CORPORATE INTERNET REPORTING AND SMALL INVESTORS: AN EMPIRICAL STUDY ON THE DESIRABILITY OF ONLINE DISCLOSURE PRACTICES

Balraj Singh

Assistant Professor
Post Graduate Department of Commerce, Sri Guru Gobind Singh College,
Sector-26, Chandigarh

ABSTRACT

Internet-based corporate disclosure is becoming an important way for companies to share financial information with stakeholders. It offers many advantages such as easy access, quick sharing of information, lower communication costs, and attractive presentation of data. These features help companies build transparency and improve accountability.

This study focuses on the views of small investors about the usefulness of corporate disclosure on company websites. A survey was conducted among educated and internet-aware investors in Punjab and Chandigarh. The results show that most investors prefer to get the same information online that is usually given in printed annual reports. They believe that internet-based disclosure can improve corporate governance, reduce share price fluctuations, increase transparency, and build trust in management.

Overall, the study highlights that web-based reporting is becoming an effective tool for small investors to make better financial decisions. It also suggests the need for clear rules and guidelines to make online disclosure more reliable.

Keywords: Corporate disclosure, Internet reporting, Small investors, Transparency, Web-based reporting, Corporate governance

1. INTRODUCTION

Corporate disclosure is a key element in financial decision-making as it helps investors manage their resources and make informed choices. Although it forms an essential part of a transparent and fair accounting system, traditional corporate disclosure has faced criticism for several limitations. These include reliance on general-purpose reporting models, delayed reporting, limited accessibility, high costs, lack of comparability, and occasional window dressing. Many of these issues are linked to the traditional methods used to share corporate information with stakeholders. Historically, paper-based annual reports have been the primary means of disclosure.

Over time, various reforms were suggested to improve corporate reporting, such as multiple-column reporting, multiple-dimension reporting, specific-purpose reporting, database reporting, the Jenkins Committee Report, and the Canadian Performance Reporting Initiative. However, most of these initiatives failed to gain practical acceptance due to high costs, confidentiality concerns, technical challenges, and limitations in available technology. To make corporate reporting more effective, organizations like the Financial Accounting Standards Board (FASB) in the United States and the Institute of Chartered Accountants of England and Wales introduced web-based reporting models in the late 1990s. For example, the FASB launched an experimental website for a model company, "FauxCom Inc.," to demonstrate how web technology could be used for financial disclosure. Similarly, the

ICAEW developed a model annual report that allowed users to customize their view of the information.

With the rise of the internet, companies worldwide have begun using their websites to share financial and non-financial information with investors and other stakeholders. The first use of the web for corporate disclosure began in the United States in 1994, and by 1996, 55 American companies had published financial statements online. Other regions, such as Hong Kong, followed suit, and over the past 15 years, studies have shown rapid global adoption of web-based reporting. The internet provides advantages over print, including more space, interactive content, audio/video options, timely updates, and lower costs.

Despite these benefits, online disclosure raises concerns about authenticity, credibility, and regulatory guidance. Auditors may face new responsibilities for verifying online data, and companies must decide between printed or digital formats. In India, web-based corporate reporting is increasing, supported by initiatives from standard-setting and regulatory bodies.

The remainder of this paper is organized as follows: Section 2 reviews prior studies on users' perceptions of web-based disclosure, Section 3 describes the research methodology, Section 4 presents findings on small investors' views on online disclosure, and Section 5 concludes with a summary, limitations, and suggestions for further research.

2. PRIOR LITERATURE

Most empirical studies on web-based corporate disclosure have either focused on descriptive statistics or examined factors influencing disclosure practices. However, only a few studies have explored users' attitudes and preferences regarding financial information on corporate websites. Hassen et al. (2000) studied Malaysian CFOs and found that the benefits of online disclosure outweighed the costs for both companies and users. Debreceny et al. (2001) surveyed 169 accounting professionals and academics, highlighting that users were satisfied with content and presentation, and recommended that financial websites present information in both text and graphical formats. Hodge (2001) noted that investors using hyperlinks sometimes misclassified unaudited information as audited compared to paper-based reports.

Xiao et al. (2002) studied 17 UK accounting and Internet experts, showing that while technology drives some trends, non-technological factors like resistance to change and regulatory delays also influence online reporting. Barac (2004) found that South African auditors had limited policies on web reporting and were reluctant to expand audit responsibilities online. Adam and Frost (2004) reported limited use of corporate websites for environmental communication across Australia, the UK, and Germany, highlighting the need for strategic planning and specialized software.

