

DOES INTERNAL CONTROL CAPACITY AND DISCLOSURE OF FINANCIAL PERFORMANCE ON INSTAGRAM CAN INFLUENCE AUDIT OPINION? (STUDY CAPITAL MARKET IN CENTRAL ASIA)

By

Khusanova Khojiyabonu Rovshan Kizi¹, Denny Andriana², R Nelly Nur Apandi³

^{1, 2, 3}Universitas Pendidikan Indonesia

Email: ¹khusanova01@upi.edu, ²denny.andriana@upi.edu, ³nelly.nna@upi.edu

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Abstract: *This study investigates whether internal control capacity and the disclosure of financial performance on Instagram influence audit opinions in companies listed on the Central Asian capital markets. Using a descriptive quantitative approach, data were collected from 21 finance sector companies in Uzbekistan and Kazakhstan, and secondary data were collected from official capital market websites. The results show that both Instagram financial disclosures and total assets do not have a statistically significant effect on audit opinions. The findings suggest that traditional financial strength measures and social media disclosures might not yet play an important role in affecting auditors' judgments in the setting of Central Asia. Limitations of the study are the small sample size and limited data availability, indicating the potential for further research with a broader sample from more sectors and countries. The research contributes to the growing discussion of the evolving role of digital financial communication and internal controls on audit practice in emerging markets.*

INTRODUCTION

Companies must garner massive investments in the modern industrial world to stay competitive, drive innovation, and fund growth. With increasingly complex and technology-driven industries, internal funding is insufficient to keep pace with accelerating capital requirements. Consequently, companies turn to external funding channels, including debt securities in bank loans and bonds, and equity offerings in capital markets. In 2021, the global initial public offerings (IPOs) reached historical highs, with 3,022 listings that garnered a total of \$601.2 billion, an 88% volume and 87% value increase from the previous year. The boom indicates the growing utilization of equity markets as a source of capital raising. In emerging regions such as Central Asia, capital markets are emerging to provide alternative sources of finance for industrial growth. For instance, the emergence of the Astana International Financial Centre (AIFC) in Kazakhstan is designed to be a regional financial services center, thereby enhancing access to external finance for local firms.

The separation of agents (managers) and principals (owners) in corporate firms is likely to cause information asymmetry, where managers possess more information about the running of the business than the shareholders. The asymmetry may contribute to agency problems as managers advance their interests over those of the shareholders. Developing robust audit processes is a fundamental mechanism for mitigating the issues by enhancing transparency and accountability. High-quality audits can effectively reduce information asymmetry, reduce agency costs, and improve corporate governance. For instance, a study by confirmed that audit quality negatively affects the relationship between information asymmetry and earnings management, implying that higher audit quality can mitigate the adverse effect of information asymmetry. Similarly, the research of evidenced that audit tenure is associated with reduced information asymmetry, meaning ongoing auditor engagement fosters transparency in organizations.

Asymmetric information theory addresses situations in which one party to a transaction has more or better information than the other, which may lead to inefficiency and sub-optimal decision-making. In accounting and reporting, this imbalance is most often between firm management and external parties, such as investors and lenders. The management will typically have full information about the firm's financial position, while external parties rely on information disclosed to them for optimal decision-making. This asymmetry has the potential for moral hazard and adverse selection, where the stakeholders will overvalue or undervalue the worth or risk profile of the firm based on incomplete or incorrect information.

Auditing serves to reverse the effects of information asymmetry by providing an unbiased evaluation of a firm's financial reports, thereby enhancing the credibility of information provided to stakeholders. The result of the process is the audit opinion, which is the auditor's conclusion regarding the fairness of the financial statements and compliance with accounting principles. The positive audit opinion (unqualified) informs stakeholders that the financial statements are credible, minimizing information asymmetry and encouraging trust. However, a modified audit opinion (qualified, adverse, or disclaimer) can caution stakeholders about possible problems or doubts and inform them about matters of concern.

