ABSTRACT

In order to reduce information asymmetry in the capital market, the level of disclosure and financial reporting quality need to be increased. Extensible Business Reporting Language (XBRL) is created to increase the level of disclosure and business reporting quality. XBRL has been implemented in more than 50 countries, and Indonesia made it mandatory in 2016 for all of the companies listed in Indonesia Stock Exchange (IDX) to use XBRL. This study is conducted to understand the impact of XBRL implementation towards information asymmetry in the Indonesia capital market.

This study used the quantitative method to analyze the relationship between XBRL implementation and information asymmetry. The population of this research was the finance sector companies listed in IDX during the 2013-2018 period. The purposive sampling method was used to select the samples for the study. Fifty-one companies fulfilled the criteria and chosen to be the samples of the study. The data for this study were obtained from the annual report, daily trading data, and stock summary that were provided by IDX and The Indonesia Capital Market Institute (TICMI). Multiple linear regression and paired sample t-test were employed to analyze the impact of XBRL implementation towards information asymmetry.

The study has found that XBRL implementation has a strong negative relationship with information asymmetry, which implies that the implementation of XBRL could reduce information asymmetry. Furthermore, the study provides evidence that after the implementation of XBRL, the information asymmetry is reduced significantly.

Keywords   : XBRL, information asymmetry, Indonesia capital market, financial reporting, signaling theory.