

## THE IMPLEMENTATION OF INTERNET FINANCIAL REPORTING (IFR) IN INDONESIA: A SYSTEMATIC LITERATURE REVIEW

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### Abstract

The implementation of Internet Financial Reporting (IFR) in Indonesia has emerged as a crucial area of emphasis in endeavors to enhance transparency and accountability in corporate financial reporting. It entails the promotion by regulatory and financial authorities to incentivize registered companies to electronically disclose their financial reports. The objective of this study is to enhance accessibility to company financial data, thereby benefiting stakeholders including investors, analysts, and the general public by making it more convenient and expeditious. The employed research methodology is Systematic Literature Review (SLR). The outcome is enhanced transparency and efficiency in the display of financial data, which has the potential to bolster stakeholder confidence. The implementation of IFR has demonstrated the significant advantages it offers in bolstering the expansion of the financial and investment industries in Indonesia. Nevertheless, the absence of International Financial Reporting (IFR) may restrict the availability of financial data, potentially diminishing stakeholder confidence, amplifying ambiguity, and impeding the expansion of the financial industry. Implementing IFR is crucial for fostering economic development and ensuring the integrity of capital markets in Indonesia. Through ongoing progress, it is anticipated that IFR will persist as the primary foundation for upholding transparency and efficiency in corporate financial reporting, rendering it a valuable resource in the rapidly advancing Indonesian economy.

**Keywords:** *Internet Financial Reporting, Systematic Literature Review, Indonesia*

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### INTRODUCTION

Indonesia, being a developing nation with a substantial population, encounters difficulties in effectively managing its economy and finances. Although endowed with ample natural resources, the economy remains susceptible to fluctuations in global commodity prices, particularly those of oil and coal. Furthermore, the financial sector grapples with significant challenges such as public budget management, inflation control, and income inequality. The Indonesian government is actively working to enhance financial inclusion, infrastructure, and economic competitiveness through a range of policies and reforms. Furthermore, the capital markets and investment sectors in Indonesia are experiencing significant growth, indicating promising prospects for long-term economic expansion (Wijayanti, 2019). Indonesia's financial conditions exhibit significant variation and are subject to the influence of diverse economic, social, and political factors. Indonesia, being a developing nation with a substantial population, encounters difficulties in effectively managing its economy and finances. Although possessing ample natural resources, the economy remains susceptible to fluctuations in global commodity prices, particularly those of oil and coal. Furthermore, the financial sector grapples with key issues such as public budget management, inflation control, and income inequality. The Indonesian government is actively working to enhance financial inclusion, infrastructure, and economic competitiveness through a range of policies and reforms. Furthermore, the capital markets and investment sectors in Indonesia are experiencing significant growth, indicating promising prospects for sustained economic expansion (Sanjaya & Ulupui, 2016).

Internet Financial Reporting is gaining significance in Indonesia's financial landscape, as the country embraces the digital age. Internet Financial Reporting refers to the act of publicly revealing a company's financial data via an online platform. This enables stakeholders, such as investors, financial analysts, and the general public,

to conveniently and transparently access the information. As internet access in Indonesia continues to grow, companies in the country are placing greater emphasis on transparency in their financial reporting. This enables investors and decision makers to enhance their decision-making process by utilizing precise and current data. In addition, Internet Financial Reporting also contributes to risk reduction and the advancement of a more robust and enduring economic growth in Indonesia (Sanjaya & Ulupui, 2016). Thus, the implementation of Internet Financial Reporting is a viable measure to enhance the financial condition in Indonesia.

