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The Impact of Internet Corporate Reporting on Market Performance: The Moderating Role of Woman on Board

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Abstract – *This research investigates the impact of internet corporate reporting on market performance, with woman on board as moderating variable. This is quantitative research that uses 99 observations from banking companies listed in Indonesia Stock Exchange. Based on the analysis done using STATA software, it is proven that the internet corporate reporting has positive and significant impact on market performance. Moreover, the role of woman on board also gives positive and significant impact in the relationship between internet corporate reporting and market performance.*

Keywords*: internet corporate reporting, market performance, woman on board*

I. INTRODUCTION

The use of internet corporate reporting and companies' financial communication have been grown incredibly fast. An efficient company disclosure is one of the crucial instruments to protect investor and improve the level of confidence in the market. Several studies before have examined the internet corporate reporting, such as European capital market, Yunani (Spanos & Mylokanis, 2006). Several research also demonstrate that the disclosure can decrease the information asymmetry, increase the capital market liquidity, and decrease the cost of equity capital (Botosan and Plumlee, 2002; Welker, 1995; Healy et al., 1999; Diamond and Verrecchia, 1991). Investors are expected to obtain more information through internet than printed media (Marston dan Polei, 2004; Kelton dan Yang, 2008; Bozcuk, 2012), so that in providing and sharing the company information, companies have started to utilise internet technology used to communicate with the investors.

Based on the OECD 2004, regarding the Corporate Governance Principles that encourage the use of information technology. This means to improve the information sharing, also to facilitate the efficient and on time access regarding the cost in informations relevant to the investors. Institutional investors use the company website to obtain financial statements, periodic financial statements, and also other relevant information before they decide to invest in the company.

OJK (*Otoritas Jasa Keuangan*) has responded in regulation number 8/POJK.04/2015 as an effort to increase the information openness and access to stakeholders, related to the information of public companies with the information technology utilization. In the regulation, it is stated that public companies are mandatory to disclose information regarding the public companies general or common information, information to investors, corporate governance information. Those are stated as internet corporate reporting, that is the disclosure of companies' information through website.

This research is intended to examine the impact of internet corporate reporting towards firm value in Indonesia banking companies, which are listed in Indonesia Stock Exchange. This information disclosure is part of good corporate governance, so that a complete, relevant, and on time disclosure of company information, are parts of important parts in investing decision. Based on Garay et al. (2013) and Ghanem & Ariff (2016), investment decision will impact the firm value. Also, based on Ahmed et al. (2015) in his research stated that

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the percentage of whole information regarding internet corporate reporting in public companies in Egypt has positive and significant relationship towards market returns and market value.

Although several research have been done regarding the factors affected the internet corporate reporting practices, there is no research specifically examine the practices of internet corporate reporting in banking companies. This test is important since banking sector is the most important financial sector in Indonesia with highest contribution compare to other financial sectors. Moreover, the research of internet corporate reporting still resulted in mix or different results. Thus, this research also examines the role of woman on board as moderating variable that strengthen the impact of ICR towards firm value or market performance. According to Hillman et al. (2007), based on resource dependency theory, gender diversity on a company's board of directors is an indicator of fulfilling stakeholder expectations. Previous studies related to the influence of internet corporate reporting on company value also still provide varying results. So, this research will involve a moderating variable, namely woman on board as one of the components of good corporate governance which will be a research contribution.

The practice of Internet Corporate Reporting is a communication process regarding information on company resources and performance that is useful in performance monitoring and decision making (Xiao et al., 1996). Internet Corporate Reporting is a form of disclosure to investors, creditors and other external parties, in the form of financial and non-financial reporting on the company website. Utilizing a company website is an important part of company information services, as a form of practice for disseminating company information in digital format. The variety of different industrial sectors also provides a picture of the complexity and characteristics of different businesses, where the use of technology in providing information is also different. Some of the causes of differences in company information disclosure or disclosure are related to the presence of unusual and industry-specific information (Kolsi and Attayah, 2018), as well as political costs (Gandia, 2008).

