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DETERMINANTS OF CORPORATE REPORTING ON THE INTERNET BY QUOTED COMPANIES IN NIGERIA

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ABSTRACT

This study investigated the determinants of corporate reporting on the internet by quoted firms in Nigeria. Specifically, it examined the relationship between the level of disclosure and firm specific attributes, namely, company size, leverage, profitability and size of auditor. The study employed a content analysis method to examine the web sites of Nigerian quoted companies and their 'hard copy' annual reports. In this connection, a check list of 87 items was designed. Multivariate analysis (the ordinary least square method) was used to examine the combined effects of all the independent variables on the extent of disclosure and its relationship with firm size, profitability, leverage and auditor type respectively. The study found the level of overall disclosure index to be 58.50%. Furthermore, the study found that company size and profitability positively affect the level of disclosure while leverage has a negative relationship with the level of disclosure. It was also found that the bigger the auditor of a company, the more corporate reporting information the company disclosed on the internet. The study recommended, among other things, that there should be a regulation on the content and format of corporate reports on the internet to improve on their compliance level, credibility and usability.

KEY WORDS: Corporate reporting, Internet, quoted companies, Nigeria, Determinants

INTRODUCTION

Historically, companies have disseminated financial information to stakeholders by providing hard copies of financial statements in annual reports. These reports have been largely criticized for their inability to satisfy the information needs of stakeholders. The Internet was developed in the US with the main objective of enabling the US government, researchers and contractors to share computer files relating to military projects. It also facilitated communication between academic institutions. According to Lymer (1997), the use of the internet for commercial applications started in the early 1990s. The convergence of commerce and technology via the internet gave rise to major changes in both business communications and the way business is conducted. Technology has great potentials to assist companies in conducting business on a global basis. Globalization has meant that companies must now operate in a global market for both capital and patronage. According to Myners (1998:27) 'operating in the global market environment has made companies to have the 'highest international standards of disclosure'.

Thus the internet provides a veritable avenue for improvement in corporate information dissemination. However, a lot of issues must be addressed if the benefits are to be fully crystallized. One critical issue in internet corporate reporting is that there is no regulation of the Internet. Moreover, the internet is global, with access from all parts of the world. Companies in Nigeria are not legally required to carry out corporate reporting through the internet. Also there are no rules governing what companies should disclose on the internet. Thus it is the companies that on their own decide the type and amount of information they consider appropriate. This has created confusion in some cases on the content, form and quality of disclosure by different companies.

A number of researches have been carried out on the use of the internet for corporate reporting. However, most of these were carried out in more developed countries. A few more were conducted in emerging economies. A very few studies have, however, been carried out in Africa. In Nigeria only a few articles have been written on internet financial reporting. Quoted companies in Nigeria are required to report financial information in accordance with the requirements of the Securities and Exchange Commission (SEC) and the International Financial Reporting Standards (IFRS). However, some companies provide information beyond what is required by way of annual reports and news releases. Apart from the required method of reporting to shareholders using annual reports, some companies now also use other channels like the internet to make these disclosures. The Internet internet is a veritable channel for communicating information to the whole world that companies can exploit to maximum advantage in the provision of corporate information. Internet corporate reporting (ICR) is a recent phenomenon that is growing very fast. Many companies all over the world are making use of the opportunity provided by the internet. Inspite of the increasing use of the Internet as means of distributing corporate information, many companies in Nigeria do not have any significant presence on the internet. Even some of the companies that have corporate websites

Do not use them to carry out corporate reporting. Thus there is need to carry out a study of the use of the internet for corporate reporting in Nigeria.

This study attempts to close the existing knowledge gap on corporate reporting on the internet by quoted companies in Nigeria by studying the critical factors that influence corporate reporting on the Internet in Nigeria. The major questions which the study sought to answer are: (1) what is the level of Corporate Reporting on the internet by quoted firms in Nigeria? (2) What is the relationship between: (i) Internet disclosure index and firm size?; (ii) Internet disclosure index and leverage? (iii) Internet disclosure index and profitability?; (iv) Internet disclosure index and size of auditor?

To answer the above research questions, the following null hypotheses were tested in the study:

H_{01}: There is no significant relationship between internet disclosure index and firm's size.

H_{02}: There is no significant relationship between internet disclosure index and firm leverage.

H_{03}: There is no significant relationship between internet disclosure index and profitability.

H_{04}: There is no significant relationship between internet disclosure index and size of auditor.

LITERATURE REVIEW

INTERNET CORPORATE DISCLOSURE

One key issue in the study of internet corporate reporting is what should be contained in the disclosure checklist or the research instrument. Two key areas usually emerge from the literature: content and presentation. The content element means the information that is disclosed on the website . Content items selected are based on the definitions of content in Abdelsalam, Street, and Grant (2006), The Investor Relations Society (IR) (2006); Marston and Polei (2004); Xiao, Yang and Chow (2004), and Ettredge, Richardson and Scholes(2002). On the other hand, the presentation is the way or format used by the company to disseminate the information on the Internet.

