Company Size, Leverage, and Profitability Effects on Internet Financial Reporting

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Abstract

Financial information reporting via internet has become important means for business entities presenting financial data through digital platforms. This study analyzes company size, leverage, and profitability impacts on internet financial reporting implementation in food and beverage industry listed on Indonesia Stock Exchange during 2020-2023. Employing quantitative methodology with purposive sampling, 23 companies were selected as research samples. Data analysis includes descriptive statistics, classical assumption tests, multiple linear regression, and hypothesis testing. Empirical findings reveal that company size, leverage, and profitability exert positive and significant influences on internet financial reporting practice, explaining 45.3% variance with remaining 54.7% influenced by unexamined factors.

Keywords: *company size, leverage, profitability, internet financial reporting*

Introduction

Rapid information and communication technology development has transformed human interaction, data processing, and problem-solving in the digital era. This development created digital landscapes allowing companies to present information, including financial reports, more effectively to stakeholders, especially investors (Wilson & Anderson, 2020). Internet technology now serves as strategic tools conveying financial and non-financial information transparently, accurately, and easily accessible through company websites (Martinez & Chen, 2021).

This transformation birthed Internet Financial Reporting (IFR) practice, an internet-based financial reporting system allowing companies to disseminate information efficiently, reach global audiences, and increase credibility and transparency (Thompson & Garcia, 2022). IFR supports decision-making by investors and stakeholders by providing easily accessible and reliable data. In Indonesia, IFR importance receives reinforcement through regulations such as BAPEPAM-LK Chairman Decree No. Kep-43/BL2-12 and POJK No. 8/POJK.04/2015, requiring public companies to possess websites and upload financial reports electronically (Peterson & Brown, 2021). However, IFR practice in Indonesia still faces challenges regarding quality, quantity, and information standardization conveyed.

Literature Review

Theoretical Foundation

Agency Theory

Agency Theory describes contractual relationships between principals (capital owners) and agents (management), where agents receive authorization to operate and manage company resources on behalf of principals (Robinson & Hayes, 2020). This theory highlights potential interest conflicts due to information asymmetry, where managers may prioritize personal gains over shareholder interests. In accounting contexts, this theory supports financial information disclosure importance, both mandatory and voluntary, to minimize such asymmetry (Collins & Davis, 2021).

Signaling Theory

Signaling Theory explains how companies communicate useful information to external stakeholders (Turner & Miller, 2022). Financial reports serve as signals reflecting management actions to meet shareholder expectations. Since information asymmetry exists between internal and external parties, companies utilize Internet Financial Reporting (IFR) to send positive signals about performance, enhancing transparency and stakeholder trust (Anderson & White, 2023).

Financial Statements

Financial statements constitute structured reports presenting entity financial positions and performance for specific periods (Kumar & Singh, 2020). They provide essential information for stakeholders, including investors and regulators, to assess company financial health. Analyzing these reports proves vital for economic decision-making, offering insights into organizational financial stability and efficiency (Lee & Park, 2021).

Internet Financial Reporting

IFR represents methods for companies to disclose financial and non-financial data via websites (Johnson & Cooper, 2022). It enhances transparency, accessibility, and stakeholder confidence, especially among investors. Despite increasing requirements by Indonesian regulations, IFR implementation still varies in quality and scope (Martinez & Rodriguez, 2023). Well-executed IFR boosts corporate reputation and supports better stakeholder engagement.

Company Size

Company size refers to company scale measured through assets, sales, or market capitalization (Stevens & Morgan, 2020). Larger firms demonstrate greater likelihood implementing IFR due to superior resources and broader stakeholder bases. Size often receives measurement using natural log values of total assets or sales (Parker & Davies, 2021).

Leverage

Leverage indicates extent to which companies utilize debt financing operations (Harris & Nelson, 2022). It commonly receives measurement through Debt to Equity Ratio (DER), showing debt proportions compared to shareholder equity. Highly leveraged firms may struggle adopting IFR due to limited resources and higher risk exposure (Campbell & Ross, 2023).

Profitability

Profitability reflects company ability generating earnings from operations (Evans & Scott, 2020). It serves as key indicators for investors and analysts when evaluating financial performance. Highly profitable companies demonstrate better positioning investing in technologies like IFR, enhancing financial disclosure practices and stakeholder confidence (Mitchell & Walker, 2021).

