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Financial and corporate governance of XBRL adopters in Indonesia

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Abstract

Extensible Business Reporting Language (XBRL) is an XML language-based business reporting software standard that is used to manage a company's financial data based on international financial standards. XBRL is used to ensure the accessibility of business information and transparency by using a uniform format and is usually used by business intelligence departments. The financial statements of a company are the main source of company information. Because with financial reports, all stakeholders of a company can have an overview of the business journey of a company. XBRL will increase transparency and will further improve corporate governance. Disclosure with XBRL will be able to show the profile of the company's corporate governance (Tohang et al., 2020). XBRL will also play a role in the decision-making process. XBRL will increase transparency and will further improve corporate governance. The adoption of XBRL in corporate financial reporting will increase transparency and quality of information. This standardized XBRL format makes it easy to use information across different platforms and applications so that information will be more transparent. The quality of information increases because of the ability to search by users who are getting faster and more precise.

Keywords: XBRL, Corporate Governance, Financial Statement.

1. Introduction

XBRL is an acronym for eXtensible Business Reporting Language, which is a computer language used for business reporting. One of the business reporting that uses XBRL is financial information reporting. XBRL as financial information reporting has been widely used in various countries. XBRL-based financial information reporting has also been launched and used in Indonesia for public companies listed on the Indonesia Stock Exchange (IDX) since June 22, 2015 (Alles & Debreceny, 2012). Speed in the data transfer process and lower costs are one of the advantages of XBRL-based financial information reporting (Ayoub et al., 2019). Other research shows that the use of XBRL in reporting financial information causes the process of comparing financial statement information to be done automatically and can reduce the time and cost required for the process of making financial statements (Arnold et al., 2012). The advantages possessed by the XBRL-based financial reporting system will certainly make it easier for management to prepare financial reports and make the quality of financial reports better. However, there is an interesting thing to observe, namely the extent to which XBRL-based financial information reporting is useful for users of financial statements, so that it can affect the perceptions of users of financial statement information.

Financial statements must comply with generally accepted principles and be supervised by the competent authority, because financial statements are intended to assist investors and creditors in making decisions. These regulatory efforts can make financial reports more complex and can lead to a lack of transparency (Istan & Fahlevi, 2020). Lack of transparency tends to result in a lack of usefulness of the information presented and in the end can increase the degree of uncertainty among users of financial statements. Users of financial statements will tend to face an increased level of risk, when there is a potential for manipulation by management on disclosure information (Juhandi et al., 2020).

In response to the perceived lack of transparency, users of financial statements seek detailed information about company assets (Fahlevi, 2019). Users of financial statements differentiate between companies based on efficiency and what they get about shareholder value. Users of financial statements also seem ready to reward companies so that companies increase the level of transparency in financial reporting (Adams & Ferreira, 2009). This condition confirms that users of financial statements need transparent and easily accessible information from companies (Beneish et al., 2013). Managerial manipulation of financial statements may also face a dilemma. As discussed earlier, management of financial disclosures is likely to involve strategic manipulation of financial information generated by corporate reporting systems (Fahlevi et al., 2020). Such disclosure is included in the disclosure and exclusion of financial information and relates to existing economic incentives (Ali & Zhang, 2015). The existence of a good organizational mechanism will encourage correct disclosure and reduce the chances of artificial disclosure.

The main focus of XBRL is to produce standards for more efficient use of financial statements, ease of finding financial statement information and the reuse of that information (Tohang & Lan, 2017). XBRL uses a tag system to search for more detailed information. The tag system allows report users to see more in-depth financial statement information, not only limited to the numbers listed (Tohang et al., 2020).

XBRL-based financial reporting has a positive impact on corporate governance, as stated by Ayoub et al. (2019) which states that the use of XBRL-based information technology will create opportunities to reduce corporate risk, increase efficiency, and increase company transparency. Meanwhile, Alles and Debreceny (2012) stated that the use of XBRL will increase transparency and will further improve corporate governance. Disclosure with XBRL will be able to show the profile of the company's corporate governance (Tohang et al., 2020). XBRL will also play a role in the decision-making process.

