INTERNATIONAL RESEARCH CONFERENCE ON BUSINESS AND ECONOMICS(IRCBE)
Faculty of Economics and Business Diponegoro University
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July 26, 2016

Butar-butar
Soegijapranata Catholic University
Indonesia

Dear Butar-butar

We are pleased to inform you that based on the recommendation of the conference chair and committee, your paper entitled:

"IFRS Adoption In Indonesia And Its Implication On The Relationship Between Ownership Structure And Investment Efficiency"

has been accepted for oral presentation at the **2nd Conference on Business and Economics (IRCBE) – Semarang** and registration fee has been received. This is also to confirm that your abstract will be published in the Conference Book. All accepted and presented papers in the 2nd IRCBE will be included in the further review for publication in a conference proceeding by **Advanced Science Letters (ASL)**, a multidisciplinary peer-reviewed journal indexed by Scopus.

The **2nd Conference on Business and Economics (IRCBE) – Semarang** will be held on August 3 – 4, 2016 at the Faculty of Economics and Business Diponegoro University, Semarang – Indonesia. For further information regarding the conference, please visit our website at www.ircbe.undip.ac.id or mail to: ircbe@undip.ac.id / ircbe.undip@gmail.com

Congratulations on your successful research, and thank you for presenting your research paper at the **2nd Conference on Business and Economics (IRCBE) – Semarang.**

We look forward to seeing you in Semarang – Indonesia in August 3-4, 2016.

Respectfully,

Akhmad Syakir Kurnia, Ph.D
2nd IRCBE General Chair

IRCBE

THE 2ND INTERNATIONAL RESEARCH CONFERENCE
ON BUSINESS AND ECONOMICS

Program Schedule
&
Parralel Session

Program Schedule

Tuesday, 2 August		
Time	**Activities**	**Venue/Remarks**
	Arrival at Semarang	Hotel

Wednesday, 3 August		
Time	**Activities**	**Venue/Remarks**
07.30 – 09.00	Registration	UNDIP
09.00 – 09.15	Welcoming Ceremony: *(Traditional Dance)*	UNDIP
09.15 – 09.30	Welcoming Speech: **Dr. Suharnomo** (Dean Faculty of Economics and Business)	UNDIP
09.30 – 09.45	Opening Speech: **Prof. Ainum Naim** (Secretary General of the Minister of Research Technology and Higher Education Republic of Indonesia)	UNDIP
09.45 – 12.00	Keynote Speech: **Prof. Claudio Morana** (Universitá di Milano Bicocca, Italy) **Prof. Ian Alexander Kerr** (Curtin University, Australia) **Prof. Miranda Goeltom** (Bank Indonesia)	UNDIP
12.00 – 13.00	Lunch Break	
13.00 – 14.45	Parallel Session I	UNDIP
15.00 – 16.45	Parallel Session II	UNDIP
16.45 – 18.30	Heading to Lawang Sewu	
18.30 – 22.00	Gala Dinner Host: **Bank Indonesia**	Lawang Sewu Heritage Building

Program Schedule

Thursday, 4 August		
Time	**Activities**	**Venue/Remarks**
07.30 – 09.00	Registration	UNDIP
09.00 – 10.30	Keynote Speech: **Assoc. Prof. Corina Joseph** (Universiti Teknologi Mara, Malaysia) **Prof. Augusty T. Ferdinand** (Diponegoro University)	UNDIP
10.30 – 12.30	Parallel Session III	UNDIP
12.30 – 13.30	Lunch Break	
13.30 – 15.30	Parallel Session IV	UNDIP
15.30 – 16.30	Closing Ceremony	UNDIP

Friday, 5 August		
Time	**Activities**	**Venue/Remarks**
08.00 -	One Day Trip: Borobudur Temple*	Borobudur Temple

*) Borobudur is a prominent ancient temple located in Central Java.

Parallel Session

1	SESSION TITLE	PAPER TITLE	AUTHORS	INSTITUTE
WEDNESDAY, AUGUST 3, 13.00 - 14.45	ACC01: Corporate Governance and Disclosure, Room: EC401	Analysis of Application of creating shared value (CSV) as a development of the concept of corporate social responsibility (CSR) ind Indonesia	K. Josephine & R. Breliastiti	Bunda Mulia University
		The influence of corporate social responsibility disclosure on firm value	A. Purwanto	Diponegoro University
		The Relationship Between Good Corporate Governance and Social Responsibility Disclousure	W. Kurniasari, Y.W. Djati, J. Wibowo & M.S. Prapti	Soegijapranata Catholic University
		Does Cooperation Accountability have Influence on Financial Performance ?	M. Khafid & K.N. Utami	Semarang State University
		Factors affecting firm's social responsibility disclosure	E.N.A. Yuyeta, M. Syafruddin & D. Muid	Diponegoro University
	ECO01: Economic Growth, Room: EC402	Corruption and Economic Growth in Asia Pacific Countries	S. Nawatmi, S. Isnowati and A.B. Santosa	Unisbank Semarang
		Analysis of government expenditure and investment on economic growth in central java	S. Isnowati and S. Nawatmi	Unisbank Semarang
		Does Human Capital Spillovers Promote Economic Growth in Indonesia? (Panel Data Analysis with Gravity's Approach)	D. Rahmayani, F.X. Sugiyanto and A.S. Kurnia	Diponegoro University
		Culture value and Economic Growth in Indonesia	Caroline, F.X. Sugiyanto & A.S. Kurnia	Diponegoro University
		Does age of economy affect growth Productivity? A survey of sub-national of central java province	R. Sugiharti & A.S. Kurnia	Diponegoro University
	ECO02: International Trade & Monetary Economics, Room: EC403	Effects of Monetary Policy on the Real Economy: The Case of Indonesia	T.W. Rejekiningsih & A.S. Kurnia	Diponegoro University
		Analysis of the Export Competitiveness of Food and Agricultural Commodities in Central Java Province, Indonesia	Karsinah, Y.A. Rahman, A.B. Setiawan, Firmansyah & W. Widodo	Semarang State University
		Targeting Inflation and Foreign Exchange Intervention in Indonesia, Can they go hand in hand or are they mutually exclusive?	A.S. Kurnia & F.X. Sugiyanto	Diponegoro University
		The J Curve Phenomenon of Indonesia Balance of Trade with Six Main Partner Countries	A.T. Hapsari & A.S. Kurnia	Diponegoro University
		The Important of Economic Integration in Indonesia: Historical Perspective	S.T. Sulistiyono, Y. Rochwulaningsih, N.N. Masruroh & N.N. Maulany	Diponegoro University
	FIN01: Finance Issues (1), Room: EC404	Measuring Islamic Financial Literacy	T. Hidajat & M. Hamdani	STIE Bank Jateng
		Impact of cash flow, profitability, liquidity and capital structure ratio on predict financial performance: (study in banking companies listed in Indonesian stock exchange 2007-2011)	A.A. Habrosh	Diponegoro University
		The Factors Affecting Profit Distribution Management of Syariah Banks in Indonesia	F. Africano, S.M. Elizabeth P & R. Parlindungan	STIE Multi Data Palembang
		Sharia bank a less risky alternative of investing and financing than the conventional: The evidence of Indonesia	I. Ramli	Tarumanegara University
		How women sharia financial service cooperative performance in Central Java	A. Indriani & S. Fitria	Diponegoro University
	MGT01: Management Issues (1), Room: EC405	Successfully implementing the Balance scorecard: Empirical evidence in Assalaam Islamic Modern Boarding School	Z. Machmudah, S.D. Utomo & Y. Setiawanta	Dian Nuswantoro University
		Blue ocean strategy: An investigation of the effect of Business Strategy, Information Accounting Management System, Mental model implementation on managerial performance	E.S. Mardjono, S.D. Utomo & Y. Setiawanta	Dian Nuswantoro University
		Investment service strategy in building regional competitiveness	Marzon & Johannes	Jambi University
		Strategic management in small medium enterprises: Indonesian case	I. Ramli	Tarumanegara University
		Applications Green Business by Micro Entreprise	R. Untari	Soegijapranata Catholic University
	MGT02: Management Issues (2), Room: EC406	External factors….	Rushadi	Perbanas Institute Jakarta
		Determinants of eco entrepreneurial intention among students: Study in the entrepreneurial education practices	K. Nuringsih & I. Puspitowati	Tarumanegara University
		Competitive Aggressiveness and Firm Performance of Javanese SMEs	A. Kusumawardhani	Diponegoro University
		Restructuring analysis: application de-bureaucratization PT. PLN (Persero) Central Java and DI. Yogyakarta (PT PLN (persero) area Magelang and UL Salatiga)	C. Purdiasari, S.T. Raharjo & Idris	Diponegoro University
		How Effective Financing Scheme for SMEs in Indonesia	S. Fitria & A.F. Ramadhan	Diponegoro University