The urgency of Internet Financial Reporting is of utmost significance in the realm of contemporary finance and business. IFR enhances the level of clarity in the presentation of corporate financial data. Companies enhance accessibility for stakeholders, such as investors, financial analysts, and regulators, by disseminating financial reports and associated information on the internet. This facilitates a comprehensive comprehension of the company's performance and financial standing. The transparency fosters trust among stakeholders and mitigates potential investment risks (Almilia & Perbanas Surabaya -Indonesia, 2019). IFR enables expedited and current retrieval of financial data. In the era of digitalization, stakeholders have convenient access to financial reports through online platforms, enabling them to make informed decisions using the latest data available. Timely decision-making is crucial in the dynamic and rapidly evolving realm of business, as it can significantly impact a company's outcome, whether it be success or failure. In addition, Internet Financial Reporting enhances efficiency in the acquisition, examination, and presentation of financial information. Conventional manual procedures are frequently lengthy and susceptible to human mistakes (Sanjaya & Ulupui, 2016). By utilizing IFR, data can be seamlessly incorporated and automatically analyzed, resulting in time and resource savings, as well as minimizing the potential for errors.

IFR facilitates wider and more comprehensive availability of financial information. Online financial reports provide the general public, including non-business or non-finance individuals, with accessible information to comprehend and track company advancements. The purpose of this initiative is to provide the general public with knowledge about financial principles and to promote increased involvement in capital markets (Almilia & Perbanas Surabaya -Indonesia, 2019). Furthermore, this undertaking aids in mitigating risk, fosters sustainable economic expansion, and yields advantages for all stakeholders within the financial and business ecosystem. The importance of IFR cannot be disregarded when confronting the challenges and opportunities in the contemporary financial realm. Internet Financial Reporting has emerged as a crucial instrument in enhancing transparency, accessibility, and efficiency in financial reporting, particularly in the context of globalization and the digital age. The objective of this study is to assess the adoption of Internet Financial Reporting (IFR) in Indonesia and to identify the advantages of implementing IFR in the country.

## RESEARCH METHODS

The Systematic Literature Review (SLR) method is a scientific research approach that aims to systematically identify, evaluate, and synthesize prior research in a specific field. The systematic literature review (SLR) employed meticulous measures to mitigate bias and guarantee the inclusion and analysis of all pertinent studies (Akhigbe et al., 2017). The process commences by formulating a well-defined research question and precise inclusion criteria, which will serve as the basis for selecting studies to be included in the review. Subsequently, researchers performed an exhaustive literature search by utilizing scientific databases, journals, conferences, and other pertinent sources. After locating pertinent studies, researchers proceed to determine and evaluate the methodological rigor of each study, scrutinize the outcomes and discoveries, and perform comprehensive analyses to detect patterns, draw conclusions, and identify areas where the existing literature is lacking. The outcomes of this Systematic Literature Review (SLR) are typically presented in the format of a methodical report adhering to pre-established guidelines.

## DISCUSSION OF RESEARCH RESULTS

The SLR results are shown in the following table, by searching for relevant keywords including Internet Financial Reporting, we obtained ten journals that were relevant to the research :

Table 1. Research Results

No.	Article Title	Writer	Research Findings/Results
1	Analysis of Determinants of Internet Financial Reporting Disclosure in Manufacturing Companies listed on the Indonesia Stock Exchange	(Meinawati et al., 2020)	Each company in various regions has varying levels of openness. The same thing applies in Indonesia, where each company has unique policies and regulations in implementing Internet Financial Reporting. IFR practices are used as a form of company responsibility towards stakeholders to provide the latest information about the company, with the aim of reducing information imbalance.
2	The Perception of Financial Statement Users in Indonesia Towards Internet Financial Reporting (IFR)	(Yurano, 2019)	This research finds that financial report users who have an educational background in information technology tend to provide a better assessment of the IFR structure and format. They feel that the current IFR structure and format has enabled them to gather more information. In addition, financial report users who have an educational background in information technology also stated that they can use IFR wherever they are
3	The Influence of Profitability, Type of Industry, and Age of Company Listing on Internet Financial Reporting (IFR) (Study of Companies Listed on the Jakarta Islamic Index (JII) on the Indonesia Stock Exchange (BEI) 2016-2018	(Fauziah & Nazar, 2020)	Profitability has a positive impact on financial reporting via the internet. A high level of profitability indicates that companies are more likely to provide their financial information through the company website. This is done with the aim of providing signals or data to shareholders and external parties that the company has higher profitability compared to competitors in the same industry. Company profitability has a positive influence on financial reporting via the internet.
4	The Influence of Listing Age, Leverage, Profitability and Auditor Reputation on Internet Financial Reporting: On Manufacturing Companies Listed on the Indonesian Stock Exchange in 2018	(Conscience & Hanggana, 2020)	The use of IFR provides benefits for companies by reducing company disclosure costs. The internet allows companies to provide more information to a larger audience, and that information can be accessed quickly via the internet.
5	Exploring government Internet Financial Reporting in Indonesia	(Diptyana & Rokhmania, 2018)	GAF and the Information Openness Award have a significant influence on Internet Financial Reporting (IFR) in Indonesia. Provincial governments use the internet as a medium to communicate and validate their contributions to society, as well as for document storage.
6	Factors Affecting the Internet Financial	(Marlim & Panggabean,	The registration age variable (AGE) does not have a significant effect on Internet Financial

