

WEB CORPORATE REPORTING PRACTICES – A REVIEW

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Abstract

Electronic disclosures and web-based reporting of both financial and non-financial information is now common place. With the rapid advancement of information technology, companies are adopting new means of communicating with investors and other stakeholders. Together, organizations and stakeholders are shifting to a new paradigm -- real-time online reporting.

A company website offers an excellent medium to enhance strategic communications with investors and other stakeholders. There are opportunities for presenting more information for better analysis. There are also opportunities for using different technologies to present information in new and meaningful ways. On the other hand, there are risks of information overload, as well as user confusion and frustration. Seizing the opportunities and minimizing the risks require careful planning, management and maintenance. Internet is widely used medium of communication and brings more credibility, transparency and creates brand reputation for the companies.

Keywords: Web reporting, Information technology, Internet disclosure index, financial reporting index, non-financial reporting index



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INTRODUCTION

Internet has the widest reach as mode of communication in the present world of globalised economies. The various developments in the field of information technology (IT) during recent times have influenced almost all the sections of the economy. The use of IT in various functional areas of business management has become quite popular these days. Internet use as mode of communication has the potential to exhibit distinctive and attractive features of information and makes it an efficient and cost effective measure as compared to the traditional methods of print media. Recently, the companies have started reporting their financial results and other information relating to business on their websites. Almost every company today maintains its website. Business reporting on websites relates to financial and non-financial information regarding resources and performance to stakeholders of a company. The significance of web business reporting has increased during recent times under the influence of economic, market and regulatory pressures wherein companies are expected to accumulate and publish information regarding financial performance, social and

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environmental issues, corporate governance and marketing information with more frequency, detail and variety of formats. It has become quite a popular practice of communicating with stakeholders. It has rather become mandatory for every public organization to disclose information on website with the implementation of Right to Information Act, 2005. However, the information disclosed on website has yet to standardize in format and content and different companies are adopting different practices in this regard. Corporate reporting is taking new shape and raising many implications for proper regulation of markets.

While reporting on websites the companies tend to meet industry standards in this regard. Signaling theory suggests that disclosure of information to stakeholders is bound to differ with various industrial sectors. But within the industry companies are expected to follow industry standards. If a company within an industry fails to follow the industry disclosure practices then it may be interpreted that the company is hiding some bad news (Craven and Marston 1999). There is also evidence on association between industry and the extent of financial information provided on corporate websites (Oyelere et al. 2003). The companies also monitor competitors' websites to benchmark their own site content so as to avoid their company being perceived as "backwards" relative to industry peers.

The present paper is going to review the relevance of web reporting practices in India. The paper analyzed here have examined the disclosures of financial and non-financial information on websites of Indian companies and identifying that the disclosures vary from industry to industry. The second paper has analyzed how companies are communicating the corporate social responsibility practices on the internet. The third paper has evaluated Internet-based financial reporting helps to mitigate incidental requests for information from non-shareholder financial statement users which can reduce the costs involved for companies as well as increase the responsiveness to these queries.

LITERATURE REVIEW

The main sources of literature review include various websites, selected referred national and international journals. It has been found in the course of review of literature that there are many studies conducted abroad, but very little work has been done on this subject in India.

Studies related to Internet Disclosure Index

The literature reviewed here highlights the need to examine web-based corporate reporting practices in India.

The disclosure score thus calculated was named as Internet Financial Reporting by Ashbaugh *et al.* (1999), Debreceeny *et al.* (2002), Lodhia (2003), Oyelere *et al.* (2003) and Pervan (2005 and 2006). Xiao *et al.* (1997) defined it as Corporate Financial Reporting. Deller *et al.* (1999) studied it under Investor Relations Information. Lymer *et al.* (1999) named it as Detailed Financial Reporting. Brennan and Hourigan (2000) termed it as Internet Disclosure. Spanos (2006) named it as Internet Disclosure Index. Oyelere *et al.* (2001) termed it as Voluntary Disclosure. Bonson and Escobar (2002) studied it under Company's Transparency. To analyze the relationship between Web reporting practices and company characteristics, different studies have considered different independent variables. Xiao *et al.* (1997), Marston and Leow (1998), Ashbaugh *et al.* (1999), Craven and Marston (1999), Molero *et al.* (1999), Hassan *et al.* (2000), Oyelere *et al.* (2001), Bonson and Escobar (2002), Debreceeny *et al.* (2002), Ettredge *et al.* (2002), Larran and Giner (2002), Allam and Lymer (2003), Geerings *et al.* (2003), Joshi and Al-Modhakhi (2003), Marston (2003), Oyelere *et al.* (2003) and Pervan (2006) have studied the relationship between the size of a company and its Web disclosure practices. Marston and Leow (1998), Craven and Marston (1999), Brennan and Hourigan (2000), Hassan *et al.* (2000), Oyelere *et al.* (2001), Bonson and Escobar (2002), Allam and Lymer (2003), Joshi and Al-Modhakhi (2003) and Oyelere *et al.* (2003) studied the relationship between Internet disclosure and the industrial sector to which these companies belong. Hassan *et al.* (2000), Oyelere *et al.* (2001), Ettredge *et al.* (2002), Marston (2003) and Pervan (2006) studied the relationship between profitability and type of disclosure on websites. Xiao *et al.* (1997), Brennan and Hourigan (2000), Oyelere *et al.* (2001) and Oyelere *et al.* (2003) studied the leverage of companies in relationship with Internet disclosure practices. Liquidity of companies as independent variable was studied by Oyelere *et al.* (2003). Web-Based Corporate Reporting Practices in India.