Parallel Session

2	SESSION TITLE	PAPER TITLE	AUTHORS	INSTITUTE
WEDNESDAY, AUGUST 3, 15.00 - 16.45	ACC02: Accounting Issues (1), Room: EC401	Asking corporate commitment on philanthropy: The effect to firm value	Irwansyah, F.N. Khairin, Y.L. Ginting, & S. Narsiah	Mulawarman University
		Does IFRS convergence decrease earning manipulation? An empirical study of Indonesia	A. Chariri & A.T. Basundara	Diponegoro University
		The Role of Corporate Governance Mechanisms on Earnings Management Conducting Tax Avoidance in Response to the Corporate Tax Rate	A. Tanno & A. Putri	Andalas University
		Evidence on the relationship between cash dividend and earnings quality	H.D. Putro & A. Juliarto	Diponegoro University
		Accountants challenges and opportunities in dealing ASEAN Economic Community towards crypto economic 2016	Suratno	Universitas Pancasila
	ECO03: Development Economic (1), Room: EC402	Revisited Phelps's the structural theory: Critique, contribution and empirical studies in Indonesian economy	S. Budiono	Otto Geissler University
		The characteristics of traditional shrimp fishermen in small-scale fishery management	Suharno, I. Susilowati, S. Anggoro & E.Y.A. Gunanto	Diponegoro University
		Analysis of Human Development and Poverty in East Java	S. Nuraini & A.A.G.S. Utama	Universitas Airlangga Surabaya
		Development of intervention model of staple food consumption pattern from rice toward alternative staple food: supporting factors and obstacles	M.G.W.K. Susilowati, R.Y. Yustini and W. Kurniasari	Soegijapranata Catholic University
		Do co-operative institutions giving impact on member's welfare? Case study on co-operative in the district/city in west Sumatera - Indonesia	F.P. Putra and E. Ariyanto	Andalas University
	ECO04: Development Economic (2), Room: EC403	Strategies of urban development based on environment	A. Pujiati, D.M. Nihayah & P.A. Bowo	Semarang State University
		Analysis of Central Java's Economy Changing in 1993 - 2008: An Input Output Analysis	R. Abdullah & T.A. Asmarani	Institute for Development of Economics and Finance - INDEF
		Woman "carver": Between domestic work and fulfilling the needs of economy in Jepara craft center	Alamsah & A. Laksono	Diponegoro University
		Why People Become Philanthropist? A Study on the Muslim Entrepreneurs Motivation's in Indonesia	A. Fuadi	Diponegoro University
		Indonesian's Global and Regional Production Linkages: A Multi Regional Input-Output Analysis	D.D. Iskandar	Diponegoro University
		Forestry revitalization and its impact toward the sustainable economy in Jambi province (the environment-insightful social accounting matrix approach)	Heriberta	Trisakti University
	FIN02: Finance Issues (2), Room: EC404	A comparison of CAP & FAMA french models' accuracy in predicting ROS: Empirical evidence from Indonesia	Y. Surono	Jambi University
		GARCH Based Volatility Modelling in Indonesia Stock Exchange	S.M. Elizabeth P & F. Africano	STIE Multi Data Palembang
		Do combining price-multiples increase valuation accuracy? Evidence from the Indonesia Stock Exchange	F.H. Marpaung	Padjajaran University
		Value of the firm and stock price volatility in shariah stocks listed in Indonesia Stock Exchange	A.D. Marsono	Perbanas Institute Jakarta
		Determinants of the 5 years government bond yield using egarch model in Indonesia, Malaysia, Thailand and Philipines	R.P. Paramita & I.R.D. Pangestuti	Diponegoro University
	MGT03: Management Issues (3), Room: EC405	Marketing challenge of import insurance product in Indonesia	Amron	Dian Nuswantoro University
		Identification of loyalty factors that contribute towards the development of sustainable competitive advantage from the consumer perspective of bandeng juwana	I.Y.N. Purba & R.A. Nasution	Bandung Institute of Technology
		The effect of service marketing mix and service quality on private higher educations' brand image	Dahmiri & A. Octavia	Jambi University
		Superior customer value capabilities and innovation mediation in improving the small and medium enterprises performance	Sukmabakti & Johannes	Jambi University
		The role of permission on purchase intention in mobile marketing in banking	P. Laksamana	Perbanas Institute Jakarta
	MGT04: Management Issues (4), Room: EC406	Customer Orientation of Service Employee (COSE) and Its Impact on Customer Satisfaction, Comitment and Retention	Y. Wismantoro & R.D. Pratiwi	Dian Nuswantoro University
		The Study of Efforts To Increase The Transaction of Cusomer to Customer (C2C) E-Commerce (Finding in Central Java)	B.A. Wibowo, Mudiantono & I.M.B. Dirgantara	Diponegoro University
		Demographic factors and organizational citizenship behavior: Are they correlated?	M.S. Perdhana & R.M. Dewi	Diponegoro University
		Brand Transgression: It's Impact Toward National Brands-Nation Brand	F. Indriani	Diponegoro University
		Event Sponsorship and the Social Media Marketing Efectiveness	R.H. Magnadi	Diponegoro University

