

Web Based Corporate Reporting in India

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Abstract

The present research paper examines the extent of web based reporting practices in Indian corporate sector. The sample for the study consists of 28 companies listed on Bombay Stock Exchange-100 index. The websites of the sample companies are browsed for the collection of data. The study shows that all companies have maintained active websites. The average disclosure score of all companies is 60.5 per cent. Voluntary disclosure index has been prepared to measure the item-wise disclosure of the companies.

Keywords: *Corporate Reporting, Voluntary Disclosure Index*

Introduction

Corporate reporting is the presentation of business information to the interested parties. It helps the investors in deciding best portfolio investment as they can easily assess the risk and growth potentials of the company. The informational need of the users induces the companies to disclose more and more business related information to the users. The disclosure of financial information provides true picture of the company to the users. The development of World Wide Web brings revolutionary change in the world. The technology has changed the way of conveying information and also the expectations of the investors for the need of information. All companies over the world have started disclosing financial and non financial information on internet due to low cost of disseminating information and wide reach. As a medium of communication of corporate information, internet has no equal alternative. As per RTI ACT, 2005, every public organization must disclose minimum amount of business information for the stakeholders on their websites. Though, there is no standardized content and format yet available to disclose corporate information on internet. The disclosure on web is voluntary on the part of business corporations.

Review of Literature

Singh and Singh (2015) examined the extent of financial disclosure practices by public and private sector companies and investigated the presence of difference between these sectors.

It was observed that the private sector companies were more concerned about disclosing financial information on the websites.

Sharma (2013) investigated the status of web based corporate reporting of commercial banks of Nepal. It was observed that companies were not utilizing the technological benefits of internet.

Malhotra and Makkar (2012) examined the extent of web based disclosure practices of 100 Indian companies. It was observed that 70 per cent of the companies disclosed general attributes such as contact us, about us, needs, events and history. Also, 81 per cent of the companies disclosed some kind of financial information such as annual reports, balance sheet and profit and loss account. As compared to other sectors banking companies presented financial and non- financial information at higher levels on the websites.

Verma D (2010) in her research paper examined the disclosure practices on internet by 200 Indian companies. The results highlighted that the average internet disclosure was almost 60 per cent. There was high degree of variation in the disclosure of private sector companies as compared to public sector companies. The result supported that the industry standard and the level of competition in particular sector determined reporting practices of the companies on web.

Dutta and Bose (2007) researched the utilization of the internet for communicating corporate information by 268 listed companies of Bangladesh. The companies were not having their own websites. Even the companies with websites were not utilizing the potentials of the internet reporting. Wide variation was found in the Internet Financial Reporting.

Khan (2005) made an attempt to determine the level of disclosure and transparency in the financial reporting of 177 companies on web for a period from January to March 2005. 31 per cent of the sample companies were not having websites. The item-wise disclosure shows that all companies presented balance sheet. Items such as income statement, cash flow statement, and director's biographies were presented by most of the sample companies. Analyst coverage was the least disclosed item. This showed the variation the level of financial disclosure on the internet due to difference in regulatory requirements.

Ashbaugh, Johnstone and Warifield (1992) in their research paper examined the use of internet by 290 firms for disclosing financial information for a period from November 1997

to January 1998. It was observed that 87 per cent of the companies had websites. 70 per cent of the companies with websites were engaged in financial reporting on internet. The variation was found in the content of firms' financial disclosure on internet. The firms engaged in internet reporting were particularly large in size and profitable.

Objectives of the Study

The objectives of the study were:

1. To check the presence of websites of sample companies.
2. To examine the extent of disclosure practices on internet in Indian corporate sector.
3. To provide suggestions to improve web based disclosure practices in India.

Research Methodology

The study covers 28 companies (based on market capitalization rate) listed on Bombay Stock Exchange-100 index as on 1st October, 2015.