Studies related to Impact of various factors on Internet Disclosure Index

The review of various studies further indicated that size and Internet financial reporting have a positive significant relationship, as revealed by Marston and Leow (1998), Ashbaugh *et al.* (1999), Craven and Marston (1999), Brennan and Hourigan (2000), Hassan *et al.* (2000), Oyelere *et al.* (2001), Bonson and Escobar (2002), Debreceeny *et al.* (2002), Ettredge *et al.* (2002), Larran and Giner (2002), Allam and Lymer (2003), Geerings *et al.* (2003), Marston (2003), Joshi and Al-Modhakhi (2003), Oyelere *et al.* (2003) and Pervan (2006). Web-based corporate reporting is a voluntary practice adopted by companies.

The Finnish survey has emphasized the on following points while using internet as a tool for communication.

- The use of graphics
- Use of hyperlinked data
- Ability for downloading of data
- Press release provision
- Trend Data and analysis
- Other jurisdiction data
- Dynamic Data Provision
- Non-financial measures of performance provided
- Miscellaneous

ANALYSIS OF REVIEWED PAPERS

The development of Internet as a medium of global corporate communication has created a new channel for disseminating corporate financial and non-financial information. As the nature of Web-based reporting is voluntary and the Internet penetration is growing fast, there is a need for the global regulatory bodies to standardize the same, so that Web reporting becomes the main medium of reporting, instead of an alternative medium to reach to the stakeholders. In India, all the 200 companies that constituted the sample have their own websites. However, the contents of each website vary. On an average, 60% of the companies have IDI between 40% and 60%, which shows that websites of a majority of Indian companies are very good in terms of content, quality, presentation and technical aspects. The study results indicate that industry sector, size of the company, and association with business house positively affect the extent of information disclosure on websites. But variables such as age of the company, profitability, liquidity, leverage and ownership spread do not affect companies' Web reporting. The findings suggest that bigger companies tend to disclose more information on websites, because they derive some benefits by disclosing more information. On the whole, the disclosure practices of Indian companies, based on the sample, are fairly good.

The second research paper has explored a different dimension of web based financial reporting. Most of the available literature concentrates on the range of information disclosed on company websites (Ashbaugh et al, 1999; Debreceny et al., 2002; Lymer et al., 1999). However, the disclosure of a wide range of information does not necessarily enhance the

usefulness of websites if the required information cannot be accessed in an easy manner. It is this second perspective that has been the focus of the present paper along with a consideration of whether cultural differences have an impact on the approach taken to Internet reporting by Indian and New Zealand 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. This may be a reflection of a greater level of secrecy in the accounting values of Indian culture which results in a reduced focus on financial statements and up to date financial information on company websites.

The idea of a global economy signifies an always available pool of comparable and accessible information on companies' websites. The review of the websites of 30 New Zealand and 30 Indian listed companies does not support the view that this goal has been achieved. Significant variations have been observed in the structure of websites, the level at which information was accessible within the websites and the terminology used. The observed variation in web design and the information disclosed reduces accessibility and provides the possibility of confusion when trying to compare information across companies.

It can be concluded that Internet financial reporting does provide the illusion of comparability. However, without a more sustained focus on the harmonization of terminology and attributes included in Internet reporting, the potential for comparison is reduced by the variation in level at which information items are disclosed, terminology used on websites, and the information items provided on company websites. The analysis of the home pages identified the presence or non presence of 26 attributes. Attributes were categorized as "present" if they could be viewed on the home page without the need to perform further clicks. Information presented on the home page is the most easily accessible information.

