

THE INSPIRATION OF CORPORATE INTERNET REPORTING: THE PERSPECTIVE OF MALAYSIAN CORPORATIONS

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Abstract

Corporate Internet Reporting (CIR) is the communication process between corporations and stakeholders via the Internet medium. The use of CIR by corporations is considered as a precondition for success, as it offers the facility to provide stakeholders with information to make well-informed and timely investment decisions. This study examines the reasons that motivate Malaysian listed corporations to practice CIR. The study was conducted on 310 publicly listed Malaysian corporations across eleven various economic sectors. In gathering the data, a questionnaire survey was distributed to the preparers of CIR who are represented by the chief financial officers, accountants, finance managers or investor relations managers of the companies. The data were analyzed using descriptive statistics and the independent sample t-test. The results revealed that corporations' acceptance of CIR as a norm in today's business world was the most important reason to inspire companies to practice CIR. In addition, the timeliness, high quality, downloadable and processable format of information presented, the aspiration of companies to be in line with technological developments, increased demand for CIR by stakeholders and the ability of CIR to reach a broader range of stakeholders in disseminating corporate information were other important reasons that inspired Malaysian corporations to practice CIR. On the other hand, the study found competitive pressure and directors' desire as trivial reasons in inspiring companies to practice CIR. Finally, the study contributes to the knowledge pertaining to CIR in Malaysia and might be useful as a reference for other developing countries in clarifying the nature of financial reporting problems.

Keywords: *Corporate Internet Reporting, inspiration, Malaysian corporations.*

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1.0 Introduction

Nowadays, the rapid growth of information technology across the world makes the internet an important element in daily human activity. Malaysia is without exception, whereby the Internet Live Stats (www.internetlivestats.com) has noted a considerable increase in the number of Internet users and Internet penetration in Malaysia. In 2006, Malaysia recorded 13,561,710 Internet users with a 51.6 per cent Internet penetration out of a total population of 26,263,048. The number increased considerably in 2016 to 21,090,777 Internet users with a 68.6 per cent Internet penetration out of a total population of 30,751,602 (www.internetlivestats.com). On the other hand, the number of non-Internet users decreased significantly from 12,701,338 in 2006 to 9,660,825 in 2016. This reveals expansion and acceptance of Internet usage in the country. Details of this information can be referred to in Table 1.

Table 1: Internet Users and Internet Penetration in Malaysia

Year	Internet Users	Penetration (% of population)	Total Population	Non-Users (Internet less)
2006	13,561,710	51.6%	26,263,048	12,701,338
2007	14,888,948	55.7%	26,730,607	11,841,659
2008	15,176,160	55.8%	27,197,419	12,021,259
2009	15,462,509	55.9%	27,661,017	12,198,508
2010	15,831,279	56.3%	28,119,500	12,288,222
2011	17,429,512	61%	28,572,970	11,143,458
2012	19,096,437	65.8%	29,021,940	9,925,503
2013	19,732,960	67%	29,465,372	9,732,412
2014	20,183,848	67.5%	29,901,997	9,718,149
2015	20,637,217	68%	30,331,007	9,693,790
2016	21,090,777	68.6%	30,751,602	9,660,825

Source from Internet Live Stats (www.internetlivestats.com)

Note: Internet User are defined as an individual who can access the Internet, via computer or mobile device, within the home where the individual lives (www.internetlivestats.com)

The fast growth of information technology reflects the adoption of communication through the Internet by corporate sectors as an important tool in today's business world. The communication process between corporations and stakeholders via the internet is called Corporate Internet Reporting. Specifically, Corporate Internet Reporting is defined by Kerckhoven (2002) as "the reporting of non-financial information that is not normally incorporated in the annual report together with financial information by corporations". CIR is seen as essential to the corporate sector in presenting and disseminating business information to stakeholders (Xiao, Jones and Lymer, 2005). The significance of CIR in business activities has been recognised by the Organisation for Economic Co-Operation and Development (OECD) (2004) as mentioned in their statements, "channels for the dissemination of information can be as important as the content of the information itself". Also, the websites of corporations are considered as a crucial medium for them to communicate financial and non-financial information in order to boost the confidence of potential investors as well as strengthening the capital market.