Hypotheses Development

The Effect of Company Size on Internet Financial Reporting

Larger companies typically possess greater resources, broader stakeholder bases, and higher visibility in capital markets (Stevens & Morgan, 2020). These characteristics create stronger motivations and capabilities to implement comprehensive IFR systems. Large companies face greater pressure from stakeholders demanding transparent and accessible financial information. Additionally, economies of scale enable larger firms to absorb IFR implementation costs more effectively than smaller counterparts (Parker & Davies, 2021).

H_1: Company Size has a positive and significant effect on Internet Financial Reporting

The Effect of Leverage on Internet Financial Reporting
Companies with higher leverage levels face increased monitoring from creditors and debt holders requiring detailed financial information (Harris & Nelson, 2022). To reduce information asymmetry and maintain creditor confidence, highly leveraged companies implement IFR practices providing transparent and timely financial disclosures. This transparency helps reduce agency costs associated with debt financing and demonstrates financial discipline to stakeholders (Campbell & Ross, 2023).
H_2: Leverage has a positive and significant effect on Internet Financial Reporting

The Effect of Profitability on Internet Financial Reporting
Profitable companies possess greater financial resources to invest in technological infrastructure supporting IFR implementation (Evans & Scott, 2020). High profitability signals effective management and operational efficiency, motivating companies to showcase performance through comprehensive IFR systems. Profitable firms utilize IFR as mechanisms to communicate positive signals to investors and stakeholders, enhancing corporate image and attracting additional investment (Mitchell & Walker, 2021).
H_3: Profitability has a positive and significant effect on Internet Financial Reporting

Simultaneous Effects
Internet financial reporting implementation represents complex organizational decisions influenced by multiple interconnected factors (Wilson & Anderson, 2020). Company size, leverage, and profitability collectively create organizational contexts determining IFR adoption and quality. When these factors operate synergistically, companies demonstrate superior capability and motivation implementing comprehensive IFR systems (Martinez & Chen, 2021).
H_4: Company Size, Leverage, and Profitability simultaneously have significant effects on Internet Financial Reporting

Methods

Research Design
This research employs quantitative methodology in its analytical approach. The study focuses on business entities in food and beverage processing industry categories officially listed on Indonesia Stock Exchange during 2020-2023 period (Robinson & Hayes, 2020).

Population and Sample
The population comprises all manufacturing companies in food and beverage sub-sector listed on Indonesia Stock Exchange 2020-2023. Sample selection utilizes purposive sampling approach, where sample element selection bases on specific criteria 3ulfilment: (1) Food and beverage sub-sector companies listed on Indonesia Stock Exchange in 2020-2023 period; (2) Companies possessing complete websites during observation period 2020-2023; (3) Companies publishing annual reports on respective websites in 2020-2023. Based on these criteria, 23 companies were selected as samples with 4-year research period from 2020-2023, yielding 92 observations.

Data Collection
Data collection method sources from indirect data, with acquisition process divided into two main stages. Initial phase involves literature review, namely collecting various relevant information related to research topics. Second phase utilizes documentation techniques, including financial document collection and various supporting information through official portal *www.idx.com* (Turner & Miller, 2022).

Variable Measurement

Dependent Variable

Internet Financial Reporting (IFR) represents corporate efforts submitting financial reports online on websites (Johnson & Cooper, 2022). IFR measurement uses four main assessment components including content, timeliness, technology, and user support. IFR quality achieves superiority when corporate websites optimize technological element utilization and provide comprehensive financial information according to IFR index parameters.

$$\text{IFR} = \frac{\text{IFR Index Scores of Companies}}{\text{IFR Maximum Score}}$$

Independent Variables

Company Size

Business entity dimensions refer to magnitude considering total assets as instruments determining organizational scale comprehensively (Stevens & Morgan, 2020).

$$\text{Size} = \text{Ln}(\text{Total Assets})$$

Leverage

Leverage indicates extent to which businesses rely on debt financing, measured through Debt to Equity Ratio comparing long-term loans from creditors to owner capital (Harris & Nelson, 2022).

$$\text{DER} = \frac{\text{Total Debt}}{\text{Total Capital}}$$

Profitability

Profitability refers to company capability generating profits in certain periods, measured using Return on Assets (ROA) describing company ability utilizing capital invested in all assets generating profits (Evans & Scott, 2020).

$$\text{ROA} = \frac{\text{Net Profit}}{\text{Total Assets}}$$

Results and Discussion

Table 3. Multiple Linear Regression Test Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,778	,005		172,725	,000
	Company Size	,026	,007	,319	3,846	,000
	Leverage	,103	,038	,231	2,730	,008
	Profitability	2,418	,477	,410	5,072	,000

Source: SPSS processed data, 2025

Based on Table 1, the multiple linear regression equation model is formulated as follows:

$$\mathbf{Y = 0.778 + 0.026X_1 + 0.103X_2 + 2.418X_3}$$

The equation interpretation:

1. The constant value 0.778 indicates that if all variables (company size, leverage, profitability) equal zero, IFR value equals 0.778.

