

UNIVERSITY TEKNOLOGI MARA

**THE DETERMINANTS OF WEB-BASED
CORPORATE REPORTING BY PUBLIC LISTED
COMPANIES IN MALAYSIA**

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ABSTRACT

The main objective of this thesis is to indicate the extent of Internet corporate disclosure among a sample of 100 top companies listed on the Bursa Malaysia by Market capitalization for the financial year ended 2007. This research made use of online search for the website survey and content analysis by physical observation of the websites. An Internet disclosure index of 61 content items including four major groups, namely; accounting and financial information, corporate governance, corporate social responsibility (CSR), contact details of investor relations and related conveniences, and 26 presentation format items including two major groups, namely; technological features, convenience and usability of website navigation support were used as a benchmark.

The result indicates that the highest disclosures by the companies accrued for accounting and financial information attributes, while the lowest disclosures by companies accrued for technology features attributes. The result showed that more than 59 percent of Malaysian public listed companies published reasonably well-developed Internet-based reporting and achieved a quality score for ICR. On average, the frequency of the identified items disclosed by the companies for the content of the Web site was higher than for the presentation of information. Among the six categories, technological features theme was considered as a critical part that needed to be given more attention by the Malaysian firms. Therefore, there was a need for Malaysian companies to utilize more of the opportunities provided by the Internet technology in preparing the ICR. Most of the firms provided their full annual reports on the Internet in PDF format, while no companies use XBRL format.

Agency and Signaling theories were used to generate hypotheses regarding the determinants of Internet corporate reporting. The results of Univariate analysis and multiple regressions indicated that among firm characteristics variables only profitability (proxy by return of equity), and among corporate governance mechanisms variables only board size (proxy by number of directors) are significantly associated with the extent of Internet corporate reporting. Evidence from this study recommendations were made to improve ICR by firms and to make the Internet a more reliable source for presentation of corporate reporting information. Further, presentation format and type of ICR affect investor judgments and suggests that regulations may be needed for the Internet reporting environment. The increasing use of ICR creates new challenges to management, regulators, and investors as there is no evidence guidance on this subject. The finding may also propose that new regulatory guidance in corporate governance lead to improved disclosure via ICR.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

The Internet revolution has altered the traditional flow for recording and analyzing information financial transactions, auditing and corporate responsibility to different interest groups. This has had significant ramifications for both the accounting and auditing profession and regulators. Rapid progress in computer and information technology have changed the way business is guided and the way in which financial information is distributed. Recent developments in Internet technology include push technology, which enables users to receive information automatically from various sources (Khadaroo, 2005).

The Internet has become a progressively significant means of communication. Within the span of short period of less than 20 years, the Internet has fully developed from basically an academic device to become the backbone of the information superhighway. The Internet appears specifically applicable to a particular aspect of financial reporting. Initially, it provided a worldwide network which makes physical and national boundaries less significant and therefore constitutes a seamless information delivery channel. With the appearance of the World Wide Web, it has encouraged forceful hypertext and hypermedia presentations. Also, the Internet is able to integrate with different information and communication technologies. Especially, its convergence with database technology opens numerous chances for enhancing financial reporting (Xiao et al., 2004).

In fact, the Internet has been progressively employed for corporate reporting (Lymer, Debreceny, Gray & Rahman, 1999). Many of the largest corporations in developed countries now have an Internet website for financial reporting (Pirchegger &