

What Does the Board of Directors Do About Corporate Financial Reporting Through the Internet in Indonesia?

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Abstract: The aim of this study is to examine the influence of the Board of Directors' characteristics on corporate financial reporting through the Internet. The research employs multiple regression analysis to analyze the data. The findings indicate that gender, education level, educational background, and political connections significantly influence corporate financial reporting through the Internet among companies in Indonesia. However, the tenure of the Board of Directors does not have a significant impact. This study highlights the importance of the Board of Directors' characteristics in corporate disclosure practices in Indonesia. Specifically, gender, education level, educational background, and political connections should be considered in the composition of the Board of Directors. Future research should explore this issue from a cultural perspective to gain a deeper understanding of the context surrounding the Board of Directors' characteristics. The findings of this study contribute to minimizing agency costs, as timely disclosure of corporate financial information can reduce information asymmetry between principals and agents. This research provides valuable insights into sustainability management and accounting by emphasizing the role of corporate governance in enhancing transparency and accountability.

Keywords: board of directors' characteristics, corporate financial reporting, corporate governance, internet disclosure.

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INTRODUCTION

Information technology today affects corporate financial reports (Troshani & Rowbottom, 2021; Hussainey et al., 2022). Corporate financial report aims at providing information to all stakeholders more widely and in an up-to-date package (Shereni et al., 2022). Corporate financial reports can be done through the company's website which is then known as Corporate Internet Report (CIR) (Islam & Hossain, 2022). Corporate Internet Report is still an interesting issue among researchers in the world. The Research that examines CIR is still trying to find a pattern of CIR. This is because CIR is still a voluntary reporting model.



The company's CIR is increasing along with the increasing number of internet users in the world. The internet is the main medium for disseminating a company's information to stakeholders not limited by space and time (Rivera-Trigueros & Olvera-Lobo, 2021). Companies can provide any information to increase the company's value. According to Agency Theory, the information is provided properly and more to stakeholders; it would be able to reduce the emergence of information asymmetry (Jensen & Meckling, 1976). Conflicts of interest caused by information asymmetry and the emergence of higher agency costs resulted in the loss of company value and increased company monitoring costs. Good Information - management can be carried out by company management (Makri & Kabra, 2023). Good company management should be supported by Good Corporate Governance (Tjahjadi et al., 2021; Xue et al., 2022; Gerged et al., 2023).

Corporate Internet Report is influenced by many factors, including profitability, financial distress, managerial ownership, audit committee, and the size of the Public Accounting Firm (KAP) which influence internet-based company reporting. Corporate Internet Report research in Indonesia is still an interesting issue and is voluntary. Faisal et al. (2021) find that the size of the Public Accounting Firm affects internet-based company reporting. Saud et al. (2019) find that internationalization has an impact on internet-based corporate reporting. Sayidah et al. (2016) find that the corporate governance perception index (CGPI) has an impact on internet-based corporate reporting. Hasan & Islam (2023) states that company size affects internet-based company reporting. Khaldoun et al. (2023) state that company size, listing age, and managerial ownership affect internet-based company reporting.

However, the previous studies above on CIR research are associated with financial variables and corporate governance. The results are still inconsistent, where financial and governance factors have an effect and do not influence internet-based reporting. However, previous studies have focused on corporate governance mechanisms (Ahmed et al., 2022); CEO duality, Board of Directors composition, Audit Committee (AC), and Directors. This is different from research findings in other countries (Ahmed et al., 2022; Boussaidi & Hamed-Sidhom, 2021; Hasan & Islam, 2023; Meutia et al., 2022; Sharif et al., 2021). Therefore, this study presents non-financial factors that have not been widely studied, especially the characteristics of The Board of Directors: gender, education level, educational background, tenure, and political connections.

