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USERS' OPINION ON EFFICIENCY OF INTERNET FINANCIAL REPORTING PRACTICES – A STUDY WITH REFERENCE TO KARAIKUDI TOWN

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ABSTRACT

"Technology has altered irreversibly not only the physical medium of corporate financial reporting but also its traditional boundaries. Paper reports are being supplemented - and, for many users, replaced - by electronic business reporting, primarily via the Internet."– Sir Bryan Carsberg

The study has made an attempt the opinion of users regarding Internet financial reporting (IFR) practices in Karaikudi town. A questionnaire survey of 50 possible participants of four different user-groups was conducted to investigate their opinion regarding the efficiency of internet financial reporting practices as a source of information in Karaikudi. Internet reporting improves users' access to information by providing information that meet their specific needs, allowing non-sequential access to information through the use of hyperlinks, interactive and research facilities, and allowing the opportunity for providing more information than available in the annual reports. This improved accessibility of information results in more equitable information dissemination among stakeholders. The growth of computer technology and internet has significantly impact on accounting practices and accounting communication in the world. Financial reporting on the Internet by corporations is now a recognized and widely used phenomenon.

INTRODUCTION

Financial reporting involves the disclosure of financial information to management and the public (if the company is publicly traded) about how the company is performing over a specific period of time. Financial reports are usually issued on a quarterly and annual basis. This is different from management reporting, which is financial information that is disclosed to those inside the company to be used to make decisions within the company. Financial reports are included in a public company's annual report. Financial reporting developed in the early twenty-first century from the traditional design of the printed annual report to the contemporary Internet Financial Reporting (IFR) aiming specifically to satisfy varying users' needs. Financial reporting is the common tool of disclosing companies' financial information, and it is predicted that IFR will gradually replace printed financial reporting as more companies will use IFR to provide financial information and communicate with accounting information users (Beattie and Pratt, 2003). Financial reporting serves two primary purposes. First, it helps management to engage in effective decision-making concerning the company's objectives and overall strategies. The data disclosed in the reports can help management discern the strengths and weaknesses of the company, as well as its overall financial health. Second, financial reporting provides vital information about the financial health and activities of the company to its stakeholders including its shareholders, potential investors, consumers, and government regulators. It's a means of ensuring that the company is being run appropriately. You should note that if a company is publicly traded, it is subject to some very strict reporting regulations enforced by the Securities and Exchange Commission (SEC).

REVIEW OF LITERATURE

Sunil B. Trivedi, Kapil K. Dave (2016) Corporate financial reporting is a part of business activity as it is mandatory to all companies established, listed and working in India. Corporate laws, SEBI rules and ICAI act has been designed in India. Recently Companies Act, 1956 & 2013, Income Tax Act, 1961, Income Tax rules, 1962, Gujarat VAT, 2013, RBI Act and SEBI Act are regulators of Corporate Financial Reporting Practices prevailing in India since so far. Here, in this research paper emphasis of discussion is made on purely mandatory and voluntary reporting of companies as in prescribed and suggested or recommended formats. Most of companies working in India are differently disclose their financial and non financial data.

OBJECTIVES OF THE STUDY

1. To study the theoretical framework of IFR adoption
2. To critically examine the users opinion of efficiency of internet financial reporting practices of Karaikudi town.

METHODOLOGY

These study both analytical and descriptive type of methodology.

Sources of Data

The study is based both primary and secondary sources of data. The primary data for this research study were collected by way of a well structured questionnaire. The secondary sources of data were collected from sources such as standard textbooks, conference materials, newspapers, journals, magazines, publications, reports, periodicals, articles, research papers, websites, company publications, manuals, booklets etc.

Statistical Technique Used

The data collected from survey were analysed using various statistical techniques from descriptive to multivariate. The details of the statistical tools are given hereunder

1. Descriptive statistics
2. One way ANOVA
3. Correlation

HYPOTHESES

H0[1] There no significant difference between education qualification and investment decision process.

H0[2] There no significant difference between designation and efficiency of Internet Financial Reporting Practices

H0[3] There is no relationship between education qualification and efficiency of Internet Financial Reporting Practices

A theoretical framework of IFR adoption

The theoretical framework sketched here posits that the effective adoption of IFR is a function of both the corporate governance model that demands a specific kind of disclosure (content, reach and speed of delivery) and the requisite infrastructures which support that specific kind of disclosure. Inspired by Denis (2001), corporate governance is defined here as the set of identifiable arrangements that determine how the management of a corporation (agent) ensures that stakeholders' (equity holders, creditors, suppliers, government and employees) claims on the firm are not materially different than their intrinsic values. From this definition emanates three salient deductions: (1) a corporation is characterized by the separation of controllers and stakeholders,

