

Investigating the Relationship between Company Characteristics and Internet Financial Reporting (IFR): Evidence from Private Sector Companies in India

Dr. Balraj Singh

*Assistant Professor, P.G. Department of Commerce Sri Guru Gobind Singh College Sector-26,
Chandigarh, (Chandigarh) India*

Abstract

This study investigated the major factors influencing internet financial reporting in private sector companies in India. Secondary data were sourced from the Annual Report and web sites of selected hundred (100) Private sector companies in India. The websites of the sampled companies were browsed for collecting data relating to financial reporting on the internet. The study revealed four major factors as influencing internet financial reporting in India. The firm's Size, Profitability, and Ownership Dispersion of private sector companies were positively and significantly associated to the IFR practice. This implies that larger firms utilize IFR more than their counterparts. The results also showed that profitable companies are disclosing more information on their websites than less profitable companies and Companies with widely held ownership are using web as an additional medium to provide timely information to outsiders. Leverage is not significantly associated with IFR of private sector companies. These findings support the proposition that disclosing financial information on the web by firms with large amount of debt in their capital structure will add extra costs associated with disseminations likely to engage in Internet financial reporting.

Key Words: Financial Reporting, Internet, Private Sector Companies, Accounting Information

1.0 INTRODUCTION

Firms use traditional as well as innovative instruments to disseminate business information to stakeholders. Traditional instruments include; prospectus, press releases, financial magazines, printed annual reports etc. whereas internet (WWW) is the example of innovative instrument used by firms to disseminate information to stakeholders. The terms 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 equivalent of the print format of the annual report to enhancements not available in the paper paradigm (i.e. graphics, interactivity, etc.)". Similar views have been expressed by Debreceeny et al. (2002), who defines it as a dissemination of corporate information using Internet technologies such as World Wide Web (WWW). IFR can be characterized as (i) solely another distribution channel for existing printed material, (ii) having the ability to interact with internet technologies

such as Web browsers and search engine or (iii) providing enhanced or expanded information that could not be cost effectively (or even possibly) produced in paper form and which may be interrogated using interactive analysis tools (IASC, 1999). It emerges from these definitions that corporate disclosure through web means use of the internet for the dissemination of corporate information to the stakeholders. Internet financial report (IFR) allows firms to communicate information to unidentifiable consumers, on the contrary to the paper-based annual report which communicate information to selected group. With the aid of internet, financial information will become public good with unrestricted global access by adopting internet as medium to disclose financial information. Internet financial reporting (IFR) enables companies to disclose both the traditional annual reports with additional financial and non-financial information in multiple formats to wider audience and it has imperatively attracted much research attention in recent years. However, it is not clear whether companies in India are exploiting this resource to the full. Therefore, there is a need to examine the role played by the internet in communicating financial information in India. The number of shareholders has been on the increase and each of them is entitled to a copy of annual financial report. This has increased the expenses of each company which in turn has negative impact on the profits (indicator of firms' performance). Internet information dissemination cost is cheaper than the cost associated with printed based annual report. Munther and Salah (2006) argue that

printing and mailing is costlier than e-report, therefore, firms adopting internet financial reporting can save this cost. Internet provides a wide information (non-financial information and qualitative information), non-audited information, social and environmental information, up-to-date information about company new events, press releases, up-to-date information about the firm products and services which is costly to present in hard copy. The broad objective of this study is to Investigating the Relationship between Company Characteristics and Internet Financial Reporting (IFR) of private sector companies in India. The rest of this paper is organized as follows: Section 2 briefly examines the literature review; Section 3 presents method of analysis; Section 4 centers on analysis; while Section 5 is devoted to the discussion of the results Section 6 conclusion and recommendations.

