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A CONCEPTUAL FRAMEWORK ON INTERNET-BASED DISCLOSURE OF CORPORATE INFORMATION

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ABSTRACT

Rapid technological advancements have pushed businesses around the world to use internet-based corporate reporting to communicate and share company information either financial or non-financial throughout the world. The corporation conducts web-based corporate reporting as a means of information disclosure, and doing so will impact the value of the business. Main aim of the study is to disclose the conceptual framework of digital disclosure practices of organizations including key determinants of corporate digital reporting, important theories related to digital reporting and benefits of internet-based reporting over traditional or paper based corporate disclosure of information. This study is descriptive and exploratory in nature. Different published articles in known journals, various reports and research papers are used for achieving the aim of study. It is concluded that there are many key determinants or factors of digital reporting i.e. size of firm, age of firm, profitability, liquidity, leverage, audit quality and type of industry. Based on the agency theory, signalling theory and stakeholders theory study exhibits many benefits of online reporting over paper-based reporting including timeliness availability of information, cost economies, helps in decision making for stakeholders etc.

Keywords: Online Reporting, Corporate Disclosure, Web-based information, Digital Dissemination of Information, Internet-based disclosure.

1. INTRODUCTION

Worldwide, internet-based corporate information sharing has grown dramatically during the past twenty years. A growing number of publicly traded companies have websites to share information about financial performance, social and environmental challenges, corporate governance, and other topics. Information in financial reports must be accurately portrayed, pertinent, intelligible, comparative, timely, and verifiable for choices to be considered valid. The effectiveness of financial reporting is useful when deciding how to allocate resources within an organisation. The primary channel for management and investor and market communication is through disclosures, which can be made through a variety of channels such as annual reports, investor relations, interim reports, conference calls, and business websites. Companies are encouraged to share information online because it takes less time and money to do so, opens up new channels of communication with consumers, complements traditional disclosure procedures, and increases the quantum and variety of disclosed information. Corporate reporting on the Internet facilitates timely reporting, addresses a wider audience, and allows a choice in multiple presentation methods, such as hypertext and multimedia, providing a potential solution to the issues with traditional paper-based information disclosures. The importance of the internet in financial reporting is growing as it has the potential to transform external reporting. The internet offers a special type of corporate voluntary publication that makes it possible for businesses to instantly share information with a worldwide audience. Additionally, the internet enables businesses to share information instantly and expands access to information that is financial as well as non-financial. The conventional flow of accounting, auditing, and accountability information to diverse interest groups has been disrupted by the internet era. It is crucial that businesses address stakeholder requests for more swift delivery of timely, transparent financial information in order to boost confidence and encourage shareholders and potential investors.

The rapid advancements in information technology, especially the Internet, have had an impact on all facets of society. The business sector is not an exception. The usage of the internet in many corporate functional areas has grown fairly common in recent years. The internet offers a new medium for sharing both financial and non- financial information. It is quick, affordable, and getting easier for shareholders to access. In contrast to the classic one, it has appealing features. Companies have recently made all the most recent information available online. Undoubtedly, the Internet may offer more efficient and better means of disseminating both financial and non- financial information. Internet disclosure is a recent but rapidly expanding phenomena, and many businesses worldwide are utilising the chance offered by the global web. This quick release of financial data gives the impression that there is more public transparency. By extension, this behaviour helps managers

increase firm value by helping them develop a more positive reputation among investors.

2. REVIEW OF LITERATURE

Numerous research on corporate internet-based disclosure practises have been conducted in India and elsewhere. This section of study about review of numerous studies that have been conducted in the past regarding the web- based disclosure practises utilised by various organisations, including corporations.

Hasan and Islam (2023) conducted a study to investigate how coercive, conventional, and imitating pressures influence how quickly corporate online reporting happens. Content analysis technique was applied on the data of top 100 companies on Dhaka Stock Exchange in 2019. The authors discover that coercive isomorphic pressures from connections to parent multinational firms, ownership by foreign investors, government, and the general public have favourable links with timely corporate internet reporting.