which raises the need for alignment of interests – agency issues; (2) the need for communicating controllers' effort in optimizing stakeholders' claims – disclosure issues; and (3) the realization that the composition of stakeholders affects management of issues 1 and 2 – ownership structure issues. These three issues form the basis of a governance model's link to effective adoption of IFR. Issues 1 and 2 point to the imperatives for financial reporting and disclosure (Stiglitz, 1985, Diamond and Verrecchia, 1991, Levitt, 1999, La Porta et al., 2000 and Mishkin, 2006; and others), while issue 3 suggests there will be variation in the details of the disclosure – heterogeneous information demands (Kothari, 2000, Ball et al., 2000a, Ball et al., 2000b and Ball, 2001; and others) and thus, variation in the mode of disseminating the disclosure – arm's length and dispersed (IFR) or private (meeting reports, conference calls, and other personal communication media). It is therefore evident that IFR is a function of the prevailing corporate governance model and the availability of requisite institutional infrastructures that adequately support total disclosure. These infrastructures are, in turn, partly determined by the required details of the disclosure. The following schematic encapsulates these relationships. For the purpose of this schematic, Kothari's (2000) grouping of corporate governance models into the diffuse shareholder and the concentrated stakeholder ownership models is adopted. The contextualization of IFR adoption points to its newness as an information disclosure technology. However, its level of adoption across countries varies; thus, adoption economics offers guidance on possible reasons for cross-country variation in IFR adoption (Bass, 1996, Li and Pinsky, 2005 and Zattoni and Cuomo, 2008; and others). 'Bass (1996) leading work and the bulk of adoption economics in the marketing literature focus on how consumers adopt new products. One can therefore view firms as the consumers of this new disclosure technology and ask what would motivate them to adopt it? This viewpoint suggests that firm-specific characteristics can explain why individual firms adopt IFR. Viewing adoption with a wider lens, Zattoni and Cuomo (2008) note that the adoption of new practices within a system may be explained either by efficiency gain possibilities or by social legitimating (institutional) pressures. Efficiency gain can be explained by the motivation for firms' voluntary and effective disclosure of information – i.e., reduction of informational opacity premium in cost of capital, as elucidated in Section 1. Social legitimating pressure is that "taken-for-grantedness" which suggests adoption of a new technology because it is socially expected, driven by a confluence of institutional dictates. The efficiency gain motivation points largely to firm-specific reasons for adopting a new technology while social legitimating implies that environmental factors also determine adoption of a new technology. Among others that have studied the adoption of IFR, Wagenhofer (2003) is prominent in enumerating the efficiency gains that accrue from Web-based dissemination of company information to its stakeholders and customers. Current works on IFR, have focused on this efficiency gain motivation and have found some consensus firm-specific determinants of IFR adoption (e.g., Ashbaugh et al., 1999, Debreceny and Gray, 1999, Lymer, 1999, Debreceny et al., 2002, Ettredge et al., 2002 and Wagenhofer, 2003).

RESULTS AND DISCUSSION

Table 1 Personal Profile

	Particulars	Frequency	Percentage%	Mean	SD	Variance
Gender	Male	31	62.0	1.38	.490	.240
	Female	19	38.0			
Age	20 to 30	12	24.0	1.76	.431	.186
	31 to 40	38	76.0			
Educational	UG degree	18	36.0	2.00	.857	.735
	PG degree	14	28.0			
	Others	18	36.0			
Designation	Academic professional	14	28.0	2.58	1.456	2.126
	Govt employee	17	34.0			
	Professionals	3	6.0			
	Researcher	8	16.0			
	Others	8	16.0			
Income	20,001 to 30,000	18	36.0	2.64	.485	.235
	30,001 to 40,000	32	64.0			
Experience	Below one year	4	8.0	2.54	.908	.825
	1 to 2 years	25	50.0			
	2 to 3 years	11	22.0			
	Above 3 years	10	20.0			

Source: Primary data

It may be observed from the table 1 indicates that 62 per cent of the respondents are the male whereas 38 percent of the respondents female respectively. As far as the age of the respondents is concerned, 24 percent of the respondents are 20 to 30 age, 76 percent of the respondents are 31 to 40 percent age. Educational qualification wise 36 percent of the respondents are UG degree, 28 percent of the respondents are pg degree. Designation wise academic professionals 28 percent, 34 percent of the respondents are government employee respectively. Income wise 64 percent of the respondents are 30001 to 40,000, 36 percent of the respondents are 20,001 to 30,000. Experience wise 50 percent of the respondents are 1 to 2 years, 22 percent of the respondents are 2 to 3 years, 20 percent of the respondents are above 3 years, 8 percent of the respondents are below 1 year. The highest mean value of income 2.64.

Table 2: Influence of education qualification and investment decision process

$H0^1$ There no significant difference between education qualification and investment decision process.

