



## Internet Financial Reporting by Indian Public and Private Companies

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### Abstract

There has been rapid change in the information system by the means of internet, and obviously every sector gets affected by the change. The same changes have adopted by the companies, they utilize internet for the dissemination of information. The present paper aim to analysis the extent of financial disclosure by Indian public and private companies and investigated if any difference occurs between two sectors. The empirical research based on top 30 companies listed on BSE, we analysis items wise and company's wise financial disclosure through internet. The result shows that both sectors utilize their website for financial disclosure at some extent, further Mann-Whitney test applied for analysis the difference between two sectors in IFR practice and it show significance difference between two sectors.

**Key Words:**Accounting; internet financial reporting;Indian public and private companies.

### 1. Introduction

Expansion of internet makes ease to the information system, through this information reached more quickly and in a very short time. Internet came into existence in late 1969 in USA and spread all over the world in a real time and there is incredible growth of internet. India also adopted the technology and the growth was really unbelievable. India is the third largest country with internet user. In 2001, there were about seven million Internet users in India, that number could cross **550 million in 2018** in the best case scenario, making it the second largest online population in the world, as reported by Boston Consulting Group (BCG) and Internet and Mobile Marketing Association of India (IAMAI).

Business firms also adopted the information technology for the effective means of communication to their internal and external world (Lymer, 1997), companies disseminating there financial and non-financial information to the benefit of stakeholder(Gray and Debreceeny1999, Ashbaugh et al. 1999, FASB 2000), thus it is a new way of making commerce, offering publicity, as well as providing financial information to interested parties (Larran and Giner, 2001). Internet financial reporting gains its value from the traditional based reporting because in these companies can share additional information, the information is disseminated by using various attractive forms such as audio, video, graphics and animation. Webcasting events over the internet are a relatively new technology that allows investor and analysts to get access to live events, such as conference calls (Allam and Lymer, 2003). Disseminating information on internet also helps to reduce the cost, like agency cost, printing cost.

Financial information is the key source of information about the performance of company, through these companies measuring their growth and perspective for growth. Financial information included the companies statement of position, statement of profit and loss, auditor report, director report and some other kinds of financial highlights, this information is meant for the investor point of view and also mandatory under Companies Act 1956, Section 210, 210(1) that all listed companies have to disclosed there balance sheet and profit & loss account in their annual general meeting.Current financial information help investors toanalyze the company's health and make informed decisions, so keeping same thing in mind companies disseminating information on websites. Companies not using their websites for disclose of financial statement only, other information such as movement of share price, market performance, analyst reports are reported for the benefit of investor.

Web based financial disclosure is keen interested of researcher (Lymer 1997, Xiao 1997, Gray and Debreceny 1997, Marston and Leow 1998, Ashbaugh et al. 1999) and of various professional bodies, such as international Standards Committee (IASC, 1999), Financial Accounting Standard Board (FASB, 2000). Although most of the papers are referred to the developed economy such as USA, UK and Australia, India has also frequently studied (Garg 2009, Singh 2013). The purpose of this paper is to give some information on web financial disclosure with reference to Indian public and private companies and also find the difference in their Internet Financial Reporting.

## **2. Literature Review**

To examine the extent of web disclosure a number researchers present the papers in this regard, a wide range of issue are concerned to the researcher, such as web disclosure practice in specific country (Ashbaugh et al. (1999), Marston (2003), Marston and Poliei (2004), Lymer (1999), Lodhia et al. (2004), Joshi and AI-modhaki (2003)); web disclosure practice across the countries (Lymer et al. (1999), Allam and Lymer (2003), Deller et al. (1999), FASB (2000)); further web disclosure relationship with the companies specific characteristics (Marston and Leow (1998), Carven and Marston (1999), Debreceny and Gray (1999), Ettredge et al. (1999), Brennan and Hourigan (2000), Oyelere et al. (2003)).