Parasetya et al. (2022) attempted to find the effect of the level of web-based corporate reporting on firm value, as well as what information investors require when deciding whether or not to invest in a company. A population of financial companies in the banking sector that have a company website and listed on the Indonesia Stock Exchange (IDX) in 2020 was analyzed with the help of multiple regression analysis. This study discovered that data disseminated through internet, particularly stock information, had a significant positive association on firm value.

Rahmisyari (2022) undertook research to find out how stock returns and trade volume are affected by internet financial reporting. Results from 29 Indonesian banks were examined using descriptive statistical analysis and apanel data regression test in 2021. The study's findings mostly show that internet financial reporting has a favourable but negligible impact on stock returns and trading volume.

Tasios et al. (2021) examined the extent, factors affecting the extent and quality of corporate disclosure through websites during COVID-19 pandemic. For the purpose of analysis total 40 non-financial large and middle capitalization companies listed on the Athens Stock Exchange (ASE) for the year 2020. Multiple regression analysis was applied for the testing. Study indicated that the firms which are more profitable, larger in size and with more board members disclosed more information on their websites.

Lombardi R. and Secundo (2021) investigated 43 Scopus database publications which were analyzed with the help of Descriptive and cluster analysis method to present a systematic literature review of organizations online disclosure process and digital technologies. Results concluded that digital technologies play a vital role in stakeholder engagement, accountability, transparency and management of earnings.

Xiang and Birt (2020) conducted research and looked at the volume of financial and non-financial data as well as the social media strategy related to online reporting. The study shows that a company's internet reporting is related to its size and financial performance, but not to the proportion of independent board members. The findings showed that social media strategy and firm size are both related.

Madhani (2019) examined the connections between corporate governance, disclosure practises, board features, including size and makeup, and enterprises listed on the Bombay Stock Exchange (BSE). The study found no statistically significant difference between the corporate governance and disclosure scores of companies with a larger proportion of independent directors and those with a lower proportion of independent directors in the Indian context.

Sandhu and Singh (2019) attempted to look into how corporate online reporting practises are affected by board composition. Internet disclosure index with both presentation and content characteristics for CIR measurement. According to research, bigger boards with fewer family members, bigger businesses using less debt, and audit committees that meet more frequently tend to post more information on their websites.

Mitra et al. (2017) explored the current status of web based corporate reporting practices of 98 companies listed on Dhaka Stock Exchange (DSE). The findings demonstrate that the companies provide information related to company overview, products and services, career opportunities, corporate social responsibility, corporate governance and financial aspects.

Alarussi and Shamkhi (2016) conducted the research to explore the relation between internet financial dissemination on company characteristics and dominant personalities in board committees of 194 Malaysian listed companies. Hypothesis were tested with the help of Multiple regression analysis. The results of study exhibits that the Level of technology, firm age, number of shareholders and listing were positively associated while dominant personalities in the audit and nomination committees were negatively associated with internet financial disclosure.

Dolinsek et al. (2014 undertook the study to identify the types and contents of economic data available online, as well as the influences on how this information is disclosed. Total 209 large Slovenia companies including 25 banks during January 2012 were analysed with the help of Regression analysis method. Results of study concluded

that 110 (52.6 per cent) companies publish its monetary or financial information through internet. Additionally, factors including firm size, ownership concentration, legal structure, and industry of operation have a big

