

Internet Financial Reporting Practices in India: Perceptions of Chartered Accountants and Investors

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Abstract

One of the important challenges in producing quality information in corporate website is the regulator's failure to produce standards in the content and presentation area. So far there is no specific guideline and standard set with regards to information dissemination through any professional bodies or government agency websites. This research paper empirically investigate the perceptions of Chartered Accountants' and Investors' on the important items of internet financial reporting (IFR) disclosed on websites of listed Indian companies. The study employs the survey questionnaires for gathering information from the respondents on significant items that should be listed under IFR disclosure index checklist. The questionnaire for this chapter were divided into two, namely, content dimension and presentation dimension, based on an extensive review of the literature and previous similar questionnaire surveys which are relevant on this research. Some items in this questionnaire were derived from discussion with the person that have knowledge and experience deal with this topic. The result indicates that income statement of the current year is the most important items in content dimension. In addition, annual report in PDF format is perceived to be the most important items in presentation dimension. The result empirically proves 70 items used for IFR disclosure index checklist to ascertain IFR's level of disclosure. The main aim of this study is to investigate the significant difference in perception about the important items in IFR disclosure index by Chartered accountants and investors. The result empirically proves that 26 items out of 47 IFR items in case of content dimension item and 21 items out of 23 IFR items in case of presentation items have significantly difference in perception by Chartered accountants and Investors.

Key Words: Chartered Accountants; Investors; Disclosure item; Content; Presentation; and
Internet Financial Reporting (IFR)

1.0 INTRODUCTION

The term Internet Financial Reporting or online reporting has been defined in different ways by different authors. According to Financial Accounting Standard Board (FASB, 2000), Internet Financial Reporting can be classified as IFR-content and IFR-presentation. IFR – content means disclosure of a complete version of the hard copy annual report in the website, while IFR – presentation means disclosure of those equivalents of the print format of the annual report to enhancements not available in the paper paradigm (i.e. graphics, interactivity, etc.). It emerges from these definitions that corporate disclosure through web means use of the internet for the dissemination of corporate information to the stakeholders. The International Accounting Standard Committee (IASC) has published paper regarding Business Reporting on the Internet in the year 1999 in order to standardize internet financial reporting and similar approaches were followed by Financial Accounting Standard Board (FASB) in the year 2000 (FASB, 2000). However, there is still no mandatory requirement for internet financial reporting. Till date, Internet financial reporting (IFR thereafter) is characterized as voluntary disclosure without any legislations or standards to control and explain the comprehensive information on

the websites conveyed by the companies. This situation leads to difference in IFR's content and presentation dimensions.

Perceptions studies of IFR from preparers' and users' perspective is very limited compared to those of traditional reporting. Perceptions studies on the benefits, factors, advantages and disadvantages of IFR are still lacking in emerging market countries especially Asian countries. The review of previous studies provides an overview to the present research on the perception of investor's and chartered accountants towards IFR index. The understanding of the investors' and chartered accountant perception on various aspects of IFR is still indistinct (Khan and Ismail, 2012c). Understanding the investor's needs is vital in order to provide a better vision for the chartered accountants to plan and provide a better and useful financial statement for the sake of stakeholders (IBFed, 2008; GAA, 2009).

The objective of this study is to identify the most useful components of IFR in Indian firms from the view point of investors and chartered accountants. The current study seeks to add to the existing literature on internet financial reporting in India. It does so by developing an index to measure the current status of internet financial reporting in India. To identify the useful components of IFR, IFR index has been developed. The paper is arranged as follows. The second section presents a review literature. Next, the Research methodology used will be discussed and

then followed by the findings of this study. Summary and conclusion are presented at last.

2.0 REVIEW OF LITERATURE

Kelton (2007) investigated the effects of presentation format and the type of information on non-professional investors' judgments. 59 MBA students at a large state university served as participants in the experiment and proxies for non-professional investors. The results of the study indicated that presentation format affected judgment accuracy and decision time. Participants viewing hard-copy information took the greatest decision time and were the most accurate when making judgments of the company's current financial condition.

Singh (2009) analyzed the opinions of 200 investors on the desirability of disclosing selective information on websites. From the survey, it was found that the five most important items in the accounting information disclosure group were full set of accounts, interim results, financial highlights, notes to accounts and financial calendar. Meanwhile, in the corporate information disclosure group, five important items were director's report, corporate profile, corporate objective and philosophy, principal activities and director's profile.

Al-Htaybat (2011) explored the perceptions of four different user-groups (financial analysts, managers, bank credit officers and auditors) of corporate on-line reporting regarding the potential factors that should be included in the framework of e-readiness for corporate on-line reporting. The results of the study showed that e-infrastructure, culture, awareness, qualified human resources, business financial resources, technological resources, governance and commitment,

technological regulation and sub-culture were identified as appropriate factors that should be included in the framework of e-readiness for corporate on-line reporting.