According to Harjito and Martono (2012), there are three company goals, where these goals are part of the company's business continuity, such as achieving maximum profits, prosperity of company owners, and maximizing company value or market performance as reflected by the company's share price. According to Weston & Copeland (1992), company value can influence investors' perceptions, considering that company value is the fair value of the company which is reflected in investors' perceptions of the company's performance. One way to measure company value or market performance is Tobin's Q, by comparing the market value with the book value of equity. The higher the Tobin's Q value, the better the growth prospects. Tobin's Q can explain phenomena in company operations, where this ratio accurately looks at management's effectiveness in managing its resources.

This research uses Tobin's Q ratio to measure firm value or market performance, as this ratio explains the company's operational phenomena and accurate to measure the management of resources (Tambunan et al., 2017). According to Xiao et al. (2004), Bin-Ghanem dan Ariff (2016), related to agency theory, the information openness through websites could reduce the information asymmetry happened between agent and principal. This means that the information asymmetry will make obtaining funds become less optimal, so that by disclosing financial and non financial information through website will depress it. Regarding the signalling theory, the reason of a company to disclose more and qualified information is because it reflects that the company can utilise the technology better.

According to preceding research, the characteristic of a company affects the market performance or firm value, including size. Size gives positive and significant impact to firm value (Kim et al. 2015). This research is intended to obtain empirical evidence of ICR practices on firm value with size as control variable. Thus, the first hypothesis in this research are as follows:
H1: There is significant impact of internet corporate reporting on market performance.

The result of internet corporate reporting still resulted in mix or different results. Thus, this research also examines the role of woman on board as moderating variable that strengthen the impact of ICR towards firm value or market performance. According to Hillman et al. (2007), based on resource dependency theory, gender diversity on a company's board of directors is an indicator of fulfilling stakeholder expectations. Preceding studies related to the influence of internet corporate reporting on company value also still provide

varying results. Thus, this research will involve a moderating variable, namely woman on board as one of the components of good corporate governance, with the hypothesis as follows:
H2: Woman on board moderates the impact of internet corporate reporting on market performance.

Theoretical framework is the foundation that underlies the whole research project (Sekaran & Bougie, 2016). Based on the theoretical framework, hypothesis that could be tested is formulated to find out whether the formulated theory is valid or not. Then, the theories will be measured by the correct statistical analysis.

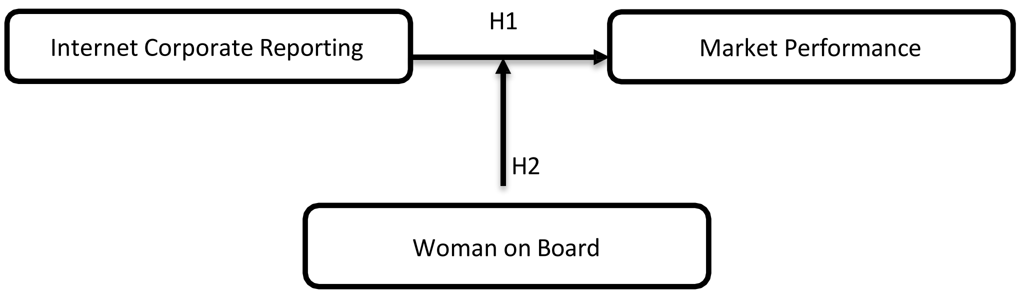

Figure 1. Research Model

II. METHOD

This research uses quantitative method, using observation from companies' website. The data are obtained by using checklist of items developed by Spanos and Mylakonis (2006). The period used for this research is from 2020 until 2022. The secondary data for other variables such as woman on board are obtained from the annual report, while size and return on assets are from ESGI Dataset which are sourced from financial report.