impact on online financial reporting.
Qasim and Haddad (2012) explored the disclosure practices of Jordanian listed firms through internet and the effect of that disclosure on the investors through the semi-structured interviews. Results revealed that online reporting plays a vital role in boosting brand image, more international influence. Also concluded that attitude or belief of top management, management change and absence of competition plays the role as a hurdle in online disclosure due to which stakeholders does not used internet for getting different information about companies.
Makkar and Malhotra (2012) examined the impact of factors effecting the level of corporate web reporting by 100 Indian companies selected 20 companies from each five sectors namely Banking, Power, Electronic and Engineering, Consumer goods and Information technology. The findings of the linear regression study showed that 72 businesses have more information available on their websites. Additionally, profitability and debt are not strongly associated with the disclosure index, although company size and liquidity are.
Almilia and Surabaya (2009) attempted to find out the different variables of corporate digital reporting of companies listed on Indonesian Stock Exchange and also to measure the quality of online reporting of Jakarta Stock Exchange public firms. Ordinary Least Square regression analysis was done on 45 Indonesian firms in November 2007 and February 2008. According to the findings, the nature of IFR disclosure varies significantly across the sample firms. Size of the firm and profit margin on equity have been found to be key predictors of financial reporting on the internet in Indonesia.
Mendes-da-silva et al. (2008) attempted to explore the factors that influence Brazilian firms' voluntary online disclosure of financial information. The level of voluntary online disclosure is positively correlated with firm size and corporate governance quality, according to a cross-sectional examination of 291 non-financial companies listed on the So Paulo Stock Exchange in 2002. This study finds that corporate governance is an additive factor of Internet financial disclosure for Brazilian corporations when compared to comparable Internet disclosures of U.S.-domiciled companies.
Spanos and Mylonakis (2006) investigated the internet corporate reporting practices by Greek listed medium and small sized companies. Study concluded that Greek companies mostly rely on traditional and common internet reporting practices and these companies used less internet in comparison of other developed market.

3. SIGNIFICANCE OF STUDY

Due to the limitation of time, it is particularly difficult for the financial decision-making community to acquire right information at right time in consolidated and cost-effective manner through traditional method of corporate disclosure. There is a need to enhance the usability of financial information reporting via internet-based means to support the knowledge extraction and decision-making activities. This issue is mainly investigated and analysed in context of developed economies. But in developing economies like India, it is still not explored too much. Although the previous studies done in India regarding web-based disclosure practices of corporate information were carried on for some specific area or industry or with small sample, maybe due to the lack of concerned data or different principles of firms for disclosure practices. Therefore, this study is mainly concerned with exploring
the conceptual framework regarding digital reporting including the nature of information disclosed, different theories of dissemination and various benefits of information disclosed over internet.

4. OBJECTIVES OF STUDY

1. To present the key determinants of internet-based disclosure of corporate information
2. To give a detailed explanation about different theories related to web-based dissemination of corporate information,
3. To disclose various benefits of internet-based corporate disclosure over paper-based disclosure of corporations.

5. DETERMINANTS OF INTERNET-BASED CORPORATE DISCLOSURE

1. **Size of the Firm**
   Numerous studies demonstrate a positive correlation between firm size and corporate disclosure. According to agency theory, the information gap between market participants causes large enterprises to have larger agency costs. Larger enterprises provide a lot of corporate information in order to lower these agency expenses. Large companies are more likely to use internet reporting as a complement to conventional financial disclosure with modest incremental expenses in order to save money on agency fees. The advantages of such disclosures grow with the size of the firm.