	Reporting (IFR) at Manufacturing Industry in Indonesia	2019)	Reporting (IFR). The research results show results that are similar to the results of research conducted by researchers. Registration age has a positive and significant influence on the level of IFR (Internet Financial Reporting) disclosure. The higher the age of the company will have an impact on the disclosure of financial reports via the internet.
7	The Determinant Disclosure of Internet Financial Reporting in District and City Government in Indonesia	(Lynda et al., 2019)	Local governments with larger and more diverse populations, local government websites are more sophisticated and reveal more information. Likewise, if a high level of community welfare indicates better government financial performance, this encourages local governments to disclose financial information as a signal that the regional government has carried out its mandate and responsibilities to the community.
8	The Effect of Profitability on Internet Financial Reporting (IFR)	(Agustina et al., 2022)	High profitability reflects good profit growth for the company, and companies tend to announce this positive news via Internet Financial Reporting (IFR). Apart from that, IFR also plays a role in strengthening public trust, especially investors, in companies. However, in this study, profitability does not have a significant impact on Internet Financial Reporting.

Presently, the utilization of Internet Financial Reporting (IFR) in Indonesia is steadily expanding and undergoing favorable advancements. A significant number of companies, particularly those that are listed on the Indonesia Stock Exchange (BEI), have implemented International Financial Reporting (IFR) practices to present their financial information. The Company's website is used to publish annual reports, sustainability reports, and other related information (Fauziah & Nazar, 2020). The adoption of International Financial Reporting Standards (IFRS) has facilitated enhanced visibility and responsibility in the presentation of financial information, consequently bolstering the confidence of stakeholders such as investors and analysts. Financial and regulatory authorities provide incentives for companies to adopt International Financial Reporting (IFR) standards, such as the IDX provisions that mandate electronic publication of financial reports. The progress in technology and the growing accessibility of the internet in Indonesia have also contributed to the advancement of IFR. As the implementation of IFR grows, it is expected that this practice will further support the expansion and advancement of the financial and investment sector in Indonesia.

Internet Financial Reporting (IFR) in Indonesia refers to the process by which companies and financial institutions share their financial information using online platforms, primarily through their respective websites. The adoption of IFR (Internet of Things) in Indonesia is rapidly expanding due to advancements in technology and increased availability of internet connectivity in the country. This facilitates the accessibility of pertinent financial information to stakeholders, such as investors, analysts, governments, and the general public. Companies listed on the Indonesia Stock Exchange (BEI) are required by law to publish their financial reports electronically, as mandated by regulations from the BEI. This legal requirement provides a foundation for the implementation of International Financial Reporting (IFR) standards (Lynda et al., 2019). The implementation of IFR standards in Indonesia is intended to enhance the clarity, responsibility, and availability of financial data, thereby bolstering stakeholder confidence in companies and the overall financial industry. As technology improves and more companies adopt IFR, it is expected that this practice will further evolve and have a significant impact on the growth of the financial and investment sectors in Indonesia (Conscience & Hanggana, 2020).