		ANOVA				
Particulars		Sum of Squares	df	Mean Square	F	Sig.
Making the investment decision process easy and faster	Between Groups	10.200	1	10.200	9.875	.003
	Within Groups	49.580	48	1.033		
	Total	59.780	49			
Investment calculators available in internet	Between Groups	47.369	1	47.369	73.083	.000
	Within Groups	31.111	48	.648		
	Total	78.480	49			

Source: Primary data

From the above table the significant level of investment decision process .003 the null hypothesis is accepted at 5% level of significance. Hence there is no significant relationship between education qualification and investment decision process. The significant level of investment calculator available in internet .000 the null hypothesis is accepted at 5% significant level. Hence there is no significant relationship between education qualification and investment calculator available in internet.

Table 3 Influence of designation and efficiency of Internet Financial Reporting Practices

$H0^2$ There no significant difference between designation and efficiency of Internet Financial Reporting Practices

		ANOVA				
Particulars		Sum of Squares	df	Mean Square	F	Sig.
Provides information for company, less expensively	Between Groups	14.720	3	4.907	2.572	.066
	Within Groups	87.760	46	1.908		
	Total	102.480	49			
Increase efficiency for obtaining the financial information	Between Groups	21.913	3	7.304	2.998	.040
	Within Groups	112.087	46	2.437		
	Total	134.000	49			

Provides another medium of disclosure	Between Groups	45.235	3	15.078	47.685	.000
	Within Groups	14.545	46	.316		
	Total	59.780	49			
Easy to comparison of one company to another company	Between Groups	24.078	3	8.026	6.372	.001
	Within Groups	57.942	46	1.260		
	Total	82.020	49			

Source: Primary data

From the above table the significant level of provides information for company less expensively .066 the null hypothesis is rejected at 5% significant level. Hence there is relationship between designation and provides information for company less expensively. The significant level of efficiency of financial information .040 the null hypothesis is accepted at 5% level of significance. Hence there is no relationship between designation and efficiency of financial information. The significant level of medium of disclosure is .000 the null hypothesis is accepted at 5% level of significance. Hence there is no significant relationship between designation and medium of disclosure. The significant level of easy to comparison of one company to another company .001 the null hypothesis is accepted at 5% level of significance. Hence there is no significant relationship between designation and easy to comparison of one company to another company.

Table 4 Relationship between education qualification and efficiency of Internet Financial Reporting Practices

H0[3] There is no relationship between education qualification and efficiency of Internet Financial Reporting Practices

Correlations					
Particulars		Educational Qualification	Efficiency for obtaining the financial information	Provides information for company, less expensively	Making investment decision process easy and faster
Educational Qualifications	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	50			
Increase efficiency for obtaining the financial information	Pearson Correlation	-.403**	1		
	Sig. (2-tailed)	.004			
	N	50	50		
Provides information for company, less expensively	Pearson Correlation	.560**	-.635**	1	
	Sig. (2-tailed)	.000	.000		
	N	50	50	50	
Making the investment decision process easy and faste	Pearson Correlation	-.184	-.235	.322*	1
	Sig. (2-tailed)	.200	.101	.022	
	N	50	50	50	50
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Primary data

From the above table 4 revels that the correlation analysis the highest positive correlation is provides information for company, less expensive and education qualification .560 at 1 percent significant level. The highest negative correlation is increase efficiency for obtaining the financial information and education qualification is – 403.

FINDINGS

- The significant level of investment decision process .003 the null hypothesis is accepted at 5% level of significance. Hence there is no significant relationship between education qualification and investment decision process.
- The significant level of investment calculator available in internet .000 the null hypothesis is accepted at 5% significant level. Hence there is no significant relationship between education qualification and investment calculator available in internet.
- 62 per cent of the respondents are the male whereas 38 percent of the respondents female
- Majority 76 percent of the respondents are 31 to 40 percent age category.
- The significant level of provides information for company less expensively .066 the null hypothesis is rejected at 5% significant level. Hence there is relationship between designation and provides information for company less expensively.
- The significant level of easy to comparison of one company to another company .001 the null hypothesis is accepted at 5% level of significance. Hence there is no significant relationship between designation and easy to comparison of one company to another company.
- The significant level of medium of disclosure is .000 the null hypothesis is accepted at 5% level of significance. Hence there is no significant relationship between designation and medium of disclosure.
- Table 4 revels that the correlation analysis the highest positive correlation is provides information for company, less expensive and education qualification .560 at 1 percent significant level. The highest negative correlation is increase efficiency for obtaining the financial information and education qualification is – 403.

CONCLUSION

The results reveal that there is a strong agreement among the respondents regarding IFR being a useable, accessible and clear source of information for users' decision making. This is expected to have a positive effect on future intentions to use IFR and resulting actual use. Financial information which is traditionally expressed through the annual reports, news media, advertisements or brochures is considered less relevant because they have timeliness quality problems. Information considered for relevant for decision making when the information was disclosed before that information loses its capacity to influence decisions and the internet is considered to be able to provide the best information on time. Even small companies are adopted the medium can reduce cost of publication and distribution of reports.

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