
EFFECT OF FREQUENCY OF INTERIM FINANCIAL REPORTING ON INFORMATION ASYMMETRY AND COST OF EQUITY

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Abstract

This research is intended to test the relationship between the frequency of interim financial reporting with information asymmetry and cost of equity for issuers in the Jakarta Islamic Index during 2012 to 2018. Kendall Tau non-parametric is used to test the relationship between research variables. Research findings on 84 companies, namely (1) there is no relationship between the frequency of interim financial reporting with information asymmetry (2) there is no relationship between the frequency of interim financial reporting with the cost of equity. The absence of this relationship is caused by (1) interim financial reporting frequency data that are not different between issuers (2) research settings.

Keywords: *Financial reporting, Cost of equity, Information asymmetry, Islamic Indeks, Kendall Tau Test*

Abstrak

Riset ini bertujuan untuk mengetahui hubungan antara frekuensi pelaporan keuangan interim dengan asimetri informasi dan cost of equity pada emiten yang tergabung dalam Jakarta Islamic Indeks pada periode pengamatan 2012 sampai 2018. Uji non parametric Kendall Tau digunakan untuk menguji hubungan antar variabel penelitian. Berdasarkan jumlah sampel amatan sebesar 84 ditemukan hasil yaitu (1) tidak terdapat hubungan antara frekuensi pelaporan keuangan interim dengan asimetri informasi (2) tidak terdapat hubungan antara frekuensi pelaporan keuangan interim dengan cost of equity. Tidak adanya hubungan ini disebabkan oleh (1) data frekuensi pelaporan keuangan interim yang tidak berbeda antar emiten (2) setting penelitian.

Kata Kunci: Pelaporan keuangan, Cost of equity, Asimetri informasi, Islamic Indeks, Uji Kendall Tau

A. Introduction

As one of sources of information for investors, financial statements presented by companies must be of high quality. However, there are still many cases of fraud in the financial statements that give rise to doubts about the quality of financial statements. For example the case of the Garuda Indonesia scandal in 2019¹²³.

Investors as one of the users of financial statements from outside parties certainly have moral hazard concerns. This is a type of information asymmetry between investors and managers. Managers have complete information compared to investors and investors cannot monitor the activities of managers as a whole all the time⁴.

¹ "Fakta-Fakta Skandal Laporan Keuangan Garuda - Kumparan.Com," accessed October 12, 2019, <https://kumparan.com/@kumparanbisnis/fakta-fakta-skandal-laporan-keuangan-garuda-1rMwNVMNWKZ>.

² "Terbukti Cacat, Status Laporan Keuangan Garuda Rugi," accessed October 12, 2019, <https://finance.detik.com/bursa-dan-valas/d-4603666/terbukti-cacat-status-laporan-keuangan-garuda-rugi>.

³ "IniSanksiLengkapOJKKasusPolesLaporanKeuanganGaruda," accessed October 12, 2019, <https://www.cnbcindonesia.com/market/20190628104635-17-81295/ini-sanksi-lengkap-ojk-kasus-poles-laporan-keuangan-garuda>.

⁴ Michael C. Jensen and William H. Meckling, "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," *Journal of Financial Economics* 3, no. 4 (October 1, 1976): 305–60, <https://doi.org/10.1016/0304->

The contractual relationship that occurs between those parties can be explained by agency theory. This relationship arises when one or more principals employ another person called an agent to provide a service in managing the company on behalf of the principal. In the context of a public company, the investor or owner of the company is the principal, while the agent is the manager of the company⁵.

Jensen and Meckling⁶ state that the consequence of separating the management function from the ownership function is that the decision maker does not bear the risk of errors in decision making. The risk is entirely borne by the principal. As a result managers as decision makers in companies tend to improve their welfare such as increased salary and status.

This separation often causes problems because managers often do not act in the interests of investors. Managers prefer their own interests because of moral hazard and adverse selection. This happens because managers have more information than investors so the latter must spend more to control the former's actions. This information gap between the two parties is called information asymmetry.

According to Scott and O'Brien⁷ there are two kinds of information asymmetry, namely: (1) adverse selection where the manager knows more about the situation and prospects of the company than investors. Information that could affect the decisions of shareholders was not submitted. (2) Moral Hazard, namely activities carried out by managers not entirely known by shareholders or lenders. This encourages the manager (agent) to act in violation of the contract. Moral hazard can occur anywhere even in Islamic financial institutions where moral hazard is not expected to occur⁸.

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⁵ Jensen and Meckling, "Theory of the Firm."