Specifically, this study presents tenure and political connections as variables of The Board of Directors' characteristics. The Board of Directors' characteristics, which are seen from tenure and political connections, have not been widely studied in previous studies. The Agency Theory emerged by expanding the risk-sharing literature by including what is called The Agency Problem. Agency problems occur when cooperating parties have different goals and labor divisions (Jensen & Meckling, 1976). The emergence of agency problems can be overcome by the tenure of a person who holds a position in the director's company (Guluma, 2021; Amin et al., 2022). Therefore, the tenure of a person holding a director position in the company will increase the disclosure of information through the website to minimize the risks that arise. In addition, the political connections of a company director are expected to be able to increase the disclosure of voluntary information through the website. A director who has political connections ethically has a greater responsibility to disclose information to the company's investors (Najaf & Najaf, 2021; Li & Guo, 2022; Li et al., 2023). This is because personally, they have more value, especially in boosting their personal image. In addition, their voluntary disclosure of information can minimize the risk for both companies and their personal risk (Benton et al., 2022). Eisenhardt (1989) stated that The Agency Theory uses three assumptions about human nature, namely, humans are generally self-interested, humans have limited thinking power regarding future perceptions (bounded rationality), and humans always avoid risk (risk averse).

Therefore, this study will empirically prove the characteristics of the Board of Directors from the perspective of gender, education level, academic background, tenure, and political connections that affect CIR. Furthermore, this study presents several controlling variables: Company Size, Profitability, Leverage, and Company Age.

METHODS

This research is a study that seeks proof that the role of Board of Directors can minimize information asymmetry to reduce agency costs. The characteristics variables of the Board of Directors are selected in this research model to look in detail at the role of Board of Directors in the disclosure of voluntary information based on the Internet. This voluntary information has an important role in reducing agency costs, so it is hoped that this study will provide empirical evidence of the role of the Board of Directors in reducing information asymmetrical as explained in Agency Theory.

The population study is 972 companies listed on the Indonesian Stock Exchange. However, not all companies provide information related to the research variables, so a research sample of 365 companies is obtained. The purposive sampling of this study is: 1) Companies listed on Indonesia Stock Exchange, and 2) Companies that publish financial statements and/or annual reports. After data collection, 365 companies present complete data. In addition, to ensure that the collected data are valid, the research instrument is tested for validity and reliability of the research instrument for collecting CIR data. Furthermore, the operationalization of the research variables is presented in Table 1.

Data Analysis uses a Multiple Regression Analysis Approach. The statistical model is used to test the hypothesis empirically. The formula is as follows:

$$\text{CIR} = \alpha + \beta_1\text{GENDER} + \beta_2\text{TP} + \beta_3\text{BACK} + \beta_4\text{TENURE} + \beta_5\text{KP} + \beta_6\text{FIRMSIZE} + \beta_7\text{PROF} + \beta_8\text{LEV} + \beta_9\text{AGEFIRM} + \epsilon$$

Information:

GENDER : Gender of Board Directors

TP : Education Level of Board Directors

BACK : Scientific Background (competence) of Board Directors

TENURE : Term of office of the Main Director

KP : Political Connections

FIRM SIZE : Company Size

PROF : Profitability

LEV : Leverage

AGEFIRM : Company Age

Table 1 Operationalization of Research Variables

No	Variables	Definition	Measurement	Source
1.	Dependent Variable: Corporate Internet Report	The level of a company's internet report is measured as an index calculated by dividing the total number of information items reported by a company on its website scaled by the total number of items that may apply to a particular company.	Investor-related Information (21 Indicators) Social responsibility disclosure (5 Indicators) Corporate Governance-Information (13 Indicators) Contact and Information- supply services (5 Indicators) Social media (6 Indicators) Timeliness of information (4 Indicators) Convenience of website (5 Indicators) The total Indicators are 59 items.	(Xiang & Birt, 2021)