As mentioned above, content element refers to what information is disclosed on the website. General content elements include two types of information: financial and non-financial. The Investor Relations Society (IR, 2006) identifies the prime guidelines which any good website should adopt to provide useful financial information. According to the guideline, key points to include are: important financial information. In addition, the guide suggests that each company website should disclose other non-financial information online. Examples of non-financial information recommended by IR (2006) and examined in previous studies are: company background, products and services profile, investor information section, shareholder information, press releases, search engines, tables of contents and frequently asked questions.

Internet technologies provide opportunities for a company to make the disclosure much more useable by using different formats. This includes the possibility of providing financial information in different formats, such as PDF, HTML and Spreadsheet. Ralvic and Strett (2000) claimed that the site is considered as conforming to best practice if financial information is provided in different formats. The Investor Relations Society (IR, 2006) stipulates that any good

Website should, to be useful, offer important financial information (quarterly, interim, preliminary and annual reports) in multi formats such as PDF and HTML. Reviewing previous studies, reveals that there are some common software formats used to present online financial reporting (PDF, HTML, Word document and spreadsheet).

PREVIOUS STUDIES

Since the late 1990s the practices of ICR have been carried out majorly from the perspective of the preparers. A lot of these studies were carried out in Western countries, Middle East countries and sometimes, Asia. Studies carried out in the include Ashbaugh et al. (1999), and Ettredge et al. (2002). In Europe, there were Pirchegger and Wagenhofer (1999) (Austria); Craven and Marston (1999) (UK); Gowthorpe and Amat (1999)(Spain);. Others were: Bonson and Escobar (2002); Marston and Polei (2004); Andrikopoulos (2007); and Bozcuk, Arzova and Aslan (2008) among others. A number of studies were also carried out in the Asia and Middle East. In Asia, we have Marston (2003) in Japan; Oyelere et al.(2003) in New Zealand; Xiao et al.(2004) in China; Zhang, He, and Gao, (2007) in China ; Verma (2010) in India; Lai, Lin, Li, and Wu (2010) in Taiwan, , In Middle Eastern countries, we have : Joshi and Al-Modhahki (2003) in Kuwait and Bahrain; Al-Htaybat and Napier (2006); Momany and Al-Shorman (2006 and Al-Hayale (2010) in Jordan; Desoky (2009) and Aly, Jon and Hussainy (2010) in Egypt.

Most of these studies examined ICR principally from the perspective of what companies have to offer. There were two research objectives in this regard: a) to determine if companies have websites and were they have, the extent to which financial information is disclosed on the websites; b) to the determinants of the extent of ICR disclosure by the companies. The Studies on the first objective were mainly descriptive surveys to provide empirical evidence on ICR practices by companies listed on a country's stock market. Some of these studies include: Lymer and Tallberg (1997); Hedlin (1999); Lymer et al. (1999); Deller, Stubenrath and Weber (1999); FASB (2000); Lodhia, Allam and Lymer (2004), Al-Htaybat and Napier (2006), and Mohamed, Oyelere, and Al-Busaidi (2009) and Wale-Awe (2012).

The second category of studies measures the level of the Presentation and Content of ICR on companies' websites. They use a disclosure checklist and company attributes as potential determinants of the level of corporate reporting by companies. Among these set of studies were: Gowthorpe and Amat (1999); Pirchegger and Wagenhofer (1999); Ashbaugh et al. (1999); Craven and Marston (1999); Ettredge et al.; (2002); Allam, and Lymer (2003); Oyelere et al. (2003); Marston and Polei (2004), and Almilia (2009).

Most of the empirical studies were carried out in developed countries with only few in developing countries. These studies show mixed results, though most of them have similar objectives. The mixed results are attributable to the use of different sampling techniques, methods of data analysis, and different settings (countries) were the studies were conducted..

In Nigeria, only a few studies have been carried out on corporate reporting on the internet and these studies were mainly on the presence of websites, extent of corporate reporting on the internet, content, and presentation. Agboola and Salawu (2012) have

However, carried out a study on the determinants of internet financial reporting in in Nigeria. In relation to other empirical results in other countries, their results are also mixed.

THEORETICAL FRAMEWORK

The theoretical framework and model are based on existing literature. Different theories have been employed by previous studies to explain the use of ICR by companies. Some studies used voluntary disclosure theories such as capital need, signalling, and agency theories to formulate research questions and hypotheses. Such studies include: Craven and Marston (1999), Ettredge et al. (2002b), Debreceny et al. (2002), Oyelere et al. (2003), Xiao, Jones and Lymer (2004), Marston and Polei (2004), and Zhang et al. (2007). These theories were not completely harmonised with their results in most of these studies. As a result, Xiao et al. (2002) suggest that both theory and empirical results be fully harmonised in future research in internet corporate reporting.

Xiao et al. (2004) recognised the fact that earlier studies on ICR failed to recognise ICR as an innovation. Therefore, he used institutional change theory to explain that the auditor type, international audit firms, foreign listing and industry type are determinants of ICR and disclosure. Bonson and Escobar (2006) used mimetic isomorphism to explain why companies within same industries have similar ICR practices. According to Aly (2008), the absence of a theoretical framework given rise to a gap in ICR studies. He therefore uses three sets of theories: the Institutional Change theories (Normative isomorphism, Coercive and Mimetic), Innovation Diffusion theory, and the Economic-Based theories (Legitimacy , Capital need, Agency, and Signalling theories) to explain the determinants of ICR in Egypt.