⁶ Jensen and Meckling.

⁷ William R. Scott and Patricia C. O'Brien, *Financial Accounting Theory* (Pearson Education Australia, 2019).

⁸ Enny Puji Lestari, "Moral Hazard Dalam Pembiayaan Sistem Bagi Hasil (Mudharabah Dan Musyarakah) Pada BPRS Madani Kota Metro," *FINANSIA: Jurnal*

Agency cost such as monitoring cost, bonding cost, and residual losses are incurred to prevent breach of contract by the agent. Monitoring costs are costs incurred and borne by the principal to monitor agent behavior, which is to measure, observe, and control agent behavior. Examples of these costs are audit fees and costs for establishing manager's compensation plans, budget restrictions, and operating rules.

While bonding costs are costs incurred by agents to establish and adhere to mechanisms that guarantee that agents who act in the interests of the principal, for example, costs incurred by managers to provide financial statements to shareholders. Shareholders will only allow bonding costs to occur if these costs can reduce monitoring costs. Whereas residual loss arises from the fact that agents are sometimes different from actions that maximize the principal's interests.

Such problem encourages Bapepam for issuing regulation number: Kep-346/BL /2011 concerning Submission of Periodic Financial Statements of Issuers or Public Companies. The report contains the obligation to submit information in the form of delivery of financial reports both annual reports and interim reports. The interim report is expected to reduce information asymmetry.

According to regulation Number: Kep-346 / BL / 2011 concerning Submission of Periodic Financial Statements of Issuers or Public Companies, Periodic Financial Statements are annual financial reports and semi-annual financial statements of Issuers or Public Companies. Periodic Financial Statements consist of:

1. Statements of financial position (balance sheet)
2. Comprehensive income statement
3. Statement of changes in equity
4. Cash flow statement
5. Statements of financial position at the beginning of the comparative period, if the Issuer or Public Company adopts an accounting policy retrospectively, makes restatement of

Akuntansi Dan Perbankan Syariah 2, no. 02 (November 22, 2019): 132–44, <https://doi.org/10.32332/finansia.v2i2.1657>.

financial statement items, or reclassifies items in its financial statements; and

6. Notes to financial statements

For Issuers whose shares are listed on the Indonesia Stock Exchange and Stock Exchange in other countries, the Periodic Financial Statements submitted to Bapepam and LK must contain the same information as the Periodic Financial Statements submitted to the capital market authorities in these other countries, and at least fulfill the provisions as regulated in Bapepam-LK Regulations related to the presentation and disclosure of financial statements.

The company can choose the contents of the interim financial statements, i.e. complete financial statements and brief interim financial statements. The minimum component of a brief interim report consists of a statement of short financial position and a brief comprehensive income statement. So that the interim report contains the company's latest financial condition. Significant changes in estimates that occurred in the last interim period must be disclosed in the annual financial statements. Therefore, interim financial reports focus on new activities, events and conditions and do not repeat information that has been reported previously.

Another way that investors use to reduce monitoring costs is by involving third parties to jointly monitor manager performance. This method triggers a cost of capital. Cost of capital is the costs incurred to finance the source of expenditure^{9,10}. Santoso in Vidiyanto¹¹ defines the cost of capital as costs that must be incurred to obtain capital, both from debt, preferred shares, ordinary shares, and retained earnings to finance company investment. Whereas

⁹ Franco Modigliani and Merton H. Miller, "The Cost of Capital, Corporation Finance and the Theory of Investment," *The American Economic Review* 48, no. 3 (1958): 261-97.

¹⁰ Aida Ainul Mardiyah, "Pengaruh Informasi Asimetri Dan Disclosure Terhadap Cost of Capital," *The Indonesian Journal of Accounting Research* 5, no. 2 (2002), <https://doi.org/10.33312/ijar.80>.

¹¹ Heri Vidiyanto, "Pengaruh Manajemen Laba Terhadap Biaya Modal Ekuitas Pada Perusahaan Perbankan Yang Terdaftar Di Bursa Efek Indonesia (Studi Pada Perusahaan Perbankan Di BEI Th 2002-2006)" (s1, Universitas Muhammadiyah Surakarta, 2009), <http://eprints.ums.ac.id/3237/>.

Gitman in Vidiyanto¹² defines the cost of capital as the rate of return that companies must obtain in the projects they invest to maintain market value and attract funds.