Parallel Session

3	SESSION TITLE	PAPER TITLE	AUTHORS	INSTITUTE
THURSDAY, AUGUST 4, 10.30 - 12.30	ACC03: Accounting Issues (2), Room: EC401	The Meaning of Accounting Accrualization at A Local Government in Indonesia.	Yudi, M. Sudarma, A. Djamhuri, & Z. Baridwan	Brawijaya University
		Perception of entrepreneurs business, micro, small and medium enterprises (SMEs) on application of accounting in Lubuklinggau city	M. Irwadi, S. Hartaty & S. Aprianti	Polytechnic Anika Palembang
		Mediation Psychological capital in relation to the competence and independence of audit quality	P. Ramandei	Otto Geissler University
		Factors that Affect Break-even Point Accuracy in Air Transport Industry: an Empirical Study in Afriqiyah Airways	A.A. Habrosh	Diponegoro University
		Towards a theory of religiosity-constrained mental accounting: High vs low profile moslems	Fuad & A.R. Fahlevi	Diponegoro University
	ECO05: Regional & Public Economics, Room: EC402	Analysis Public Sector Performance and Efficiency Local Government in Papua Province	J. Sawai	Otto Geissler University
		The strategy to improve tourism and economic creative performance in Jambi province	Daryati	Jambi University
		The Transaction Cost of Tax Compliance on Institutional Change of Tax Regulation: Some Evidence From Indonesia	Darwanto, P.B. Santosa & C. Palupi	Diponegoro University
		The role of Papua special autonomy on growth	M. Sihombing & J. Karay	Otto Geissler University
		Analysis corporate tax rates, interest rate spread (IRS), and economic growth on foreign direct investment (FDI) in ASEAN 6 (Indonesia, Malaysia, Singapore, Thailand, Philippines, and Vietnam) period 1998-2013	H. Sasana	Diponegoro University
		GRDP, Inflation and Net Exports in Indonesian Provinces	Azwardi, Syamzurizal AK & A. Munandar	Sriwijaya University
	FIN03: Finance Issues (3), Room: EC403	Behavioral finance and sports	Sukandar & T.A. Lubis	Jambi University
		Good corporate governance implementation on banking financial performance	H.E. Riwayati	Perbanas Institute Jakarta
		Lending Behaviour of Indonesian Banks	S. Maspupah & H.E. Riwayati	Dian Nuswantoro University
		The Effect of Foreign Stock Indexes and Indonesia's Macroeconomics Variables Toward Jakarta Composite Stock Price Index (JCI)	D. Triyono, & Robiyanto	Satya Wacana Christian University
		Behavioral Finance: An Experimental Study of the Prospect Theory Applicability in Potential Indonesian Investors with Regard to Gender Propensity	A. Rokhyadi &D. P. Koesrindartoto	Bandung Institute of Technology
		Wholesale Fund Vulnerability	S.A. Nastika & E.D. Arfinto	Diponegoro University
	MGT05: Management Issues (5), Room: EC404	The role of work family balance as mediator on the relationship between spousal support and subjective career success	S. Amin, R.A. Ghani & R. Arshad	Jambi University
		The Influence of Competency and Employee Engagement to Employee Performance with Organizational Commitment as Intervening Variable	E. Soliha, B.S. Priyono & Istikanatin	Unisbank Semarang
		Implementation Creative Thinking for Undergraduate Students	D. Yudiarti & D.C. Lantu	Bandung Institute of Technology
		The role of supportive leadership and organizational learning culture as a moderator on the relationship of psychological empowerment and organizational commitment	I. Darmastuti	Diponegoro University
		The effect of assessment center and education program to the career development of the human resource apparatur at the ministry of environment and forestry	R. Puspitasari	Padjajaran University
	MGT06: Management Issuses (6), Room: EC405	Operational risk management towards combined cycle power plant in Tanjung Priok power plant	F.R. Wijaya & S.K. Wiryono	Bandung Institute of Technology
		Deep Agency Problem and Fairness in Executive Compensation in the Long Run: Testing of A Competing Hypotheses	R.D.B. Harsono	Soegijapranata Catholic University
		Smart intangibles innovation concept development to improve performance of SMEs	T. Purwani & L. Nurcholis	Universitas AKI
		The relationship between learning environment and individual character on career development: a conceptual framework	P. Magdalena	Perbanas Institute Jakarta
		Impact of time demands of work on employees' job satisfaction, job stress and turnover intention	A.U. Hasanah & Suharnomo	Diponegoro University
		Representative hospital office: How it's role to influence consumer purchasing decision	Johannes & Kadar	Jambi University
	FIN06: Finance Issues (6), Room: EC406	Analysis of liquidity ratio, profitability and BOPO ratio to capital adequacy ratio (car) in general national private bank that listed in Indonesia stock exchange period 2010-2014	Sumani & Vily	Universitas Katolik Indonesia Atma Jaya Jakarta
		Financial literacy biases on prospect theory: Empirical evidence on how Indonesian making financial decisions	N.A. Anggraeni & D.P. Koesrindartono	Bandung Institute of Technology
		The Impact of Financial Education Toward Indonesia University Student' Financial Literacy and Financial Inclusion	Febriana & Damayanti	Bandung Institute of Technology
		Causal relationship between stock return and trading volume with macroeconomics as exogenous variables during period of 2006-2015	M.E. Kristanto & Idris	Diponegoro University
		Prediction Volatility of CSPI in Indonesia Stock Exchange	Nuryasman MN	Tarumanegara University
	ACC04: Accounting Issues (3), Room: EC407	Value relevance and reliability of intangible assets in pre- and post-implementation of IFRS: Evidence from Indonesia	R. Paranti & P. Harto	Diponegoro University
		Study literature on Performance measurement: The Indonesian Government Context	M. Gowon & Fortunasari	Diponegoro University
		Net income, informativeness of other comprehensive income and audit quality	Suratno, Sakirman & N. Ahmar	Universitas Pancasila
		Financial Stament Fraud Detection Using Published Data Based on Fraud Triangle Theory	R. Parlindungan, F.A. Africano & S.M. Elizabeth P	STIE Multi Data Palembang
		The Influence of Corporate Governance and Company Characteristics on Intellectual Capital Disclosures	J. Widiatmoko & M.G.K. Indarti	Unisbank Semarang

