang, L.H.P.(2000).The Separation of Ownership and Control in East Asian Corporations. *Journal of Financial Economics*, 58, 81–112.
- Debreceeny, R., Gray, G., (1999). Financial reporting on the internet and the external audit. *European Accounting Review*, 8 (2), 335–350.
- Diyanty, Vera. (2012). Pengaruh Kepemilikan Pengendali Akhir Terhadap Transaksi Pihak Berelasi dan Kualitas Laba. *Program Pascasarjana Ilmu Akuntansi, Fakultas Ekonomi UI*, D313.
- Erer, Mert & Dalgic, Orkunt M. (2011). The Impact Of Corporate Governance On Internet Financial Reporting: Evidence From Turkey. *International Journal of Business Research*, ISSN: 1555-1296.
- Ettredge, M., Richardson, V.J., & Scholz, S. (2002). Dissemination of information for investors at corporate Web sites. *Journal of Accounting and Public Policy*, 21 357–369.
- Evans, J., Trinkle, B., dan Henderson, D. (2011). The Link Between Internet Financial Reporting and Information Asymmetry for American Depository Receipts. *Journal of Modern Accounting and Auditing*, ISSN 1548-658, Vol. 7, No. 9, 947-965.
- Fan, Joseph dan T., J.Wong., (2005).”Do Eksternal Auditors Perform a Corporate Governance Role in Emerging Markets? Evidence from East Asia. *Journal of Accounting Research*, 43 (1): 35-72.
- Gilson, R. J. Dan Gordon, J. (2003). Controlling Shareholders. *Working Paper 228*, Columbia Law School, The Center of Law and Economic Studies, New York.
- Godfrey, Jayne, Allan Hodgson, Ann Tarca, Jane Hamilton, dan Scott Holmes. (2010). *Accounting Theory*. New Jersey: John Wiley & Sons, Inc.
- Gowthorpe, C. (2004). „Asymmetrical dialogue? Corporate financial reporting via the Internet“, *Corporate Communications: An International Journal*, Vol. 9 No. 4, pp. 283-293.
- Gujarati, D. N. dan Porter, D.C. (2009). *Basic Econometrics* (Fifth Edition ed.). New York: Mc Graw-Hill.
- Hassink, H., Bollen, L., dan Stegink, M. (2007). Symmetrical versus asymmetrical company-investor communications via the internet. *Corporate Communications: An International Journal*, Vol. 12 No. 2 pp. 145-160.
- Heong Yap, K. Dan Saleh, Z. (2011). Internet Financial Reporting in Malaysia: *The Preparers' View*. *Asian Journal of Finance & Accounting* ISSN 1946-052X, Vol. 3, No. 1: E9.
- Hutton, A. P. (2007). A discussion of ‘corporate disclosure by family firms’. *Journal of Accounting and Economics* 44, 287–297.
- Jabeen, M. dan Shah, A. (2011). A review on family ownership and information asymmetry. *African Journal of Business Management* Vol. 3(35), pp. 13550-13558.
- Jensen, M. C. dan Meckling, W.H. (1976).Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure. *Journal of Financial Economics*, V. 3, No. 4, pp. 305-360.
- Jiang, H., Habib, A., dan Hu, B. (2011). Ownership concentration, voluntary disclosures and information asymmetry in New Zealand. *The British Accounting Review* 43, 39–53
- Kanagaretnam, K., Lobo, G.J., dan Whalen, D.J. (2007). Does good corporate governance reduce information asymmetry around quarterly earnings announcements?. *Journal of Accounting and Public Policy* 26, 497–522
- Khan, M. N. A. dan Ismail, N.A. (2011). The Use Of Disclosure Indices In Internet Financial Reporting Research. *Journal of Global Business And Economics*, Volume 3. Number 1
- Kristian, A. (2014). Analisis Pengaruh Reputasi Auditor, Umur Perusahaan, Struktur Kepemilikan, Dan Jenis Industry Terhadap Pengungkapan Informasi Keuangan Internet. *Program Studi Akuntansi, Fakultas Ekonomi UI*, E.4332.
- La Porta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999). Corporate Ownership Around the World. *Journal of Finance*, 54(2), 471-517.
- Leung, S., Srinidhi, B., dan Lobo, G. (2012). Family control and idiosyncratic volatility: Evidence from listed firms in Hong Kong. *Journal of Contemporary Accounting & Economics* 8, 39–52
- Ojah, K. dan Mokoteli, T.M. (2012). Internet financial reporting, infrastructures and corporate governance: An international analysis. *Review of Development Finance* 2, 69–83
- Omari, J., Fazlzade, A., dan Nahidi, M.M. (2014).The Relationship between Ownership Concentration and Information Asymmetry Considering level of Voluntary Disclosure of Firms Listed in Tehran Stock Exchange. *Research Journal of Recent Sciences*, Vol. 3(4), 40-46