2.0 OBJECTIVE & HYPOTHESES

- To investigating the Relationship between Company Characteristics and Internet Financial Reporting (IFR) of private sector companies in India
- H1: There is a significant positive relationship between size and the internet financial reporting score of private sector companies in India.
- H2: There is a significant positive relationship between profitability and the internet financial reporting score of private sector companies in India.
- H3: There is a significant positive relationship between financial leverage and the internet financial reporting score of private sector companies in India.

H4: There is a significant positive relationship between ownership dispersion and the internet financial reporting score of private sector companies.

3.0 REVIEW OF LITERATURE

Ashbaugh et al. (1999) examined the determinants of financial reporting on the Internet by 290 US non-financial companies in 1995. They hypothesized an association between Internet financial reporting and firm size, profitability, ownership diffusion and rating of reporting practices by the AIMR. Using log it analysis, they found that only company size was significant variable, recommending that larger US non-financial companies were more likely to engage in Internet financial reporting. While other variables for profitability, ownership diffusion and AIMR rating practice were found to be insignificant.

Ettredge et al. (2002) examined whether there was a relationship between the level of financial disclosure on the web and company features (size, raising equity capital and companies' traditional disclosure reputations). A sample of 220 US companies was analyzed in 1997. The study revealed that quantum of financial disclosure on the web was positively associated with company size and raising equity capital.

Ismail (2002) tested research hypothesis related to the association between company characteristics (size, leverage and profitability) and the voluntary dissemination of financial information on the Internet based on industry type and country. The study is based on 128 companies listed on the stock exchange of

the selected Gulf Co-operation Council (GCC). A hierarchical stepwise regression revealed that the probability of a firm to publish financial information on the Internet did not only depend on individual characteristics, but on a combination of interaction effects among firm characteristics, industry type and country.

Debreceeny et al. (2002) examined the firm related variables that could be associated with the level of financial reporting on the Internet by 30 companies with highest market capitalization listed in the Dow Jones Global Index for 22 countries. Using probit regression analysis, the study revealed that firm related variables such as size, listing on the US stock exchange, level of technology and growth prospects were significantly associated with the level of Internet financial reporting.

Chatterjee and Hawkes (2008) explored the differences in the accessibility of website information between New Zealand and Indian companies. A comparison of the websites of New Zealand and Indian companies suggests that Indian companies are lagging behind the New Zealand companies in regard to reporting some attributes of investor information such as interim reports, stock quotes and annual reports. On the other hand, Indian companies provide more analytical information, such as financial ratios, compared to New Zealand companies. Significant variations have been observed in the structure of websites, the level at which information was accessible within the websites and the terminology used. Findings suggest that variation in web design and the information disclosed

reduces accessibility and provides the possibility of confusion when trying to compare information across companies.

Khan (2010) investigated the relationship between Internet financial reporting (IFR) with contingency factors and firm specific characteristics. Based on multiple regression analysis, the findings showed that three main firm specific characteristics influenced the level of IFR i.e. firm size, listing period and return on equity. The findings also showed that there was a negative relationship between profitability ratio and dimension of content and overall index of IFR.

Henchiri (2011) made an attempt to identify the determinants influencing the quality of financial information on the web sites of top 91 companies listed on the Tunisia stock exchange. The determinants of web site quality were found to be the accounting performance and the proportion of shares held by foreigners. Web site quality was also linked to firm size. Apart from these characteristics, no effect of the economic sector, the country or market performance could be detected.

Basuony (2014) examine the determinants and characteristics of voluntary internet disclosures by listed companies in Saudi Arabia and Oman. The results of this study reveal that firm size is the major influencing factor that impacts internet financial reporting. Large firms tend to disclose more financial information in order to reduce information asymmetry and also reduce agency costs.

Sushila and Amol (2016) investigate the web-based reporting of Indian hotel industry

and analyze the pattern and determinants influencing the web-based reporting. Study established the association between web-based reporting and the various determinants. Results reveals that web-based reporting is significantly related to the size, liquidity, profitability and productivity of the hotels. Information symmetry and online reporting via internet technology facilitate various stakeholders.