Parallel Session

4	SESSION TITLE	PAPER TITLE	AUTHORS	INSTITUTE
THYRSDAY, AUGUST 4, 13.30 - 15.30	ECO06: Development Economic (3), Room: EC401	Gender differences in the classroom games: a prisoner's dilemma	B. Siswanto	Diponegoro University & Krida Wacana Christian University
		Model Income Inequality in Papua Province	J. Sawai & D. Dhamayanti	Otto Geissler University
		Effect of tourism on economy of Southeast Asian countries	Firmansyah	Diponegoro University
		Corruption	Khoerunnisa	Diponegoro University
		Energy Consumption and Economic Growth in Indonesia: Cointegration and Causality Analysis	E. Primayesa & F.P. Putra	Andalas University
		Causality analysis on the relationship of regional economic development in central java province	L.K.B. Sebayang, B. Prishardoyo & Y. Aulia	Semarang State University
	ECO07: Industrial Economics, Room: EC402	Efficiency of Indonesian real estate companies before & after mergers and its relation to stock return: two-stage	Y.I. Herjan	Padjajaran University
		Industrialization and Sustainable Development: Selection of Industries in the Process of Industrialization in Indonesia	M.U. Basuki	Diponegoro University
		Vertical Transmission of Rice Price	T. Ruspayandi, D. Poerwono, & B. Mudakir	Diponegoro University
		Market Structure and Sources of Productivity Growth in Food Industry: Evidence from Indonesia	W. Widodo & Firmansyah	Diponegoro University
		Mappings industry as the strategy for enhancing competitiveness of industry in Semarang regency	S. Oktavillia, Fafurida & M. Khoirudin	Semarang State University
		Disparity in Determining Business Location: A Case Study in UNNES Sekaran Area	I. Romadona, K. Azizatunnishak, A. A. Monica	Semarang State University
	FIN04: Finance Issues (4), Room EC403	Behavioral finance perspectives on investor financial decisions	B. Sudarisman & T.A. Lubis	Jambi University
		The Effect of Return in Investment, Cash Ratio, and Debt to Total Asset Toward Dividend Payout Ratio (A Study Toward Manufacturing Companies Listed in Indonesia Stock Exchange)	R. Ernayani, O. Sari & Robiyanto	Balikpapan University & Satya Wacana Christian University
		Measuring systemic risk of banking in Indonesia: Conditional value-at-risk model application	Erwin & H. Muharam	Diponegoro University
		Factors affecting the capital buffer conventional commercial bank listed on the stock exchange 2011-2014	N.A. Fauzia & Idris	Diponegoro University
		The relationship between productivity and bankruptcy risk case of property and real estate sub-sector in Indonesia capital market	R.A. Putri	Bandung Institute of Technology
	FIN05: Finance Issues (5), Room EC404	Bad Luck, Bad Management, Skimping and Moral Hazard influence Loan Problem In Indonesian Commercial Bank	A. Kartika & Y. Susilowati	Unisbank Semarang
		Several Large Stocks In Malaysian and Indonesian Stock Markets	D. Wijaya, I.R. Setyawan & I. Ramli	Tarumanegara University
		IFRS adoption in Indonesia and its implication on the relationship between ownership structure and investment efficiency	Butar-butar	Soegijapranata Catholic University
		Effect of Change in Surplus Ratio, Incurred Loss Ratio, Liquidity Ratio, Premium Growth Ratio, Firm Size and Risk Based Capital to Predict the Possibilities of Financial Distress: The Case of Indonesia Non-Life Insurance Listed in Indonesia Insurance Directory	Mahfudz & T.T.C. Dewi	Diponegoro University
		Determinants of share repurchase: case from Indonesian non-financial firms	A.K. Rahmadhani & W. Mawardi	Diponegoro University
	MGT07: Management Issues (7), Room EC405	The effects of organizational justice on organizational citizenship behaviour using percieved organizational supports as mediation	N.A. Wulansari, D. Ranihhusna, V.W. Putri & G. Wijayanto	Semarang State University
		Reverse Logistics in Sustainable Pharmaceutical Industry	Cahyaningrtri & A. Kusumawardhani	Diponegoro University
		The Influence of Distributive Justice and Work Environment on Turn Over Intention with Job Satisfaction as Mediating Variable, (A Study at PT Apac Inti Corpora, Tbk in Production Division)	E.W. Filatrovi & F. Lukastuti	STIE Bank Jateng
		The Impact of Jogja's Rebranding towards Tourist Revisit Intention	Jatiningrum	Bandung Institute of Technology
		Factors Influencing Intention to Use Personal Pension Fund in Indonesia	Nugrahaeni & Aprianingsih	Bandung Institute of Technology
		The Influence of Display Organization and Number of Product on Consumer Purchase: The Role of Aversion of Disorderly and Scarcity Effect	Fazri, Afiff & Balqiah	University of Indonesia
	MGT08: Management Issues (8), Room EC406	The perception of Indonesian cosmetics and pharmaceuticals company towards MUI service quality in halal certification	S.C. Fakhrunnisa	Bandung Institute of Technology
		Work-family conflict and organizational support in improving job satisfaction female factory workers	S.D. Purba & C.W. Sandroto	Universitas Katolik Indonesia Atma Jaya Jakarta
		Factors Influencing Halal Products Purchase Intention in Indonesia	N. Emira & Y.D. Lestari	Bandung Institute of Technology
		Entrepreneurship Orientation, Market Orientation, Business Strategi, Management Capabilities On Business Performance; Studi at Small And Medium Enterprise In Semarang	Pujiati & Yuliana	STIE Bank Jateng
		Corporate governance and firm performance: The moderating role of investment	S.Puryandani & M.Safitri	STIE Bank Jateng
		.....	Irmawati	Soegijapranata Catholic University
	MGT09: Management Issues (9), Room EC407	Influence Models od Entrepreneurial Orientation, Entrepreneurship Training, and Business Performance of SMEs	Octavia, Zulfanetti & Erida	Jambi University
		The influence of service quality towards customer loyalty of coffee shop Bandung, case study: Coffice Bandung	Hanrinugroho	Bandung Institute of Technology
		Developing green corporate image trough Organizational citizenship behaviour	S. Widyastuti, T. Indriati, & B. Retno W	Universitas Pancasila
		Food and Beverage Industries Satisfaction towards LPPOM MUI Service on Halal Certification Process	Nadhira	Bandung Institute of Technology
		Adoption of Halal Logistics System in the Delivery and Food Service Department at Santosa Hospital Bandung Central	Surimidani	Bandung Institute of Technology
		Self-reliance improvement model for women batik SMEs	F. Lukastuti, H.A. Sutanto & S.Imaningati	STIE Bank Jateng