Lymer (1997), found in his study that 92% UK companies had websites and 68 % of them are reporting financial information. Lymer and Tallberg (1997), report that 72% Finland companies had websites, with 82% of them disseminating financial information. Ashbaugh et al. (1999) in his study found that 87% US firms had websites and 70% of them are engaged in IFR. Molero et al. (1999), in their study found that 45% Madrid Stock Exchange companies had their websites and 56% of them are reporting some extent of financial information. Debreceny and Gray (1999), studied 15 largest companies each from UK, Germany and France and found that all listed companies had websites, and 80% of them are reporting on some extent. FASB (2000), conducted study on Fortune 100 companies and found 99% companies had websites and 94% of them are reporting at least one attribute.

With context to India few studies was conducted to enhance the web based corporate disclosure practice in India (Garg and Verma (2010), Singh (2009), Singh (2013)). Singh (2009), studied 200 Indian companies and found 90% companies had websites and 100% of them are reporting any one of financial/investor relation/corporate information on their websites. Thus the present paper aims to adding the existing literature with regard to the Indian economy point of view.

## **3. Methodology**

### **A. Sample used in the study**

The Sample Companies for the present study comprises the top 15 companies' website based on market capitalization each from both sectors is selected. The reason behind companies was selected on market capitalization, as this technique was used in previous studies (FASB 2000, Allam and Lymer 2002,) and it has also proved that the companies which are large in size are more concern towards their web disclosure (Marston et al. 1998, Ashbaugh et al. 1999). This study is use single country studies and explanatory in nature.

For the purpose of data collection firstly it has been checked that companies have their websites then, it has been ensured that companies disseminating any kind of financial and non-financial information on their respective websites. To locate the corporate websites of respective companies, I have used the Google search engine. The present paper aims to study the internet financial disclosure by Indian public and private sector giants.

This paper has following objective:-

1. To study the item wise internet financial disclosure by Indian public and private sector companies.
2. To study the company wise internet financial disclosure by sample companies.
3. To measure the difference if any between the public and private sector giants in India of their internet financial disclosure.

## **B. The attributes**

This study collected data on 20 attributes, this attributes mainly related to financial position of the companies. Financial position of the company is real strength of the respective companies, as companies measure their existence or growth through the financial performance and make sure themselves to be stand in competition, moreover a healthy financial position builds up confidence among investor for investment in business. The attributes were selected from the previous studies conducted with respective to Indian context (Garg 2007, Singh 2009). Table shows the attributes used in this study and the attributes focus on the availability of financial or annual report related information.

<b>Serial No.</b>	<b>Attributes</b>
1	Balance Sheet of current year
2	P & L of current year
3	Cash flow Statement of year
4	Complete Annual Report
5	Capital Structure
6	Latest Financial Highlights (Notes to Account)
7	Quarterly Result
8	Auditor Report
9	Director Report
10	Earnings Per Share
11	Dividend Paid
12	Market performance
13	Media Releases
14	Segment reporting
15	Accounting Policy
16	Corporate Profile, Vision & Mission
17	Board of Director
18	Board disclosures – risk management
19	Link to SEBI
20	Key Ratio

Table 1: Financial Related Attributes

In this paper, score based analysis has been used for the internet financial disclosure, ‘1’ is assigned if the attribute is presented on the website otherwise ‘0’ has been assigned. Percentage analysis is used for measuring the extent of web disclosure among private and public companies and Mann-Whitney test has been used to check whether IFR practices differ among public and private companies in our sample.

## **4. A statistical analysis of the extent of internet financial reporting by the public and private sector**

The collection of data on selected attributes allowed us to proceed to data processing and statistical analysis. We have used percentage score for every attribute and found the maximum and minimum attribute reported by the companies and rank the companies on the basis of score achieved by them. The analysis part has been divided into three parts, firstly there is analysis of item-wise disclosure then companies wise and in last find the difference among private and public companies.