Kelton (2006) observed that presentation format affects decision-making, with hard-copy users making more accurate judgments than hyperlink users. Lee et al. (2008) examined factors influencing investors' intentions to use financial websites. Ismail (2009) found that auditors' knowledge of risks, quality systems, client characteristics, and legislation affected the work needed for auditing online reports. Chander and Singh (2009) highlighted that web disclosure improves information quality, decision-making, evaluation, and competition among retail investors in Punjab and Chandigarh. Heroux and Henri (2010) identified stakeholder orientation and perceived uncertainty as key factors in web-based reporting management.

Despite global research, there is a lack of studies in India focusing on small investors' views on online disclosure. This study addresses this gap by examining their perceptions regarding accounting, social responsibility, and corporate information disclosure on the Internet.

3. DATA BASE AND RESEARCH METHODOLOGY

This study investigates the desirability of disclosing selective corporate information online by surveying small investors in Punjab and Chandigarh (U.T.). The target population includes educated and internet-savvy investors from Amritsar, Ludhiana, and Chandigarh. A snowball sampling method was employed to reach investors who frequently use the web for trading securities.

A total of 200 respondents were surveyed, with 35% from Ludhiana, 40% from Chandigarh, and 25% from Amritsar. The survey questionnaire consisted of two sections: Section A collected respondents' demographic profiles, while Section B assessed the desirability of disclosing specific corporate information online.

Profile of the Respondents

The profile of the respondents is reported in Table 1.

Table 1

Profile of the Respondents

(In percent)

Gender	Age	Profession
Male 172(86%)	Upto 30 144(72.0%)	Professional 93(46.5%)
Female 28(14%)	31-45 49(24.5%)	Academic 44 (22.0%)
	46–60 5 (2.5%)	Self-employed 27(13.5%)
	Above 60 2 (1.0%)	Manager 20 (10.0%)
		Retiree 4 (2.0%)
		Others 12 (6.0%)
100	100	100

The table shows that vast majority i.e. 86 percent of the respondents were male and only 14 percent of the sample were females with 72 percent of the respondents from the age group of up to 30 years, 24.5 percent from 31-45 years, 2.5 percent from the age group of 46-60 years and only 1.0 percent were from the age group of above 60. Around 46.5 percent of the respondents were professional, 22 percent were academicians, 13.5 percent were self-employed, 10 percent were managers, 2 percent was retirees and 6 percent were from others category. Thus, the sample is widely distributed and representative in terms of sex, age, education and profession.

4. RESULTS AND DISCUSSIONS

The respondents were asked to rate the usefulness of disclosing 30 types of corporate information on a five-point scale: *very useful*, *useful*, *somewhat useful*, *little useful*, and *not useful at all*. These items were chosen because they are commonly found in traditional printed annual reports, and the pilot study supported their relevance.

The 30 items were grouped into three categories:

1. Accounting information disclosure (18 items)
2. Corporate social responsibility (CSR) disclosure (4 items)
3. Corporate information disclosure (8 items)

For each item, a Weighted Average Score (WAS) was calculated using the scale: 5 for *very useful*, 4 for *useful*, 3 for *somewhat useful*, 2 for *little useful*, and 1 for *not useful at all*.

Table 2: Desirability of Disclosing Selective Information (n =30)

2(a): Accounting Information

Items of Information	VU (%)	U (%)	SU (%)	LU (%)	NUA A (%)	WAS
Value Added Statements	30.0	27.0	35.5	7.0	0.5	3.790
Inflation Adjusted Accounts	19.5	30.5	30.0	15.0	1.0	3.525
Segment Report	32.5	32.0	34.5	3.5	1.5	3.905
Significant Accounting Policies	34.5	37.0	23.5	4.5	0.5	4.005
Press Releases	27.5	46.5	20.5	4.5	1.0	3.950
Brand Valuation / Equity	29.0	44.0	17.5	7.5	2.0	3.905
Non-Financial Information	22.5	48.0	17.0	11.5	1.0	3.795
Shareholding Pattern	35.5	31.5	26.5	6.0	0.5	3.955
Share Price Performance	38.0	45.5	13.5	2.0	1.0	4.175
Comparative Information	38.5	47.5	12.0	1.0	1.0	4.215
Consolidated Accounts	39.5	47.5	12.0	0.5	0.5	4.250
Management Discussion & Analysis	27.0	51.0	11.5	10.0	0.5	3.940
Analyst Report	31.5	53.0	11.0	4.0	0.5	4.110
Interim Results	44.5	47.0	6.5	1.5	0.5	4.335
Financial Ratios	44.5	48.5	5.0	1.0	1.0	4.345
Full Set of Accounts	57.0	34.0	3.5	1.0	4.5	4.380
Auditor's Report	44.0	46.0	8.5	1.0	0.5	4.320
Financial Highlights	48.0	46.5	4.5	0.5	0.5	4.410