IFRS Adoption In Indonesia and Its Implication On The relationship

Between Ownership Structure and Investment Efficiency

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Abstract

Agency theory predicts that separation of ownership and control might lead to moral hazard and adverse selection. In such a situation, investment decision making is not optimal and might put the company and stockholders in danger. Absence of control may induce managers to opportunistically use firms' resources for personal benefit and invest in highly risky projects with negative present value. Therefore, monitoring function by institutional investors are necessary to minimize manager dysfunctional behavior. It is also deemed necessary to offer firm's stock to managers to align the interest of managers and stockholders. This study investigates the effect of institutional and managerial ownership on investment efficiency as a proxy for firms' performance. The effect of these two variables is investigated in the context of IFRS adoption. Since accounting policies underlying IFRS are more market friendly than US accounting standards, it is expected that full convergence to IFRS in 2012 may increase financial statement quality in Indonesia. Contrary to prediction, the evidence shows that converging reporting standard into IFRS does not increase investment efficiency. This suggests that IFRS adoption in Indonesia does not increase financial reporting quality. Furthermore, the impact of managerial ownership on investment efficiency remains unchanged following IFRS adoption. This suggests that managerial ownership does not align the interest of stockholders and managers. As predicted, however, monitoring function of institutional investors is increased after the adoption.

Keywords: *Investment efficiency, moral hazard, adverse selection, institutional ownership, managerial ownership.*

Introduction

Information asymmetry between managers and investors may lead to sub-optimal investment decisions (Blanchard, et al. 1994)[1]. In such a situation, managers tend to opportunisticaly use their authority to expropriate firms' scarce resouces. Moral consequences from a situation where information asymmetry prevail create what the literature called moral hazard. Under these conditions, managers tend to behave irrationally and only pursue personal interests without taking the stockholders' interests in consideration.

Conflicts of interest between managers and stockholders are becoming intense and uncontrollably hazardous when monitoring functions are not effectively established. Managers feel compelled to invest in projects with potentially higher profits but risky ones. When managers realize that he made wrong investment decision, he would seek to cover them up through financial reporting manipulation (Watts and Zimmerman, 1986)[2]. One way to minimize these potential problems are to choose accounting policies that improve the quality of firms' earnings and financial position. When this happens, the reported figures are no longer able to reflect firms economic reality. In effect, the benefit of financial statements for external users diminishes as they lose its relevance in assessing firms' performance and potentially mislead investors. Failure to discriminate good companies from the bad ones create a situation known as adverse selection.

Frankel and Li (2004)[3] describe the potential effect of financial reports on mitigating agency costs arising from moral hazard and adverse selection. They also noted the benefit of financial reports to improve capital market efficiency. In particular, the friction among market players decreases as the quality of financial reporting increases. Credible reported financial statements may help investors assess the quality and the feasibility of firms investment decisions. Investors are also able to evaluate managers' performance and business prospects. Previous empirical studies support the benefit of financial reporting quality in enhancing investment efficiency (Biddle, et al . , 2009[4]).

Biddle et al. (2009)[5] argue moral hazard and adverse selection may lead to suboptimal investment decision making. In either of these two conditions, managers are compelled to overinvest in high risk projects with negative present value. Errors in determining productive companies to invest (adverse selection) will create a situation where bad-performance firms receive excessive funds from stockholders. The excessive funds may induce managers to act irresponsibly by spending firms' resources in high risk project. In short, friction caused by information asymmetry leads to inefficiency of investment (Cheng et al. 2013)[6].

One way to improve investment efficiency is to offer managers portion of firms' stock. By owning firms' stock, all strategies and invesment decisions that cause variation in stock prices will have direct impact on managers. Jensen and Meckling (1976)[7] discussed the positive effect of managerial ownership on firm value. Proportion of stock held by investors may also help reduce agency costs. According to Grossman and Hart (1986)[8], stockholders with high ownership proportion are more actively involved in monitoring firms' decision making. Since all their actions are under close surveillance by investors, managers are motivated to work harder to maximize stockholders' wealth. Institutional investors generally own the large proportion of firms' common stocks. The greater the stock owned by investors, the greater their concern over the opportunistic behavior of managers. Monitoring activities performed by large stockholders can take form of informal conversation or direct confrontation in the GMS (Shleifer and Vishny (1997)[9].

The discussion so far suggests that applying appropriate accounting policies may enhance financial statements credibility in helping investors make informed investment decisions. Currently, there are two dominant accounting standards in the world; SFAS (Statement of financial accounting standard) imposed by the US accounting standard board known as FASB and IFRS (international financial reporting standards) set by IASB. On substantive levels, these two standards have more similarities than differences. However, the underlying concepts of theses two standards are quite different. As commonly stated, SFAS put more emphasis on detailed rules for firms to follow when selecting a particular accounting treatment. On the other hand, IFRS are more concerned on general principles and fair value method in making asset valuation. Since IFRS emphasizing accounting policies that support fair value method, then one may expect adopting IFRS improve financial statements quality. However, the proposition is not necessarily true because manager's discretion in choosing accounting methods may work against the benefit of adopting IFRS in financial statements. The rooms for earnings managements are widely open when IFRS are used instead of SFAS because IFRS provide large discretion for managers to use accounting methods.

Previous studies of IFRS convergence in Indonesia found inconsistent results. Suprihatin and Tresnaningsih (2013)[10] examine the effect of IFRS adoption using value relevance as a proxy for financial reporting quality and samples period of 2006-2011. They found evidence supporting positive effect of IFRS on value relevance of earnings and equity . Wulandari and Lastanti (2015)[11] examine the effect of IFRS by comparing the level of earnings management in 2011 and 2012. They found no evidence to support negative effect of IFRS on earnings management. Maiyarni, et al. (2014)[12] examine the effect of IFRS on firms' value from 2007 to 2012 and failed to provide any significant changes in firm value Nundini and Sri Lastanti (2014)[13] also failed to identify the impact of IFRS on earnings management in period of 2010 to 2011.