2. **Age of the Firm**
   A few research have focused on the age factor of corporate voluntary disclosure as a determining factor. The influence of age on the disclosure of financial information can be explained by signalling theory. Older businesses might be more inclined to provide this information because doing so is less likely to harm their ability to compete. Accordingly, it is assumed that older businesses are more likely to adopt internet financial reporting since it offers a method for voluntary disclosure.
3. **Leverage**
   The effects of leverage on the volume of voluntary disclosure have shown conflicting outcomes. Businesses can lower agency costs of debt by increasing the extent of corporate disclosure. The free cash flow hypothesis states that managers are more likely to invest freely accessible cash flows in initiatives with negative net present values. Then, shareholders will pressure business owners to accrue enough debt to lower the amount of cash available for managers to use as they see fit. Disclosures made voluntarily aid in minimising conflicts of interest between shareholders and debt holders. Additional initiatives, such as online financial reporting, serve to reduce the difficulties of excessive debt and ensure that debt holders' informational needs are met as debt grows. While some research reveal a negative correlation, others reveal a positive association between leverage and corporate internet disclosure.
4. **Profitability**
   The relationship between profitability and the degree of transparency has been studied in the past, but the findings are conflicting. Profitable businesses have an incentive to provide investors with more information, signal the company's profitability, and raise capital at the lowest cost in order to maintain management positions and remuneration levels. According to agency theory, managers of successful businesses have an incentive to provide more information in order to increase their reward.
5. **Liquidity**
   The relationship between liquidity and the degree of disclosure has been the subject of numerous research. But once more, the outcomes are ambiguous. Signalling theory states that businesses will share more information to set themselves apart from rivals with less favourable liquidity if their liquidity ratio is high. According to agency theory, businesses with low liquidity ratios might divulge more information to meet shareholders' and creditors' information needs.
6. **Size of Board**
   The findings show a mixed relationship in terms of the nature of the association between board size and CIR, which is consistent with the theoretical reason. The board of directors, which oversees the company, has a role in how much information is provided and so represents the interests of shareholders. In addition to successfully monitoring the firm's governance and transparency, it also lessens issues with information asymmetry and agency conflicts. The board's function in minimising managerial opportunism, which makes companies with big boards less inclined to hide information. The researchers contend that larger boards are better at controlling and overseeing because they have a wider range of perspectives, skills, and information, but this advantage is outweighed by poor communication and a longer procedure for making decisions.
7. **Industry Type**
   A factor influencing voluntary financial disclosure has been discovered as the industry in which a corporation works. Industry-related disclosures are likely to be the cause of differences in a firm's amount of disclosure across different industries. According to the signalling theory, voluntary disclosures by larger companies within an industry may also result in disclosures, creating a bandwagon effect. Researchers have conducted studies to determine the relationship between industry type and disclosure, and they have discovered a strong positive correlation.
8. **Listing Status**
   Companies with foreign listings typically have to disclose more information than is required domestically in order to comply with foreign stock market regulations. Foreign shareholders typically experience higher degrees of information asymmetry compared to managers. Wider distribution of financial information and expanded voluntary disclosures can also give the appearance of more transparency, which may be especially essential for overseas investors. To decrease information disparities between local and foreign investors, foreign listed businesses must disclose more information.
9. **Auditing Size**
   A key element in enhancing businesses' general reporting practises is audit quality. International audit firms are more likely to encourage the spread of cutting-edge techniques. Prior studies have discovered a favourable relationship between audit type and web-based reporting.

6. THEORETICAL FRAMEWORK OF WEB-BASED DISCLOSURE

1. **Agency Theory**
   Conflicts of interest brought on by a company's separation of ownership and control are addressed by agency theory. Agency costs, such as a reduction in the company's value and monitoring expenses associated with supervising the management, may result if managers do not operate in the best interests of their shareholders but instead aim to further their personal interests. It is said that managers are motivated to boost disclosure in order to persuade shareholders that they are operating in the best interests of the company since they are aware that investors want to influence their behaviour through bonding and monitoring activities. Larger organisations have a stronger knowledge asymmetry between managers and shareholders; hence agency costs tend to rise with company size. Larger corporations typically reveal more information than smaller ones in order to cut agency expenses.
2. **Signalling Theory**
   Signalling theory explains how profitability, age, and industrial sector affect web-based corporate transparency. According to the signalling theory, higher quality businesses will choose accounting practises that allow customers to notice their superior quality, while lower quality businesses will adopt accounting techniques that cover up their inferior quality. Lower-quality companies could want to maintain a low profile and restrict access to their accounting data to the most tenacious users. The very act of using the internet might be a high-quality signal in and of itself. Open dialogue with investors is anticipated to be advantageous for more profitable organisations as it signals their competitive advantage. Signalling theory also explains and predicts the apparent relationship between industry sector and voluntary disclosure. Companies will endeavour to embrace the same level of openness as other businesses in the same industry because if one does not, stakeholders might assume that it is hiding bad news.
   Stakeholders Theory
   Similar to this, the stakeholder theory views managers as acting as both agents and principals in relationships with all of the corporations' stakeholders. Stakeholder theory generally has to do with how businesses handle their stakeholders. The parties with an interest in the corporate affairs, such as shareholders, employees, consumers, creditors, suppliers, and the government, are referred to as stakeholders. According to this principle, each stakeholder in the organisation is entitled to a return on their investment. The stakeholders may also have an impact on how an organisation manages the resources it needs. Information technology is thus one of the cutting-edge instruments used today to satisfy the needs of all firm stakeholders.