For the purpose of study, data has been collected from the websites of the companies for the period from 1 December 2015 to 29 February 2016. To measure the extent of voluntary disclosure practices on web, a voluntary disclosure index constituting 52 items has been prepared. The selection of items for the construction of voluntary index is based on review of literature of corporate reporting practice on web. For the purpose of analysis, the items have been classified into six categories such as-

1. Financial Information
2. General Information
3. Marketing Information
4. Corporate Social Responsibility Information
5. Corporate Governance Information
6. Technological Advantages & User Support Information

For scoring of items in the index, both weighted scoring method (in respect of 3 items) and unweighted scoring method have been used. If a company discloses an item, then score one is given and if an item is not disclosed, zero score is given. The item-wise disclosure score has been calculated by dividing the number of companies disclosing a particular item by the total number of sample companies.

$$\text{Disclosure Score} = \frac{\text{Number of companies disclosing particular item}}{\text{Total Number of sample companies}}$$

Table 1: Scoring of Voluntary Disclosure Index

Items	Distribution criteria	Score
Annual Reports	0 year	0
	1-5 years	1
	5-10 years	2
	More than 10 years	3
Languages of Websites(English/Hindi/Both)	If any one	1
	If both	2
Format of Annual Report(html/PDF)	If anyone format is available	1
	If both formats are available	2

Table 2: Maximum Possible Score of Voluntary Disclosure Index

Categories of VDI	Max. possible score
Financial Information	17
General Information	10
Corporate Governance Information	8
Technological Aspects Information	13
Marketing Information	5
Corporate Social Responsibility Information	3
Total Score	56

Results & Discussions

Financial Information

Table 4 shows the item-wise financial disclosure of sample companies. The table shows that 100 per cent of the companies presented balance sheet and profit and loss account for the current year. 96 per cent of the companies presented reports on quarterly basis. Consolidated financial reports 86 per cent, earning per share 82 per cent and segment reporting 79 percent are available on website of companies. 75 per cent of the companies disclosed notes to

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financial statements and financial highlights. Financial ratios are reported by 50 per cent of the companies. Dividend information and auditor's report are disclosed by 43 per cent and 36 per cent respectively on websites. Only 11 per cent of the companies have disclosed director reports and 4 per cent of the companies show's equity statement on their websites. The disclosure score to the annual reports have been provided for the number of years the annual reports have been presented on the websites. All companies have provided annual report of the current year on their websites. Many companies reported annual reports for more than one year and according the higher scores are given. The overall average of financial information disclosed by companies on their websites comes to 63 per cent. There is variation in the disclosure of financial information on web.

Table 4: Item-wise Disclosure of Financial Information

Sr. No.	Financial Information	Disclosure Score	Total Score	Per Cent
1.	Annual reports	66	84	79
2.	Auditors report	10	28	36
3.	Balance Sheet	28	28	100
4.	Cash Flow Statement	8	28	29
5.	Consolidated financial reports	24	28	86
6.	Dividend information	12	28	43
7.	Directors report	3	28	11
8.	Earnings per share	23	28	82
9.	Financial highlights	21	28	75
10.	Financial ratios	14	28	50
11.	Quarterly reports	27	28	96
12.	Owners' equity statement	1	28	3
13.	Income statement	28	28	100
14.	Notes to financial statements	21	28	75
15.	Segment reporting	22	28	79
	Total	308	476	
	Average	20.53	31.73	63

Source: Author's Calculation

are available on website of companies. 75 per cent of the companies disclosed notes toneral
Information

The table shows that all sample companies provide news and career information on their websites. About us and Contact us information is available on 96 per cent of websites. 86 per cent of the companies disclosed their history on websites. The site map is also provided by 86 per cent of the companies for the users to have a full glance of website at a single click. 57 per cent of the websites are provided with FAQ to provide additional information to the investors. Disclaimer is provided by only 43 per cent of the companies. 36 per cent of the corporate websites provide links to other sites to give additional information to the users from their web pages and 25 per cent of the websites provide the users with help option. The overall average of disclosure of general information is 73 per cent.

Table 5: Item-wise Disclosure of General Information

Sr.no.	General Information	Disclosure Score	Total Score	Per Cent
1	About us	27	28	96
2	News	28	28	100
3	History	24	28	86
4	Links	10	28	36
5	Help	7	28	25
6	Career	28	28	100
7	FAQ	16	28	57
8	Disclaimer	12	28	43
9	Contact us	27	28	96
10	Site map	24	28	86
	Total	203	280	
	Average	20.3	28	73

Source: Author's Calculation

Marketing Information

The table 6 shows that all companies are using websites for communicating information related to their products or services offered to the customers. E-commerce is being used at infancy stage. Only 39 per cent of the companies are using websites for E-commerce purposes. 32 per cent of the companies have revealed research and development information on their websites. Stakeholders are provided with Sales and Advertisement/ Marketing

information by 25 per cent of the companies. In spite of mass reach of internet, still many companies are not utilizing its potentials for marketing purposes. The overall average of disclosure of marketing information is just 44 per cent.