According to Gray, Meek, and Roberts (1995), If the objective of a research is to explain an empirical phenomenon, theories should be regarded as being complementary instead of being competitive. Consequently, Tagesson, Blank, Broberg, and Collin,(2009), used an eclectic approach. An eclectic approach combine many theories in arriving at a research model(see also Neu & Simmons, 1996 and Falkman & Tagesson, 2008) Also Cormier, Magnan and Van Velthoven.(2005) used a multi theoretical framework to explain the level and content of social disclosures on the internet. This study, therefore, used an eclectic approach. Specifically, the study is based on three sets of theories: (i) the Institutional Change theories (Normative isomorphism, Coercive, and Mimetic), (ii) Innovation Diffusion theory, and (iii) the Economic-Based theories (Agency, Legitimacy, Signalling, Capital need theories).

DETERMINANTS OF INTERNET DISCLOSURE

Several factors have been identified as determinants of internet disclosures. These factors include cultural factors, economic and political factors, and firm specific factors. Some of these factors have strong influence while others have weak influence. Size, leverage, ownership concentration, profitability, audit firm size, the level of agency and proprietary cost, listing status, have been identified as the most significant of the factors (Froidvaux, 2004 and Wang, 2007).However, in this study, the number of factors has been restricted to four namely firm size, leverage, profitability, and size of auditors.

FIRM SIZE

Many studies that been carried out on the effect of size on the level of internet corporate disclosure found a positive and significant relationship between them. Xiao, Dyson, and Powell. (1996), explained that it is more likely for big companies to resort to the use of information technology to enhance corporate reporting than smaller ones. This position finds support in the innovation diffusion theory which states that the adoption of an innovation like internet reporting is easier for big firms to adopt as they possess the resource capability needed for the deployment of such innovation. The foregoing analysis leads us to hypothesize that:

LEVERAGE

Leverage (gearing) refers to the use of debt instruments to finance a company. Leverage is another factor that affects the amount of disclosed information from the point of view of agency theory. Jensen and Meckling (1976) found that agency cost is greater for firms with greater proportion of debt in their capital structure. This is because companies with higher leverage usually have higher agency costs and it is possible to transfer wealth from creditors to shareholders.

Leverage has been measured in previous studies by the ratio of total debt to total assets. (Debreceny et al., 2002; Haniffa & Cooke, 2002; Xiao et al., 2004), and net long term debt to owners' equity (Abdelsalam, 1999; Debreceny et al., 2002).

Profitability

Profitability is one of the factors that affect the level of disclosure of financial information. According to Aly (2008), agency theory indicates that managers of companies with high profitability disclose more information to increase their compensation prospects. However, there are conflicting results on the relationship between profitability and level of disclosure. (Streetm & Gray,2002). According to Lev and Penman (1990), profitable firms voluntarily disclose more information in order to draw a line of distinction between them and less profitable ones. Lack of disclosure is regarded as an attempt to hide low profitability or 'bad news (Stolowy, 2004). However, Abdelsalam (1999) argue that bad news may make the company to make a preemptive disclosure to avoid legal liability and to maintain the reputation of the company. Pirchegger and Wagenhofer (1999) find that a positive relationship exists between profitability and internet corporate disclosure of Austrian companies. On the other hand, they find that profitability does not affect internet disclosure of German companies. Oyeler et al. (2003) and Marston and Polei (2004) find that that there is no association between profitability and internet financial reporting. Ismail (2002) find a positive relationship between profitability and internet financial reporting within a particular range of profitability, after which the relationship becomes negative.

Size of Auditor:

Evidence from the literature shows that a relationship exist between the type of auditor and Internet disclosure (Abdeisalam et al, 2004; Xiao et al, 2004; Af-Razeen & Karbhari, 2004; Verrecchia, 2001; Eccles, Hertz, Keegan 2001; Dopuch, King & Schwartz, 2001; Wallace et al, 1994; Healy and Philips & Palepu, 1993; Craswell & Taylor; 1992; Titman and Trueman, 1986).

The ideas behind this are, first, the credibility of the firm's financial statements is enhanced when the firm hires, a brand name auditor. (Verrecchia, 2001), Second, large audit firms (the Big **4)** offer high quality audits because they have the resources to perform comprehensive audits and less motivation to compromise on audit quality (Simunic & Stein, 1994). Craswell and Taylor (1992) also find that the type of auditor is associated with the level information disclosed. Xiao et al (2004) revealed that the Big 4 firms tend to be independent of clients' pressure to limit disclosure to maintain their reputation and Abdelsalam et al (2004) find a positive relationship between Internet disclosure and brand name auditors. On the other hand, Almodahki (1999), Hassen et al (1999) and Xiao et al (2004) did not find any relationship.