Among the advantages of CIR compared to traditional paper-based reporting are the innovative presentation of information, (Jones and Xiao, 2004), dynamic multimedia formats (Debreceeny, Gray and Rahman, 2002), wider and easier access to information for larger groups of users without selection (Ettredge, Richardson and Scholtz, 2001; Geerings et al., 2003), creating interest for potential investors and boosting corporate image (Ettredge et al., 2001), ability of providing timeliness (Pratt, 1996) and more interactive information with unlimited space (Joseph, 1995) as well as the faster and lower cost of information dissemination (Geerings et al., 2003).

As a developing country with an emerging market, there is a need for Malaysia to raise capital, expand foreign direct investment and promote the confidence of stakeholders (Ng, 2010). Consistent with this, expanding the global reach of the Malaysian capital market has been mentioned as one of the strategic objectives of Bursa Malaysia. In attracting investors, it is important to have corporate information that is fair, efficient and transparent (Aly, Simon and Hussainey, 2010). With the many advantages of CIR over traditional paper-based corporate reporting, CIR is believed to provide a way for Malaysian companies to disseminate digital corporate information to attract a wider range of national and international investors. However, in Malaysia, the lack of specific guidelines on CIR for companies to follow has led to the non-

uniformity of CIR practices among companies. With the non-standardisation of CIR, the transmission of transparent, fair and efficient corporate information is difficult to achieve. It is noted that the inconsistency of CIR practices by Malaysian companies is caused by certain motivating factors that influence the extent of CIR practised by the companies.

Therefore, the necessity arises to examine reasons that motivate Malaysian companies to practice CIR from two different perspectives. First, it may assist regulators to understand the drivers of CIR in Malaysia, and, thus, specify ways to enhance CIR fairness, transparency and efficiency. Second, examining the drivers of CIR may help companies to attract wide range of investors in making rational decisions on their investment, particularly for potential investors who are interested in investing in Malaysia. This is especially important due to the need for the foreign direct investment (FDI) into the country. In Malaysia, key economic sectors such as investment, trade, tourism, tin and rubber, manufacturing and services have flourished due to substantial FDI flows into the country (Mustapa, 2017). In addition, FDI contributes to the exports as a considerable number of foreign companies operating in Malaysia are focusing on exports. Furthermore, the presence of FDI in Malaysian economy has provided the local small and medium enterprises access to valuable technology transfers and exchange of know-how (Mustapa, 2017). Due to these scenarios, FDI has been mentioned as crucial and inescapable part of Malaysian economy (Mustapa, 2017). Therefore, this study intends to examine the reasons or motivating factors for companies to provide CIR to their stakeholders.

2.0 Literature Review

Research on CIR started in 1996 (Ali Khan, 2015). Most past research on the nature and extent of CIR has mainly documented the number of companies and the level of corporate information provided via the Internet as well as the degree of effectiveness of the use of the Internet by those companies. A study by Petravick and Gillet (1996) was among the earliest research in the field of Corporate Internet Reporting. In May 1996, Petravick and Gillet (1996) identified 69% or 103 companies of the Fortune 150 as having corporate websites. Out of this number, 83 websites were found to have financial information. Furthermore, Petravick and Gillet (1996) categorised these 83 websites into three different groups, namely, advertisement, limited and comprehensive. The study identified three company websites that were under the classification of advertisement due to the fact that users needed to make contact through e-mail or phone calls in order to obtain information from these companies. In other words, these companies did not provide any information on their websites. The websites of thirty-four companies were classified as limited on the grounds that users could access certain items for a limited and short time period. Whereas forty-six companies' websites were classified as comprehensive, as users could access full annual reports, quarterly reports, current stock price, history of the stock price as well as audio and animated messages. This, according to Petravick and Gillet (1996), shows that the use of the web goes beyond reporting purposes.

Aly, Simon and Hussainey (2010) examined the potential factors affecting CIR in the context of Egyptian companies. The study included the factors of company size, profitability, leverage, liquidity, industry sectors, foreign listing and auditor size in examining the impact of these factors upon 62 companies listed on the Egyptian Stock Exchange. In measuring Internet reporting, the study used 82 items of the Internet disclosure index. The index consisted of 58 items of disclosure content and 24 items of presentation format and accessibility factors. The results of the OLS regression analysis conducted showed that profitability, foreign listing and industry sectors through the communication and financial services sectors were positively significant in affecting both the amount and presentation formats of the Corporate Internet Reporting of Egyptian listed companies.