Table 6: Item-wise Disclosure of Marketing Information

Sr. No.	Marketing Information	Disclosure score	Total score	Per cent
1	Product or Service	28	28	100
2	Research and Development	9	28	32
3	Advertisement/ Marketing	7	28	25
4	E-commerce	11	28	39
5	Sales	7	28	25
	Total	62	140	
	Average	12.4	28	44

Source: Author's Calculation

Corporate Social Responsibility Information

The tables 7 highlighted that 96 per cent of the corporate websites have disclosed Corporate Responsibility policy. The details of corporate social responsibility Committee have been given by 61 per cent of the companies. Only 43 per cent of the companies presented Corporate Social Responsibility Report on the websites. The overall average of Corporate Social Responsibility Information comes to 67 per cent, which is quite satisfactory.

Table 7: Item-wise Disclosure of CSR Information

Sr. No.	CSR Information	Disclosure score	Total score	Per cent
1	CSR Policy	27	28	96
2	CSR Committee	17	28	61
3	CSR Report	12	28	43
	Total	56	84	
	Average	18.66	28	67

Source: Author's Calculation

Corporate Governance Information

The table 8 shows that 96 per cent of the companies provide shareholders information. The Information about Board of Directors and code of conduct is made available by 89 per cent of the companies. Vision statement and mission statement are available on corporate websites by 57 per cent and 43 per cent respectively. Only 32 per cent of the companies disclosed Corporate Governance report on websites. Companies MOA and AOA are available on the websites by 32 per cent and 21 per cent respectively. The overall average of corporate governance information comes to 58 per cent. Some of the companies are following good Corporate Governance practices but still more information is needed to be disclosed by the companies so as to bring transparency in the disclosure to gain the confidence of stakeholders.

Table 8: Item-wise Disclosure of corporate Governance attributes

Sr. No.	Corporate Governance Information	Disclosure Score	Total Score	Per Cent
1	Code of Conduct	25	28	89
2	Article of Association	6	28	21
3	Memorandum of Association	9	28	32
4	Shareholders' Information	27	28	96
5	Board of directors	25	28	89
6	Vision	16	28	57
7	Mission	12	28	43
8	CG Report	9	28	32
	Total	129	224	
	Average	16.13	28	58

Source: Author's Calculation

Technological Advantages & User Support Information

The table 9 shows that 86 per cent of the companies provide a single click to reach to the investor relation page and 82 per cent of the companies provide search engine. Privacy information is disclosed by 86 per cent of the companies. 75 per cent of the companies provide investors with audio and video support. English is used as a medium of communication. Few companies belonging to public sector companies give an option to view the websites in Hindi. Website using terms and Feedback Option is available on 46 per cent

and 39 per cent of the websites. 18 per cent of the websites provide the facility to download the reports. 11 per cent of the websites provide users of annual reports with the facility to view the pages recently visited by them. Security data is disclosed in only 7 per cent of the websites. All sample companies have provided their annual reports in PDF. Along with PDF 4 companies have also reported annual reports in html format for the convenience of investors. The overall average of technological advantages and user support information is 50 per cent.

Table 9: Item-wise Disclosure of Technological Aspects Information

Sr. No.	Investor Relation Information	Disclosure Score	Total Score	Per Cent
1	Search	23	28	82
2	1 click on investor relation page	24	28	86
3	Format of annual report	32	56	57
4	Privacy	24	28	86
5	Multiple language support	33	56	59
6	Feedback	11	28	39
7	Download	5	28	18
8	Website using term	13	28	46
9	Security	2	28	7
10	Recently visited	3	28	11
11	Audio/Video support	21	28	75
	Total	191	364	
	Average	17.36	35.63	52

Source: Author's Calculation

Conclusions

The study highlighted that Indian companies have not completely utilized the prospects of internet for dissemination of business information to the public. There is variation in the type and extent of financial and non-financial information disclosed on web among Indian companies.

The information such as balance sheet, profit and loss account, news, product and services and career related information is disclosed by all companies.

SUGGESTIONS

1. The corporate reporting on website should be standardized.
2. There is need for convergence of Indian accounting standards with International accounting standards so as to provide real benefits of web reporting to the users.
3. The auditor's report should be attached along with the disclosure of financial information to make it more reliable.
4. The companies should provide important information at the home page level. This will provide ease to the user in accessing the financial information on the websites.
5. The companies should provided information on their websites in both English and the national language (Hindi). As it may be difficult for the local users to understand the information provided in English language.
6. The companies are recommended that efforts should be made to make websites technologically sound. Also, there is need to make websites more interactive and user friendly.

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