Corporate governance is often seen as a tool to measure how well a company is run. Investors use corporate governance as an indicator to assess the quality of a company's management and the effectiveness of its board. It is now widely accepted by companies that the principles of good governance are a necessary tool for their long-term development and sustainability (Danoshana & Ravivathani, 2019). The goal of corporate governance is to create an environment based on the trust, transparency, and accountability necessary for long-term investment, financial stability and sustainable growth. Corporate governance must be carried out properly otherwise the structure and basis of running a business in an effective and sustainable manner will be jeopardized (Juhandi et al., 2020).

2. Extensible Business Reporting Language (XBRL)

Extensible Business Reporting Language (XBRL) is an XML language-based business reporting software standard that is used to manage a company's financial data based on international financial standards (Ayoub et al., 2019). XBRL itself was created and developed for digital representation of business reports, financial reports, and taxes. XBRL is used to ensure the accessibility of business information and transparency by using a uniform format and is usually used by business intelligence departments. The financial statements of a company are the main source of

company information. Because with financial reports, all stakeholders of a company can have an overview of the business journey of a company. XBRL uses the XML syntax (eXtensible Markup Language), XML itself is a markup language used for general purposes and is recommended by the W3C in creating markup documents for the purpose of exchanging data between various systems (Alles & Debreceny, 2012).

XBRL also uses other XML technology languages such as XLink, XML Schema, XPath, Namespace and others to explain the semantic meaning of the data can be spread to all business functions that need it or even to the whole world. XBRL technology was first introduced in 2003 and on March 16, 2005, the United States Securities Commission (SEC) issued final regulation 33-8529 encouraging registrants to voluntarily submit financial statement information into the EDGAR reporting system with this XBRL format (Arnold et al., 2012). At the beginning, XBRL was developed for business or financial reporting. However, the application of XBRL technology itself continues to be expanded to include qualitative non-financial information. An example of the application of XBRL technology as non-financial reporting is the use of XBRL in the submission of corporate social responsibility reports.
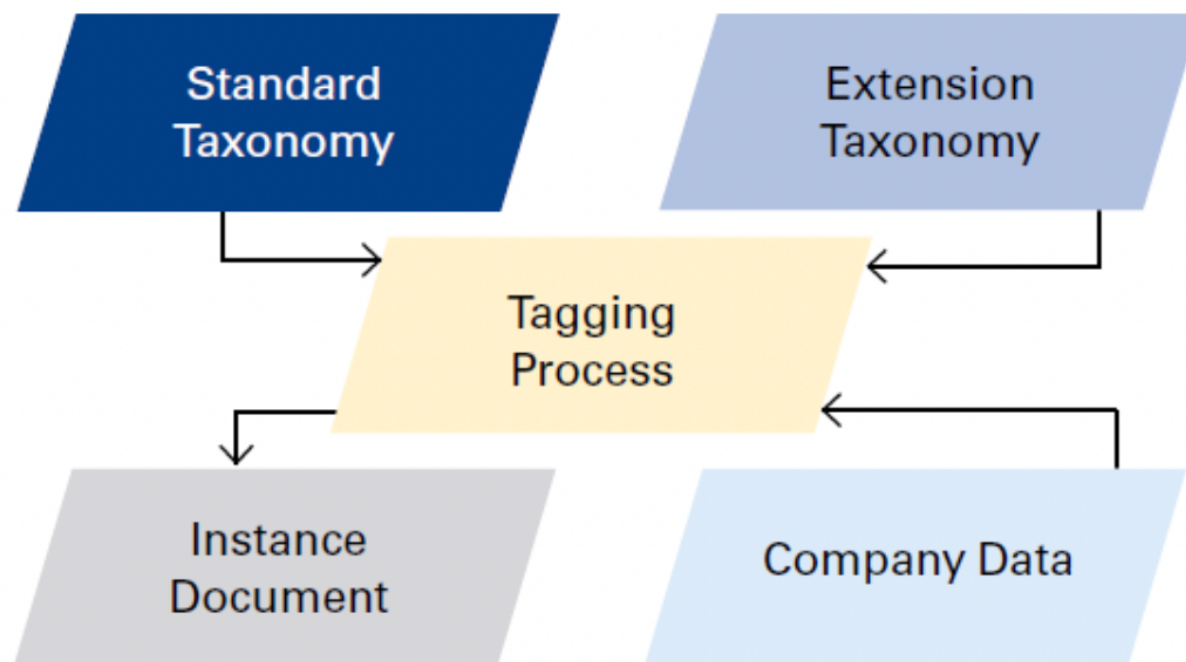