This study attempts to provide additional evidence on the role of IFRS to enhance financial reporting quality in Indonesia. Unlike previous studies in Indonesia, this study uses investment efficiency as a proxy for financial reporting quality. If the convergence of IFRS affect the quality of financial statements, than investment efficiency is predicted to increase. Moreover, this study also examines the impact of IFRS on the relationship between ownership structure and investment efficiency.

Hypothesis Development

Financial Reporting Quality and Investment Efficiency

Biddle et al. (2009)[14] stated that firms invest continuously until expected marginal benefit equals marginal cost incurred. He also noted that firms should only invest in projects that produce profit margin or generate positive net present value. In such a situation, investment is considered to be efficient and brings benefit to stockholders. However, agency theory suggests that information asymmetry between managers and investors trigger a situation in which investment decisions are not based on stockholders' best interest (Blanchard et al. 1994)[15]. Specifically, Cheng et al. (2013)[16] states the frictions caused by information asymmetry may lead to inefficient investments.

Jensen and Meckling (1976)[17] argue that information asymmetry creates moral hazard whereby managers put his interest above stokholders' interest in making investment decisions. Investment decisions are not taken carefully and responsibly, but mainly to meet personal targets. Managers spend firms' resources excessively without accurate calculations and reliable risk assessment of prospective investments. The dysfunctional behavior leads to over-investment. The excessive spending of firms' resources are more intense where adequate monitoring mechanism is not in place (Gomariz and Ballesta, 2014[18]).

Managers have better knowledge of firms' prospects than outside parties. The information advantage can be exploited through offering stock prices higher than their intrinsic value suggest (Cheng et al. 2013)[19]. Lack of information hinders market participants from assessing a true value of company and easily fall into mistakes by buying stocks at prices higher than its intrinsic value. Investors' mistakes in making good choices bring large benefit for under-performed firms. In effect, large proceeds from the sale of stocks encourage managers to behave irrationally by investing in risky projects or in projects that produce negative profits. Investments are not carried efficiently and firms fall into making over-investment. Jensen (1986)[20] suggests that firms with high free cash flow will be driven to making over-investment

IFRS versus SFAS

Prior to full convergence of IFRS in 2012, financial reporting practices in Indonesia are dominantly affected by US accounting standards; commonly called SFAS. Up to 2009, there were only 4 IASs standards adopted in Indonesia. But in following years, the adoption of IAS standards increased to 18 in 2010-2011 (Suprihatin and Tresnaningsih, 2013). In substantive level, IFRS and SFAS have a lot in common. Assumptions, concepts, and principles underlying IFRS are very much affected by SFAS. But in some areas, the two standards have significant differences. Among them are accounting for leasing and asset valuation policy.

As discussed in many textbooks, there are two alternative methods to account for lease transactions: operating lease and capital (finance) lease. IFRS and SFAS set four criteria to determine which method is the most appropriate given circumstances surrounding the transactions. In both standards firms are to use capital lease If at least one criteria is met. Otherwise the company must use operating lease. For the first and second criteria, there are no differences between these two standards that worthy of detailed descriptions. However, significant differences exist for the third and fourth criteria.

The third criterion deal with duration of lease terms. While SFAS sets 75% as a limit to determine whether the lease term exceed its economic life, IFRS has set no limit. It only states that if lease term cover major part of assets economic life, then finance lease is warranted. However, no clear definition of what the term "major" means. This opens up the possibility of using different lease methods for identical lease term. Manager of firm A could argue that 60% does not meet the definition of "major part" described in IFRS and thus use operating lease to account for its lease contract. On the other hand, manager of firm B believes 60% meet the definition of "major part" and thus choose capital lease. This situation may harm the comparability of financial statements. The fourth criterion also poses the same problem. SFAS set a limit of 90% to determine whether the present value of minimum lease payments exceed its fair value. IFRS only states if the present value of minimum lease payments substantially exceed the fair value of the asset, then firms should use finance lease. What is meant by "substantially"? It is all up to the manager discretions.

From the discussion above it is understandable why IFRS is said to be principle-based standards and SFAS is rule-based standard. IFRS allows greater flexibility for managers to use his discretion to determine which accounting methods to be employed. On the other hand, SFAS attempts to restrict managers from using his discretions to intervene accounting process through describing details to be considered when preparing financial statements. Although both standards have attempted to improve the reliability of the financial statements, IFRS provide greater rooms for earnings management practices. As largely discussed in accounting literatures, earnings management can hide the true picture of firms' financial performance and thus harm financial reporting quality.

Despite the inherent weaknesses, IFRS encourage companies to choose fair value methods to better reflect firms real profitability and financial position. It is largely discussed in literature that fair value methods increase value relevance of financial reports. If this is true, then investment efficiency will be picked up. Therefore, it is difficult to argue convincingly the effect of IFRS on investment efficency. This study takes position that positive effect of IFRS on financial statements are more dominant than their negative effects. Based on these arguments, the correlation between IFRS and investment efficiency is stated as follows :

H1: Investment efficiency is higher after the convergence of IFRS

Institutional Ownership

The ownership structure plays an important role in reducing agency problems (La Porta et.al 1999)[21]. The conceptual arguments underlying the relationship between ownership structure and performance measures are commonly reflected in efficient monitoring hypothesis. The hypothesis predicts the higher the concentration of ownership, the higher motivation of large stockholders to monitor firm performance. Stockholders who possess large interest are more willing to play an active role of monitoring and influencing firm bussiness decisions given financial benefits to be gained from active involvements (Grossman and Hart (1986)[22]. Various methods can be used to influence firms' bussiness decisions from informal conversations to takeover threats (Shleifer and Vishny, 1986)[23].

Large stock ownership is a common phenomenon in many countries and generally owned by institutional investors (Shleifer and Vishny, 1986)[24]. Managers are more closely monitored by institutional investors then individual stockholders. Hartzell et al. (2014)[25] argue that institutional ownership improves monitoring functions and lower agency costs arising from moral hazard and adverse selection. As financial reporting quality increases, firm financial performance is also inreased .