Sanad and Musleh Al-Sartawi (2016) investigate the relationship between corporate governance and internet financial reporting for the companies that are listed in Bahrain bourse. The findings indicate that the relationship between corporate governance and internet financial reporting is weak due to the fact that the board characteristics do not affect the level of disclosing information via the internet (IFR). However, the board size and big4 companies have a positive relationship with IFR.

4.0 RESEARCH METHODOLOGY

4.1. Sample size and sample Period

This study has been confined to top 100 Private sector companies that are included in BT-500 Database on the basis of market capitalization for the financial year 2015-16. The present study is an attempt to explore the relationship between internet financial reporting and Company Characteristics. Corporate disclosure score of sample companies has been computed for the year 2016-17.

4.2. Source of data

Websites of selected sample companies have been thoroughly studied, to collect the information for the financial year 2016-2017

to calculate IFR scores. Data about the corporate attributes like Size, Profitability, Leverage and Ownership Dispersion has been obtained from the Prowess database which is maintained by CMIE for the year ended 2016.

4.3. Construction of Disclosure index

The first step in the construction of disclosure index is the determination of items to be included. Since the number of items to be selected can be very large, some criteria are needed for making the choice (Marston and shrives, 1991). For the purpose of the study, Chatterjee and Hawkes (2008) disclosure index (comparative study of Indian and Newzeland companies) is used as a base for this research. This disclosure index is modified to adapt to the Indian environment. Since the objective of the present study is to examine the relationship between internet financial reporting and company characteristics. There is a need to measure the extent of information reported on the websites of sample companies. Initially websites of the selected companies are scanned to have explicit information regarding content and presentation dimension of internet financial reporting Index. The final disclosure index consists of 42 items has been framed. It includes 21 attributes disclosed on home page of the website of a company and 21 attributes disclosed under investor relation category.

4.4. Disclosure Score:

After constructing the disclosure index scoring sheet is developed to evaluate the extent of voluntary disclosure. Two approaches can be used to calculate the

disclosure score-weighted and unweighted approaches. The study uses the unweighted approach to calculate the score. Under the unweighted index, the 1 score is given if an item is disclosed and 0 score if an item is not disclosed. The study assumes that each item of disclosure index is equally important.

4.5. Tools of analysis

The following statistical techniques are used to analyze the data relating to internet financial reporting practices of the private and public sector companies.

4.5.1 Descriptive Analysis

In order to analyze the corporate web-disclosure practices of the companies and to know the extent of variation in the disclosure score, 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. One sample t-test is used to decide the significance of mean disclosure score.

4.5.2 Correlation Analysis

In the present study, Correlation analysis is used at first to measure the strength or degree of linear association between different variables. Correlation analysis is performed between corporate web disclosure score and variables affecting corporate web disclosure score. The probability of the problem of multi collinearity also becomes clear by examining the correlation matrix.

4.5.3 Multivariate Analysis

Multivariate regression models of Ordinary Least Squares (OLS) have been used to examine the relation of dependent variable

to specified independent variables (predictors). The adjusted R² generated by it indicates the proportion of variation in the dependent variable explained by the independent variables.

5.0 DATA ANALYSIS

This paper aims to ascertain empirically the variables that could have some influence on the extent of information disclosed on the web. To achieve this goal, the variables used in the present study are – a) Size; b) Profitability; c) Financial Leverage; d) Ownership Dispersion.

Data regarding these independent variables were collected by using Prowess data base for the year ended 2016. To examine the influence of company characteristics on the extent of information disclosed on the web, the sample size for private sector companies was initially restricted from 100 to 99 companies as 1 company did not have its own website. The sample size was further reduced to 94 companies as data for company characteristics of 05 companies was not available. Thus, websites of 94 private sector companies constituted the base of disclosure of information for this study.