There are various considerations that can compel an auditor to provide an opinion, firstly on the internal control capability and secondly on the governance to fully disclose information. Strong internal control (IC) procedures are essential in safeguarding a firm's assets, enabling dependable financial reporting, and promoting compliance with organizational policy. Companies with large assets might have better processes and systems in place in order to operate and protect those assets. Some studies suggest that firms with significant assets are likely to receive favorable audit opinions due to their mature IC systems. For instance, studies reveal that companies that report internal control weaknesses are more likely to receive modified audit opinions, which highlights the importance of strong IC in receiving favorable audit opinions. Conversely, other studies did not find evidence of a substantive relationship between the size of assets and audit opinion. For example, a study on nonprofit health care organizations established that audits of larger firms had fewer instances where internal control issues were reported, suggesting that attributes of auditors may also underlie the identification of IC weaknesses. These inconsistent findings highlight

the complexity of determinants to audit opinion and the imperative for further research in this area. Second, good corporate governance is characterized by a firm's honesty in being transparent, particularly in openly revealing data rather than concealing it. This approach facilitates equitable access to information for all parties involved, which fosters confidence and accountability. In the present day and age, most people refer to social media sites for financial reports because they want concise and readily available summaries and highlights. Those organizations that voluntarily open up information tend to be seen as more ethical since they have fewer things to hide and feel assured about what they do.

Previous research has discussed the relationship between governance practices and audit opinions. For example, evidence suggests that companies with effective corporate governance mechanisms in place, including effective audit committees and vigorous board monitoring, are likely to offer more effective disclosures, which can affect audit results in a positive manner [8]. On the other hand, others have found that merely having governance structures in place does not necessarily mean that disclosure quality or audit opinions will be more favorable. For example, a study concluded that while certain governance features are associated with increased voluntary disclosure, the overall impact on audit opinion is not clear and perhaps would be affected by factors other than these [9]. These conflicting results raise the complexity of the interplay between information disclosure, governance practices, and audit reports, and further research has to be done in order to fully understand the interplay.

LITERATURE REVIEW

An audit is a systematic examination of an organization's financial statements, records, and associated operations for their accuracy, conformity with the standards prevalent at that time, and compliance with regulatory requirements. The outcome of the exercise is the auditor's report, which presents the auditor's opinion regarding whether the financial statements are fair and can be relied upon. Audit opinions are categorized primarily into four types: 1) Unqualified Opinion; 2) Qualified Opinion; 3) Adverse Opinion; and 4) Disclaimer of Opinion. These classifications are required for stakeholders to assess the credibility and reliability of financial information released by organizations.

An unqualified opinion is an assertion that an organization's financial statements are fairly represented and in accordance with the corresponding financial reporting framework, free from material misstatement. It relies on the auditor's assessment of the completeness and accuracy of the financial statements. Some of the circumstances that might guide an auditor in deciding whether or not to provide an unqualified opinion are the level of internal control quality at the firm, adherence to accounting standards, and whether there is any material uncertainty or event affecting the organization's financial position. Auditor independence, professional skepticism, and audit evidence of high quality are also essential considerations in determining the nature of the audit opinion.

Determinants of audit opinion have been the subject of many common studies; however, comprehensive research covering the combined effect of total assets and disclosure of financial performance on Instagram on audit opinion is scarce, particularly for the manufacturing companies of Central Asia. While earlier research has focused on the influence of firm size or depth of transnational on audit findings in isolation, comparatively few have

paid much attention to how they interact with one another to shape auditor judgment within this specific regional and industrial context. Therefore, the aim of the present study is to determine the effect of total assets and financial performance disclosure on Instagram on the audit opinion of Central Asian manufacturing companies, bringing valuable findings to the table on how internal capability and social media communication strategies affect external audit judgments. Based on the research problem, this hypothesis are:

H₁: Total assets have a significant effect on audit opinion.

H₂: Disclosure of financial performance on Instagram has a significant effect on audit opinion.

H₃: Disclosure of financial performance on Instagram does not have a significant effect on audit opinion.

RESEARCH METHOD

The purpose of the current study is to investigate whether financial performance disclosure on Instagram and a firm's ability to control internal assets, i.e., asset strength, have any effect on the opinion rendered by an auditor. Prior studies suggest that transparent financial disclosures on social media can enhance stakeholders' credibility perceptions, which can influence auditors' judgments. Besides, the size of a firm's assets, as its internal control, has been found to be connected with auditors' assessments of financial condition and obtaining an unqualified audit opinion. To ensure simplicity and reduce potential skewness of the asset data, this study employs the natural logarithm of total assets so that there will be a normalized and interpretable relationship between audit opinion and asset size.