Khan and Ismail (2012) explored the perceptions of preparers of annual reports in relation with the items that should be included in IFR index. The findings showed that five most important content items of IFR index were income statement of current year, balance sheet of current year, cash flow statement of current year, annual report \of current year (full text) and auditor report of current year.

Jain (2013) explored the perceptions of 110 investors in India regarding the effective contents for presenting the financial information on the Internet. Analysis of the results revealed that statements comply with Indian GAAP/US GAAP and IFRS was ranked to be the most important content item of Internet financial reporting, followed by accounting policies and their description, balance sheet and profit and loss account, quarterly financial results and voluntary reports like environmental and CSR etc.

Khan and Siang (2013) identified the most useful components of Internet financial reporting (IFR) in Malaysia firms from an IFR's user point of view. The study used public investor from online forum in Malaysia. The results of the study indicated that top five components user's reading preference and usage were: (1) annual report, (2) dividend, (3) current share price, (4) balance sheet and (5) historical share price. On the contrary, the features deemed unnecessary in IFR consisted of: (1) audio-visual recording of meeting, (2) multilingual, (3) external links, (4) site map and (5) corporate calendar.

Khan and Omar (2013) analyzed the important items in the disclosure of content and presentation dimension that can be used to describe the level of Internet financial reporting (IFR) from auditor's perception. Questionnaires were distributed to 100 auditors. From the survey, it was found that the five important items in the content dimension were income statement of current year, income statement of past years, cash flow statement of current year, notes to financial statements of current year and balance sheet of current year. Meanwhile, in the presentation dimension, five items which important to disclosure were loading time of website below 10 seconds, annual report in PDF format, hyperlinks inside the annual report, ability to download reports and hyperlinks to financial analysts.

Khan and Ismail (2013) investigated the perceptions of users of financial statement regarding the importance of items in index of internet financial reporting (IFR). The findings showed that five most important content items of IFR index were income statement of current year, cash flow statement of current year, balance sheet of current year, annual report \of current year (full text) and auditor report of current year. Meanwhile, five most important items for the dimension of presentation were annual report in PDF format, loading time of website, link to homepage, hyperlinks inside the annual report and link to table of contents. Results of the study also provided empirical evidence that 144 disclosure items can be used for the checklist of IFR index to measure the level of IFR.

Khan and Ismail (2014) studied the perceptions of chartered accountants and investors about the IFR index items of

Malaysian companies. The results indicates the income statement of the current year is the most important item in the content dimension while annual report in PDF format is considered to be most important item in the presentation demission and there is significant difference amongst the chartered accountants and investors regarding IFR items.

Nayaka (2015) investigated the perceptions of financial analysts and retail investors regarding content and presentation items of IFR of Indian companies. The results indicates that income statement of the current year is the most important variable having content usefulness followed by balance sheet, easy and speedy accessibility of information and timeliness of information is considered as most important item regarding usefulness of IFR.

3.0 DATA BASE AND RESEARCH METHODOLOGY

The objectives of research required the study of chartered accountants and investors. For Chartered accountants and Investors, the universe comprised the educated Chartered accountants and Investors of four major cities of Punjab i.e. Amritsar, Jalandhar, Ludhiana, Patiala and the Union Territory of Punjab. A structured questionnaire was prepared regarding content and presentation items of internet financial reporting index. The draft questionnaire was pre-tested on 15 respondents to ensure the content validity. The questionnaire consisted of two sections. Section I dealt with importance of content and presentation items of internet financial reporting (IFR) index. Section II covered the respondents' personal information. Table 3.1 describes the profile of the respondents.

Table 3.1

Profile of respondents

Demographic Variables		Preparers Frequency	Users Frequency	Total
Location	Amritsar	29	26	55
	Jalandhar	15	17	32
	Ludhiana	12	15	27
	Patiala	16	15	31
	Chandigarh	28	27	55
Gender	Male	72	67	139
	Female	28	33	61
Age	<30 Years	08	12	20
	31–40 Years	49	46	95
	41-50 Years	34	28	62
	51- 60 Years	09	14	23
Academic Qualification	Diploma	08	06	14
	Degree	39	28	67
	Master	31	31	62
	Professionals	22	27	49
	Others	-	08	08

Table 3.1 display demographic background details obtained from 200 respondents involved 100 preparers and 100 users in this study. Thus, the sample is widely distributed and representative in terms of sex, age, education and profession. Questionnaire required respondents to grade the importance of each item on a scale of 1 to 5. The questionnaire was administered to 200 respondents (100 investors and 100 chartered accountants) from four major cities of Punjab i.e. Amritsar, Jalandhar, Ludhiana, Patiala and the Union Territory of Punjab. Judgment sampling was adopted in selecting the respondents because only those were to be contacted who were using the web frequently for trading the securities.