Table 5.1

Description of variables

Labels	Dependent Variable	
	Name	Definition
I	Disclosure Score (Dependent variable)	Score which a company got
	Independent Variables	
S ₁	Size	Measured by proxy, natural log of capital employed
S ₂	Profitability	Measured by proxy, return on capital employed (ROCE)
S ₃	Financial Leverage	Measured by proxy, debt to equity ratio
S ₄	Ownership dispersion	Measured by proxy, natural log of no. of shareholders

5.1 Firm size and Internet Financial Reporting

The size of the company has been argued to have a positive association with the voluntary disclosure level, and such has been selected as an independent variable in most of the general voluntary disclosure studies (e.g. Firth, 1979; Chow & Wong Boren, 1987, Cooke, 1989 and 1991; Land & Lundholm, 1993; Ahmed & Nicholls, 1994, Hossain et al., 1994; Wallace & Naser,

1995). Specifically, studies on voluntary IFR such as Ashbaugh et al. (1999), Rodrigues and Carlos, (2001), Debreceeny et al. (2002) and Ettredge et al. (2002) have also chosen firm size as one important factor to explain the web disclosure practices of companies. The hypothesis with respect to the firm size is represented as follows:

H₁: There is a significant positive relationship between size and the internet financial reporting score of private sector companies.

5.2 Profitability and Internet Financial Reporting

Profitable firms have incentive to distinguish themselves from less successful firms in order to raise capital at the lowest possible price (Marston and Polei, 2004). When companies' performance is good, they wish to signal their quality to investors. As suggested by the signaling theory, owners will be interested in giving good news to the market in order to avoid under valuation of their shares. Hence, it is expected that the greater the profitability of a firm, the greater the level of disclosure it should have to reduce asymmetries between the firm and investors. However, the empirical evidence on the extent of Internet disclosure is conflicting. Studies by Marston (2003), Oyelere et al. (2003), Xiao et al. (2004) and Marston and Polei (2004) provide no evidence of association between profitability and the extent of financial disclosure on the Internet. On the other hand, a study by Ashbaugh et al. (1999) of 290 firms showed that firms with websites are larger and more profitable than firms without websites. So the evidence is re tested due to the mixed result from previous study.

The study used return on capital employed as a measure of profitability to test the significance of the relationship between the profitability and the internet financial reporting. It is thus hypothesized that:

H₂: There is a significant positive relationship between profitability and the internet financial reporting score of private sector companies in India.

5.3 Financial Leverage and Internet Financial Reporting

Mitchell et al. 1995; and Hossain et al. 1995 found a positive relationship between voluntary disclosure and the amount of leverage in a firm's capital structure, whereas studies by Mckinnon and Dalimunthe (1993) reports a significant, negative relationship between leverage and voluntary disclosure for US. The results of previous studies are inconclusive. So, the relationship between leverage and disclosure of information on the web is re-tested. The financial leverage of a company can be measured in a number of ways, such as ratio of total assets to book value of equity, ratio of total debts to total equity. In the present study, ratio of total debts to total equity has been used as a measure of financial leverage to test the significance of the relationship between financial leverage and the extent of corporate web disclosure. The following hypothesis has been formulated:

H₃: There is a significant positive relationship between leverage and the internet financial reporting score of private sector companies in India.

5.4 Ownership dispersion and Internet Financial Reporting

The ownership dispersion as an influencing factor of voluntary disclosure has been intensely studied in the accounting literature. Raffournier (1995) and Wallace and Naser (1995) did not find a significant relationship between ownership diffusion and the content of annual reports. Pirchegger et al. (1999) also found conflicting evidence in their study on the costs and benefits of reporting financial information on the internet. Chau and Gray (2002) have investigated the relationship between the ownership structure