Serial No.	Attributes	New Zealand		Indian Companies	
		Companies			
		No.	%	No.	%
1	Company Profile	29	96.67%	29	100%
2	Product and/or service information	29	96.67%	28	96.55%
3	Media releases	20	66.67%	23	79.31%
4	Investor Information	24	80	23	79.31%
5	E-commerce	2	6.67%	5	17.24%
6	Employment opportunities	9	30%	23	79.31%
7	Social/Environmental Information	5	16.67%	14	48.28%
8	Stock quotes	7	23.33%	10	34.48%
9	Contacts	21	70%	27	93.10%
10	Site map/index	11	36.67%	24	82.76%
11	Search	9	30%	23	79.31%
12	Help	4	13.33%	2	6.90%
13	Privacy	9	30%	9	31.03%
14	Management	4	13.33%	4	13.79%
15	Financial Information	3	10%	8	27.60%
16	Performance	4	13.33%	2	6.90%
17	Publications	5	16.67%	3	10.34%
18	Glossary	3	10%	0	0%
19	Stock Events	1	3.33%	0	0%
20	Financial Reports	2	6.67%	0	0%
21	Links	3	10%	4	13.79%
22	Terms and Conditions	12	40%	18	62.09%
23	Financial Presentation(s)	2	6.67%	2	6.90%
24	Corporate Governance	1	3.33%	1	3.45%
25	Interim Reports	1	3.33%	0	3.45%
26	Annual Reports	3	10%	3	10.34%

The third paper has analyzed CSR communication via the corporate Web. Esrock and Leichty (1999) noted that corporate Web sites allow companies to engage in multi-stakeholder dialogue, a practical challenge of CSR communication. The Web also offers organizations the opportunity to design messages that do not have to follow the dictates of gatekeepers as with print and electronic media. Web pages are a viable option for corporations to set and present an agenda on CSR. Perhaps the most strategic benefit of the Internet for CSR communication is that it allows “an ongoing and interactive process rather than a static annual product” (Antal, Dierkies, MacMillan, & Marz, 2002, p. 34). To determine the number of pages IT

companies have devoted to CSR, all relevant pages (including cross-links and hyperlinks) were printed out and counted. Although the number of pages by itself is not an accurate reflection of corporate commitment to social responsibility, it attests to the amount of effort invested by a company to communicate its commitment. In their study of CSR reporting in seven Asian countries, Chambers et al. (2003) reiterated the general assumption that “the greater the extent of the reporting, the more engaged the company is with CSR and the more seriously it is taken therein”.

THE FUTURE FOR CORPORATE REPORTING ON THE INTERNET

The World Wide Web, combined with other Internet tools, offers the possibility of a revolution in the delivery of corporate reports. The detailed surveys have demonstrated that many of the top companies at the present time have taken up the web as a promotion tool for their businesses and many are using it for the provision of reporting data in some form. However, the current level of usage of the technology is low in many cases - only the real innovators are making much use of the different nature of the web to conventional reporting mediums. The web offers a number of possible futures for corporate reporting. For example, it offers a mechanism to support more frequent reporting than the current quarterly reports distributed by most of the companies in the survey sample. If combined with a more events-based database reporting strategy it offers the possibility of perpetual reporting with access to real time data for users to analyse themselves rather than relying on delayed, aggregated data. The implications of such a move however, are significant. In particular, the concerns of data comparability, confidentiality, liability concerns over data ownership and use, integrity questions and the subject of quality (Wallman 1995) all become important issues to be resolved and managed. There is also some evidence (Jenkins 1994) that reporting more frequently than quarterly is not actually desired by users who are only interested in more frequent data if critical to their investment decisions.

The problem of 'information overload' would be a significant concern with more frequent and dynamic publication of reporting information. There may be some possibilities for computer support to deal with this problem if the need arose for the management of this form of information flow between user and provider. Such technologies do exist and are being refined.

CONCLUSION

This paper attempts to discuss the potential for the World-Wide Web as a delivery, communication mechanism in corporate reporting. There has been significant debate over the last 50 years as to how best to deal with the issue of corporate reporting to related parties. The current systems in place in many countries operates on a value-based strategy with varying levels of national and international regulations to structure the way in which this reporting is undertaken. An alternative 'events-based' strategy (Sorter 1969) has been receiving significant attention alongside the development of the conventional model and has becoming increasingly viable with the development of computer support for the reporting process and the management of its output for users. The Internet and the World Wide Web offer the possibility of a solution to the delivery/communication mechanism that has been missing from many of the database solutions suggested for new reporting models.

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