Various measures of descriptive statistics are used. Techniques like frequency analysis and mean as a measure of central

tendency and standard deviation is used to examine the nature of data. The Mann–Whitney *U* Test is a popular test for comparing two independent samples. It is a nonparametric test, as the analysis is undertaken on the rank order of the scores and so does not require the assumptions of a parametric test. Mann-Whitney test has been applied to study the difference in the perceptions of chartered accountants and investors regarding the internet financial reporting index items. This study provide evidence that there are some differences in the perception of respondents particularly between the chartered accountants and investors towards each item presented according to their perceptions towards disclosure items through IFR.

There are a large number of items used in the index among earlier studies. For example, Ezat and El-Masry (2008) used only 11 items in his index. Abdelsalam

and El-Masry (2008) used only 13 items while Davey and Homkajohn (2004) used 44 items in his index. On the other hand, Celik et al. (2006) used 164 items and Hanafi et al. (2009) used 205 items to build IFR index. Based on the ground that there is no general theory that could be used in relation to the number and selections of items that need to list in the disclosure (Wallace, 1988; Wallace et al., 1994; Haniffa, 1999), IFR index used in this research was developed form prior research related to IFR index construction (Motrafi 2008, Khan and Ismail, 2011; Khan and Siang; Khan and

Ismail 2012; Khan and Omar 2013; Khan and Siang, 2013; and Khan and Ismail, 2014, Nayaka 2015). Based on careful review of prior research, the IFR index consists of 70 items, with 47 items measuring website content and 23 items measuring website design. Thus, final disclosure index includes the items which are consistent with the various items studied in the literature available.

The IFR index has been constructed with the motive to study the level of internet financial reporting. Table 3.2 shows the components of IFR index and their comparison with previous studies.

Table: 3.2

Components of Internet Financial Reporting: A Comparison with Previous Studies

S.No.	Content Dimension of IFR Index	A	B	C	D	E
1	Provide income statement of current year		1	1	1	1
2	Provide balance sheet of current year	1	1	1	1	1
3	Provide cash flow statement of current year	1	1	1	1	1
4	Provide auditor report of current year	1	1	1	1	1
5	Provide full annual report of current year	1	1	1	1	1
6	Balance sheet of past years Provided	1	1	1	1	1
7	Annual report of past years(full text) available	1	1	1	1	1
8	Income statement of past years available	1	1	1	1	1
9	Auditor report of past years available	1	1	1	1	1
10	Interim report of past years available	1		1	1	1
11	Notes to financial statements of current year	1	1	1		1
12	Notes to financial statements of past years available	1		1	1	1
13	Financial reporting standard (FRS) basis in the current year	1	1	1		1
14	Provide quarterly report of current year	1	1	1	1	1
15	Segmental reporting by line of business in current year	1	1	1		1
16	Half-year report of current year	1		1	1	1
17	Summary of annual report of current year	1		1	1	1
18	Management report analysis in current year	1	1	1	1	1
19	Product and service information	1	1	1	1	1
20	Company's charter in the current year	1		1		1
21	Current year resolutions of shareholder's meeting	1	1	1	1	1
22	Current press releases or news	1	1	1	1	1
23	Current information can be distinguished from last year's	1		1		1

S.No.	Content Dimension of IFR Index	A	B	C	D	E
	information					
24	Summary of financial data over a period of at least five years	1		1		1
25	Dividend information available	1	1	1	1	1
26	Quarterly report of past years	1	1	1		1
27	Shareholder information	1	1	1		1
28	Corporate social responsibility report	1	1	1		1
29	Company address	1		1	1	1
30	Display financial information in alternative languages	1		1	1	1
31	Analyses of main business risks	1	1	1	1	1
32	Corporate information available	1	1	1	1	1
33	Chairman's report available	1	1	1	1	1
34	Users quickly find the financial information	1	1	1	1	1
35	Visibility of director and executive details	1	1	1	1	1
36	Visibility of site update	1	1	1	1	1
37	Charters for the audit committee	1		1		1
38	Sales of key products	1	1	1	1	1
39	Annual general meetings (AGM) information	1		1	1	1
40	FAQs	1	1		1	1
41	Disclaimer	1	1	1	1	1
42	Information on corporate strategy	1	1	1	1	1
43	CEO signature in the report	1		1		1
44	Corporate governance principles	1	1	1	1	1
45	Code of conduct and ethics for directors, officers and employees	1	1	1	1	1
46	Projected information	1	1	1	1	1
47	Historical share prices	1	1	1	1	1
B: Presentation Dimension of IFR Index						
1	Annual report in PDF format available	1	1	1	1	1
2	Visibility of hyperlinks to financial analysts	1	1	1	1	1
3	Visibility of hyperlinks inside the annual report	1	1	1	1	1
4	Visibility of link to homepage	1	1	1		1
5	Loading time of the website below 10s	1		1		1
6	Ability to download reports	1	1	1	1	1
7	Provide table of contents	1		1		1
8	Visibility of investor relations link	1	1	1	1	1
9	Direct e-mail contacts (on line feedback) available	1	1	1	1	1
10	Financial data in process able format (such as excel)	1	1	1	1	1
11	Table of content/ sitemap	1	1	1	1	1
12	Provide information about webcasting events	1			1	1
13	Graphics and diagrams		1	1	1	1
14	Chat room	1	1	1	1	1