Looking at a different perspective, Dollinsek, Tominc and Skerbinjek (2014) examined the perceptions of users pertaining to the reliability, credibility, usefulness and sufficiency of online

accounting information practices in Slovenia. Also, the study investigated how users' expectations regarding the content of accounting information differed from the actual situation. The study was conducted through a survey of 110 large companies consisting of 12 different economic sectors. The results of the study revealed that 52.6% of the sampled companies published accounting information through corporate websites and that 40.2% of users actually made use of the information provided. Furthermore, users evaluated the Internet Financial Reporting characteristics of reliability, credibility, usefulness and sufficiency above average, with the characteristic of usefulness with the highest grade and sufficiency with the lowest grade. The study concluded that in general, users seek information that indicates the financial status of a corporation. However, the availability of this information does not meet users' needs in full.

In Malaysia, an effort has been made by Ali Khan (2015) to examine comprehensively the current status of Internet Financial Reporting practice. The study was conducted based on 280 companies listed on Bursa Malaysia. The companies are classified into eleven economic sectors. The Internet Financial Reporting index was measured by using a checklist of content as well as a presentation dimension. The checklist was prepared based on a dichotomous answer for the existence or non-existence of the Internet Financial Reporting index. The findings of the research revealed the level of Internet Financial Reporting in Malaysia was between the range of 56.43 per cent to 87.14 per cent, therefore it could be declared as good disclosure with regard to the Wallace (1988) index disclosure classification. Nearly half of the sample companies fell in the range from 60 to 69.9 per cent, followed by 37.86 per cent of the companies that fell under the category of 70 per cent to 79.9 per cent. In addition, there were 54 companies that fell in the highest range from 80 per cent to 89.9 per cent and one company that fell in the lowest range between 50 per cent to 59.9 per cent.

3.0 Research Methodology

This study was conducted on a sample of 310 companies listed on Bursa Malaysia. In selecting the sample companies, the technique of systematic random sampling was used. This was due to the advantage of simplicity and flexibility of drawing the sample (Davis, 1999; Cooper and Schindler, 2008), easiness to check the sample (Davis, 1999) and to determine the sampling distribution of the mean or proportion (Cooper and Schindler, 2008). Specifically, four steps were followed in selecting the sample companies, including identifying, listing and numbering the elements in the population, identifying the sampling ratio or skip interval, identifying the random start and drawing a sample (Cooper & Schindler, 2008). Based on the population of 978 listed companies, 310 companies with Corporate Internet Reporting practices were selected as the sample for the study. The companies consisted of eleven economic sectors. Table 2 presents the details of the sample companies.

Table 2: Distribution of Sample Companies with Corporate Internet Reporting Practice
 Based on Industry Type

Industry Type	No. of companies having websites and practising CIR	Total no. of companies in the sector	% of industry
Consumer Products	40	52	77%
Industrial Products	86	108	80%
Construction	15	19	79%
Trading and Services	61	73	84%
Finance	12	15	80%
Properties	30	36	83%

Plantation	10	16	63%
Technology	52	56	93%
Infrastructure	2	2	100%
Mining	0	1	0%
Hotel	2	2	100%
Total	310	380	

In order to investigate the reasons for companies practising and providing Corporate Internet Reporting, a questionnaire survey was used. The questionnaire was divided into two parts. Part One referred to the demographic factors of respondents, specifically on the company listing classification, industry classification, the number of employees, years of listing and the position of the respondents. In Part Two of the questionnaire, respondents were asked to indicate their degree of agreement to the reasons for practising Corporate Internet Reporting on a five-point Likers scale. The scale ranged from strongly disagree to strongly agree.

The questionnaires together with a letter outlining the objective of the study and a guarantee of the respondents' anonymity were sent by mail, email and fax. Also, the availability of the survey result, upon request, was stated at the end of the questionnaire. Following the initial sending of the questionnaire, respondents were given two weeks to return the questionnaires. A reminder letter and a copy of the questionnaire was then sent every fortnight to those who had not responded. The process was repeated until a total of three reminders had been sent.

The questionnaires were distributed to the chief financial officers (CFOs) or equivalent appointments of the 310 sample companies, as they represented the preparers of Corporate Internet Reporting and are expected to have sufficient knowledge to answer the questions regarding internet reporting matters (Ali Khan and Ismail, 2009). The equivalent appointments include accountant, finance manager or investor relations manager of the sample companies.