METHODOLOGY

RESEARCH DESIGN, POPULATION AND SAMPLE

The study examined the content of the annual reports of a sample of 127 companies listed on the Nigerian Stock Exchange (NSE). A cross sectional survey of one year is used because the internet is dynamic. In this connection, companies' attributes are taken from the 2011 hard copy annual reports while the disclosures are obtained from the internet within one month. A checklist developed by the researcher was used to score the corporate disclosures on each website as a disclosure index. The disclosure index method is considered an adequate method assessing corporate disclosure (Singhvi, 1968, and Singhvi & Desai, 1971). The study use multivariate regression to explain relationships among the variables.

The population for this study includes all the 186 listed companies at the first-tier market of the Nigerian Stock Exchange in 2012. As at April 2012, a total number of one hundred and eighty six (186) companies were quoted at the first-tier market. The first tier market comprises eleven main sectors namely: agriculture, conglomerates, construction/real estate, consumer goods, financial services, health care, information and communication technology (ICT), industrial goods, natural resources, oil and gas, and services sectors.

The sample selected from the eleven (11) sectors in the first tier market were considered using stratified random sampling. Stratification was done based on the type of industry. The lottery method was used for the selection of companies within the various strata. In all, One hundred and twenty seven (127) companies were selected using the Yamani formula. According to Yamani (1973),

$$n = \frac{N}{[1+Ne^2]} \quad \ldots\ldots 3.1$$

Where: n is the number of companies selected for study (sample size), N is the population, and e is the error limit (0.05 on the basis of 95% confidence level)

Therefore, $n = \frac{186}{[1+186 \text{ x} 0.05^2]}$

or $n = 127$

Thus, it was 127 companies that were selected for study. Out of these, only 94 companies were found to have web sites and it was these 94 companies that were used for further data analyses in the study.

SOURCES OF DATA

The data were collected from two sources: the companies' internet websites and the 2011 annual reports. To obtain data from the various websites, an on-line search of the Web sites of sample companies was conducted. The online search was conducted in two months between April to May, 2012. Data related to independent variables including firm characteristics were based on the 2011 annual reports of the companies. The 2011 annual reports were used because they were the latest annual reports of all the companies as at May, 2012, when the data were gathered.

The research instrument.

A researcher designed reporting or disclosure checklist was used as the instrument for collection of the secondary data. The checklist was used to determine the disclosure index.

Aly's (2008) disclosure index and Xiao et al.'s (2004) disclosure index were used as a base for the construction of the index used for this study. Aly derived his index from that of Xia et al. Xiao et al. (2004)'s index consists of 82 items. The index of Xiao et al was based on the framework suggested in previous studies by Debreceny et al. (2001), Deller et al. (1999), Pirchegger and Wagenhofer (1999), and Marston and Polei (2004). The list consists of 24 items of presentation format and 58 items of disclosure content. We combined the original Xiao et al's index, Aly's index and Al Motrafi's index and modified them to suit the Nigerian environment.

Appendix 1 shows the disclosure checklist used for this study.

The disclosure index (DI_j) for each firm was calculated as follows:

$$DI_j = \frac{\sum_{i=1}^{n_j} X_y}{n_j} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.2$$

Where

n_j =number of relative items applicable to company

X_y= 1 if the item is disclosed

= 0 if the item is not disclosed

So that $0 \leq I_j \leq I$

Data Analysis Method

The methods adopted for the presentation of data include tables and graphs. Univarate and multivariate techniques were utilized in analyzing the data. Univariate analysis shows the variations in internet corporate reporting disclosure among quoted Nigerian companies. They were used to describe the pattern of data. The descriptive statistics employed in this study were: frequencies, percentages, mean, standard deviation, kurtosis and skewness.

MODEL SPECIFICATION AND DATA ANALYSIS METHOD

The standard OLS Multiple Regression Analysis was used to establish the combined effects of the independent variables on the dissemination of corporate reporting information on the internet. The model is :

$$TDI = B_0 + B_1 (SIZE) + B_2(LEV) + B_3 (PROF) + B_4 (AUD)$$

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Multivariate analysis was utilized to examine the combined effects of the independent variables (company size, leverage, profitability, and auditor type) and the various levels of disclosure. Before running the multiple regressions, tests were conducted to ensure that all the assumptions for multiple regressions were satisfied ;(i) normality of underlying data, (ii)non-multicolinearity, (iii)homoscedasticity of variance,(iv)independence of errors, and (v) outliers. The Kolmogorov-Smirnov and Shapiro-Wilk tests were conducted to test for the normality of the data. The homogeneity of variance was tested using the Levene's test while the Pearson correlation analysis was used to test for independence of variables. The variance inflation factor (VIF) test was used to test for non-multi colinearity, while the Levene's test was used to test for the homogeneity of variance. The Durbin Watson statistic was used to test for independence of errors and autocorrelation. Box plots were used to detect the presence of outliers. The results of the tests indicated that the assumptions for multiple regressions were not satisfied. Thus the data have to be transformed to normality using rank transformation technique before carrying out multiple regressions.