No	Variables	Definition	Measurement	Source
2.	Independent Variables:			
	Gender	Gender refers to the gender of Board of Directors in a company.	The proportion of the number of Female Board Directors is divided by the total number of Board Directors	(Kiswanto & Setiawan, 2022)
	Level of education	The level of education is the length of time a person has completed formal education as a Board of Director.	Formal education held by the CEO (dummy variable 0 for High School-Diploma; 1 for bachelor's degree; 2 for master's degree; 3 for Doctoral degree)	
	Scientific background	The scientific background of The Board of Directors is defined as the competencies that the board of directors have acquired during their formal education.	Dummy Variable, 0 for the main Director's background had non-economic competencies; 1 for the main Director's background that has economic competencies.	
	Tenure	The term of a person's tenure as a Board of Director in a company.	Number of years serving as President Director in the company	(Kiswanto & Setiawan, 2022)
	Political connections	Political connections are a form of connection between the Board of Directors and a particular party or Public Office in a government organization.	The number of Board of Directors who have connections or are connected to the ruling political party or who hold public office in government organizations.	
3.	Control Variables:			
	Company Size	Company capacity as seen from the value of company assets	Total Assets	(Aly et al., 2010)
	Profitability	The company's ability to generate profits	ROA	(Aly et al., 2010)
	Leverage	the company's ability to meet all its obligations	ROE	(Aly et al., 2010)
	Age	Company Age	Number of years since the first IPO to the year of research	

Source: Author processing data, 2024

RESULTS AND DISCUSSION

Table 2 shows the description of the research variable. The research uses 365 analysis units, where the CIR variable has a minus value 0.000 and a maximum of 56,000; and on the average of companies in Indonesia that are the research samples have a CIR value of 28.936. The Gender variable has a minus value of 0.000 and a maximum of 1.000 and on average the companies in Indonesia that are the research samples have a Gender value 0.917. The Education Level variable has a minimum value 0.000 and a maximum 3.000; and on average the companies in Indonesia that are the research samples have an Education Level value of 1.284. The Educational Background variable has a minimum value of 0.000 and a maximum of 1.000; and on average the companies in Indonesia that are the research samples have an educational background value 0.517. The Tenure variable has a minimum value of -1.000 and a maximum of 51.000; and on average companies in Indonesia that are the research sample have a Tenure value of 7.038. The Political Connection variable has a minimum value of

0.000 and a maximum of 11.000; and on average, companies in Indonesia that are the research sample have a political connection value 0.701. The Profitability variable has a minimum value -0.317 and a maximum of 163.254; and on its average, companies in Indonesia that are the research sample have a profitability value of 0.043.

Table 2 Descriptive Statistics

	CIR	GENDER	TP	BACK	TENURE	KP	ROA	ROE
Mean	28.936	0.917	1.284	0.517	7.038	0.701	1.146	2.482
Median	30.000	1.000	1.000	1.000	4.000	0.000	0.043	0.080
Maximum	56.000	1.000	3.000	1.000	51.000	11.000	163.254	861.760
Minimum	0.000	0.000	0.000	0.000	-1.000	0.000	-0.317	-0.984
Std. Dev.	8.578	0.275	0.700	0.500	8.183	1.426	10.573	45.100
Skewness	-0.397	-3.042	0.121	-0.071	2.084	3.379	12.105	19.025
Kurtosis	4.686	10.256	2.816	1.005	8.057	18.102	167.110	362.986
Observations	365	365	365	365	365	365	365	365

Source: Author processing data, 2024

Table 3 presents the results of the correlation analysis, the correlation between CIR and GENDER, TP, BACK, TENURE, and KP is positive and negative, but the correlation value is low. This correlation implies that Board of Directors characteristics are correlated with the CIR of companies in Indonesia. In addition, Gender is positively related to TP, TP is correlated with BACK, TENURE, and KP. In addition, BACK is correlated with TENURE and KP, and tenure is correlated with KP. Furthermore, it can be understood that the positive relationship between the variables of this study has a low correlation score.

Table 3 Correlation Analysis

Variable	CIR	GENDER	TP	BACK	TENURE	KP	ROA	ROE
CIR	1							
GENDER	0.134**	1						
TP	0.149***	-0.106**	1					
BACK	0.172***	0.070	0.330***	1				
TENURE	-0.117**	0.059	-0.145***	-0.119**	1			
KP	-0.160***	0.068	-0.122**	-0.124**	0.699***	1		
ROA	0.036	0.030	0.056	-0.030	0.049	0.047	1	
ROE	0.006	0.015	0.053	0.050	-0.068	-0.068	-0.004	1

Source: Author processing data, 2024

The results of the research hypothesis test shown in Table 4.A indicate that gender has a positive effect on CIR (H1); education level has a positive effect on CIR (H2); educational background has a positive effect on CIR (H3); and political connections have a positive effect on CIR (H5). However, H4 is rejected, which means that tenure does not affect CIR.