The adoption of Internet Financial Reporting (IFR) in Indonesia offers several notable advantages. IFR enhances the clarity and ease of access to a company's financial data. Investors, analysts, and other stakeholders

derive advantages from the ability to conveniently retrieve and scrutinize financial reports and associated information through the internet. IFR facilitates the more effective dissemination of financial data, thereby enhancing communication with shareholders and prospective investors. Implementing IFR practices can enhance a company's reputation by promoting transparency and accountability, thereby fostering public and investor confidence.

Essentially, IFR (International Financial Reporting) can assist companies in adhering to global standards in financial reporting, enabling them to make comparisons with international companies, and enhancing their appeal to foreign investors. Moreover, the implementation of International Financial Reporting (IFR) standards allows companies to effectively minimize expenses associated with printing and distributing physical financial reports, resulting in enhanced efficiency in the reporting procedure. Finally, the implementation of International Financial Reporting (IFR) standards enhances the availability of financial data to the general public, thereby expanding comprehension of corporate performance and fostering engagement in capital markets (Marlim & Panggabean, 2019). IFR provides numerous advantages that not only facilitate the expansion and progress of businesses in Indonesia, but also enhance the soundness and coherence of the capital market and financial industry in its entirety.

In the absence of implementation of Internet Financial Reporting (IFR) in Indonesia, various repercussions may arise. The availability of company financial information will be increasingly restricted. This will impede stakeholders, including investors, analysts, and shareholders, from accessing the essential information required to make well-informed and logical investment choices. These constraints have the potential to diminish investor trust and foster ambiguity within capital markets (Yurano, 2019). Furthermore, the absence of IFR (International Financial Reporting) necessitates a greater reliance on conventional means of disseminating and retrieving company financial reports, such as printed documents. This can result in increased time and expenses associated with the distribution and accessibility of information. This can also result in increased administrative intricacy for companies.

If Indonesia did not adopt the International Financial Reporting Standards (IFRS), it is likely that the country would lag behind in keeping up with global trends in financial reporting practices. Non-adherence to international standards regulating IFR (International Financial Reporting) has the potential to diminish their appeal to foreign investors and impede sustainable economic growth, as these standards have now become a worldwide standard. The absence of an Independent Financial Regulator (IFR) can impede the progress of the financial industry in Indonesia and the ability of companies to compete in the global market. Effective and clear financial reporting plays a crucial role in attracting investment and fostering economic growth (Agustina et al., 2022). Hence, the implementation of IFR holds significant importance in enhancing the transparency, accountability, and accessibility of financial information in Indonesia. Ultimately, this can yield substantial advantages for economic growth and the integrity of the capital market.

## **CLOSING**

### **Conclusion**

The implementation of Internet Financial Reporting (IFR) in Indonesia signifies the substantial contribution of this practice in enhancing the transparency, availability, and responsibility of company financial information. The adoption of IFR (International Financial Reporting) has experienced significant growth and is being supported by rules and regulations that promote the implementation of this practice by companies. Stakeholders, such as investors, analysts, and the general public, can conveniently retrieve financial reports and associated information through internet access, resulting in significant advantages. In addition, IFR facilitates enhanced efficiency in information presentation and communication with shareholders for companies. Adhering to international standards in financial reporting is crucial for maintaining appeal to foreign investors. In the absence of International Financial Reporting Standards (IFRS), the availability of financial information will be restricted, potentially leading to a decrease in stakeholder confidence, an increase in uncertainty, and an impediment to the expansion of the financial industry. Hence, the adoption of International Financial Reporting (IFR) holds great significance in bolstering economic progress and ensuring the integrity of the capital market in Indonesia. Additionally, it enables Indonesia to stay abreast with the latest global trends in financial reporting methodologies.

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