Prior to the actual questionnaire, an earlier version of the survey questionnaire was pilot tested on selected accounting academicians and practitioners in the corporate sector, which included accountants and finance managers. Survey questionnaires on the practices of CIR were distributed to twenty finance managers from private sector companies. The respondents for the pilot study were excluded from the actual sample in the study. 19 out of the 20 distributed questionnaires were answered and returned, thus showing a 95% response rate. The reliability test conducted upon the pilot questionnaires showed the value of Cronbach's Alpha to be 0.865, thus indicating that the items in the questionnaires were reliable.

With regards to the actual survey, the reliability test conducted revealed that the Cronbach's Alpha value to be 0.862, thus showing a good internal reliability of the items in the questionnaire. The questionnaires were sent to 310 sample companies that had websites and which were practising Corporate Internet Reporting. A total of 95 usable questionnaires were received, thus revealing a 31% response rate. Companies that responded consisted of nine different sectors with 91 companies from the main market. Most of the companies had more than 500 employees and had more than 10 years of listing. Perhaps, it can be said that most of the companies are larger in size, more established and probably own more financial and expert resources in setting up corporate websites and practising Corporate Internet Reporting. Nearly three-quarters of the respondents consisted of CFOs, accountants and finance managers, whereas the remaining were investor relations officers. They were financially qualified and the right people to answer the questionnaires and clarify their companies' reason for having Corporate Internet Reporting. Details of the background of the sample companies and respondents can be referred to in Table 3.

Table 3: Background of Sample Companies and Respondents

Listing Classification	No. of responses	%
Main Market	91	95.8%
ACE Market	4	4.2%
Total	95	100
Industry Classification	No. of responses	%
Consumer Products	15	15.8%
Industrial Products	29	30.5%
Construction	10	10.5%
Trading and Services	21	22.1%
Infrastructure	1	1.1%
Property	8	8.4%
Plantation	4	4.2%
Technology	5	5.3%
Finance	2	2.1%
Total	95	100%
No. of Employees	No. of responses	%
<100 employees	13	13.7%
100 to 500 employees	35	36.8%
>500 employees	47	49.5%
Total	95	100%
Years of Listing	No. of responses	%
≤ 3 years	4	4.2%
4-7 Years	27	28.4%
8-10 years	9	9.5%
> 10 years	55	57.9%
Total	95	100%
Post of Respondent	No. of responses	%
CFO	15	15.8%
Accountant	16	16.8%
Finance Manager	36	37.9%
Investor Relation Manager	28	29.5%
Total	95	100%

The results of the survey questionnaires indicated that nearly 93% of the respondents either agreed or strongly agreed with Corporate Internet Reporting as a norm in today's business world, thus ranking this as the main factor that most influenced the surveyed companies to practice Corporate Internet Reporting. This result is supported by the highest mean value of this factor (4.26). In addition, between 75 per cent and 85 per cent of the respondents either agreed or strongly agreed with the statement that practising CIR showed that their company is in line with technological developments, their companies are able to provide and disseminate more information in a timely manner and to their stakeholders, stakeholders' having the ability to download and process data, increasing the demand for CIR and the ability of CIR in reaching a broader range of stakeholders. Hence, these factors contributed to the significant reasons in motivating companies to practise CIR. The result is consistent with the mean values (between 3.85 and 4.13) and rank (between 2 and 7) of these factors. Other factors (cost considerations, the obligation to the community, CIR as the first impression, innovative and creative information and interactive communication) are considered as moderate in influencing companies to practise CIR. Nevertheless, the factors of competitors'

pressure and director’s desire are found to be trivial in influencing companies to practise CIR. This is proved by the high percentage of respondents that either cannot evaluate, disagree or strongly disagree with these factors as reasons for them to practise Corporate Internet Reporting (81% for competitors’ pressure and 66% for director’s desire). The result is also supported by the mean values that incline towards disagreement by the corporations for both factors.

The results can be discussed in several ways. First, the findings pertaining to the highest level of agreement of Corporate Internet Reporting as a norm in today’s business world, thus being the most important reason for companies to practise Corporate Internet Reporting revealed that this new way of corporate reporting has been widely accepted by corporations as a means of communication in today’s business world. Also, the result shows that Malaysian corporations do not want to be left behind by the technological developments offered by Corporate Internet Reporting in today’s competitive and global business market in transmitting corporate information more quickly, more widely and with less cost to a broader range of stakeholders. Second, the findings suggest that concerns of corporations over practising Corporate Internet Reporting is not only focusing on the matter of delivering information but also on the issue of quantity and timeliness of the corporate information presented, as well as the ability of the information to be downloaded and processed by the users. Third, the findings explained that Malaysian listed corporations are taking advantage of the opportunities offered by Internet technology in respect of the greater number of potential users of the information they prepare for, the improvement of corporate image and the reduced cost of producing and communicating corporate information, to inspire them to practice Corporate Internet Reporting. Fourth, the findings of the study revealed that various advantages offered by Corporate Internet Reporting are more powerful in influencing Malaysian corporations to practise this new business reporting tool as compared to the pressure of competitors and the directors of companies. Detail of the result can be referred to in Table 4.