S.No.	Content Dimension of IFR Index	A	B	C	D	E
15	Provide slide presentation(PDF/ PPT)		1	1	1	1
16	Conference calls transcripts provided		1	1	1	1
17	Audio and video file	1	1	1	1	1
18	Hyperlinks to data on a third party's websites	1	1	1	1	1
19	e-mail alerts	1	1		1	1
20	Visibility of internal search icon	1	1	1	1	1
21	Clear boundaries for annual report	1		1	1	1
22	Annual report in HTML format available	1	1	1	1	1
23	Menu pull-down	1	1	1	1	1

A= Khan and Ismail (2011), B =Nayaka (2015), C= Khan and Ismail (2012), D= Motrafi (2008), E = Khan and Ismail (2014).

The construction, structure and validation of the questionnaire for this chapter were based on an extensive review of the literature and previous similar questionnaire surveys which are relevant on this research. Some items in this questionnaire were derived from discussion with the person that have knowledge and experience deal with this topic. Subsequently, a pilot survey was conducted before the final questionnaires were sent to the respondents to ensure that the questions were appropriate, would work as intended and were properly sequenced and worded (*Ottel al., 1983*). The IFR disclosure index was tested during the pre and pilot study. Local and international academicians' reviews were obtained while constructing IFR disclosure item index checklist. Then, the disclosure checklist had been reviewed by accounting practitioners and found it to be understandable, appropriate in length for the purpose of the study, and the content to be clear to depict the level of corporate web disclosure.

4.0 RESULTS AND DISCUSSION

4.1 Content Dimension

Content attributes focus on what is delivered to the stakeholders. Content attributes shows the availability of

financial and non –financial information, under home page level and under investor relation category. FASB (2000) explained IFR term in the context of content and presentation. According to FASB (2000), IFR content means various corporate information such as corporate data which include a part or the whole annual report. Among the various dimensions of IFR index, content dimension is the most popular and frequently used by IFR researchers. To study the importance of content dimension, respondents were asked to give their preference on 47 items. Respondents' views were analyzed by using five point Likert scale ranging from 'most important' to 'least important', with respect to each content item. The Weighted Average Scores (WAS) for content items were calculated by allocating the weights 5,4,3,2,1 to the responses 'most important', 'important', 'moderately important', 'slightly important' and 'least important' in that order. Table 4.1 shows the items important in content dimension measured by the value of mean. When two content items had equal mean value, the ranking was decided on the basis of smaller standard deviation. Smaller standard deviation means smaller variability and the data are closer to mean.

Table 4.1

Perceptions on the Importance of Disclosure for content dimension items

Disclosure Items	Overall				Preparers			Investors		
	Mean	S D	Rank	M-W test	Mean	S D	Rank	Mean	S D	Rank
<i>Great importance</i>										
Provide income statement of current year	4.2300	.71390	1	0.008*	4.3700	.64597	1	4.0900	.75338	2
Provide balance sheet of current year	4.2250	.73284	2	0.03**	4.3500	.64157	3	4.1000	.79772	1
Provide full annual report of current year	4.2200	.76454	3	0.038**	4.3500	.65713	4	4.0900	.84202	4
Auditor report of current years available	4.2150	.70088	4	0.013**	4.3500	.60927	5	4.0800	.76118	5
Annual report of past year full text available	4.2150	.70801	5	0.006*	4.3600	.62797	2	4.0700	.75552	9
Provide cash flow statement of current year	4.2050	.73872	6	0.043**	4.3200	.66485	6	4.0900	.79258	3
Balance sheet of past years provided	4.1950	.76807	7	0.048**	4.3100	.67712	7	4.0800	.83702	6
Income statement of past year available	4.1800	.72818	8	0.04**	4.2900	.68601	9	4.0700	.75184	8
Notes to financial statements of current year	4.1700	.71671	9	0.084	4.2700	.61718	10	4.0700	.79157	10
Notes to financial statements of past years available	4.1650	.75540	10	0.094	4.2600	.70525	11	4.0700	.79462	11
Financial reporting standard (FRS) basis in the current year	4.1500	.75522	11	0.134	4.2300	.75015	12	4.0700	.75552	12
Auditor report of past years available	4.1400	.75714	12	0.005*	4.3000	.67420	8	3.9800	.80378	15
Provide quarterly report of current year	4.1300	.83462	13	0.62	4.1800	.75719	14	4.0800	.90654	7