The basic assumptions used in the estimated cost of capital are business risk and financial risk is fixed (relatively stable). Cost of capital is calculated based on the long-term source of funds available to the company. There are four sources of long-term funds, namely: (a) long-term debt, (b) preferred shares, (c) ordinary shares, (d) retained earnings. Cost of capital is the rate of return desired by fund providers, both investors and creditors. Cost of capital is related to investment risk on company shares. Utami¹³ explains that the cost of capital is the amount of rate used by investors to discount dividends expected to be received in the future.

Several studies examine the effect of information disclosure on information asymmetry and cost of capital such as Botosan¹⁴; Petersen and Plenborg¹⁵; Francis et.al¹⁶; Armstrong et.al¹⁷; Fu et.al¹⁸; Pour and Imanzadeh¹⁹ and have mixed results. Indonesian studies

¹² Vidiyanto.

¹³ Wiwik Utami, "Pengaruh Manajemen Laba Terhadap Biaya Modal Ekuitas (Studi Pada Perusahaan Publik Sektor Manufaktur)," *The Indonesian Journal of Accounting Research* 9, no. 2 (2006), <https://doi.org/10.33312/ijar.155>.

¹⁴ Christine A. Botosan, "Disclosure Level and the Cost of Equity Capital," *The Accounting Review; Sarasota* 72, no. 3 (July 1997): 323–49.

¹⁵ Christian Petersen and Thomas Plenborg, "Voluntary Disclosure and Information Asymmetry in Denmark," *Journal of International Accounting, Auditing and Taxation* 15, no. 2 (January 1, 2006): 127–49, <https://doi.org/10.1016/j.intaccudtax.2006.08.004>.

¹⁶ Jennifer Francis, Dhananjay Nanda, and Per Olsson, "Voluntary Disclosure, Earnings Quality, and Cost of Capital," *Journal of Accounting Research* 46, no. 1 (2008): 53–99, <https://doi.org/10.1111/j.1475-679X.2008.00267.x>.

¹⁷ Christopher Armstrong et al., "When Does Information Asymmetry Affect the Cost of Capital?," *Journal of Accounting Research*, March 1, 2011, 1–40, <https://doi.org/10.1111/j.1475-679X.2010.00391.x>.

¹⁸ Renhui Fu, Arthur Kraft, and Huai Zhang, "Financial Reporting Frequency, Information Asymmetry, and the Cost of Equity," *Journal of Accounting and Economics* 54, no. 2–3 (October 2012): 132–49, <https://doi.org/10.1016/j.jacceco.2012.07.003>.

¹⁹ Omid Ahad Pour and Peyman Imanzadeh, "The Relationship between Level of Voluntary Disclosure in Internet and Information Asymmetry in Companies Listed on the Tehran Stock Exchange," *International Journal of Economics and Financial Issues* 7, no. 3 (2017): 299–303.

such as Putri²⁰; Murwaningsari²¹; Nariastiti dan Ratnadi²²; Rahman²³ and Dewi dan Chandra²⁴ also report mixed result.

Verrecchia in Murwaningsari²⁵ has developed a formal model to see the relationship between earnings information and asymmetric information. Verrecchia concluded that increasing public information would reduce the number of expensive private information searches. This Verrecchia model states that earnings information will reduce information asymmetry in the stock market meaning that publishing public information will reduce the incentives for investors to obtain the maximum possible profit. This study is in line with Gonedes²⁶ which states that disclosure regulation has the potential to reduce information asymmetry.

Other different studies that show a positive relationship between asymmetric information and capital costs were conducted by Komalasari and Baridwan²⁷ and Murni²⁸. The level of financial

²⁰ Anggita Eka Putri, “Pengaruh Pengungkapan Sukarela dan Kepemilikan Blockholder Terhadap Asimetri Informasi dan Kesinkronan Harga Saham,” 2012, 124.

²¹ Etty Murwaningsari, “Faktor-Faktor Yang Mempengaruhi Cost of Capital. (Pendekatan: Structural Equation Model).,” *Jurnal Ekonomi Dan Bisnis Airlangga (J E B A) | Journal of Economics and Business Airlangga* 22, no. 2 (August 1, 2012), <https://doi.org/10.20473/jeba.V22I22012.4322>.

²² Ni Wayan Nariastiti and Ni Made Dwi Ratnadi, “Pengaruh Asimetri Informasi, Corporate Governance Dan Ukuran Perusahaan Pada Manajemen Laba,” *E-Jurnal Akuntansi*, December 8, 2014, 717–27.

²³ Muljibir Rahman, “Pengaruh Kelengkapan Informasi Laporan Keuangan, Ukuran Perusahaan dan Teknologi Pelaporan Melalui Website Perusahaan Terhadap Respon Pasar Saham Syariah yang Listing di Jakarta Islamic Index,” 2016, 13.