Table 4.A Hypothesis testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	24.621	2.049	12.013	0.000
GENDER	4.586	1.608	2.851	0.004***
TP	1.353	0.672	2.013	0.044**
YOUR BACK	1.883	0.934	2.015	0.044**
TENOR	0.004	0.074	0.064	0.948
KP	-1.444	0.692	-2.087	0.037**
ROA	0.028	0.041	0.698	0.485
ROE	-0.003	0.009	-0.328	0.742
Adjusted R-squared: 0.061655				
F-statistic: 4.416703				
Prob.: 0.000101				

Source: Author processing data, 2024

The first hypothesis proves that the gender of Board Directors affects the company's CIR. With better information disclosure, it is expected to be able to reduce information asymmetry between the company as an agent and stakeholders, especially the company owner. The Disclosure of Company Information from a CIR perspective is greatly facilitated by the increasing development of internet users in the world. In Indonesia, internet users have increased significantly. Women as internet users have their insight into managing information via the internet. So, the presence of women on the company's Board of Directors has a good role in managing information that will be conveyed via company's website. They will choose the right information to create a balance of information between the company and stakeholders. Therefore, the gender Board of Directors affect the level CIR of companies in Indonesia.

The influence of education level on corporate internet reports has proved to be acceptable. This means that the disclosure of company information through the website is influenced by the Board Directors' education level. This study looks at the level of education from formal education held by the Board of Directors, meaning that the higher level of formal education of Board Directors will correlate with the level of logic and understanding of Board Directors. The logic and understanding of the Board Directors will affect the disclosure of company information. Although there are many media for conveying company information to all stakeholders, with the logic and understanding of Board of Directors regarding technological developments, the company will encourage the use of technology to convey information.

The educational background referred to the competence possessed by the Board of Directors. This competence is a formal competence obtained when they undergo formal education. This formal educational competence is divided into two, namely economic and non-economic competence. The results of the hypothesis test show that the educational background of the Board of Directors affects the company's CIR Level. This means that the results of this study show that knowledge and experience in the economic field have a good impact on the company's reporting process through CIR. Understanding economic competence is certainly not limited to understanding accounting but can also be in other economic fields. As stated by Allini et al. (2016)

The board has varying experiences, so it will be an effective monitoring mechanism. Alshirah et al. (2020) find that the experience of Board of Directors affects the disclosure of company's risks. This means that the competence of the Board of Directors encourages them to disclose better information. This is because they have the ability and an understanding of the risks if they do not disclose information better.

Different results are found for the tenure variable. This study rejects the hypothesis that board tenure affects the CIR of companies in Indonesia. Tenure is the length of time a member of The Board Directors has held a position in a company. Logically, the longer someone holds a position on The Board of Directors in a company, the more they will be encouraged to disclose information openly. The hope is that the openness of the information they have will be able to reduce agency costs and increase trust among stakeholders and potential investors. However, the results are different in Indonesia, where tenure does not affect the nature and behavior of Board of Directors in disclosing information via Internet. However, Rhodes et al. (2016) argue that experience has no effect if the benefits of experience cannot be felt in decision-making. The results of this study are not in line with Jatana (2023) those who find that tenure has no effect on the decision to leave the company. This means that tenure has an impact on a person's decision in determining their actions towards risk. Including the risk of voluntary disclosure of information through their website.

The fifth hypothesis is accepted, meaning that political connections affect the company's CIR level. Political connections are seen from the closeness or network owned by Board Directors to access government institutions or ruling parties. The existence of political connections on the Board Directors has its value for the company. The company benefits from the presence of political connections on the Board of Directors. These benefits include the company having better access to policies taken by The Government, which is because Board Directors have access to public policies taken by Government Institutions. However, the negative impact that will arise is that the company will tend to ignore the rules made by The Government. The rules will have an impact on legal sanctions received by the company in the future. This condition causes the company's low attention to detail, including disclosure of company information. The company will tend to ignore the delivery of information to stakeholders related to the company. The company will try to cover up bad information concerning the company so that the disclosure of CIR will decrease if the Board of Directors have political connections. The results of this study are in line with research conducted by Mustun & Abdul Wahab (2023) that signals where political connections reduce the value relevance of book value (BV).