and voluntary disclosure practices of Singapore and Hong Kong listed companies, and found out a negative correlation between voluntary disclosure and the majority ownership represented by the members of a family. Hossain et al. (1994) discovered a significant negative correlation between the spread of ownership and the extent of voluntary disclosure of Malaysian listed companies. On the other hand, El-Gazzar (1998) argues that large institutional ownership may induce a higher level of voluntary disclosure. An inverse relationship between institutional ownership concentration and interim disclosure had also been found by Schedewitz and Blevins (1998) on Finnish firms. But, McKinnon and Dalimunthe (1993) and Mitchell et al. (1995) found a weak association between the spread of ownership and the extent of voluntary disclosure of Australian companies. As regarding Indian companies, we are expected to find a positive association between ownership dispersion and level of corporation disclosure through web. For testing this likely hood, the following hypothesis has been formulated:

H₄: There is a significant positive relationship between ownership dispersion and the internet financial reporting score of private sector companies in India

Table 5.2
Pearson Correlations Matrix of Variables
Affecting Corporate Web Disclosure

Private Sector Companies					
	I	S ₁	S ₂	S ₃	S ₄
I	1	.184	.385**	-.094	.368**
S ₁	.184	1	-.497**	.465**	.661**

5.5 Multiple Regression Analysis

Multiple Regression Analysis (since it consists of at least two independent variables being analyzed simultaneously against the dependent variables) was conducted using the linear regression method on SPSS software package. This method was also used by Cooke (1989b) in his study on annual reports of Swedish companies. To study the combined effect of all the independent variables taken together on the web disclosure score of public and private sector companies, the following model has been employed.

$$I = \beta_0 + \beta_1 (S_1) + \beta_2 (S_2) + \beta_3 (S_3) + \beta_4 (S_4) + e$$

In this model, S₁, S₂, S₃, and S₄ are independent variables. β_0 is the constant terms, β_1 , β_2 , β_3 , and β_4 are coefficients of independent variables while e indicates error term in our model.

To find out the determinants of corporate web disclosure, first, pair-wise correlation for all independent variables and internet financial reporting of private sector companies as described in table 5.2 were calculated. These are shown in Table 5.2 along with associated levels of significance.

S₂	.385**	-.497**	1	-.379**	-.177
S₃	-.094	.465**	-.379**	1	.148
S₄	.368**	.661**	-.177	.148	1

*Correlation is significant at the 0.01 level (2-tailed)

**Correlation is significant at the 0.05 level (2-tailed)

The table 5.2 reveals that statistically significant correlations exist among variables affecting internet financial reporting score of private sector companies (measured by me). For private sector, I is positively associated with S1 (firm size), significantly and positively associated with S2 (profitability) and negatively associated with S3 (financial leverage) and significantly and positively associated with S4 (Ownership Dispersion).

Multicollinearity exists only in multiple regression analysis where there is a strong association between two as more predictors (independent variables) in regression model

(Field, 2000) and could cause problems (Cooke, 1989a). Therefore, prior to regression results, an analysis has been conducted to diagnose whether a problem of strong multicollinearity exists. Our test for the presence of multicollinearity, using Pearson Correlation Coefficients, eliminates the existence of multicollinearity. Collinearity statistics reported in table 5.3 further confirm the absence of multicollinearity among independent variables individually in both tolerance and variance inflation factor (VIF). The VIF should be lower than 10 and tolerance should not be below 0.2 (Field, 2005).

Table 5.3

Tolerance and Variance Inflation Factor

Variable	Private Sector Companies	
	Tolerance	VIF
Firm Size	.352	2.844
Profitability	.697	1.435
Financial Leverage	.723	1.383
Ownership dispersion	.510	1.962

5.5.1 Determinants of Corporate Web Disclosure: A Multiple Regression of Private sector companies.

Table 5.4 (a)

Private Sector Companies

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Sig.	Durbin-Watson

1	.618	.382	.354	1.59710	.000	1.149
a. Dependent Variable: Disclosure score						
b. Predictors: (Constant), log size, profitability, leverage, log shareholders						

The model summary in the table 5.4 (a) shows that in case of private sector companies, The adjusted R² value is .354 (significant at P<0.00) that means that in this study, all the four independent variables taken together shows 35 % percent

of variation in web disclosure score of private sector companies. All the four independent variables like firm size, profitability and ownership dispersion except lever age have proved to be significant in the case of private sector.