OLS multiple regression is not conducted for all the 127 sampled companies, because some of the companies have no websites. For such companies, the dependent variable will be zero. This is likely to bias the results of the analysis because the technique was meant to ascertain the meant extent and not the presence of financial disclosure. Following, Aly (2008), Al-Htaybat (2005) and Cooke (1998), standard OLS multiple regression was used with SPSS version 20.

OPERATIONALIZATION OF VARIABLES

Based on previous studies, relevance and availability of data, four (4) independent variables above were selected as proxies for determinants of corporate reporting on the internet. Table 1 shows variables, their proxies, code, sources and expected signs.

TABLE 1 SUMMARY OF INDEPENDENT AND DEPENDENT VARIABLES

S/N.	Variable	Measurement/Proxy	Code	Source	Expected signs
1	Size	Total Assets	SIZE	Annual reports	+
2	Leverage	Total debt/Total liability	LEV	Annual report	+
3	Profitability	Return on total asset(Profit after tax/Total assets)	PRO	Annual reports	+
4	Auditor type	Big 4 =1; Others=0	AUD	Annual report	+
5	Total disclosure index	Computed using disclosure checklist	TDI	Internet report	

DATA PRESENTATION AND ANALYSIS

The objective of this section is to present and analyze the data collected. This is done to achieve the overall objective of the research, namely to determine the level of corporate financial and non-financial information disclosed on the websites of quoted companies in Nigeria and the determinants of such disclosures.

DESCRIPTIVE STATISTICS

WEBSITE OWNERSHIP

The study covers corporate disclosure of companies listed in the Nigeria Stock Exchange. The total number of active companies on the exchange as at May 2012 was 186. Out of these, a sample of 127 companies was selected using stratified random sampling. Out of the 127 companies selected, only 94 were founded to be having website. Table 2 shows analysis of the companies quoted in the Nigerian Stock Exchange according to sector and number of companies selected. The 94 sampled companies obtained in Appendix 2.

TABLE 2 SAMPLED COMPANIES BY SECTOR

S/N	Sector	Total		Sample selected	
		Total No	%	Total No	%
1	Agriculture	5	2.68	3	2.37
2	Conglomerates	6	2.23	4	3.15
3	Construction/Real Estate	10	5.38	7	5.51
4	Consumer Goods	28	15.05	19	14.96
5	Financial Services	56	30.11	38	29.92
6	Health Care	10	5.38	7	5.51
7	ICT	11	5.91	8	6.3
8	Industrial Goods	24	12.9	16	12.6
9	Natural Resources	6	3.23	4	3.15
10	Oil and Gas	10	5.38	7	5.51
11	Services	20	10.75	14	11.02
	Total	**186**	**100**	**127**	**100**

Source: Author's field work (2012)

Samples were selected from each industry based on the number of companies in the sector as a percentage of the population.

Table 3 below shows the type of industries and their distribution according to those that have website and those without websites.

TABLE 3 DISTRIBUTION OF COMPANIES ACCORDING TO WEBSITE OWNERSHIPS.

S/N	Sector	Total No of Companies in sample	With website		Without website	
			No	%	No	%
1	Agriculture	3	3	100	-	0
2	Conglomerates	4	4	100	-	0
3	Construction/Real Estate	7	3	42.86	4	57.14
4	Consumer Goods	19	16	84.21	3	15.79
5	Financial Services	38	25	65.79	13	34.21
6	Health Care	7	4	57.14	3	42.56
7	(ICT)	8	4	50	4	50
8	Industrial Goods	16	13	81.25	3	18.75
9	Natural Resources	4	2	50	2	50
10	Oil and Gas	7	6	85.71	1	14.29
11	Services	14	14	100	0	0
	Total	**127**	**94**	**74.02**	**33**	**25.98**

Source: Author's field work (2012)

From the table above, all the companies in the selected sample from agriculture, conglomerates and services had websites. Three out of the seven (7) companies representing 42.86% in the construction/real estate sector have websites while the remaining 4 or 57.14% do not. 16 companies or 84.91% out of the 19 companies in the sample from the consumer goods sector have web sites while 3 or 15.79% do not have websites. The largest contributor to the sample analyzed is the financial services sector with 25 companies having websites out of 38 companies in the sample. On the whole, 94 companies representing 74.80% out of the 127 companies that have websites were selected.

DESCRIPTIVE STATISTICS OF DEPENDENT VARIABLE

The dependent variable is total disclosure index. The study made use of a disclosure checklist consisting of 87 items based on the literature review. The index is made up of 62 items of disclosure content, and 25 presentation items. The content items are divided into 9 groups namely Financial Statements (16), Interim Reports (5), About the business (3), Financial ratios (2), Annual reports (5), Summarized financial statements (4), and Additional Information (16). The presentation items are divided into 4 groups: Presentation format (8), Communication (8), Investor relation (4) and Links (5). Thus the disclosure check list is divided into 13 groups.

Table 4 below shows the overall disclosure index by sector and group. The total disclosure consists of 87 items with a maximum possible score of 8178. The disclosure score

recorded is 58.60%. The minimum score by any company is 12 or 14.29% while the maximum score is 81 or 93.10%. The mean total score is 50.90 with a standard deviation of 24.00. The Kurtosis and Skewness are (1.46) and (0.35) respectively.