- Poon, P. L., Li, D., and Yu, Y. T., "Internet Financial Reporting." *Information Systems Control Journal*, vol. 1, pp. 1-3, 2003.
- Prabowo R. and Angkoso K.S. (2006), "Factors Influencing the Extent of Web-Based Disclosure: An Empirical Analysis of Indonesian Manufacturing Firms", *Jurnal Akuntansi Dan Keuangan*, Vol.8, No. 2, November, p. 92-98.
- Purba, L., Medyawati, H., Silfianti, W., dan Hermana, B. (2013) Internet Financial Reporting Index Analysis: An Overview from the State Owned Enterprises in Indonesia. *Journal of Economics, Business and Management*, Vol. 1, No. 3
- Puspitaningrum, D. dan Atmini, S. (2012). 2nd Annual International Conference on Accounting and Finance (AF 2012) Corporate governance mechanism and the level of internet financial reporting: Evidence from Indonesian companies. *Procedia Economics and Finance 2*, 157 – 166
- Sabri, B., Lakhal, F., dan Nekhili, M. (2011). The determinants of web-based corporate reporting in France. *Managerial Auditing Journal*, Vol. 27 No. 2, pp. 126-155
- Scott, William R. (2009) *Financial Accounting Theory* 5th edition. Prentice Hall, Inc.
- Simamora, F.R. (2013). Pengaruh konsentrasi kepemilikan keluarga dan institusi keuangan terhadap asimetri informasi dengan pengungkapan sukarela sebagai variabel pemoderasi. *Program Studi Akuntansi, Fakultas Ekonomi UI*, 8347
- Siregar, S.V. dan Utama, S. (2008). Type of earnings management and the effect of ownership structure, firm size, and corporate-governance practices: Evidence from Indonesia. *The International Journal of Accounting*, 43, 1–27.
- Utama, C.A. (2012). Company Disclosure In Indonesia: Corporate Governance Practice, Ownership Structure, Competition And Total Assets. *Asian Journal of Business and Accounting*, 5(1), 75-108. ISSN 1985-4064.
- Villalonga, B., Amit, R., 2006, How do family ownership, control, and management affect firm value? *Journal of Financial Economics* (forthcoming).
- Wang, D. (2006). Founding family ownership and earnings quality. *Journal of Accounting Research*, 44, 619–656.
- Yoon, H., Zo, H., dan Ciganek, A.P. (2011). Does XBRL adoption reduce information asymmetry?. *Journal of Business Research* 64, 157–163.
- Yurano, I. A. (2014). Persepsi pengguna laporan keuangan di Indonesia terhadap praktek financial reporting (IFR). *Program Studi Akuntansi, Fakultas Ekonomi UI*, 8630.
- Zhang, H., Kraft, A., dan Fu, R. (2012). Financial reporting frequency, information asymmetry, and the cost of equity. *Journal of Accounting and Economics* 54, 132–149.

## Appendix

Table 5. IFR Index

No.	Index Items
<b>1</b>	<b>Component of Financial Information</b>
1.1	Statement of Financial Position
1.2	Statement of Financial Performance
1.3	Statement of Cash Flows
1.4	Statement of Movement in Equity
1.5	Notes to the Financial Statement
1.6	Disclosures of Quarterly Results
1.7	Financial Highlight/Year-in-Review
1.8	Chairman's Report
1.9	Auditors' Report
1.10	Stakeholder Information
1.11	Corporate Information
1.12	Social Responsibility
<b>2</b>	<b>Number of years/quarters Shown</b>
	Annual Report
	Quarterly Report
<b>3</b>	<b>Past Information (HTML Only)</b>
	Annual Report
	Quarterly Report
	Graph of Share Price
	<b>Language</b>
	English
	Other than English or Indonesia
	<b>Address (HTML only)</b>
	Company Address
1	<b>Press Releases</b>
	Existence
	Number of days since last updated news (around release date of annual report/financial report)
2	<b>Unaudited Latest Quarterly Result</b>
	Existence
	With proper disclaimer
3	<b>Stock Quote</b>
	Existence
	Updated in how many hours
4	<b>Vision Statement/Forward Looking Statement</b>
	Existence
	Proper disclaimer
	Charts of future profit forecasts/trends
	Download Plug-in On Spot
	Online Feedback
	Use of Presentation Slides
	Use of Multimedia Technology
	Analysis Tools
	Advance Features (XBRL)
	Help and Frequently Asked Question
	Link to Home Page
	Link to Top
	Site Map
	Site Search
	Number of Clicks to get to
	Financial Info
	Consistency of Web Page
	Design
	<b>IFR Index</b>