The population in this research use banking companies listed on the Stock Exchange Indonesia. Then, the purposive sampling method was used to select the research sample. The criteria for selecting this sample are that companies must have an active website as well accessible, publish financial reports, as required in the sample,
namely 2020, 2021, 2022. In this research, market performance or firm value is the dependent variable because is an investor's perception of the company's success which can be reflected in the price share. Company value is measured using the Tobin's Q proxy. The independent variable is the level of information disclosure. Proxy used to measure the level of information disclosure is the comparison or the ratio of the total information disclosure score divided by the maximum score for all items disclosed by the company. Control variables used are company size and profitability. Company size is measured by total assets at the end of the year, namely using natural log (ln total assets). Meanwhile, profitability is measured using return on assets (ROA). The websites of each company were used to obtain data in this study, namely collecting data on the level of information disclosure using observation-based website, seen from the checklist items that will be used. There are 40 checklist items adopted by index that is developed by Spanos and Mylonakis (2006) to measure corporate internet company reporting.

To fulfill the requirements of the classical assumption test, a normality, linearity, multicollinearity, and heteroscedasticity before carrying out regression analysis. As for models' regression are as follows:

$Q = \boldsymbol{\alpha} + \boldsymbol{\beta 1 ICR} + \boldsymbol{\beta 2 SIZE} + \boldsymbol{e}$

where:

Q : Company Market Performance

α : Constanta

$\beta 1,2,3$: Independent variable coefficients

ICR : Internet Corporate Reporting index
SIZE : Company size (ln Total Assets)

Meanwhile, for the moderating variable, the regression model is as follows:

$$Q = \boldsymbol{\alpha} + \boldsymbol{\beta 1 ICR} + \boldsymbol{\beta 2 ICR*GENDER} + \boldsymbol{\beta} 3\boldsymbol{SIZE} + \boldsymbol{e}$$

where:

Q : Company Market Performance
α : Constant
β1,2,3 : Independent variable coefficients
ICR : Internet Corporate Reporting index
SIZE : Company size (ln Total Assets)
GENDER: Woman on Board

III. RESULT AND DISCUSSION

A. *Result*

Table 1. Descriptive Statistic Result

Variable	Obs	Mean	Std. Dev	Min	Max
Tobin's Q	99	1.149168	.4479253	.27682	3.48268
ICR	99	.7530303	.1038342	.525	.975
GENDER	99	.8787879	.3280346	0	1
SIZE	99	31.48153	1.569975	28.94511	35.22819
ROA	99	.0003239	.0269916	-.18058	.0325

Source: Data Processing Result by STATA

Based on the descriptive statistic result, from 99 observations, Tobin's Q variable shows that the mean is 1.14. This depicts that for banking sectors listed in Indonesia Stock Exchange in 2020 until 2022 have been valued by the market higher than its intrinsic value (overvalued). The mean of woman on board variable result in almost 1, which means most of banking institutions in Indonesia have woman as part of either directors, executive officers, or members of the audit committee. The variable control of SIZE shows that the standard deviation reaches quite high number which means that the size of banking companies is varied, so that hopefully will give results that can be generalized for other sectors with different sizes.

Table 2. Correlation

	TobinsQ	CIR	GENDER	ROA	SIZE
TobinsQ	1.0000				
CIR	0.1084	1.0000			
GENDER	0.0159	0.0109	1.0000		
ROA	-0.3965	0.2839	-0.0049	1.0000	
SIZE	-0.3128	0.2953	0.0123	0.3379	1.0000

Source: Data Processing Result by STATA

According to the table above, it shows that there is no multicollinearity in the data, since the results show there is no number above 0.8; or in other way all numbers are below 0.8.

In testing hypothesis, we have to decide the regression model of data panel we use, so that several tests (Chow Test, Hausman Test, and Lagrange Test) have been done to finally resulted in the best model. The results of choosing the best models are shown below:

Table 3. Best Model Tests

Chow Test			
No.	Variable	Result	Chosen Model

	Dependent	Independent	Prob>F	
1.	Tobin's Q	ICR	0.0040	FE
2.	Tobin's Q	ICRGENDER	0.0123	FE
LM Test				
No.	Variable		Result	Chosen Model
	Dependent	Independent	Prob>F	
1.	Tobin's Q	ICR	0.0009	FE
2.	Tobin's Q	ICRGENDER	0.0009	FE
Hausman Test				
No.	Variable		Result	The Best Model
	Dependent	Independent	Prob>F	
1.	Tobin's Q	ICR	0.0142	FE
2.	Tobin's Q	ICRGENDER	0.0144	FE

Source: Data Processing Result by STATA

The table abpve shows the results of best model test, where the two models eventually use fixed effect model as the best model to do regression analysis.