Figure 1. How XBRL Works
Source: (Pintek, 2021)

Documents that have XBRL format contain attributes and information. This attribute is the most important and mandatory part because this attribute provides a description of what information is listed. XBRL documents can be viewed as a barcode system. This barcode contains not only information but also attributes that describe that information. Meanwhile, the source document is the company's annual report which will be converted into XBRL. To form an XBRL instance document requires attributes or tags that contain business information and have been converted to XBRL format. An XBRL Instance document contains all the facts reported in the annual report along with descriptive attributes about the reported data. With software that has the same language, these documents can be easily analyzed, transferred, and processed according to their needs. In addition, there are several things you need to know about this XBRL technology, that: XBRL technology is not an application or a software brand that will replace an existing system. XBRL technology will

also not change the format of a financial report. XBRL technology is also not a new accounting standard and its application will not change the previously applied accounting standards. XBRL technology is not a chart of accounts nor is it a means of interpreting a list of estimates (Ayoub et al., 2019).

XBRL Advantages Over Conventional Data Forms. This XBRL is very different from the PDF files commonly used in corporate financial reporting. The reports expressed in this XBRL are optimized for computer technology (data analysis via computer software). According to Iris Business, XBRL itself has several advantages and advantages when compared to conventional data forms. The advantages of XBRL in general are as follows. Standard – XBRL is a standard that has been adopted and accepted internationally to reduce inconsistencies in terminology and data formatting. Speed – XBRL enables report preparation to be much more real-time and faster, while at the same time enabling an accurate, efficient, and relevant way to search for data. Accuracy – XBRL provides more accurate report data because the data can be calculated and verified. Platform Independent – XBRL is an open standard and therefore platform independent allows data to be transferred and exchanged easily (Arnold et al., 2012). Region Independent – XBRL enables reports, presentations, and data exchange in multiple supported languages. Reusable – Data from XBRL once entered can be reused to represent the same data in different ways and in various formats. XBRL does have many benefits for financial reports, even some studies show that using XBRL can reduce company risk, transparency and even increase company efficiency (Alles & Debreceny, 2012).

3. Corporate Governance

Corporate Governance (hereinafter referred to as CG) is a system designed to direct the management of a company in a professional manner based on the principles of transparency, accountability, responsibility, independence, fairness, and equality (Ahmad, 2015). IDX as a facilitator and regulator of the capital market in Indonesia is committed to becoming a healthy and globally competitive Stock Exchange. The implementation of good CG commitment or commonly known as Good Corporate Governance (GCG) is contained in the Company's mission, namely, to create competitiveness to attract investors and issuers through empowering Exchange Members and Participants, creating added value, cost efficiency and implementing good governance. IDX has successfully implemented CG guidelines, frameworks, and principles in an effective and efficient manner in the Company's operational activities and continues to improve CG practices in the future. The benefits of implementing GCG can have a positive impact on the creation of corporate accountability, fair and independent transactions, as well as the reliability and improvement of the quality of information to the public (Asghar et al., 2020).