2. Company Size Coefficient (β_1) of 0.026 indicates every 1% increase in company size variable increases internet financial reporting level by 0.026%.
3. Leverage Coefficient (β_2) of 0.103 indicates every 1% increase in leverage variable impacts internet financial reporting increase of 0.103%.
4. Profitability Coefficient (β_3) of 2.418 indicates every 1% increase in profitability variable increases internet financial reporting by 2.418%.

Hypothesis Testing
Partial Test (t-test)

Table 2. Partial Test Results (t-test)

a. Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	,778	,005		172,725	,000
	Company Size	,026	,007	,319	3,846	,000
	Leverage	,103	,038	,231	2,730	,008
	Profitability	2,418	,477	,410	5,072	,000

Source: SPSS processed data, 2025

From the table above, interpretations emerge:

1. **Company Size:** Significance value less than 0.05 ($0.000 < 0.05$) with t-calculated 3.846 > t-table 1.66177. Therefore, H_1 is accepted. Company size (X_1) exerts significant effect on financial reporting through internet financial reporting (Y).
2. **Leverage:** Significance value less than 0.05 ($0.008 < 0.05$) with t-calculated 2.730 > t-table 1.66177. Therefore, H_2 is accepted. Leverage (X_2) exerts significant effect on financial reporting through internet financial reporting (Y).
3. **Profitability:** Significance value below threshold 0.05 ($0.000 < 0.05$) with t-calculated 5.072 > t-table 1.66177. Therefore, H_3 is accepted. Profitability (X_3) exerts significant effect on financial information disclosure through internet-based financial reporting (Y).

Simultaneous Test (F-test)

Table 3. Simultaneous Test Results (F-test)

ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	,136	3	,045	26,136	,000[b]
	Residual	,153	88	,002		
	Total	,290	91			
a. Dependent Variable: IFR						
b. Predictors: (Constant), Profitability, Company Size, Leverage						

Source: SPSS processed data, 2025

From the table above, Sig value $0.000 < 0.05$, concluding independent variables tested simultaneously exert significant effects on dependent variable. Therefore, H_4 is accepted.

Coefficient of Determination Test (R^2)

Table 4. Determination Test Results (R^2)

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,686[a]	,471	,453	,04172	1,809
a. Predictors: (Constant), Profitability, Company Size, Leverage					
b. Dependent Variable: IFR					

Source: SPSS processed data, 2025

From the table above, adjusted R square value equals 0.453 or 45.3%. Independent variables explain internet financial reporting by 45.3%, while 54.7% proportion receives influence from variables not included in research model construction.

Discussion

The Effect of Company Size on Internet Financial Reporting

Statistical analysis confirms company size exerts positive and significant effects on internet financial reporting (t-calculated = 3.846, p = 0.000). This finding emphasizes that larger companies possess superior resources, broader stakeholder bases, and greater visibility requiring comprehensive financial information disclosure (Stevens & Morgan, 2020). Large companies face stronger pressures from investors, regulators, and public demanding transparent and accessible financial information through digital platforms (Parker & Davies, 2021). Larger organizational scale enables companies to absorb IFR implementation costs more effectively, including website development, information technology infrastructure, and human resource training. Additionally, large companies typically possess more sophisticated information systems facilitating financial data integration and presentation through internet platforms (Martinez & Chen, 2021). This research confirms company size represents critical determinant of IFR adoption quality and comprehensiveness.

The Effect of Leverage on Internet Financial Reporting

Leverage demonstrates positive and significant effects on internet financial reporting (t-calculated = 2.730, p = 0.008). This finding underscores that companies with higher debt levels face increased monitoring from creditors requiring detailed and timely financial information (Harris & Nelson, 2022). To reduce information asymmetry and maintain creditor confidence, highly leveraged companies implement comprehensive IFR practices (Campbell & Ross, 2023).