²⁴ Sofia Prima Dewi and Jeffry Setiady Chandra, “Pengaruh Pengungkapan Sukarela, Asimetri Informasi, Dan Manajemen Laba Terhadap Cost of Equity Capital Pada Perusahaan Manufaktur,” *Jurnal Bisnis Dan Akuntansi* 18, no. 1 (2016): 25–32, <https://doi.org/10.34208/jba.v18i1.34>.

²⁵ Murwaningsari, “FAKTOR-FAKTOR YANG MEMPENGARUHI COST OF CAPITAL. (Pendekatan.”

²⁶ Nicholas J. Gonedes, “Public Disclosure Rules, Private Information-Production Decisions, and Capital Market Equilibrium,” *Journal of Accounting Research* 18, no. 2 (1980): 441–76, <https://doi.org/10.2307/2490588>.

²⁷ Puput Tri Komalasari and Zaki Baridwan, “Asimetri Informasi Dan Cost of Equity Capital,” *The Indonesian Journal of Accounting Research* 4, no. 1 (2001), <https://doi.org/10.33312/ijar.51>.

²⁸ Siti AsiaH Murni, “Pengaruh Luas Ungkapan Sukarela Dan Asimetri Informasi Terhadap Cost of Equity Capital Pada Perusahaan Publik Di Indonesia,” *The Indonesian Journal of Accounting Research* 7, no. 2 (2004), <https://doi.org/10.33312/>

statement disclosure helps shareholders understand the contents reported in the financial statements. Glosten and Milgrom in Lobo and Zhou²⁹ stated that increasing annual reporting information will reduce information asymmetry.

Elliott and Jacobson in Murwaningsari³⁰ found that the benefit of voluntary disclosure is to reduce cost of capital. However, Gulo³¹ found that the magnitude of voluntary disclosure had no effect on cost of capital.

Diamond and Verrecchia³² research results show that by disclosing private information, investor demands for compensation decrease because transaction costs fall so that the adverse selection component of the bid-ask spread decreases and ultimately the cost of equity also decreases. Research conducted by Frankel et.al³³ and Healy³⁴ shows evidence that the level of disclosure has an influence on the cost of capital. The higher the level of disclosure in the annual financial statements will decrease.

This study aims to measure the extent of the influence of the frequency of financial statements on information asymmetry and equity costs on the Jakarta Islamic Index (JII) issuers. Research in the context of JII is a study that distinguishes this research from previous research. This election is because shares listed on the Jakarta Islamic

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²⁹ Gerald J. Lobo and Jian Zhou, "Disclosure Quality and Earnings Management," *Asia-Pacific Journal of Accounting & Economics* 8, no. 1 (June 1, 2001): 1–20, <https://doi.org/10.1080/16081625.2001.10510584>.

³⁰ Murwaningsari, "FAKTOR-FAKTOR YANG MEMPENGARUHI COST OF CAPITAL. (Pendekatan.)"

³¹ Yamotuho Gulo, "Analisis Efek Luas Pengungkapan Sukarela Dalam Laporan Tahunan Terhadap Cost of Equity Capital Perusahaan," *Jurnal Bisnis Dan Akuntansi* 2, no. 1 (2000): 45–62, <https://doi.org/10.34208/jba.v2i1.378>.

³² Douglas W. Diamond and Robert E. Verrecchia, "Disclosure, Liquidity, and the Cost of Capital," *The Journal of Finance* 46, no. 4 (September 1991): 1325–59, <https://doi.org/10.1111/j.1540-6261.1991.tb04620.x>.

³³ Richard Frankel, Maureen McNichols, and G. Peter Wilson, "Discretionary Disclosure and External Financing," *The Accounting Review* 70, no. 1 (1995): 135–50.

³⁴ Paul M Healy and Krishna G Palepu, "Information Asymmetry, Corporate Disclosure, and the Capital Markets: A Review of the Empirical Disclosure Literature," *Journal of Accounting and Economics* 31, no. 1 (September 1, 2001): 405–40, [https://doi.org/10.1016/S0165-4101\(01\)00018-0](https://doi.org/10.1016/S0165-4101(01)00018-0).

Index have special criteria that must meet sharia criteria, namely those whose business activities do not conflict with sharia principles. This is based on fatwa No. 40 / DSN-MUI / X / 2003 concerning capital markets and general guidelines for applying sharia principles in the capital market. Proxies to measure the variables in this study refer to the research of Fu et.al³⁵ because they are still relevant to use. Furthermore, this research is intended to answer (a) Does the frequency of interim financial reporting relate to the asymmetry of information generated at companies listed on JII ? and (b) Does the frequency of interim financial reporting relate to the cost of equity of companies listed on JII?