TABLE 4 DESCRIPTIVE STATISTICS OF TOTAL DISCLOSURE BY SECTOR AND GROUP

	FINANCIAL STATEMENTS	INTERIM REPORTS	ABOUT THE BUSINESS	SALES	SHARE PERFORMANCE	FINANCIAL RATIOS	ANNUAL REPORTS	SUMMARISED FINANCIAL STATEMENTS	ADDITIONAL INFORMATION	TOTAL CONTENT SCORE	PRESENTATION FORMAT	COMMUNICATION	INVESTOR RELATION	LINKS	TOTAL PRESENTATION	TOTAL
NO OF ITEMS	16	5	6	5	3	2	5	4	16	62	8	8	4	5	25	87
TOTAL SCORE	939	176	500	199	71	128	285	252	801	3351	333	656	323	120	1432	4783
PERCENTAGE	62.4	37.4	88.7	42.3	25	68.1	60.6	67	53	57.5	44.3	87.2	85.9	25.5	60.9	58.5
MINIMUM	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	12
MAXIMUM	26	5	6	5	3	2	5	4	16	61	8	8	4	5	25	86
STANDARD DEVIATION	7.3	2.25	1.3	1.93	1	0.91	2.33	1.84	5	20.8	1.38	1.33	1.18	1.36	4.07	24
MEAN	9.99	1.87	5.32	2.12	1	1.36	3.03	2.68	8.5	35.6	3.54	6.98	3.44	1.28	15.2	50.9
KURTOSIS	-1.4	-1.75	5.83	-1.6	-1	-1.4	-1.7	-1.4	-1.4	-1.51	1.67	6.63	3.43	0.08	1.36	-1.5
SKEWNESS	-0.4	0.44	-2.4	0.07	1	-0.8	-0.5	-0.8	-0.2	-0.39	0.75	-1.9	-2.16	0.83	-0.57	-0.4

Source: Author's field work (2013)

DESCRIPTIVE STATISTICS FOR INDEPENDENT VARIABLES

The descriptive statistics of the independent variables are shown in table 5 below.

TABLE 5 DESCRIPTIVE STATISTICS FOR INDEPENDENT VARIABLE

	No.	Minimum	Maximum	Mean	Std. Deviation
Total assets	**94**	**3.57E+05**	**2.84E+09**	**1.96E+08**	**4.95E+08**
Total liabilities	**94**	**1.45E+05**	**2.47E+09**	**1.61E+08**	**4.29E+08**
Profit after tax	**94**	**-1.13E+07**	**1.26E+08**	**5.05E+06**	**1.58E+07**
Log of Total Assets	**94**	**8.55**	**12.45**	**10.3088**	**0.94936**
Leverage	**94**	**0.94**	**15.76**	**2.3166**	**1.99694**
Return on Total Assets	**94**	**-0.14**	**0.55**	**0.061**	**0.09463**

Source: Author's computation (2013)

From the table, the minimum value of total assets of any company is ₦357, 000,000.00 while the maximum value is ₦2,840,000,000,000.00. The mean value of total assets is ₦ 195,000,000,000.00 with standard deviation of ₦ 494,773,000,000.00. The minimum value of total liabilities is ₦145,000,000.00, while the maximum total liabilities is ₦ 2,470,000,000,000.00. The mean vale of total liabilities is ₦160,550,000,000.00, with a standard deviation of ₦429,064,000,000,.00.

The minimum value for profit after tax is ₦ 11,300,000,000.00 while the maximum value is ₦ 126,000,000,000.00. The mean value of total liabilities is ₦5,049,500,600,000.00 with a standard deviation of ₦15,792,600,000.00. The minimum log of total assets is 8.55 while the maximum is 12.45 . The mean value is 10.30 with a standard deviation of 0.949. The minimum leverage is 0.94 while the maximum is 18.76. The mean leverage is 2.32 with a standard deviation of 2.00. The minimum profitability (ROA) is -0.14 while the maximum is 0.55. The mean value is 0.061 with a standard deviation of 0.09.

MULTIVARIATE ANALYSIS

Table14 shows a summary of the regression results of the model with total disclosure index as the dependent variable. From the table, the adjusted R – Squared shows that the independent variables explain together 54.6% of the systematic variations in total disclosure index of the companies. The F statistic is 8.996 and is significant at P=0.05. This indicates that there is a significant linear relationship between the total disclosure index and all the variables taken as a group. All the coefficients of the independent except leverage are positive and in line with a prior expectations and they indicate positive relationship with total disclosure index.