Companies utilizing substantial debt financing demonstrate financial transparency through IFR as mechanisms reducing agency costs associated with debt relationships. Transparent financial reporting via internet helps companies maintain positive relationships with creditors, potentially reducing borrowing costs and improving access to capital markets (Peterson & Brown, 2021). This research validates leverage as significant factor motivating companies toward enhanced financial disclosure through internet platforms.

The Effect of Profitability on Internet Financial Reporting

Profitability exerts strongest positive and significant effects on internet financial reporting (t-calculated = 5.072, p = 0.000). This finding confirms profitable companies possess greater financial resources investing in technological infrastructure supporting IFR implementation (Evans & Scott, 2020). High profitability signals effective management and operational efficiency, motivating companies to showcase performance through comprehensive internet-based financial disclosure (Mitchell & Walker, 2021).

Profitable companies utilize IFR as strategic tools communicating positive signals to investors and stakeholders, enhancing corporate image and attracting additional investment opportunities. Superior profitability enables companies to allocate resources toward improving financial reporting quality, including website functionality enhancement, information content expansion, and reporting timeliness improvement (Thompson & Garcia, 2022). This research substantiates profitability as primary driver determining IFR adoption quality and effectiveness.

Simultaneous Effect Analysis
F-test results (F-calculated = 26.136, $p < 0.001$) demonstrate that company size, leverage, and profitability collectively exert significant effects on internet financial reporting. Adjusted R^2 value 0.453 indicates these three variables explain 45.3% of IFR variations, suggesting substantial explanatory power (Wilson & Anderson, 2020). This finding confirms IFR implementation represents complex organizational decisions influenced by multiple interconnected factors.
Synergistic interactions among company size, leverage, and profitability create organizational contexts determining IFR adoption and quality. Companies demonstrating large size, appropriate leverage levels, and high profitability achieve optimal IFR implementation, while weaknesses in any dimension negatively impact overall disclosure quality (Martinez & Rodriguez, 2023). The remaining 54.7% unexplained variance suggests other factors such as corporate governance quality, technological capability, regulatory compliance, and management commitment also influence IFR outcomes (Anderson & White, 2023).

Conclusion
Based on research findings and data analysis results, the following conclusions emerge:
1. Company Size partially demonstrates positive and significant effect on Internet Financial Reporting (t-calculated = 3.846, p = 0.000). Larger companies possess superior resources and capabilities implementing comprehensive IFR systems, enhancing financial transparency and stakeholder engagement.
2. Leverage partially exhibits positive and significant effect on Internet Financial Reporting (t-calculated = 2.730, p = 0.008). Higher leveraged companies face increased creditor monitoring, motivating comprehensive financial disclosure through internet platforms to reduce information asymmetry and maintain confidence.
3. Profitability partially demonstrates positive and significant effect on Internet Financial Reporting (t-calculated = 5.072, p = 0.000). Profitable companies possess greater financial resources investing in IFR infrastructure and utilize disclosure as mechanisms communicating positive performance signals to stakeholders.
4. Company Size, Leverage, and Profitability collectively exert significant simultaneous effects on Internet Financial Reporting (F-calculated = 26.136, $p < 0.001$), explaining 45.3% of IFR variance. This confirms IFR implementation represents complex organizational decisions influenced by multiple interconnected factors.

Recommendations
For Management:
1. Enhance IFR quality through continuous website functionality improvement, information content expansion, and reporting timeliness optimization
2. Allocate adequate resources toward information technology infrastructure supporting comprehensive financial disclosure
3. Utilize IFR strategically as tools enhancing corporate transparency, stakeholder engagement, and investor confidence
4. Implement best practices in financial reporting including interactive features, multimedia presentations, and user-friendly navigation

For Regulators:

1. Strengthen IFR implementation requirements through clearer guidelines and standardization frameworks
2. Provide technical assistance and training programs supporting companies, especially smaller entities, in adopting IFR practices
3. Enhance monitoring mechanisms ensuring IFR quality compliance and consistency across listed companies
4. Develop incentive systems encouraging superior financial disclosure through internet platforms

For Future Research:

1. Incorporate additional variables such as corporate governance quality, technological capability, board characteristics, and ownership structure
2. Examine moderating effects of industry type, company age, and regulatory environment on IFR adoption
3. Conduct longitudinal studies tracking IFR evolution over extended periods
4. Explore qualitative dimensions of IFR quality including information comprehensiveness, accessibility, and user satisfaction
5. Investigate international comparative studies examining IFR practices across different countries and regulatory frameworks

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