This study uses a descriptive quantitative research design to examine the impact of internal control capability and disclosure of financial performance on Instagram on audit opinion. The data used are secondary data, obtained from financial and audit reports and official reports of Uzbekistan and Kazakhstan companies listed on capital markets. The population of this study is finance companies listed in the Uzbekistan and Kazakhstan capital markets with a total of 21 companies, owing to the availability of accessible and full data. The sampling technique employed is purposive sampling with the following specifications: (1) companies must be listed in the financial sector; (2) companies must report financial performance on Instagram; and (3) companies must have audited financial statements during the research period. Based on this, the final sample of 21 companies includes 10 Uzbek and 11 Kazakh companies. The remaining Central Asian countries were ruled out because they did not have consistent and readily available disclosure or financial data.

This research uses modern regression analysis to examine the influence of internal control capacity and disclosure of financial performance on Instagram on audit opinion. Regression analysis is a statistical method used to model the relationship between a dependent variable and one or more independent variables, allowing researchers to predict or explain the dependent variable based on changes in the independent variables. The regression equation used in this study is structured as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \varepsilon$$

Where:

Y (Audit Opinion) = Dependent variable (measured based on whether the audit opinion is unqualified, qualified, adverse, or disclaimer).

X1 (Internal Control Capacity) = Independent variable 1 (measured by indicators such as total assets and asset growth rate).

X2 (Disclosure on Instagram) = Independent variable 2 (measured by indicators such as frequency of financial posts, quality of information disclosed, and engagement metrics like likes/comments).

α = Constant term.

β_1, β_2 = Regression coefficients for each independent variable.

ε = Error term.

Each indicator was selected based on previous research showing their relevance to audit outcomes and financial transparency. Data analysis in this research is carried out using regression analysis with the help of SPSS software. SPSS is used to process secondary data collected from financial reports and Instagram disclosures by performing multiple linear regression analyses. The regression model examines how total assets (X_1) and disclosure of financial performance on Instagram (X_2) influence the audit opinion (Y). The decision to accept or reject hypotheses is based on the significance value (p-value) obtained from the SPSS regression output:

If the p-value < 0.05, then H_0 is rejected and the alternative hypothesis (H_1 or H_2) is accepted, meaning there is a significant effect.

If the p-value > 0.05, then H_0 is accepted, meaning there is no significant effect.

Each independent variable's effect is assessed using the individual t-test from the regression results. The overall model fit is assessed using the F-test and the R^2 value.

RESULT AND DISCUSSION

This research aims to investigate the influence of internal control capacity and disclosure of financial performance on Instagram on the audit opinion in the context of companies listed in the capital markets of Central Asia, specifically focusing on Uzbekistan and Kazakhstan. The study aims to determine whether the disclosure of financial information on social media platforms, alongside the internal control mechanisms of a company, can significantly impact auditors' judgment, as reflected in the audit opinion. By exploring these variables, the research seeks to contribute to understanding how modern financial disclosures influence audit outcomes. The sample for this study consists of 21 companies listed on the capital markets of Uzbekistan and Kazakhstan. These companies are selected based on the availability of financial data and active disclosure of financial performance on Instagram. Specifically, 10 companies from Uzbekistan and 11 companies from Kazakhstan are included, as they meet the inclusion criteria of operating in the finance sector, having publicly available audited financial reports, and disclosing financial performance on social media platforms. The sample size is determined by the availability of relevant data, which limits the inclusion of companies from other Central Asian countries.

Table 1 (Descriptive statistics)

| Descriptive Statistics | |
|------------------------|--------|
| Mean | 3.192 |
| Standard Deviation | 4.011 |
| Minimum | 0.000 |
| Maximum | 10.530 |

| | |
|-------|---------|
| Sum | 197.927 |
| Count | 62 |
| | 1 |

The descriptive statistics show that the mean is 3.192, with a standard deviation of 4.011, indicating a high level of variation. The minimum value is 0.000, and the maximum value is 10.530. The total sum of all data points is 197.927, and the sample comprises 62 observations.