Previous studies in several countries support the positive effect of institutional ownership on investment efficiency and other performance measures (Garcia et al . , 2010)[26]. Research by Luthfiardi (2012)[27] using firms listed in Indonesian Stock Exchange found that institutional ownership positively affects investment efficiency. The role of institutional investors in monitoring manager activities is expected to be stronger after the convergence of IFRS. As described earlier, IFRS open wider space for managers to use discretion in preparing financial statements. Aware of the potential abuse of accounting discretion, institutional investors will be more inclined to heighten its monitoring functions. The relationship between institutional ownership and investment efficiency before and after the convergence of IFRS can be expressed as follows :

H2A: Institutional ownership positively affects investment efficiency before the convergence of IFRS.
H2B: The positive effect of institutional ownership on investment efficiency is more pronounced after the convergence of IFRS.

Managerial Ownership

The interest of stockholders are often incompatible with managers' interests. Instead of the best interest of stockholders, managers allocate scarce resources in a way that benefit managers. To minimize such dysfunctional behaviors, all manager activities should be constantly monitored to ensure proper use of authority. However, not all investors have the same concern toward good corporate governance. Some investors seem to have no attention on how managers run the company. On the other side, some investors apply excessive surveillance on managers' investment decisions (Demsetz, 1997)[28]. Therefore, different mechanisms need to be established to improve the quality of managers' decisions. One way is to offer stock ownership for managers.

Managerial ownership has became popular topic following the publication of Jensen and Meckling works in 1976[29]. They introduced convergence-of-interest hypothesis to explain the relationship between managerial ownership and corporate performance. Jensen and Meckling (1976)[30] argue that level of managerial ownership may help equalize the interests of stockholders and managers. By owning stocks, firm performance will directly impact managers' wealth. Thus, managerial ownership plays an important role in motivating managers to work harder for the benefit of companies and stockholders.

Previous empirical studies suggest positive correlation between managerial ownership and firm performance (Palia and Lichtenberg, 1999[31]; Hubbard and Palia, 1995[32]; Hermalin and Weisbach (1991)[33]; Morck et al., 1988)[34]. But it should be noted that a variety of performance measures have been used in these studies. Tobin's Q is used in Morck et al. (1988)[35]. While Denis et al. (1994)[36] and Hubbard and Palia (1995)[37] use stock returns as a proxy for firms' performance. Others like Palia and Lichtenberg (1999)[38] and Maximovic and Phillips (1995)[39] employ the level of productivity to capture firms' efficiency. In contrast to empirical studies carried out abroad, managerial ownership studies using Indonesian stock market data documented inconsistent results (Wiranata and Nugrahanti, 2013[40]).

Company's stock ownerships are expected to decrease managers' opportunistic behaviors. Managers will be motivated to work harder to ensure stockholders' interest are maintained. Managerial ownerships are also expected to boost the quality of financial reporting because managers are more concerned on providing reliable financial statements to convince market participants about firms future prospects. The combined effect of IFRS in reducing managers' opportunistic behaviors and increasing value relevance of financial reports are expected to strengthen the relationship between managerial ownership and investment efficiency. Hypotheses below are stated to reflect this relationship.

H3A: Managerial ownership positively affects investment efficiency prior to the convergence of IFRS.
H3B: The positive effect of managerial ownership on investment efficiency is more pronounced after the convergence of IFRS.

Data and Sample selection

Firms samples are all companies listed on the Indonesia Stock Exchange in 2009-2013 with complete information to measure variables, except banking, insurance and other financial institutions. Firms with no complete information on institutional and managerial ownership are excluded from the sample. Based on this criteria, there are 454 observations available to test hypotheses. There are 58 companies In 2009, 72 companies in 2010, 102 companies in 2011, 105 companies in 2012 and 117 companies in 2013. Annual reports are hand collected from official website of Indonesia Stock Exchange and firms' official websites.

Model

The focus of this study is to test managers and institutional investor behaviors following the convergence of IFRS in 2012. In particular, this study exmines financial reporting quality following the adoption of IFRS in Indonesia. If IFRS do improve financial reporting quality, then investment efficiency will be higher. The hypothesis is tested by comparing the investment efficiency before and after IFRS using dummy variables. Moreover, this study also examines the effect of IFRS on the relationship between managerial ownership (institutional ownership) and investment efficiency. Regression model to test the hypotheses are stated as follows :

$$Effisien_t = \beta_0 + \beta_1 IFRS_t + \beta_2 Kep\_Man_t + \beta_3 IFRS*Kep\_Man_t + \beta_4 Kep\_Inst_t + \beta_5 IFRS*Kep\_Inst_t + \beta_6 Kas_{t+} \beta_7 Lev_t + \varepsilon_t$$

Where,

$Effisien_t$ = Invesment Efficiency at time t; $IFRS_{it}$ = Dummy variable that takes 1 if the observations are taken from 2012-2013, and 0 otherwise; Kep_Man_{it} = Managerial ownership at time t; $IFRS*Kep\_Man_{it}$ = interaction variable at time t ; Kep_Inst_t = institutional ownership at time t; IFRS * Kep_Inst_t = interaction variable at time t, Kas_t = operating cash flow; Lev_t = debt to equity ratio.

Variable Measurement

a) Investmen efficiency

Following Biddle et al. (2009)[41] and Gomaris and Ballesta (2014)[42], this study assumes growth opportunity proxied by sales growth is a major factor that encourages companies to make investment. In other word, invesment is a function of sales growth. Residual of the model reflects a deviation from the ideal level of investment. Negative (positive) residual reflects under (over) investment. Below is a regression model to relate investment and sales growth.

$$Investment_t = \beta_0 + \beta_1 \text{ Sales Growth}_t + \varepsilon_t$$

Where,
$Investment_t$ = Total investment in year t, defined as the net fixed asset increase scaled by total aset; Sales $Growth_t$ = Percentage change in sales from year t-1 to t.

Regression residual is then transformed into an absolute value and multiplied by -1. This procedure is applied to facilitate interpretation of the results. Thus, the higher the transformed residual, the higher the investment efficiency.

b) IFRS

A dummy variable that takes 1 if observations belong to 2012 to 2013 and 0 if they belong to 2009-2011 .

c) Institutional Ownership

Institutional ownership reflects the number of stocks owned by institutional investors . This variable is measured by dividing the number of stocks held by institutions by outstanding shares.

d) Managerial Ownership

Managerial ownership reflects the number of stocks owned by managers. This variable is measured by dividing the number of stocks owned by managers by outstanding shares .

e) Cash and leverage (control variable)

Both of these variables are included in the model to control for amount of cash and debt. Fail to do so, may increase the likelihood of errors in variables that may affect the validity of results. Cash is the amount of cash balance at year t divided by total assets and leverage is total debt to total assets ratio.