7. BENEFITS OR ADVANTAGES OF DIGITAL REPORTING

There are several benefits of internet-based disclosure of corporate information over traditional paper- based disclosure for the organisation practising the digital reporting and also for the different stakeholders such as customers, investors, employees of the company, government and regulatory bodies, auditors etc. These benefits can be summarised as follows:

1. **Timeliness availability of Information**
   Corporate information is disseminated via the web, allowing users to quickly and easily obtain all the data they need to make decisions. It improves stakeholders' effectiveness. Companies can also update the data more quickly than using the old-fashioned disclosure methods**.**
2. **Global Access and Mass Communication**
   Only a small number of users can access information at once with paper-based disclosure. However, anyone from anywhere at any time may get all the pertinent information, thanks to digital reporting.
3. **Economies of Cost**
   Users can obtain all the information with only one click and at minimal expense by using digital reporting. Additionally, it lowers costs for organizations that provide information online.
4. **Feedback and Interaction**
   With the use of online disclosure, users or stakeholders now have the ability to communicate with the company's owner or managers whenever they have a question. They may also offer suggestions or feedback in the comment section. The decision-making body of the businesses finds these recommendations to be very helpful.
5. **Presentation Flexibility and visibility**
   With the use of tables, diagrams, pie charts, bar graphs, and other visual aids, information providers are now able to display information in a more appealing and user-friendly manner over

the internet. A shortcoming of the paper-based disclosure method for the corporate sector is that changes can be made at any time.

6. **Attract Foreign Investors**
   Foreign investors get access to the most recent or updated data on the performance of the company on many elements thanks to digital reporting, which helps them make investment decisions.
7. **Help in Decision Making Process**
   Stakeholders can make investment decisions with the aid of online access to corporate information by examining the firm's historical profit profile, future plans, total capital, rating of the company, etc**.**
8. **Helpful for Researchers and Analysts**
   Information available on company websites is particularly helpful for researchers and analysts because it gives them quick access to all pertinent information for very little cost.

8. RESULTS AND DISCUSSION

A growing number of publicly traded businesses have websites where they post information on things like corporate governance, social and environmental issues, and financial performance**.** In this study, the main factors affecting online reporting, as well as their theoretical foundation and possible advantages, were revealed. The study's findings show that a number of variables, including the firm's size and age, profitability, liquidity, debt, overseas listing status, audit quality, board size, and industry, influence voluntary disclosure on the internet. The agency theory and the signalling theory are the two basic theories of web-based disclosure. All interested parties as well as the information provider unit can benefit greatly from online reporting.

9. CONCLUSION

Every business today maintains a website and provides users with relevant information via digital media on the website. Companies are encouraged to disclose information online because it is more cost-effective and time-efficient, creates new consumer contact channels, supplements established disclosure procedures, and enhances the volume and diversity of disclosed information. A potential answer to the problems with conventional paper- based information disclosures is corporate reporting on the Internet, which facilitates timely reporting, reaches a wider audience, and offers a choice of multiple presentation formats, such as hypertext and multimedia. Objectives of the study was to explore the different determinants, basic theories and potential benefits of the internet-based corporate disclosure. With the help of Agency theory and Signalling theory, it is found that firm's size and age,audit quality, profitability, liquidity, leverage, size of board, type of industry and listing status of the company are key determinants or factors of online reporting. There are many benefits of such type disclosure i.e. timeliness availability of data, cost efficiency, help in decision making, attracts potential investors, global access, effective presentation, feedback and interactions.

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