Disclosure Items	Overall				Preparers			Investors		
	Mean	S D	Rank	M-W test	Mean	S D	Rank	Mean	S D	Rank
Interim report of past years available	4.1000	.76349	14	0.127	4.1900	.73437	13	4.0100	.78490	14
Half-year report of current year	4.1000	.77654	15	0.288	4.1600	.76171	16	4.0400	.79035	13
Segmental reporting by line of business in current year	4.0750	.85618	16	0.153	4.1700	.80472	15	3.9800	.89871	16
Summary of annual report of current year	4.0600	.81222	17	0.049**	4.1500	.79614	17	3.9700	.82211	17
Management report analysis in current year	4.0350	.81059	18	0.088	4.1300	.79968	18	3.9400	.81427	18
Product and service information	4.0100	.82053	19	0.194	4.0900	.79258	20	3.9300	.84393	19
Moderate importance										
Current year resolutions of shareholder's meeting	3.9850	.92142	20	0.453	4.0700	.79462	22	3.9000	1.02986	20
Company's charter in the current year	3.9700	.82004	21	0.137	4.0600	.78907	23	3.8800	.84423	21
Current press releases or news	3.9500	.78778	22	0.014**	4.0900	.75338	19	3.8100	.80019	22
Current year information can be distinguished from last year's information	3.9500	.89527	23	0.015**	4.0900	.91115	21	3.8100	.86100	24
Dividend information available	3.9250	.78898	24	0.021**	4.0500	.78335	24	3.8000	.77850	25
Summary of financial data over a period of at least five years	3.8950	.85300	25	0.117	3.9800	.89871	25	3.8100	.81894	23
Quarterly report of past years	3.7150	.99434	26	0.006*	3.9000	.98985	26	3.5300	.96875	27
Shareholders information	3.6850	.85406	27	0.003*	3.8400	.89578	27	3.5300	.78438	26

Disclosure Items	Overall				Preparers			Investors		
	Mean	S D	Rank	M-W test	Mean	S D	Rank	Mean	S D	Rank
Corporate social responsibility report	3.6600	.94810	28	0.009*	3.8300	.88825	29	3.4900	.97954	30
Company address	3.6600	1.0047	29	0.025**	3.8300	.87681	28	3.4900	1.09632	31
Display financial information in alternative languages	3.6350	.92523	30	0.04**	3.7900	.76930	30	3.4800	1.03942	32
Analyses of main business risks	3.6350	.85759	31	0.033**	3.7700	.76350	31	3.5000	.92660	28
Corporate information available	3.6300	.86420	32	0.034**	3.7700	.77662	32	3.4900	.92654	29
Users quickly find the financial information	3.6050	.86179	33	0.19	3.7600	.78005	33	3.4500	.91425	35
Chairman's report available	3.5900	.95733	34	0.188	3.7000	.77198	34	3.4800	1.10536	33
Charters for the audit committee	3.5650	.85406	35	0.155	3.6700	.85345	36	3.4600	.84591	34
Sales of key products	3.5450	.94469	36	0.147	3.6600	.74155	37	3.4300	1.10330	36
Annual general meetings (AGM) information	3.5250	.95600	37	0.26	3.6900	.76138	35	3.3600	1.09655	38
FAQ	3.4950	.95632	38	0.05**	3.6400	.89352	38	3.3500	.99874	39
Visibility of director and executive details	3.4700	.90731	39	0.374	3.5400	.89239	44	3.4000	.92113	37
Corporate governance principles	3.4600	.88448	40	0.039**	3.6000	.80403	41	3.3200	.94152	42
Code of conduct and ethics for directors, officers and employees	3.4300	.93244	41	0.05**	3.5800	.92310	42	3.2800	.92201	43
Information on corporate strategy	3.4200	.88175	42	0.327	3.5000	.70353	45	3.3400	1.02711	41
Projected information	3.4050	.99798	43	0.018**	3.5600	1.05715	43	3.2500	.91425	45

Disclosure Items	Overall				Preparers			Investors		
	Mean	S D	Rank	M-W test	Mean	S D	Rank	Mean	S D	Rank
Visibility of site update	3.3900	.93395	44	0.751	3.4300	.78180	46	3.3500	1.06719	40
CEO signature in the report	3.3350	.88697	45	0*	3.6100	.76403	40	3.0600	.91916	46
Historical share prices	3.2750	1.02206	46	0*	3.6300	.93911	39	2.9200	.98144	47
Disclaimer	3.2200	.81543	47	0.613	3.1800	.64165	47	3.2600	.96001	44