Table 5.4(b)

Private sector companies

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
Disclosure score	21.865	1.945		11.239	.000**
Size	.458	.199	.323	2.297	.024**
Profitability	.059	.010	.567	5.676	.000**
Leverage	-.114	.162	-.069	-.704	.483
Ownership dispersion	.471	.208	.265	2.268	.026**
** significant at 5 percent level					
a. Dependent Variable: Disclosure score					
b. Independent variables: log size, profitability, leverage, log shareholders					

The table 5.4 (b) gives us estimates for these b-values and these values indicate the individual contribution of each predictor to the model. If we replace the b-values in equation we find that we can define the model as follows:

$$\text{Disclosure score} = 21.86 + 0.458 (\text{Size}) + 0.059 (\text{Profitability}) - 0.114 (\text{Leverage}) +$$

0.471 (Ownership Dispersion)

Table 5.4 (b) shows three predictors (size, profitability & ownership dispersion) have positive b-values indicating positive relationships except leverage which is having negative relationship in the case of private sector companies. So, as size increases, as profitability increases and ownership dispersion increases will result in

more disclosure score in the case of private sector companies. The b-values tell us more than this, though. They tell us to what degree each predictor affects the outcome if the effects of all other predictors are held constant.

For this model, size ($t = 2.297, (p < .05)$), profitability ($t = 5.676, (p < .05)$) and ownership dispersion ($t = 2.268, (p < .05)$) are all significant predictors of the internet financial reporting score except Leverage which is having ($t = -.704, p > .05$).

Table 5.5
ANOVA

Private Sector				
Sum of Squares	Df	Mean Square	F	Sig.
140.092	4	35.023	13.731	.000
227.014	89	2.551		
367.106	93			
a. Dependent Variable: score				
b. Predictors: (Constant), log size, profitability, leverage, log shareholders				

The F-ratio from the analysis of variance (ANOVA) in table 5.5 above is 13.731 (significant at $P < 0.001$). It means that the model is significantly fit to predict web disclosure level of both private sector companies in India.

6.0 FINDINGS AND RESULTS OF MULTIPLE REGRESSION ANALYSIS:

Company size (measured by capital employed) is shown to have a significant and positive impact on the internet financial reporting of private sector companies. The t-test associated with b-value is significant as the size ($t = 2.297, (p < .05)$). This finding reveals that large companies disclose more information on their websites than do smaller ones. On the basis of these values hypotheses **H₁ is accepted**. This finding is

consonance with the research of Craven and Marston,(1999); Ashbaugh et al.,(1999); Marston and Polei, (2004); Xiao et al., (2004); Singh and Malhotra, (2004); Hanifa and Rashid, (2005); Debreceeny and Rahman,(2005)Garg and Verma, (2010); Pozniak et al., (2011); Damaso and Lourenco, (2011); Oyelere and Kuruppu, (2012); Abu Ghazaleh et al., (2012); Sharma, (2013) and Singh, (2013) who all found that website disclosure level was positively related to firm size. These studies have shown that larger firms are adopting more voluntary disclosure practices including corporate disclosure through web due to the proposition of agency theory, need for more capital, and political cost theory. Thus the hypotheses stating that there is a significant positive relationship

between size and the internet financial reporting score have been accepted. One reason for the significant relationship between large companies and the internet financial reporting may be due to information cost theory which demonstrates that large companies – unlike small ones- have the required resources for collecting, presenting and disseminating information on their websites. These resources are costly and therefore only large companies are able to afford them due to the possibility of assigning these costs to their large number of products.