Stock index is a statistical measure that reflects the overall price movement of a set of stocks selected based on certain criteria and methodologies and is evaluated regularly. The Indonesia Stock Exchange (IDX) has provided 34 indexes which are divided into 4 classifications³⁶;

- 1) Headline (10 index),
- 2) Sector (12 index),
- 3) Thematic (6 index), and
- 4) Factor (6 index).

Jakarta Islamic Index (JII) is included in the thematic index classification which calculates the performance of the price movements of shares with a particular theme in this case is religious. Within this religious theme there are 3 types of indexes namely the Indonesian Sharia Stock Index (ISSI), the Jakarta Islamic Index 70 (JII70) and the Jakarta Islamic Index (JII) where JII is the earliest index launched.

JII began operations on July 3, 2000. JII was formed as a result of a collaboration between IDX and PT. Danareksa Investment Management (PT. DIM). This was marked by the issuance of Danareksa Syariah on July 3, 1997 by PT. Danareksa Investment Management. The purpose of establishing JII is to accommodate the

³⁵ Fu, Kraft, and Zhang, "Financial Reporting Frequency, Information Asymmetry, and the Cost of Equity."

³⁶ *IDX Stock Index Handbook v1.1*, vol. 1.1 (www.idx.co.id, n.d.), 1, https://www.idx.co.id/media/8572/idx-stock-index-handbook-_v11-_desember-2019.pdf.

needs of Muslims in Indonesia who want to invest in capital market products that are in accordance with the basic principles of sharia. It is expected to increase investor confidence in investing in sharia-based shares and provide benefits for investors investing in the stock exchange. The Jakarta Islamic Index (JII) is an index that uses 30 shares selected from stocks that are included in shariah criteria.

Shares included in the sharia index are issuers whose business activities do not conflict with sharia principles. This is based on fatwa No.40 / DSN-MUI / X / 2003 concerning the capital market and general guidelines for applying sharia principles in the capital market. Criteria determined as business activities that are contrary to Islamic principles are: a. Gambling and gaming businesses that are classified as gambling or trading are prohibited. b. Conventional financial institutions (ribawi), including conventional banking and insurance. c. Manufacturers, distributors, and traders of illicit food and beverages. d. Producers, distributors, and / or providers of goods or services that are morally damaging and mudharat. e. Investing in issuers (companies) which at the time of the transaction (ratio) level of the company's debt to the RIBA financial institutions is more dominant than its capital.

Apart from the aspect of business activities, other criteria used by the index consist of market capitalization of shares where JII uses the average daily capitalization for one year and trading shares on the stock exchange that uses the average daily trading of regular shares on the exchange for one year. From these criteria, the stocks chosen to enter the sharia index are as follows:

- a. Choosing a group of shares with the main type of business that is not contrary to Islamic principles and has been recorded for more than 3 months, unless included in 10 large capitalization.
- b. Select stocks based on the latest annual or mid-year financial statements that have a maximum liability to asset ratio of 90%.
- c. Choose 60 stocks from the above stock structure based on the average order of market capitalization in the past year.

- d. Choose 30 stocks in order based on the average level of liquidity of regular trading values over the past year.

Evaluation of index components is carried out every six months. Changes to the types of businesses owned by issuers will be monitored continuously based on publicly available data. Companies that are not consistent with Islamic principles and change their business lines will be excluded from the index and replaced by shares of other issuers. The procedure aims to eliminate speculative shares³⁷. In addition, stocks in the Jakarta Islamic Index will also be reviewed every six months whether they meet the sharia principles or not, namely every December and June.

This research is a hypothesis testing research. The hypothesis being tested is whether the frequency of disclosures in interim financial reporting is related to information asymmetry and cost of equity.

Because of the nature of research that examines the relationship between variables in this research, this research is called associative research. This association can be positive or negative. Positive if the direction of the relationship between variables is unidirectional and negative if the direction of the relationship between variables is not unidirectional.

The population of this research is all issuers (companies that sell their shares on the Indonesia Stock Exchange) which are members of the Jakarta Islamic Index. This index only contains 30 shares of sharia issuers whose members are always reviewed by the Sharia Supervisory Board of PT Danareksa Investment Management so it is very possible that there are shares that must be removed from this index at a certain time period³⁸.