Descriptive statistics

As previously described, there are 454 firm years that satisfy samples criteria. However, 79 observations are eliminated to meet assumptions underlying linear regression and leaving 375 observations available to test the hypotheses. It should be noted the interaction model suffer from multicollinearity, and thus centering procedure is applied to overcome the problem. Descriptive statistics are stated in Table 1.

Mean and median for investment efficiency are -0.005 and -0.011 respectively. These suggest that firms samples experience under- investment . However, the distribution is more skewed to the right. Meanwhile, mean and median for institutional ownership and managerial ownership are 0.671 and 0.067 respectively, suggesting majority of stocks are owned by institutional investors.

Table 1
Descriptive Statistics

	Effisien	Inst_Own	Man_Own	IFRS	Kas	Lev
Mean	-0,005	0,671	0,067	0,467	0,127	0,477
Median	-0,011	0,684	0,026	0,000	0,084	0,480
Standard Deviation	0,026	0,184	0,113	0,500	0,125	0,202
Minimum	-0,050	0,220	0,000	0,000	0,000	0,040
Maksimum	0,060	1,000	0,700	1,000	0,720	0,980
N = 375						

Median for institutional ownership is almost equal to its mean suggesting that institutional ownership variable distribution approaches a normal distribution. Mean for IFRS is 0,467 indicating that 46.7 % of observations come from 2012 and 2013. On average, cash and debt level are 12.7 % and 47.8 % of total assets.

Results

Table 2 displays the results of regression analysis. Note that conclusion to reject or support the hypotheses is based on one tailed-test. As stated before, hypothesis one predicts that investment efficiency is higher after the convergence of IFRS. Table 2 shows IFRS has p-value of 0.324 suggesting that converging accounting standards into IFRS does not improve financial reporting quality. Hence $H1_A$ is not statistically supported.

Hypothesis $H2_A$ predicts that prior to the convergence of IFRS institutional ownership positively affect investment efficiency. To test the hypothesis, the interaction term between

IFRS and institutional ownership is added into the model. Since IFRS is a dummy variable with observations belong to 2009-2011 as a reference group, then the coefficent for institutional ownership (Kep_Inst) represents the effect of institutional ownership on investment efficiency prior to the convergence of IFRS. Results shown in Table 2 rejects hypothesis $H2_{A}$.. Although significant at 10% level but the coefficient is negative.

Table 2
The effect of ownership structure and IFRS on investment efficiency

Variabel	Coefficient B	Coefficient Std. Error	T	Sig. (one tailed)	VIF
Constant	-,026	,002	-11,995	0,000	
IFRS	,001	,001	,456	0,324	1,008
Kep_Man	,009	,009	,968	0,167	2,235
IFRSxKep_Man	,007	,014	,529	0,298	2,300
Kep_Inst	-,009	,005	-1,581	0,057	2,264
IFRSxKep_Inst	,016	,008	1,892	0,029	2,386
KAS	,010	,006	1,822	0,034	1,104
DER	,004	,004	1,127	0,130	1,144

The results are not consistent with Garcia et al. (2010)[43], Zheka, (2003)[44] and Walsh and Whelan (2000)[45].

Hypothesis $H2_{B}$ predicts the positive effects of institutional ownership on investment efficiency is stronger after the implementation of IFRS in Indonesia. The coefficient for interaction term (IFRS * Kep_inst) shown in table 2 has a positive direction with p-value of 0,029. Hence, hypothesis $H2_{B}$ is statistically supported. Positive effect indicates correlation between institutional ownership and investment efficiency is higher following IFRS adoption and consistent with several studies such as Verawati et al. (2015)[46] and Luthfiardi (2012)[47].

Hypothesis $H3_A$ predicts managerial ownership is positively related to investment efficiency. It can be seen from table 2 that even though the coefficient for managerial ownership (Kep_Man) is positive as predicted, regression coefficient is not statistically significant with p-value of 0.167. The result suggests that prior to IFRS adoption, stocks ownership are not effective tools to align the interest of managers and stockholders. Several previous studies in Indonesia also failed to find a correlation between managerial ownership and firms performance (among others are Wiranata and Nugrahanti (2013)[48], Aprina (2012)[49] and Hutahuruk (2011)[51]. However, Verawati et al. (2015)[51], Luthfiardi (2012)[52], Sofyaningsih and Hardiningsih (2011)[53] provide opposite results. The inconsistent results are probably caused by different managerial ownership percentage used among studies. Morck et al. (1988)[54] argue managerial ownership might negatively affect performance if managers are offered a large percentage of stocks. Large managerial ownership can encourage low quality managers to exploit firms' resources for personal gain. Thus hypothesis $H3_A$ is not supported statistically

Hypothesis $H3_B$ predicts positive effect of managerial ownership is more pronounced after the convergence of IFRS. As can be seen from table 2, the coefficient for interaction term between IFRS and managerial ownership is not statistically significant with p-value of 0.298. The result indicates correlation between managerial ownership and investment efficiency has not changed after IFRS convergence. In addition, cash to asset ratio improve investment efficiency.

Conclusion

Managers do not always act rationally and responsibly. Without adequate monitoring mechanisms managers will fall into a moral dilemma (moral hazard) leading to opportunistically use of firm resources. Managers will tend to excessively invest in projects that do not provide sufficient economic benefit or do not give positive net present value. Such a dysfunctional behavior can be detrimental to company success and harm stockholders' interests. To prevent from being accused of mismanagement, managers select accounting policies that will hide firms' poor performance. Low quality of financial reports result in incorrect investment decisions (adverse selection) and causing investment inefficiency. This study examines the role of institutional investors and managerial ownership to reduce moral hazard and adverse selection.

Regression analysis shows converging accounting standards into IFRS does not improve investment efficiency. This means that IFRS do not affect financial reporting quality. Insignificant results are also found for managerial ownership. In particular, managerial ownership does not enhance investment efficiency. But as predicted, the role of institutional investors in monitoring firms' performance is more effective following IFRS adoption.

Limitation and future research

In this study, investment efficiency is measured using a model developed by Biddle et al. (2009)[55]. The model is too simplistic because it assumes that sales growth is the only factor that affects investment. In fact, many variables might have effects on investment, one of which is free cash flow. In addition, the validity of results is very much dependent on the accuracy of model to detect over (under) investment. Therefore, inferences should be made cautiously.

Further research needs to consider alternative models to estimate investment efficiency. The model used in Lenger et al. (2011)[56] can be considered as one alternative. They add an interaction term between negative growth and prior year investments to estimate invesment efficiency. The model is more realistic then the one proposed in Biddle et al. (2009).

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