TABLE 6 SUMMARY OF REGRESSION RESULTS FOR MODEL 1: TOTAL DISCLOSURE INDEX

	Unstandardized Coefficients		**Standardized Coefficients**			**Collinearity Statistics**	
Model	**B**	**Std. Error**	**Beta**	**t**	**Sig.**	**Tolerance**	**VIF**
(Constant)	-.107	.116		-.924	.358		
Size	.456	.127	.456	3.581	.001*	.300	3.331
Leverage	-.087	.097	.087	.902	.370	.519	1.925
Profitability	.217	.089	.217	2.427	.018*	.611	1.637
Auditor Type	.136	.057	.231	2.398	.019*	.524	1.908
R-Squared	0.615			F-Statistic		8.996	
Adjusted R-squared	0.546			Durbin Watson statistic		2.002	

*** significant at the P≤ 0.05 level**

Source: Author's computation (2013)

The t values of 3.581, 2.427, 2.398 for size, profitability and type of auditor, respectively are significant at P=0.05. This means that each of these variables contributes significantly in explaining the variations in total disclosure index. Leverage does not significantly contribute to the variations in total disclosure index. The Durbin Watson statistics of 2.002 is very close to 2 which indicate the absence of autocorrelation among the variables. This means that the model estimates are reliable for structural analysis and policy decisions. The variance inflation factors (VIF) are all less than ten for each of the variables. This also indicates that there is no problem of multicollinearity. Also graphic examination of the P – P plot shows that there is no significant deviation from normality. The regression model is as follows:

TDI = -0.107+0.456SIZE-0.087LEV+0.217PROF+0.136AUD+ 0.145AGR+ 0.196CONG + 0.09CONST+0.191CONS+0.227FIN+0.141ICT+0.020IND+0.334NAT+0.232OIL+0 .091SER+E

DISCUSSION OF RESULTS

In this section, the findings of the research are discussed with reference to the research questions, research objectives, research models and theoretical framework. Specifically, the following are discussed here: (i) Level of internet corporate disclosure; and (ii) Determinants of internet corporate disclosure

LEVEL OF DISCLOSURE.

One of the main objectives of the research is to examine the level of internet corporate disclosure by Nigerian companies. From the study, it is apparent that the use of internet by quoted companies is significant with about 74% of the samples selected for the study having websites. This is comparable to the results obtained for similar countries. For example, Agyei – Mensah (2012) found that 77.14% (27) of the 35 companies listed in the Ghanaian Stock Exchange have websites. Aly (2008) found that 62% of the 98 companies sampled in the Egyptian Stock Exchange have websites. However, the number of companies having websites could be higher in developed countries. For example, a recent study in Hong Kong put the percentage of companies having websites at 96.5% (Poon& Yu, 2012).On the whole, the total disclosure level by companies quoted in the Nigerian Stock Exchange is about 59% on the average. The level of disclosure varies from sector to sector and from item to item. The conglomerate sector has the highest level of total disclosure, followed by the oil and gas sector and the financial services sector. The high level of disclosure excluded by these sectors is attributable to the commercial nature of these sectors that require high advertising. The health sector has the least disclosure index, an indication of the low need for advertising and also regulation of advertising in the sector.

The group with the highest level of total disclosure is ‘About the Business’. This is information about the company like services or products, background history of the organization, list of members of the board of directors, and so on. These are basic information about a company and it is therefore not surprising that most companies disclose these items of information on their websites. On the other hand, share performance and links have low level of disclosure.

DETERMINANTS OF INTERNET CORPORATE REPORTING

The result of the regression analysis shows that there is a significant relationship between total disclosure and all the independent variables taken together. It also shows that all the variables taken together explain 54.6% of the systematic variation in total disclosure. Firm size, profitability and size of audited firm have significant positive relationship with total disclosure. Other hand, leverage has a negative but significant relationship with total disclosure index.

A FIRM SIZE

It was hypothesized in the main that there is a positive relationship between the level of corporate reporting on the internet and size of a company. The regression analysis confirmed the hypothesis that there is significant positive relationship between company size and ICR disclosure. This result is in line with the a priori expectation of the study. The result is also consistent with many empirical studies on internet corporate reporting. The following researchers found significant positive relationship between company size and internet corporate reporting: Pirchegger and Wagenhofer (1999); Hassan et al (1999); Craven and Marsten (1999), Ismail (2002); Debreceny, et al, (2002); Oyelere et al (2003); Xiao et al (2004), Mandes-da-Silva and Christenen (2004), Marston and Polei (2004), Hanifu and Ab. Rashid (2005); Pervan (2005), Chan and Wickramasinghe (2006), Bonson and Escobar (2006), Ali Khan et al (2007), Kelton and Yang (2008), Ezat and El-Masry (2008), Abdelsalam and El-Masry (2008), Al Arussi, et al (2009), Garg and Verma (2010), Ali Khan (2010), Al Sakarneh (2011) andPoon (2012). Agyei-Mensah (2012) however, finds that firm size is not a significant explanatory variable for internet financial reporting and therefore inconsistent with the finding of this study. Thus the study has affirmed the dominant trend that there is a significant positive relationship between company size and all levels of internet corporate reporting disclosure.

B LEVERAGE

The results of the study are inconsistent with a priori expectation. The results indicated that there is a negative relationship between leverage and all components of internet corporate reporting disclosures. Total disclosure shows an insignificant negative relationship with leverage. The results showed that company which are highly levered are less likely to disclose corporate reporting information on the internet than those with lower leverage. This result is quite plausible. Leverage has a negative connotation and it is not a feature that most firms will be in a hurry to show. Thus, firms with higher leverage may be reluctant to disclosure more information on the internet.