Profitability of a company as measured by return on capital employed (ROCE) has a positive and significant association with the internet financial reporting of private sector companies. The t-test associated with b-value is significant in case of private sector companies, profitability is also proved to be significant as profitability ($t = 5.676$, $p < .05$). On the basis of these values hypotheses **H₂ is accepted**. This findings is supported by Pervan, (2006); Prabowo and Angkoso, (2006); Juhmani, (2008); Agyei-Mensah, (2012) and Singh, (2013) who found positive association between corporate disclosure through web and profitability. The major reason for such results may be that a firm with high profitability shows more information on website to improve its image among stakeholders. Thus the hypotheses stating that there is a significant positive relationship between profitability and the internet financial reporting score have been accepted. It shows that companies with greater profitability disclose more information to signal their success and strength to potential foreign investors and

market participants, to strengthen their management position and, in turn, to justify management's compensation.

Leverage measured by debt –equity ratio proved to be insignificant relation with internet financial reporting score of private sector companies. The t-test associated with b-value is insignificant in case of private sector companies, Leverage is also proved to be insignificant as leverage ($t = -0.704$, $p > .05$). On the basis of these values hypotheses **H₃ is rejected**. The findings of the study is consistent with the findings of Debrecey et al. (2002), Oyelere et al. (2003), and Xiao et al. (2004) who found insignificant association between the variables leverage and internet financial reporting. This finding supports the proposition that disclosing financial information on the web by firms with large amount of debt in their capital structure will add extra costs associated with dissemination. Thus the hypotheses stating that there is a significant positive relationship between leverage and the extent of corporate web disclosure score has been rejected.

Ownership dispersion measured by size of shareholders has proved to be significant relation with the internet financial reporting score of private sector companies. Companies with widely held ownership are using web as an additional medium to provide timely information to outsiders. The t-test associated with b-value is significant in case of private sector companies, ownership dispersion is also proved to be significant as ownership dispersion ($t = 2.268$, $p < .05$). These companies have high web disclosure score. On the basis of

these values hypotheses **H₄ is accepted**. So the empirical evidence confirms that level of corporate disclosure through web is positively related to dispersion of ownership of companies. This finding is found to be consistent with those reported by Haniffa and Cooke (2002); Oyelers et al., (2003) and Marston and Polei (2004). These studies argued that big ownership structure may induce high level of voluntary disclosure. Thus the hypotheses stating that there is a significant positive relationship between ownership dispersion and the internet financial reporting score have been accepted.

7.0 CONCLUSION

This study investigated whether a company characteristics influence Internet financial reporting behavior, including both the content and presentation format of Internet disclosures. Internet financial reporting provides an efficient means for companies to improve communications with investors, decrease costs associated with distributing hard-copy, and increase the frequency of information disclosures. The Internet also provides more flexibility as to the type of information disclosed to investors and the presentation format of the disclosures. This study extends prior IFR research by examining whether company characteristics affect a firm's Internet disclosure behavior. Results provide support for three of our four hypotheses. We find that score of the internet financial reporting was found to be

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significantly and positively associated with size, profitability and ownership dispersion. A negative association of the score of the index with leverage was observed. In India a growing number of companies are having their websites through which they disclose or communicate all necessary information to different interested parties. The proper utilization of the internet provides several benefits to companies as well as investors like low cost, flexibility, transparency, global reach, up to date information, access to historical data and easy accessibility of information on company website. As the nature of internet reporting is voluntary. It is also observed that there is a great deal of variation in content and presentation of the information disclosed on the web sites and terminology used for describing the information. This shows that no consistent pattern could be followed to access multiple website by different users. Companies engage in different disclosure strategies by disclosing different attributes on their website and presenting a wide range of non-financial information on the home page. This would fail to support the idea of easy accessibility of information on the company website for making comparisons between companies across a global economy. Thus, there is a need for the global regulatory bodies to make it standardized so that Internet reporting becomes the main medium of reporting instead of an alternate medium to reach to the stakeholders.

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