**Significant at 5% level (18)

*Significant at 1% level (8)

Table 4.1 shows the findings of preparers' and investors perception on the importance of items of disclosure for content dimension. In order to measure the benefits of disclosing financial report through Internet, it is crucial to measure what is the most important item needed by both respondents to review in content dimension. Hence, the information needed by both respondents can be disclosed in the financial report and fulfill their expectation. Both preparers and investors are asked to rate the perceived importance of 47 items included in content dimension. This indicates that preparers rank the content dimension in income statement of current year (mean = 4.37) as the most important item, Annual report of the past year (mean = 4.36) as a second important medium and balance sheet of current year (mean = 4.35) as a third important medium. However, users take a slightly different view. The investors considered balance sheet of current year (mean = 4.10) as the most important source of information. However, the second

important item that needed by them is income statement of current year (mean = 4.09) and the third important information needed by users is cash flow statement of current year (mean = 4.09). Both respondents give the positive feedback related to each item presented in the content dimension. Meaning that all the items are relevant which the mean exceed (mean = 3.50). Thus, both respondents believe that the most effective financial reporting practice is the financial report provided with all the criteria needed by the respondents and always be updated based on the current year. In addition, there are also significant differences between the preparers and investors over the items such as annual report of past year, auditor report of past year, quarterly report of current year, visibility of director and executive details, Historical share prices and CEO signature in report. Normally, preparers need it in order to analyze the potential of the company for the whole year rather than the investors need it mostly for the current year only. Lastly, Disclaimer (preparers

mean = 3.18, investors mean = 3.26) are considered to be slightly important to both preparers and users groups. This item is ranked almost the last yet it is still relevant to the preparers and users. A Mann-Whitney tests on the 47 disclosure items for content dimension included in the questionnaire was carried out to give interested decision making parties (such as regulator, professional bodies and standard setting boards) a better insight into desirability and level of agreement which may exist among preparers and users about IFR disclosure items. The results indicate that there is a significant difference at the level of 5% for 18 items and is a significant difference at the level of 1% for 8 items. The results provide an indication of the items which are interested by preparer versus investors in the content dimension that should be disclosed in corporate website.

4.2 Presentation Dimension

Presentation attributes deal with how the information is presented and delivered on the websites of the companies. This Internet- specific presentation advantage shows the internet capabilities of companies like, web casting, mailing lists, downloading of data etc. According to FASB (2000), IFR presentation means annual report prepared in the website under the HTML format or adobe acrobat technology. Annual report could be surfed

in the company website through format not available in paper paradigm (e.g. hyperlink, graphic animation, interactive, downloader etc.). In view of presentation, a website is similar to traditional annual report namely text and graphic in statistical form and provides the flexibility of showing information on the websites of the companies. Debreceeny et al. (2002) adopted FASB (2000) framework to classify IFR presentation. According to Debreceeny et al. (2002), IFR presentation is classified in to three categories: (1) no website, (2) static presentation which is display in website similar to those in paper-based annual report including text and static graphic, and (3) dynamic presentation not applicable in paper-based paradigm like hyperlinked visit, voice, video, interactive database etc. Among the overall dimensions, presentation dimension turn out to be the one frequently used by researchers. To study the importance of presentation dimension, respondents were asked to give their feedback on 23 items. Table 4.2 explained the importance of presentational items measured by the value of mean. When two presentation items had equal mean value, the ranking was decided on the basis of smaller standard deviation. Smaller standard deviation means smaller variability and the data are closer to mean.

Table 4.2

Disclosure Items	Overall				Preparers			Investors		
	Mean	S D	Rank	M-W test	Mean	S D	Rank	Mean	S D	Rank
<i>Great importance</i>										
Annual report in PDF format available	4.2500	.67063	1	0.006*	4.3900	.58422	1	4.1100	.72328	1
Loading time of the website below 10s	4.1850	.71648	2	0.002*	4.3500	.60927	2	4.0200	.77824	3
Visibility of hyperlinks inside the annual report	4.1850	.73037	3	0.006*	4.3400	.62312	4	4.0300	.79715	2
Visibility of hyperlinks to financial analysts	4.1650	.76859	4	0.004*	4.3400	.61234	3	3.9900	.85865	4
Financial data in process able format (such as excel)	4.1300	.77206	5	0.001*	4.3200	.63373	6	3.9400	.85067	5
Ability to download reports	4.1150	.82168	6	0.001*	4.3300	.63652	5	3.9000	.92660	7
Visibility of link to homepage	4.1000	.75021	7	0.000*	4.3100	.63078	7	3.8900	.80271	8
Annual report in HTML format available	4.1000	.78938	8	0.001*	4.3000	.68902	8	3.9000	.83485	6
Visibility of investor relations link	4.0600	.78067	9	0.000*	4.2700	.64909	10	3.8500	.84537	9
Provide table of contents	4.0500	.80044	10	0.000*	4.2800	.68283	9	3.8200	.84543	10
Visibility of internal search icon	4.0100	.78292	11	0.001*	4.2000	.66667	11	3.8200	.85427	11