Table 4: Reasons for Companies Practicing CIR

Reasons for Practicing CIR	Degree of agreement (%)										Mean	Rank
	SD		D		N		A		SA			
	F	%	F	%	F	%	F	%	F	%		
a. increases in the demand for CIR	0	0	6	6.3	18	18.9	52	54.7	19	20	3.88	6
b. norm in today’s business world.	0	0	1	1.1	6	6.3	55	57.9	33	34.7	4.26	1
c. main channel of communication	2	2.1	11	11.6	37	38.9	37	38.9	8	8.4	3.40	13
d. facilitate an interactive two-way communication thus enhancing corporate governance structure	1	1.1	8	8.4	36	37.9	40	42.1	10	10.5	3.53	11
e. The first impression of potential customers.	0	0	15	15.8	30	31.6	41	43.2	9	9.5	3.46	12
f. The first	2	2.1	9	9.5	40	42.1	37	38.9	7	7.4	3.40	13

impression of stockholders													
g. more information available to stakeholders	0	0	3	3.2	17	17.9	62	65.3	13	13.7	3.89	5	
h. reach a broader range of stakeholders	0	0	5	5.3	19	20	56	58.9	15	15.8	3.85	7	
i. information is more innovative and creative than the hardcopy annual report.	1	1.1	9	9.5	31	32.6	39	41.1	15	15.8	3.61	9	
j. attract new shareholders	0	0	14	14.7	41	43.2	33	34.7	7	7.4	3.35	15	
k. information at low cost	1	1.1	5	5.3	22	23.2	49	51.6	18	18.9	3.82	8	
l. Very timely information	0	0	3	3.2	11	11.6	52	54.7	29	30.5	4.13	2	
m. ability of data downloading and processing by stakeholders.	0	0	4	4.2	15	15.8	54	56.8	22	23.2	3.99	4	
n. company is in line with technological development	0	0	1	1.1	14	14.7	59	62.1	21	22.1	4.05	3	
o. We practice CIR because our competitors practice CIR.	8	8.4	31	32.6	38	40.0	17	17.9	1	1.1	2.71	17	
p. Our company practices CIR because it is our director's desire.	7	7.4	18	18.9	38	40.0	29	30.5	3	3.2	3.03	16	
q. Our company feels that practicing CIR is our obligation towards the community.	0	0	9	9.5	29	30.5	47	49.5	10	10.5	3.61	9	

Note: N=95 companies, F=frequency, %=percentage, SD = strongly disagree, D = disagree, N = neutral, A = agree, SA = strongly agree

4.0 Conclusion

Nowadays, the development of Internet technology as a global medium which significantly impacts the corporate reporting environment of business corporations is undeniable. In extending the growing stream of accounting literature on Internet disclosure practices, this study examined the reasons for companies to have corporate websites and to practise Corporate Internet Reporting to disseminate corporate information to stakeholders, by focusing on 310 Malaysian listed corporations. The study found that companies' acceptance of Corporate Internet Reporting as a norm in today's business world has become the most important reason to inspire companies to practice Corporate Internet Reporting. Besides this, other important reasons considered by corporations include timeliness, high quality, the downloadable and processable format of the information presented, the aspiration of companies to be in line with technological development, the increase demand for Corporate Internet Reporting by stakeholders and the ability of Corporate Internet Reporting to reach a broader range of stakeholders in disseminating corporate information. Nevertheless, competitors' pressure and director's desire were found to be not important in inspiring companies to practice Corporate Internet Reporting.

It has been mentioned by Wallace (1988) that the experience of a developing country may assist in clarifying the nature of financial reporting problems of other developing countries. Therefore, the findings of the study with regards to the reasons for corporations to practise Corporate Internet Reporting might be useful if used as a reference by other developing countries in studying Corporate Internet Reporting and when contributing to the Corporate Internet Reporting literature on emerging markets and developing countries.

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