**A. Analysis of Item-wise Internet Financial Reporting**

Serial No.	Attributes	Public Companies		Private Companies	
		No.	%	No.	%
1	Balance Sheet of current year	15	100	15	100
2	P & L of current year	15	100	15	100
3	Cash flow Statement of year	15	100	15	100
4	Complete Annual Report	15	100	14	93
5	Capital Structure	4	27	8	53
6	Latest Financial Highlights (Notes to Account)	14	93	14	93
7	Quarterly Result	12	80	15	100
8	Auditor Report	14	93	12	80
9	Director Report	15	100	13	87
10	Earnings Per Share	12	80	14	93
11	Dividend Paid	13	87	13	87
12	Market performance	12	80	12	80
13	Media Releases	15	100	15	100
14	Segment reporting	14	93	15	100
15	Accounting Policy	14	93	15	100
16	Corporate Profile, Vision & Mission	14	93	15	100
17	Board of Director	15	100	15	100
18	Board disclosures – risk management	7	46.67	9	60
19	Link to SEBI	3	20	0	0
20	Key Ratio	7	46.67	13	86.67

Table 2: Financial Attributes Disclosure by Indian Private and Public Companies

The table shows the financial attributes reported by companies on their respective websites. It was observed that information related to balance sheet of companies, profit & loss statement, cash flow statement, complete annual report, media releases and information about board of director has been 100% disseminated by public companies, in the same manner attributes such as balance sheet, profit & loss statement, cash flow statement, quarterly result, segment reporting, accounting policy and information on board director was full disclosed by private companies.

Further it has been found that both sector are highly concern towards information related to latest financial highlights, quarterly result, auditor report, director report, earning per share, dividend paid, market performance, segment reporting, accounting policy and company profile as it was disseminating by mostly companies. On the other hand it was observed that only few companies were concern towards the disclosure of capital structure, link to SEBI and key ratio, as such score achieved in this attributes is very disappointing. It seems that companies are trying to hide the risk disclosure, as the score achieved by public sector is 46% and private sector is 60%.

## B. Analysis of Company-Wise Internet Financial Reporting

Company wise disclosure is essential for this study, through this we can analyses that which company has more disclosure score and really concern for their reporting through websites.

<b>Public Companies</b>	<b>Total Disclosure</b>	<b>%age Disclosure</b>	<b>Private Companies</b>	<b>Total Disclosure</b>	<b>%age Disclosure</b>
ONGC	16	80	TCS	18	90
Coal India	17	85	Reliance	19	95
SBI	15	75	ITC	18	90
NTPC	16	80	Infosys	19	95
IOC	17	85	HDFC Bank	19	95
Power India	16	80	Sun Pharma	18	90
NMDC	15	75	ICICI Bank	17	85
GAIL	18	90	HDFC	19	95
BHEL	16	80	TATA Motors	18	90
BPCL	18	90	HUL	17	85
Bank of Baroda	19	95	BhartiAirtel	18	90
Oil India	16	80	Wipro	19	95
PNB	14	70	Larsen	17	85
Power Finance	16	80	HCL Tech	11	55
Co.	15	75	Axis Bank	18	90

Table 3: Companies Wise Total Financial Disclosure

As shown in table 3, it was found that on average minimum 16 attributes(80%) has been reported by public companies and on average 18 attributes(90%) has been reported by private companies. None of company from both sector had full disclosure, whereas in public sector maximum companies lies between 75-85% in financial disclosure through web and in private sector maximum companies lies between 85-95% in their disclosure, so we can see that maximum attribute has been disclosed by private sector companies. In public companies maximum items disseminated by Bank of Baroda (95%) and least by Punjab National Bank (70%). In case of private sector companies, reliance, Infosys, HDFC bank, HDFC, Wipro disseminating maximum financial items (95%) and minimum by HCL tech (55%), which is lowest from both sectors.

