

Determinants of Internet Financial Reporting (IFR): evidence from top twenty listed companies in Colombo Stock Exchange (CSE), Sri Lanka

L.V. Regina and P.L.W. Priyadarshani*

*Department of Business Finance, Faculty of Management, University of Peradeniya,
Sri Lanka*

**wathsala_pl@yahoo.com*

Disseminating financial information via internet is one strategy used by decision makers to capture a wider audience and to disclose more information than what is possible from traditional paper – based reporting. Therefore the present study focused to establish the level and the determinants of IFR done by companies listed in CSE.

Consequently top twenty listed companies ranked by Standard and Poor (S&P) Sri Lanka Index in 2015 were surveyed since they assist both local and international investors to gauge the performance of the equity market in Sri Lanka. The level of IFR was evaluated on the basis of the IFR index composed of fifty three Disclosure Content (DC) and twenty five Presentation Format (PF) related elements by weighting them to 60% and 40% respectively and the relevant information were gathered by directly visiting the websites of the companies. The level of IFR and the impact of eight factors on IFR index were analyzed through a Multiple Regression Analysis. Accordingly Board Size, Role Duality and Ownership Concentration are considered as corporate governance variables while Company Size, Auditor Type, Profitability, Leverage and Liquidity are considered as firm specific variables.

(The study discloses that the level of IFR done by listed companies is above average. Further it provides evidence that IFR is significantly and positively influenced by the firm specific variables namely Company Size, Profitability, Leverage and Liquidity while the influence of corporate governance and ownership concentration is significant and negative. These findings reveal that large size companies in terms of total assets, companies with higher Return on Capital Employed, higher debt to equity ratios, higher current ratios and low percentage of shares held by the directors are more likely to engage in IFR. However findings do not show a significant relationship between IFR and rest of the corporate governance variables namely Board Size and Role Duality. Auditor Type becomes a constant variable in this study and this circumstance reveals that all the companies in the sample are audited by the audit firms affiliated by Big-4 audit firms and that may be the possible reason that the level of IFR is above average since the Big-4 audit firms highly motivate their clients to engage in more disclosure. Therefore the results portray that the companies with superior features do more internet reporting since internet is an effective media today to do more promotion at lower cost.

Findings of the study are essential as they assist in informing regulators about the characteristics of listed companies that are and are not satisfying domestic and international investors' demand on online information. Further it facilitates CSE whose main objective is to monitor the fair and orderly functions of the markets and protecting the rights of the investors.