³⁷ Burhanuddin Susanto, *Pasar modal syariah: tinjauan hukum* (UII Press, 2008).

³⁸ "Jakarta Islamic Index," in *Wikipedia bahasa Indonesia, ensiklopedia bebas*, June 10, 2019, https://id.wikipedia.org/w/index.php?title=Jakarta_Islamic_Index&oldid=15193297.

Observation period is from 2012 to 2018. Using these criteria, only 12 issuers were consistently selected to be in the Jakarta Islamic Index during the observation period.

Research data collection through secondary data collection published by the issuer itself, ICMD (Indonesia Capital Market Directory) as well as by the sites www.idx.co.id and www.financeyahoo.com. The data needed is data on the frequency of interim financial reporting and bid ask spread obtained from the website www.idx.co.id, the cost of equity data which the calculation component consists of market per share, dividend per share and growth dividend obtained through www.financeyahoo.com.

The collected data is then processed using statistical tests. The statistical tests used are (1) descriptive statistical tests (2) classic assumption tests (3) Kendall Tau test. Descriptive statistics are used to show minimal, maximum data, average values and standard deviations. The classic assumption test is used because the initial test to be used is Ordinary Least Square (OLS). This test is part of parametric statistics which require (1) data must have a minimum interval scale (2) data with normal distribution (3) linearity (4) Autocorrelation because the data is time series. If the assumption passes, OLS testing can be used. Conversely, if it does not pass the assumption, it must use non-parametric statistical testing.

B. Results and Discussion

The sample of this study is all publicly listed companies that are consistently in the list of the Jakarta Islamic Index (JII) during the 2012 to 2018. Based on these criteria there are only 12 companies and thus there are 84 observational data. Furthermore, the main research data needed such as bid ask spread data, frequency of interim financial reporting and cost of equity are sought through the official website of each company, ICMD (Indonesian Capital Market Directory) and the site www.idx.co.id. The list of names of the 12 companies can be seen in the table below.

Table 1 List of Issuers for Research Samples

Code	Name
ADRO	Adaro Energy Tbk PT
AKRA	AKR Corporindo Tbk PT
ASII	Astra International Tbk PT
ICBP	Indofood CBP Sukses Makmur Tbk PT
INDF	Indofood Sukses Makmur Tbk PT
KLBF	Kalbe Farma Tbk PT
LPKR	Lippo Karawaci Tbk PT
PGAS	Perusahaan Gas Negara Tbk PT
SMGR	Semen Indonesia (Persero) Tbk PT
TLKM	Telekomunikasi Indonesia (Persero) Tbk PT
UNTR	United Tractors Tbk PT
UNVR	Unilever Indonesia Tbk PT

Source: Data processed, 2019

After the required research data has been obtained, the researcher makes observations on the research data, especially on the descriptive data. This data includes mean, minimum, maximum and standard deviation data. See table 2.

Based on the table 2, it can be inferred that the highest frequency of interim financial reporting is done 3 times a year and at least 2 times. While the highest total debt data was IDR 165,394,000 (in million), the lowest was IDR 438,572 (in million) and the average total debt was IDR 33,514,006 (in million). The lowest debt is owned by PT. Kalbe Farma Tbk in 2013 while the highest debt is owned by PT. Adaro Energy Tbk in 2012.

The highest total assets of Rp 333,325,000 (in million) were owned by PT Astra International Tbk in 2018 and the lowest of Rp 7,485,249 (in million) were owned by PT Unilever Indonesia Tbk in 2013. More can be seen in the table below this.

Table 2 Descriptive Statistics

Variables	N	Range	Minimum	Maximum	Mean	Std. Deviation
Freq of Interim FR	84	1	2	3	2.90	.295
Leverage	84	164,955,428	438,572	165,394,000	33,514,006.90	34,246,272.039

Effect of Frequency of Interim Financial....

Total Asset	84	325,839,751	7,485,249	333,325,000	73,208,472.82	70,809,741.640
Cost of equity	84	1,533.01	-1,232.97	300.04	-9.7151	161.65
Asimetri Informasi	84	398	2	400	39.94	73.693

Source: Data processed, 2019

Ordinary Least Square (OLS) is used to test the effect of the frequency of interim financial reporting on the cost of equity and information asymmetry. This OLS test is part of parametric statistics. Therefore there are assumptions that must be met beforehand in order to use parametric statistic. Two of them are³⁹:

1. Interval or ratio data.

The three variables used in this study were measured on a minimum scale of intervals so that this assumption was fulfilled.