Table 2 (Regression Analysis)

| Variables in the Equation | | | | | | |
|---|----------|-------|-------|-------|----|-------|
| | | B | S.E. | Wald | df | Sig. |
| Step 1 ^a | X1 | 0.000 | 0.000 | 1.208 | 1 | 0.272 |
| | X2 | 0.013 | 0.051 | 0.064 | 1 | 0.800 |
| | Constant | 0.878 | 0.922 | 0.907 | 1 | 0.341 |
| a. Variable(s) entered on step 1: X1, X2. | | | | | | |
| Source: SPSS analysis (2025). | | | | | | |

Table 2 presents the results of the regression analysis for the variables X_1 (total assets) and X_2 (disclosure of financial performance on Instagram) with the audit opinion as the dependent variable. The analysis was conducted using SPSS, and the results are displayed as B, Standard Error (S.E.), Wald, degrees of freedom (df), and Significance (Sig.) for each predictor. The regression analysis results show that total assets (X_1) have a coefficient of 0.000 with a p-value of 0.272, indicating that total assets do not significantly affect the audit opinion. Similarly, Instagram financial disclosures (X_2) have a coefficient of 0.013 with a p-value of 0.800, suggesting that Instagram disclosures do not significantly influence the audit opinion. The constant term is 0.878 with a p-value of 0.341, which is not statistically significant. Therefore, neither total assets (X_1) nor Instagram disclosures (X_2) significantly impact the audit opinion in this study.

The results of the regression analysis indicate that total assets (X_1) and disclosure of financial performance on Instagram (X_2) did not have a statistically significant effect on the audit opinion (Y), leading to the rejection of H_1 and H_2 . The p-values for both variables were greater than the 0.05 significance threshold, suggesting no significant relationship between these factors and the audit opinion in this sample.

The hypotheses H_1 and H_2 were rejected because the regression results showed that neither total assets (X_1) nor Instagram financial disclosures (X_2) had a statistically significant impact on the audit opinion (Y), with p-values of 0.272 and 0.800, respectively. Possible reasons for this include a limited sample size (21 companies from only Uzbekistan and Kazakhstan), which may not have been sufficient to detect significant effects, and the availability of data, as Instagram disclosures may not yet be a widely utilized factor in auditors' decision-making in Central Asia. Additionally, traditional audit practices likely still prioritize financial statements and internal controls over social media disclosures, which may not be as integrated into the audit process. Previous studies, such as [12,13], have shown

that social media disclosures can influence investor behavior and auditor judgments in developed markets. However, these findings were not replicated in this study, possibly due to the emerging nature of social media use in financial reporting in the studied regions.

This research aimed to establish the effect of Instagram financial disclosures and internal control capability (asset strength) on audit opinions of companies listed in the Uzbekistan and Kazakhstan capital markets. The regression analysis results indicated that neither total assets nor Instagram disclosures significantly affected audit opinions ($p\text{-value} > 0.05$). This means that, in this specific sample, auditors did not employ the asset strength or the social media disclosures as determinants in the audit opinion decision. The results of this study contradict previous research, which found a possible impact of asset strength on audit opinions and an impact of social media disclosures on stakeholder perceptions. Absence of significant results can be attributed to the context of emerging markets under which the conventional finance measures can still predominate, the latest sources of information in auditors' choices.

This study has several limitations to consider when making inferences from the findings. Firstly, the sample was just 21 companies, and this limits the generalizability of the findings to the wider population of Central Asian firms or emerging markets in general. A larger and more diverse sample would better indicate the relationship between social media disclosures and audit opinions. Second, the data availability was a significant limiting factor since the study only focused on those firms that belonged to Uzbekistan and Kazakhstan. The other Central Asian nations were not included in the study since there were no consistent and reliable financial data, compromising the study's scope and external validity [18]. Besides, the research relied on the relatively new phenomenon of Instagram financial disclosures, which may not have reached auditor practice to the extent of full effect, resulting in the lack of meaningful findings. This deficiency encourages future research to examine the impact of social media disclosures over time. Due to the limitations of this study, subsequent research must endeavor to include a broader and more diverse population of companies from different nations to enhance the generalizability of the findings. Scholars can extend the study to other emerging economies where social media disclosures and internal control practices are becoming more pervasive. Besides, as the use of social media financial disclosures increases, future research should examine how auditors' attitudes toward these disclosures evolve and whether they influence audit opinions in the long term.

CONCLUSION

This study investigates whether internal control capacity and the disclosure of financial performance on Instagram influence audit opinions in companies listed on the Central Asian capital markets. The results show that both Instagram financial disclosures and total assets do not have a statistically significant effect on audit opinions. The findings suggest that traditional financial strength measures and social media disclosures might not yet play an important role in affecting auditors' judgments in the setting of Central Asia. Limitations of the study are the small sample size and limited data availability, indicating the potential for further research with a broader sample from more sectors and countries. The research contributes to the growing discussion of the evolving role of digital financial communication and internal controls on audit practice in emerging markets.

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