The table shows that among the 22 types of accounting information, **financial highlights** scored the highest (WAS = 4.41). This is followed by **full set of accounts** (4.38), **interim results** (4.335), **financial ratios** (4.345), **auditor's report** (4.32), **consolidated accounts** (4.25), **comparative information** (4.215), **share price performance** (4.175), **analyst report** (4.11), **significant accounting policies** (4.015), **shareholding pattern** (3.96), **press releases** (3.95), **management discussion and analysis** (3.94), **segment report** (3.91), **brand valuation/equity** (3.90), **non-financial information** (3.80), **value-added statement** (3.79), and **inflation-adjusted accounts** (3.52).

2(b): Corporate Social Responsibility Disclosure

Items of Information	VU (%)	U (%)	SU (%)	LU (%)	NUAA (%)	WAS
Energy	33.5	46.0	17.0	3.0	0.5	4.090
Human Resources	51.0	36.5	3.5	0.5	0.5	4.450
Community Involvement	25.0	44.0	35.0	2.5	1.5	3.805
Environmental	40.0	34.5	25.0	0.5	0.5	4.125

The table shows that among the five types of social responsibility disclosures, **human resources** scored the highest (WAS = 4.45), followed by **environmental information** (4.125), **energy information** (4.09), and **community involvement** (3.805).

2(c): Corporate Information

Items of Information	VU	U	SU	LU	NUAA	WAS
Director's report	97 (48.50 %)	80 (40.00 %)	19 (9.50 %)	3 (1.50 %)	1 (0.50 %)	4.345
Corporate profile	65 (32.50 %)	92 (46.00 %)	40 (20.00 %)	2 (1.00 %)	1 (0.50 %)	4.090
Director's profile	38 (19.00 %)	110 (55.00 %)	39 (19.50 %)	14 (7.00 %)	1 (0.50 %)	3.88
Stock exchange listing	73 (36.50 %)	108 (54.00 %)	16 (8.00 %)	2 (1.00 %)	1 (0.50 %)	4.250
Principal activities	56 (28.00 %)	127 (63.50 %)	11 (5.50 %)	4 (2.00 %)	2 (1.00 %)	4.155
Audit Committee	38 (19.00 %)	115 (57.50 %)	23 (11.50 %)	10 (5.00 %)	14 (7.00 %)	3.765
Principal bankers	50 (25.00 %)	76 (38.00 %)	51 (25.50 %)	9 (4.50 %)	14 (7.00 %)	3.695
Corporate governance report	69 (34.50 %)	74 (37.00 %)	49 (24.50 %)	6 (3.00 %)	2 (1.00 %)	4.010

The table shows that among the twelve types of corporate information, the **director's report** scored the highest (WAS = 4.345), followed by **stock exchange listing** (4.25), **principal activities** (4.155), **corporate profile** (4.09), **corporate governance report** (4.01), **director's profile** (3.88), **audit committee** (3.76), and **principal bankers** (3.69).

Overall, most respondents felt it is **somewhat useful** to disclose these details on corporate websites because it:

- Improves governance
- Reduces share volatility
- Promotes transparency
- Helps assess sector performance
- Increases management credibility

5. SUMMARY, LIMITATIONS, AND SUGGESTIONS FOR FURTHER RESEARCH

Summary:

The findings of the study indicate that disclosing accounting information, corporate information, and social responsibility information on corporate websites is valuable for investors, as it aids their decision-making process.

Limitations:

The study is limited to Indian investors. Since the web is a global platform, domestic investor opinions may not fully represent global perspectives.

The study focuses only on one group of financial information users—retail investors. Therefore, the findings may not reflect the views of other stakeholders such as institutional investors, analysts, or company management.

Suggestions for Further Research:

Future studies could expand the scope to include diverse groups of stakeholders and cross-country comparisons to better understand global trends in web-based corporate disclosure (Hassen et al., 2000).