Table of content/ sitemap	3.9750	.91023	12	0.014**	4.1500	.79614	12	3.8000	.98473	12
e-mail alerts	3.9300	.80520	13	0.013**	4.0700	.76877	13	3.7900	.82014	13
Graphics and diagrams	3.9200	.77887	14	0.008*	4.0600	.77616	15	3.7800	.75985	14
Provide information about webcasting events	3.9200	.88743	15	0.061	4.0600	.76303	14	3.7800	.98041	15
Direct e-mail contacts (on line feedback) available	3.8900	.90665	16	0.014**	4.0500	.83333	16	3.7300	.95193	16
Provide slide presentation(PDF/ PPT)	3.8500	.84918	17	0.015**	3.9900	.83479	17	3.7100	.84441	17
Conference calls transcripts provided	3.8200	.88403	18	0.030**	3.9600	.83991	19	3.6800	.90877	18
Chat room	3.7750	.90469	19	0.019**	3.9300	.81965	20	3.6200	.96169	20
Hyperlinks to data on a third party websites	3.7350	.85347	20	0.452	3.7900	.76720	22	3.6800	.93073	19
Clear boundaries for annual report	3.7300	.85484	21	0.030**	3.8700	.77401	21	3.5900	.91115	21
Audio and video file	3.6400	.86843	22	0.011**	3.7900	.76930	23	3.4900	.93738	22
Menu pull-down	3.3750	1.14934	23	0.000*	3.9700	.90403	18	2.7800	1.05964	23

Perception on the Important Items of Disclosure for Presentation Dimension

***Significant at 5% level (08) *Significant at 1% level (13)*

Table 4.1 shows the findings of preparers' and investors perception on the importance of items of disclosure for content dimension. In order to measure the benefits of disclosing financial report through Internet, it is crucial to measure what is the most important item needed by both respondents to review in content dimension. Hence, the information needed by both respondents can be disclosed in the financial report and fulfill their expectation. Both preparers and investors are asked to rate the perceived importance of 47 items included in content dimension.

This indicates that preparers rank the content dimension in income statement of current year (mean = 4.37) as the most important item, Annual report of the past year (mean = 4.36) as a second important medium and balance sheet of current year (mean = 4.35) as a third important medium. However, users take a slightly different view. The investors considered balance sheet of current year (mean = 4.10) as the most important source of information. However, the second important item that needed by them is income statement of current year (mean = 4.09) and the third important information needed by users is cash flow statement of current year (mean = 4.09). Both respondents give the positive feedback related to each item presented in the content dimension. Meaning that all the items are relevant which the mean exceed (mean = 3.50). Thus, both respondents believe that the most effective financial reporting practice is the financial report provided with all the criteria needed by the respondents and always be updated based on the current year. In addition, there are also significant differences between the preparers and investors over the items such as annual report of past year, auditor report

of past year, quarterly report of current year, visibility of director and executive details, Historical share prices and CEO signature in report. Normally, preparers need it in order to analyze the potential of the company for the whole year rather than the investors need it mostly for the current year only. Lastly, Disclaimer (preparers mean = 3.18, investors mean = 3.26) are considered to be slightly important to both preparers and users groups. This item is ranked almost the last yet it is still relevant to the preparers and users. A Mann-Whitney tests on the 47 disclosure items for content dimension included in the questionnaire was carried out to give interested decision making parties (such as regulator, professional bodies and standard setting boards) a better insight into desirability and level of agreement which may exist among preparers and users about IFR disclosure items. The results indicate that there is a significant difference at the level of 5% for 18 items and is a significant difference at the level of 1% for 8 items. The results provide an indication of the items which are interested by preparer versus investors in the content dimension that should be disclosed in corporate website.