Table 4. Regression Test Results regarding The Impact of Internet corporate reporting on Firm Value

Variable	Prediction	Tobin's Q
ICR	+	0.000****
SIZE	-	0.000****

Source: Data Processing Result by STATA

Table 5. Regression Test Results regarding The Impact of Woman on Board as Moderating Variable on the Impact pf Internet corporate reporting towards Firm Value

Variable	Prediction	Tobin's Q
ICRGENDER	+	0.000****
SIZE	-	0.000****

Source: Data Processing Result by STATA

In this research, the first hypotheses is about the impact of internet corporate reporting on firm value or market performance. Based on the regression analysis on Table 4., with 99 observations, it is proven that internet corporate reporting has positive significant impact on firm value or market performance. While for hypotheses 2, Table 5 shows that the moderating variable (*woman on board*) has positive significant impact on Tobin's Q, which means that the woman on board can strengthen the positive impact of internet corporate reporting on market performance.

B. Discussion

The internet corporate reporting is the ratio between total score of each bank information disclosure towards maximum score obtained if the company disclose all the items. This research use checklist by Spanos and Mylonakis (2006) to measure ICR score of each sample. From the descriptive statistic result, it shows that the Indonesia banking sector as sample generates 0.7530 (75.30%). This average is actually included in the upper level of disclosure. The result also shows that the maximum score of ICR reach until 0.975 (97.5%) which means that there is a banking company that dislose almost all important informations included in the ICR index. The result of this research depicts that banking companies in Indonesia disclose the information through website maximally, which might be as the banking sector has crucial role in Indonesia so that they have to disclose the information comprehensively in the website to attract and keep the trust of current and potential investors.

Second hypotheses, it tests the impact of woman on board as moderating variable for the impact of internet corporate reporting on firm value or market performance. As shown by Table 5., it shows that the moderating variable has positive and significant impact on the relationship between internet corporate reporting and market performance. This means that, the role of woman on board as

IV. CONCLUSION

The existing study contributes to the existing literature regarding internet corporate reporting and firm performance, and the role of woman on board as moderating variable. The results show that internet corporate reporting has a significant impact on firm value or market performance, and that woman on board plays a positive significant moderating role in the relationship between internet corporate reporting and market performance. Previous research has shown that internet corporate reporting is the communication process regarding information and performance on the company that benefits in decision making process and performance monitoring (Xiao et al., 1996). Internet corporate reporting is one of the forms of financial and non-financial reporting disclosure in company's website to investors, creditors, and other external parties (Sintadevi, 2022). Based on the total score after doing checklist in banking companies listed in Indonesia Stock Exchange, it shows that internet corporate reporting show on average of 75%. This means that, banking companies in Indonesia have excellent percentage of internet corporate reporting disclosure from year 2020 to 2022. Moreover, the highest score even reaches 95% which means that the maximum score even reaches almost perfect score of internet corporate reporting.

The role of woman on board as moderating role of internet corporate reporting shows the positive significant impact in the relationship between internet corporate reporting on firm value. This means that the existency of woman on board is one of the good corporate governances that strengthen the positive impact of internet corporate reporting on firm value.

The current study only examines internet corporate reporting that uses index by Spanos and Mylanokis (2006), which can be explored more for future research by using other indicators that is more comprehensive to measure internet corporate reporting. Furthermore, next research can explore more other part of good corporate governance, or find other measurement of woman on board to increase the accuracy, since this research only use dummy variable (0 and 1). Therefore, this study suggests that the internet corporate reporting is the area that can be explored more in the future research.

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