REFERENCES

1. Ashbaugh, H., Johnstone, K. M., & Warfield, T. P. (1999). Corporate reporting on the Internet. *Accounting Horizons, 13*(3), 241–257.
2. Association for Investment Management and Research. (1999). *Using technology and the Internet study: Researching corporate strategic and financial information*. Survey conducted with the cooperation of Stratcom Associates. http://www.aimr.com/infocentral/news/99release/int_study/html
3. Barac, K. (2004). South African auditors' policies, practices and perceptions with regard to Internet reporting. *Meditari Accountancy Research, 12*(2), 1–19.
4. Beattie, V., & Pratt, K. (2001). Issues concerning web-based business reporting: An analysis of the views of interested parties. *The British Accounting Review, 35*, 155–187.
5. Bedford, N. M. (1975). *Extensions in accounting disclosure*. Prentice Hall.
6. Bogdan, V., & Pop, M. C. (2008). Romanian companies web-based disclosure choices and capital markets. *Journal of Economic Literature, 1*(10), 9.
7. Bovee, M., Ettredge, M., Srivastava, R. P., & Vasarhelyi, M. (2001). Assessing the XBRL taxonomy for digital reports of commercial and industrial firms. Working Paper, University of Kansas.

8. Chander, S., & Singh, M. (2009). Perceived usefulness of corporate disclosure through web: An empirical study. *The IUP Journal of Accounting Research and Audit Practices, 8*(3–4), 61–77.
9. Chang, L., Most, K. S., & Brain, C. W. (1983). The utility of annual reports: An international study. *Journal of International Business Studies* (Spring & Summer), 63–83.
10. Craven, B. M., & Marston, C. L. (1999). Financial reporting on the Internet by leading UK companies. *The European Accounting Review, 8*(2), 321–333.
11. Debreceny, R., & Gray, G. L. (2001). The production and use of semantically rich accounting reports on the Internet: XML and XBRL. *International Journal of Accounting Information Systems, 2*, 47–74.
12. Debreceny, R., Gray, G. L., & Mock, T. J. (2001). Financial reporting web sites: What users want in terms of form and content. *The International Journal Digital Accounting Research, 1*, 1–23.
13. Deller, D., Stubenrath, M., & Weber, C. (1999). Investor relations and the Internet: Background, potential application and evidence from the USA, UK and Germany. Paper presented at the 21st Annual Congress of the European Accounting Association, Antwerp, Belgium.
14. Gray, G., & Debreceny, R. (1997). Corporate reporting on the Internet: Opportunities and challenges. Paper presented at the Seventh Asia-Pacific Conference on International Accounting Issues, Bangkok.
15. Growthorpe, C. (2004). Asymmetrical dialogue? Corporate financial reporting via the Internet. *Corporate Communication, 9*(4), 283–293.
16. Hassen, S., Jaffar, N., & Johal, S. K. (2000). Financial reporting on the Internet by Malaysian companies: Perceptions and practices. Working Paper, University of Multimedia, Malaysia.
17. Jones, M. J., & Xiao, J. Z. (2004). Financial reporting on the Internet by 2010: A consensus view. *Accounting Forum, 28*, 237–263.
18. Khan, T. (2006). *Financial reporting disclosure on the Internet: An international perspective* (Ph.D. Thesis). Victoria University, Footscray Park, Victoria, Australia.
19. Koreto, R. (1997). When the bottom line is online. *Journal of Accounting*, March, 63–65.
20. Lal, J. (1985). *Corporate annual reports: Theory and practice*. Sterling Publishers.
21. LaRose, J. A. (1997). Company information on the World Wide Web: Using corporate webpages to supplement traditional business resources. *Reference Librarian, 58*(3).
22. Lee, K. C., Chung, N., & Kang, I. (2008). Understanding individual investor's behavior with financial information disclosed on the web sites. *Behaviour and Information Technology, 27*(3), 219–227.
23. Lymer, A., Debreceny, R., Gray, G. L., & Rahman, A. (1994). *Business reporting on the Internet*. Report prepared for the International Accounting Standards Committee.

ISSN: 2349-6762
Peer Reviewed & Refereed Journal
National Research Journal

24. Lymer, A., & Tallberg, A. (1997). Corporate reporting and the Internet: A survey and commentary on the use of the WWW in corporate reporting in the UK and Finland. Paper presented at the 20th Annual Associates, Graz, Austria.

25. Mariq, M. S. (2007). Financial reporting on the Internet by Saudi joint stock companies: Impact on the audit profession. *JPS Accountants Directory*. http://www.jps-dir.org/Forum/forum-posts.asp?TID=4664