2. Linearity.

Linearity is the nature of a linear relationship between variables, meaning that every change that occurs in one variable will be followed by a change in the amount that is parallel to the other variables.

Based on the results of linearity testing it is known that the significance level is above 0.05 and thus it can be concluded that there is a linear relationship between the variable frequency of interim financial reporting with the cost of equity. Likewise, the linear relationship that occurs between the variable frequency of interim financial reporting with information asymmetry because the significance level is above 0.05. More details can be seen in the table below.

³⁹ Imam Ghozali, *Statistik Nonparametrik: Teori Dan Aplikasi Dengan Program IBM SPSS 23*, 2nd ed. (Semarang: Badan Penerbit Universitas Diponegoro, 2015).

Table 3 Linearity Test Reporting Frequency and Cost of equity

			Sum of Squares	df	Mean Square	F	Sig.
<i>Cost of equity</i> * Freq of Interim FR	Between Groups	(Combined)	39219.548	1	39219.548	1.510	.223
	Within Groups		2129641.433	82	25971.237		
	Total		2168860.981	83			

Source: Data processed, 2019

Table 4 Linearity Test Reporting Frequency and Information Asymmetry

			Sum of Squares	df	Mean Square	F	Sig.
Info Asym * Freq of Interim FR	Between Groups	(Combined)	505.294	1	505.294	.092	.762
	Within Groups		450239.408	82	5490.724		
	Total		450744.702	83			

Source: Data processed, 2019

Good data is data that is normally distributed. Based on test results, this research data is not normally distributed. Treatments such as data transformation and even removing outlier data have been carried out but the data remain does not meet this requirement. The normality test results can be seen in the table below.

Table 5 Normality Test

Variable	Significance	Standard	Explanation
Significance Unstandardized Residual	.000	>0.05	Not Normal

Source: Data processed, 2019

Because the data normalization steps are not successful, the use of OLS is not feasible to continue. Thus non-parametric statistics must be used. For relationship testing, Kendall Tau test is used.

Based on the Kendall Tau test results, it can be concluded that there was no significant relationship found between the frequency of interim financial reporting and information asymmetry. The table below shows the significance value of 0.110. This value is above the significance level used which is 0.05.

Table 6 Kendall Test or Report Frequency and Information Asymmetry

			Freq of Interim FR	Information Asymmetry
Kendall's tau_b	Freq of Interim FR	Correlation Coefficient	1.000	.168
		Sig. (2-tailed)	.	.110
		N	74	74
	Info Asymm	Correlation Coefficient	.168	1.000
		Sig. (2-tailed)	.110	.
		N	74	74

Source: Data processed, 2019

An insignificant relationship between the frequency of interim financial reporting and the cost of equity was also found based on the results of the Kendall Tau test. The table below shows the significance value of 0.276. This value is above the significance level used which is 0.05.

Table 7 Kendall Test or Report Frequency and Cost of Equity

			Freq of Interim FR	Cost of equity
Kendall's tau_b	Freq of Interim FR	Correlation Coefficient	1.000	.105
		Sig. (2-tailed)	.	.276
		N	74	74
	Cost of equity	Correlation Coefficient	.105	1.000
		Sig. (2-tailed)	.276	.
		N	74	74

Source: Data processed, 2019

Kendall Tau's test results show that there is no significant relationship between the frequency of interim financial reporting with information asymmetry. These results are not in line with the findings of Botosan⁴⁰, Petersen and Plenborg⁴¹ who concluded that the higher the level of completeness of financial reporting disclosures, it would reduce the information asymmetry.

⁴⁰ Botosan, "Disclosure Level and the Cost of Equity Capital."

⁴¹ Petersen and Plenborg, "Voluntary Disclosure and Information Asymmetry in Denmark."

The results of this research are different from the two studies above due to (1) data (2) research settings. The majority of interim financial reporting data in this study are at a high level. More than 80% of issuers deliver interim financial reporting 3 times. Only a few issuers delivered 2 times. There is no issuer that does not submit at all. This results in a small impact on information asymmetry.

The research settings of Botosan⁴², Petersen and Plenborg⁴³ are also different. They use the level of completeness of financial reporting disclosures on which the basis of these actions is the volunteerism of company managers to do so. Whereas in this study, what type of financial information disclosed by companies are uniform in nature and follow the rules set by the competent authority in the capital market.

Kendall Tau's test results show that there is no significant relationship between the frequency of interim financial reporting with the cost of equity. This result is not in line with the findings of Fu et al.⁴⁴, Botosan⁴⁵, Petersen and Plenborg⁴⁶ who concluded that the higher the level of completeness of financial reporting disclosures, the lower the cost of capital. The results of this research support the findings of Gulo⁴⁷, Dewi dan Chandra⁴⁸ which shows that the extent of disclosure does not affect the decreasing cost of capital.