This additional analysis re-examines the construct of corporate internet reports which consists of seven constructs (Table 4.B). Each construct is tested to obtain evidence of the consistency of the influence of independent variables on the constructs that form corporate internet reports.

The results of the analysis of the influence of independent variables on each construct of corporate internet reports show consistent results. However, tenure does not affect all constructs. Interestingly, this additional analysis shows that there is a positive influence between political connections on the constructs of Contact and Information-Supply-Services, social media, and the Convenience of Websites.

The influence of political connections on Contact and Information-supply-services means that the existence of these political connections reduces the disclosure of information related to company contacts and the provision of company services to customers. This condition indicates that the existence of political connections encourages companies not to openly provide services to customers, even though customers should be the stakeholders who need the company's services the most. Furthermore, the positive influence of political connections on social media-construct shows that the existence of political connections reduces the disclosure of one company's social media information channels. This can be interpreted as that companies do not need

social media channels as a means of communication with all stakeholders, which means that companies tend to be in the shadow of political connections not to disclose information on social media. Finally, there is an influence of political connections on the Convenience of website-construction. This means that companies tend not to have websites that are comfortable for stakeholders to browse, this can assume that the political connections owned by the company will protect the company's interests, so they do not need to pay attention to their website as a means of communication to stakeholders.

Table 4.B Hypothesis Testing

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Summary
Construct Investor-related information					
C	16.244	2.974	5.461	0.000	Adj R²: 0.028 F-stat: 2.189 prob: 0.022
GENDER	2.200	0.839	2.622	0.009***	
TP	0.126	0.351	0.359	0.019**	
BACK	0.752	0.488	1.537	0.005***	
TENURE	0.036	0.038	0.944	0.345	
KP	-0.807	0.362	-2.228	0.026**	
ROA	0.008	0.021	0.401	0.688	
ROE	-0.003	0.005	-0.647	0.517	
Social Responsibility Disclosure					
C	1.640	0.744	2.202	0.028	Adj R²: 0.003 F-stat: 1.155 prob: 0.322
GENDER	0.213	0.210	1.013	0.011**	
TP	0.136	0.088	1.548	0.022**	
BACK	0.081	0.122	0.661	0.008***	
TENOR	0.010	0.009	1.044	0.296	
KP	-0.187	0.090	-2.067	0.039**	
ROA	0.002	0.005	0.373	0.709	
ROE	-0.000	0.001	-0.052	0.958	
Corporate Governance Information					
C	2.533	1.593	1.590	0.112	Adj R²: 0.016 F-stat: 1.694 prob: 0.088
GENDER	0.921	0.449	2.049	0.041**	
TP	0.097	0.188	0.518	0.004***	
BACK	0.418	0.261	1.599	0.001***	
TENURE	-0.004	0.020	-0.230	0.817	
KP	-0.269	0.194	-1.388	0.006***	
ROA	-0.000	0.011	-0.053	0.957	
ROE	-0.001	0.002	-0.400	0.688	