Corporate governance is a subject that has many aspects. One of the main topics in corporate governance is the issue of accountability and mandate responsibilities, in particular the implementation of guidelines and mechanisms to ensure good behavior and protect the interests of shareholders. Another major focus is economic efficiency which states that the corporate governance system should be aimed at optimizing economic returns, with a strong emphasis on the welfare of shareholders. There is also another side that is the subject of corporate governance, such as the stakeholder point of view, which demands more attention and accountability to parties other than shareholders, such as employees or the environment. Attention to corporate governance practices in modern companies has increased in recent times, especially since the collapse of large US corporations such as Enron Corporation and WorldCom. In Indonesia, the government's attention to this problem was manifested by the establishment of the National Committee on Governance Policy (KNKG) at the end of 2004 (Balachandran & Faff, 2015).

The objectives of the IDX to implement CG are: As a guideline for the Board of Commissioners in carrying out supervision and providing advice to the Board of Directors in managing the Company. As a guideline for the Board of Directors so that in carrying out the Company's daily activities it is

based on high moral values by considering the Articles of Association, business ethics, laws and other applicable regulations. As a guideline for IDX management and employees in carrying out their daily activities and duties in accordance with CG principles (IDX, 2020).

The IDX's strategies for good CG implementation (GCG) are IDX conducts a periodic review process of the Guidelines, Charter and Procedures. This aims to improve the quality of the Guidelines, Charter, Procedures so that the IDX can produce better performance. Continuous dissemination of CG principles IDX has carried out a continuous socialization process regarding these CG principles to all employees and stakeholders. This socialization aims to instill CG principles to all employees, so that in carrying out the Company's operational activities, employees always comply with CG provisions. Third party assessment of the implementation of CG on the IDX IDX believes that third-party assessments will improve the quality of CG (Bae et al., 2018).

4. Financial Disclosure Through XBRL as a Corporate Governance Strategy

Research conducted by Yoon et al. (2011) found that XBRL adoption was proven to reduce information asymmetry. The research was conducted in the capital market in South Korea where it is mandatory to adopt XBRL in a mandatory manner. In addition, it was also found that the decrease in information asymmetry due to the adoption of XBRL had a stronger effect on large companies compared to medium and small companies.

Meanwhile, Harahap et al. (2021) found that the voluntary adoption of XBRL was not proven to have an effect on information asymmetry, which was measured by using analyst forecast dispersion. However, the adoption of XBRL increased analyst following for companies that previously received less attention from analysts. The research was conducted in the United States, which initially required voluntary adoption and later changed to mandatory. Having XBRL will play a role improve the ability of investors to search for the information needed, which will have an impact on reducing information asymmetry in the capital market. Investors of all levels will benefit from XBRL's highly robust search capabilities (Frederickson and Miller 2004; Hodge et al. 2003). XBRL achieves this not by increasing the quantity of information, but by increasing the quality of that information. The improvement in the quality of information is reflected in the increased ability to search for information by investors.

The level of corporate disclosure that is getting better will reduce information asymmetry in the capital market (Tohang et al., 2020). The adoption of XBRL in corporate financial reporting will increase transparency and quality of information. This standardized XBRL format makes it easy to use information across different platforms and applications so that information will be more transparent. The quality of information increases because of the ability to search by users who are getting faster and more precise. Previous research by Yoon et al. (2011) found that the adoption of XBRL can reduce information asymmetry. Harahap et al. (2021) also found that voluntary adoption of XBRL can reduce information asymmetry. Based on this, the adoption of XBRL reduces information asymmetry in the capital market by increasing corporate disclosure.

5. Conclusion

The focus of XBRL is to produce standards for more efficient use of financial statements, ease of finding financial statement information and the reuse of that information. At the beginning, XBRL was developed for business or financial reporting. However, the application of XBRL technology itself continues to be expanded to include qualitative non-financial information. An example of the application of XBRL technology as non-financial reporting is the use of XBRL in the submission of corporate social responsibility reports. XBRL achieves this not by increasing the quantity of information, but by increasing the quality of that information. Disclosure with XBRL will be able to show the profile of the company's corporate governance. XBRL will also play a role in the decision-

making process. The improvement in the quality of information is reflected in the increased ability to search for information by investors

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