The results of this research are different from the two studies above due to (1) data (2) research settings. The majority of interim financial reporting data in this study are at a high level. More than

⁴² Botosan, "Disclosure Level and the Cost of Equity Capital."

⁴³ Petersen and Plenborg, "Voluntary Disclosure and Information Asymmetry in Denmark."

⁴⁴ Fu, Kraft, and Zhang, "Financial Reporting Frequency, Information Asymmetry, and the Cost of Equity."

⁴⁵ Botosan, "Disclosure Level and the Cost of Equity Capital."

⁴⁶ Petersen and Plenborg, "Voluntary Disclosure and Information Asymmetry in Denmark."

⁴⁷ Gulo, "Analisis Efek Luas Pengungkapan Sukarela Dalam Laporan Tahunan Terhadap Cost of Equity Capital Perusahaan."

⁴⁸ Sofia Prima Dewi and Jeffry Setiady Chandra, "Pengaruh Pengungkapan Sukarela, Asimetri Informasi, Dan Manajemen Laba Terhadap Cost of Equity Capital Pada Perusahaan Manufaktur," *Jurnal Bisnis Dan Akuntansi* 18, no. 1 (2016): 25–32, <https://doi.org/10.34208/jba.v18i1.34>.

80% of issuers deliver interim financial reporting 3 times. Only a few issuers delivered 2 times. There is no issuer that does not submit at all. This causes a small impact on the cost of equity.

The research settings of Botosan⁴⁹, Petersen and Plenborg⁵⁰ are also different. They use the level of completeness of financial reporting disclosures on which the basis of these actions is the volunteerism of company managers to do so. Whereas in this study, what type of financial information is disclosed by companies of a uniform type and its nature follows the rules set by the competent authority in the capital market.

C. Conclusion

This research aims to see the relationship between the frequency of interim financial reporting with the cost of equity and information asymmetry. The results are as follows:

1. There is no relationship between the frequency of financial reporting with the cost of capital. The results of this research are in line with the findings of Gulo⁵¹, Dewi dan Chandra⁵² but different from the findings of Botosan⁵³, Petersen and Plenborg⁵⁴, and Fu et al.⁵⁵.
2. There is no relationship between the frequency of financial reporting with information asymmetry. These results are not

⁴⁹ Botosan, "Disclosure Level and the Cost of Equity Capital."

⁵⁰ Petersen and Plenborg, "Voluntary Disclosure and Information Asymmetry in Denmark."

⁵¹ Gulo, "Analisis Efek Luas Pengungkapan Sukarela Dalam Laporan Tahunan Terhadap Cost of Equity Capital Perusahaan."

⁵² Sofia Prima Dewi and Jeffry Setiady Chandra, "Pengaruh Pengungkapan Sukarela, Asimetri Informasi, Dan Manajemen Laba Terhadap Cost of Equity Capital Pada Perusahaan Manufaktur," *Jurnal Bisnis Dan Akuntansi* 18, no. 1 (2016): 25–32, <https://doi.org/10.34208/jba.v18i1.34>.

⁵³ Botosan, "Disclosure Level and the Cost of Equity Capital."

⁵⁴ Petersen and Plenborg, "Voluntary Disclosure and Information Asymmetry in Denmark."

⁵⁵ Fu, Kraft, and Zhang, "Financial Reporting Frequency, Information Asymmetry, and the Cost of Equity."

in line with the findings of Botosan⁵⁶, Petersen and Plenborg⁵⁷ which conclude that the higher the level of completeness of financial reporting disclosures, it will reduce the information asymmetry.

3. There is no relationship between the frequency of interim financial reporting with the cost of equity and information asymmetry caused by (1) research data especially interim financial reporting frequency data (2) research settings. The majority of interim financial reporting data in this study are at a high level. More than 80% of issuers deliver interim financial reporting 3 times. Only a few issuers delivered 2 times. There is no issuer that does not submit at all.
4. For further research can use other measurements using different proxies. As a measurement of the frequency of interim financial reporting can use calculation models such as: annual report is given a score of 1, ½ year report is given a score of 0.5 while the report every 3 months is given a score of 0.25.

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⁵⁶ Botosan, "Disclosure Level and the Cost of Equity Capital."

⁵⁷ Petersen and Plenborg, "Voluntary Disclosure and Information Asymmetry in Denmark."

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