Variable	Coefficient	Std. Error	t-Statistic	Prob.	Summary
Contact and Information Supply Services					
C	-0.003	0.902	-0.003	0.997	Adj R²: 0.002 F-stat: 1.111 prob: 0.353
GENDER	0.320	0.254	1.257	0.009***	
TP	0.196	0.106	1.837	0.007***	
YOUR BACK	-0.013	0.148	-0.093	0.025**	
TENURE	-0.014	0.011	-1.249	0.212	
KP	0.084	0.109	0.768	0.042**	
ROA	0.002	0.006	0.439	0.660	
ROE	0.001	0.001	0.784	0.433	
Social media					
C	1.883	1.360	1.384	0.167	Adj R²: 0.036 F-stat: 2.517 prob: 0.008
GENDER	0.060	0.383	0.157	0.004***	
TP	0.556	0.160	3.457	0.000***	
BACK	0.170	0.223	0.762	0.046**	
TENURE	-0.025	0.017	-1.413	0.158	
KP	0.086	0.165	0.521	0.022**	
ROA	0.009	0.009	0.916	0.360	
ROE	0.001	0.002	0.508	0.611	
Timeliness of information					
C	0.079	0.558	0.142	0.887	Adj R²: 0.036 F-stat: 2.528 prob: 0.008
GENDER	0.451	0.157	2.869	0.004***	
TP	0.183	0.066	2.782	0.005***	
BACK	-0.020	0.091	-0.219	0.026**	
TENURE	-0.007	0.007	-1.002	0.317	
KP	-0.023	0.068	-0.341	0.033**	
ROA	0.000	0.004	0.087	0.930	
ROE	-0.001	0.000	-1.671	0.095	
Convenience of website					
C	0.981	0.632	1.552	0.121	Adj R²: 0.016 F-stat: 1.664 prob: 0.096
GENDER	0.225	0.178	1.266	0.006***	
TP	0.118	0.074	1.580	0.014**	
BACK	0.052	0.103	0.508	0.011**	
TENURE	-0.011	0.008	-1.447	0.148	
KP	0.078	0.077	1.019	0.008***	
ROA	0.005	0.004	1.281	0.200	
ROE	0.001	0.001	0.982	0.326	

Source: The writers of this article's processing data, 2024

CONCLUSION

Corporate internet report is a form of the disclosure of company information to all stakeholders. This information disclosure includes all information contained in the company's annual report, but the corporate-internet report is delivered in real-time when the information occurs. This results in a shift in the company's reporting method. In theory, timely delivery of information can reduce the asymmetry between principals and agents, thereby minimizing agency costs. Therefore, companies need to deliver information promptly. The development of the era supports the delivery of information promptly, whereas the internet has become a medium to facilitate companies in delivering information. The internet has become an important bridge between companies and stakeholders, where companies can easily deliver information through the company's website at any time. Likewise, all company stakeholders can access company information that is not limited by space and time. However, this condition should not happen, where the delivery of information from the perspective of corporate - internet reports is influenced by many factors. This study finds that gender, education level, educational background, and political connections have a positive effect on corporate - internet reports. However, tenure does not affect corporate internet reports. The gender perspective of this study looks at the presence of women on Board of Directors, if women have the insight and accuracy in reporting and disclosing information so that they can encourage the disclosure of corporate internet reports. The next variable is the finding that the level of education affects corporate internet reports. This means that this level of education assumes the breadth of a person's thinking in seeing something, whereas the breadth of thinking encourages a person to be able to see something more objectively and logically. This ability to think objectively and logically can encourage the Board of Directors to convey information from the perspective of corporate - internet reporting. In addition, it is also found that educational background has an impact on corporate-internet reports. This is proof that the educational background which is assumed as educational background from the economic and non-economic fields has an impact on corporate-internet reports. This means that a Board of Director who has an educational background in economics prefers to disclose information in the context of corporate - internet reports. Lastly there are political connections, where political connections are suspected of being able to reduce corporate internet reports. Political connections that are assumed to be a company's affiliation with people who currently have power or certain positions in the government structure affect corporate internet report in Indonesia. Companies that have political connections tend to take refuge in the interests of the company. However, this is not the case with the tenure variable, where tenure does not affect corporate internet reports. Tenure is assumed to be the length of time when someone sits on the Board of Directors which will affect corporate internet reports. However, the results show that the maturity and experience of someone on the Board of Directors do not make them mature in conveying information through corporate internet reporting. The implications of the existence of Board Directors' characteristics are an interesting issue in the disclosure of Corporate Information in Indonesia, where gender, education level, educational background, and political connections stand as influencing factors. This must be a concern in determining the composition of a Company's Board of Directors. Policymakers should pay attention to the conditions even though there are no regulations governing the disclosure of corporate internet report in Indonesia. However, the importance of voluntary disclosure of information can reduce agency conflicts in the company, which can ultimately reduce the relevance of information submitted by the company in the annual report. According to the researchers, the context of corporate internet reports is greatly influenced by the company's habits in conveying information, therefore the future research can examine it from a cultural perspective, to obtain research results that are contextual to Board of Directors' characteristics.

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