### Descriptive Statistics on Company-Wise Disclosure

The table 4 shows the descriptive statistics of company wise disclosure from both sectors, it highlights the minimum, maximum and average disclosure by companies and showing the variance in disclosure.

	N	Range	Minimum	Maximum	Mean	Std. Deviation	Variance
Companies Disclosure	30	8	11	19	16.97	1.810	3.275
Valid N (listwise)	30						

Table 4: The Descriptive Statistics Result

From the table it is clear that the maximum disclosure score is achieved 19 by the Reliance, Infosys, HDFC Bank, HDFC, Wipro and Bank of Baroda. Only one public company achieved the maximum score. Whereas minimum disclosure score is achieved 11 by only one private sector company i.e. HCL Tech. The variance score achieved by companies is 3.275, which shows that there is no such variance in the disclosure of items on websites.

### C. Public & Private Sector and IFR level

This paper studies the culture of internet financial disclosure by public and private companies in India, and one of aim of the study is to explore the differences in IFR practices in public and private sector companies, so we applied Mann-Whitney test to our data to investigate the difference in IFR practices between public and private sector companies.

	CompaniesName	N	Mean Rank	Sum of Ranks
Companies Disclosure	Public Co.	15	10.77	161.50
	Private Co.	15	20.23	303.50
	Total	30		

	Companies Disclosure
Mann-Whitney U	41.500
Wilcoxon W	161.500
Z	-3.005
Asymp. Sig. (2-tailed)	.003
Exact Sig. [2*(1-tailed Sig.)]	.002 <sup>a</sup>

a. Not corrected for ties.

b. Grouping Variable: CompaniesName

Table 5: The Mann-Whitney Test Result

The Mann-Whitney result when comparing the public and private sector companies in India IFR points means produced a significant difference between the practices within the two sectors ( $p < 0.05$ ), it is because that we have already observed that private sector IFR disclosure on average lies between \_\_\_ and public sector on average lies between \_\_\_, thus means rank clearly state that private sector is highly concern towards their financial disclosure on websites than public sector.

## **5. Conclusion**

The present paper explored the dissemination of financial information by the public and private companies in India on their respective websites. Firstly we find that 100% companies in our sample had website and disseminating financial information at some extent.

The finding showed that few attributes of disclosure such as statement of position, statement of profit and loss, and cash flow statement are 100% disclosed by companies through web, because this attribute has declared mandatory as per companies act 1956 and SEBI guidelines. Hence, companies use their websites to fulfil the requirement as per law. Further it has been found that companies utilise their website in disseminating the information such as quarterly result, auditor report, director report, earning per share, dividend paid, corporate profile, about board & committee in a better manner, on the other hand it observed that few companies show their concern towards disclosure of attributes such capital structure, key ratio, link to SEBI and risk disclosure, as score achieved in these attributes are very disappointing.

Further, paper explored the company wise analysis of disclosure, it has been found that from public sector Bank of Baroda has achieved higher discloser score and PNB achieved the least score. From private sector it is really appreciated the company's Reliance, Infosys, HDFC Bank, HDFC, Wipro has achieved higher disclosure score and HCL Tec lowest from both sectors. Differences among the companies has been seemed by the Mann-Whitney test at 5% significance level and mean score achieved by private sector is better than public sector, which means private sector is more concern towards their financial disclosure through websites.

Thus, the result of this paper has great importance with regard to Indian context. Through this we observed that Indian companies utilise their websites in the dissemination of financial information. Yet the companies uses their websites for disclosure but there is difference among the companies, because there is no formal standard regarding the disclosure through websites' or we can say that the websites information is not standardised, it is the policy of companies for disclosure of information. Further there is a difference in the disclosure of two sectors which is not affordable, because it is hard for the investor for their decision.

From the result of this study there are some limitations, where this study has limited sample only top 30 companies, further this study only consider one dimension of disclosure i.e. financial, other dimensions such as marketing, environment, human resource might affect the result.

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