4.2 Presentation Dimension

Presentation attributes deal with how the information is presented and delivered on the websites of the companies. This Internet-specific presentation advantage shows the internet capabilities of companies like, web casting, mailing lists, downloading of data etc. According to FASB (2000), IFR presentation means annual report prepared in the website under the HTML format or adobe acrobat technology. Annual report could be surfed in the company website through format not available in paper paradigm (e.g.

hyperlink, graphic animation, interactive, downloader etc.). In view of presentation, a website is similar to traditional annual report namely text and graphic in statistical form and provides the flexibility of showing information on the websites of the companies. Debrecey et al. (2002) adopted FASB (2000) framework to classify IFR presentation. According to Debrecey et al. (2002), IFR presentation is classified in to three categories: (1) no website, (2) static presentation which is display in website similar to those in paper-based annual report including text and static graphic, and (3) dynamic presentation not applicable in paper-based paradigm like hyperlinked visit, voice, video, interactive database etc. Among the overall dimensions, presentation dimension turn out to be the one frequently used by researchers. To study the importance of presentation dimension, respondents were asked to give their feedback on 23 items. Table 4.2 explained the importance of presentational items measured by the value of mean. When two presentation items had equal mean value, the ranking was decided on the basis of smaller standard deviation. Smaller standard deviation means smaller variability and the data are closer to mean.

Perceptions of preparers and investors are ranked according to their perceptions on the importance of items of disclosure for presentation dimension in Table 4.2. Both groups were asked to answer around 23 questions regarding which criteria are the most important item for them in presentation dimension shown. In order to understand what are the criteria preparers needed during accessing the annual report through Internet, users were also asked to indicate their wants during analyzing annual report through Internet. Table 4.2 shows that preparers are preferably give

their preference to the most of three items such as Annual report in PDF format (mean = 4.39), loading time of the website below 10 seconds (mean = 4.35), hyperlink to financial analysts (mean = 4.34). While the items which are least important for preparers such as clear boundaries for annual report (mean= 3.87), hyperlinks to data on a third party's websites (mean=3.79) and audio and video file (mean=3.79).

In contrast, a majority of investors give their preference to the items such as Annual report in PDF format (mean = 4.11), visibility of hyperlinks inside the annual report (mean=4.03) and loading time of the website below 10 seconds (mean = 4.02), While, the items being considered as least important such as clear boundaries for annual report (mean= 3.59), audio and video file (mean= 3.49) and menu pull down (mean=2.78).

A Mann-Whitney test on the 23 disclosure items for presentation dimension included in the questionnaire was carried out to give interested decision making parties (such as regulator, professional bodies and standard setting boards) a better insight into desirability and level of agreement which may exist among preparers and users about IFR disclosure items. The results indicate that there is a significant difference at the level of 5% for 08 items and a significant difference at the level of 1% for 13 items. The results shows the items which are most preferred by preparer versus investors in the presentation dimension that should be disclosed in corporate website. Based on Preparers' and Investors' views and feedbacks, overall result shows that, a number of 37 out of 47 items were identified as the basis for IFR index measurement for content dimension. On the other hand, 22 out of 23 items were

identified as the basis for IFR index measurement for presentation dimension. On the whole a total of 59 items out of 70 items were identified as the basic measurement to evaluate the level of IFR for companies listed in Indian stock exchanges. The study used the criteria for important items on the basis of minimum disclosure score of 3.50 (Ali Khan, 2010; Ali Khan & Ismail, 2010; Ali Khan & Ismail, 2012b) used by various researchers as the basis to measure the level of IFR.

5.0 CONCLUSION

The findings of this study give a constructive output for the preparer to produce a better IFR presentation. Based on the results of this study, the preparers of IFR may consider the content and presentation format of IFR index for the betterment of corporate web disclosure. The preparer may take the initiative to update the top three components listed in the results more frequently. For the components with the lowest score, the preparer may seek the ways to improve the presentation of the components. The rating of IFR components in this study can be used as a guidance to indicate the user's preference. The result of this study provides valuable input in developing the IFR disclosure index checklist. The study also develops an instrument to measure IFR content dimension and presentation dimension. The research instrument was developed by taking into account all relevant items in the content dimension, timeliness, technology and user support constructed by previous researchers. Disclosure index constructed through this instrument is expected to be a more

inclusive and integrated measurement tool. Based on the literature review, there are very limited efforts done by previous researchers to obtain the views of annual report preparers and users in constructing IFR index.

More importantly corporate web disclosure was found to be useful for both preparer's and investors with such usefulness being more evidenced in preparers than investors. However, corporate web disclosure in Indian corporate sector is not without its problems and hence it requires the major task of improving content, usability and technology. This study to raise public awareness of knowledge community (such as consumers, practitioners, shareholders, management, governmental agencies, corporation, market participants, interested parties and other institutions) to IFR practice. Even though the level of disclosure is measured by the number of IFR disclosure index, these indicators should also be qualitative in order to be informative.

Overall, the results show that 59 out of 70 items identified could be used to determine the level of IFR among Indian listed companies. The result is expected to provide a useful input in constructing IFR disclosure index checklist. Such studies are expected to contribute to various parties and give added value to those interested in investment to obtain fast and accurate information relating to listed companies by referring to the company's websites, doing so will assist them in making rational and more meaningful investment decisions.

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