The finding on leverage is inconsistent with the findings of Ismail (2002), Lasward et al (2005), Hanifa and Ab. Rashid (2005); and Agyei-Mensah (2012). The results are however consistent with the findings of the following: Debreceny et al (2002), Mandes-da-Silvar and Christenen (2004), Chan and Wickramashighe (2006), Ali Khan et al (2007), Ezat and CI Masry (2008), Al Arussi et al (2009), and Oyelere (2009)

C PROFITABILITY

This study tested the hypothesis that there is positive relationship between a company’s profitability and its internet corporate disclosure index. The results of the study show that there

is a positive and significant relationship between profitability and internet disclosure index. The results of the study are consistent with the results of dominant prior studies which shows a significant positive relationship between profitability and amount of internet corporate reporting disclosure: Hassan et al (1999Ali Khan et al (2007), Aly (2008) Ali Khan (2010) and Agyei – mensah (2012). Also the results are similar with the following to some extent, who find that there is a positive but insignificant relationship between profitability and the amount of internet corporate reporting: Oyelere, et al (2003), Marston and Polei (2004), Xiao et al (2004), Ezat and El - Masry (2008), and Abdelsalam and El – Masry (2008) The results, however, are inconsistent with the results of the study that found a negative relationship between profitability and internet corporate disclosure (Mandes - da- Silva & Christensen (2004)

D SIZE OF AUDITOR

The hypothesis in this study is that there is a positive relationship between the size of the audit firm or brand name auditor and the amount of information disclosed on the internet. For the purpose of this study, companies were categorized into two: either a company is audited by a local audit firm (non – big 4) or it is audited by a local audit firm with international affiliation(the big 4). The big 4 audit firms are: Price Waterhouse Coopers, Deloitte and Touché, Ernst and Young and KPMG..

The result is consistent with the expectations of the study and with the following empirical studies: Abdelsalam et al (2004), Benson and Escobar (2006), Kelton and Young (2008) who found that there is a positive relationship between size of the audit firm and internet disclosure index. The results of the study, on the other hand, do not agree with the following: Hassan, et al (1999), Josh and Al – Modhahki (2003), and Agyei – Mensal (2012), who find no significant relationship between the type of audit firm and internet corporate disclosure.

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

This study focus on the determinants of internet corporate reporting disclosures by quoted firms in Nigeria. To achieve the objectives, a disclosure checklist was constructed and used to extract information from the companies' websites on the internet. 94 companies from the eleven categories of quoted companies in Nigeria. In addition a principal model was specified to examine the relationship between total internet corporate internet disclosure levels with company characteristics: company size, leverage, profitability, and type of auditor. Various descriptive characteristics were used to characterize the data gathered. Also hypothesized relationships were tested using appropriate statistical tools.

SUMMARY OF FINDINGS

The main findings of the study are: (i) Quoted companies in Nigeria have appreciated the use of the internet for various purposes particularly with regard to the use of the internet for dispensing corporate reporting information. (ii)The overall disclosure index of 58.50% is considered moderately satisfactory. This is more so against the background that Nigeria is a developing country with low level of information technology. Moreover corporate reporting on the internet is voluntary and not mandatory (ii) There is a positive relationship between the size

of a company and the amount of corporate reporting information disclosed on its website. In other words, the bigger the company, the more information it discloses on its website. (iv)There is a negative relationship between the leverage of a company quoted in the Nigerian Stock Exchange and internet corporate reporting. This means that the higher the leverage, of a company, the less the amount of corporate reporting information disclosed on the internet (v) There is a positive relationship between performance (profitability) and the extent of corporate reporting on the internet. More profitable companies were found to disclose more information than less profitable ones..(vi) The extent of disclosure of corporate reporting information is influenced by the type of auditor. In other words, companies audited by the big four auditors (also referred to as 'brand name' auditors) disclose more information than those audited by other auditors. The big four auditors identified in this study were KPMG, Pricewater HouseCoopers, Delloitte and Touche, and Ernst and Young.

CONCLUSION AND RECOMMENDATIONS

Internet is increasingly providing companies opportunities through which they can disseminate information to various stakeholders. Through the internet, companies can provide vast quantities of information, both financial and non-financial, which users require for easy access. The main purpose of this study is to provide insights into the use of internet for disseminating corporate reporting information among quoted companies in Nigeria and to establish the factors that affect such companies in adopting corporate disclosures through the internet. In this connection, the study examines the significance of four specific characteristics as potential determinants of internet corporate reporting in Nigeria.

The descriptive analysis findings of the study indicate that a reasonable number of quoted companies have internet websites on which they disclose corporate reporting information. However, most quoted companies still use the traditional method of presentation of information- the PDF. Other more versatile formats like the MSWord, MS Excel, HTML, and MS PowerPoint are sparingly used. In fact the XBRL, which is the emerging business oriented language of the internet, is not used at all.

On the whole, the internet reporting practices of Nigerian quoted companies is fairly satisfactory. However, the situation could be greatly enhanced through proper regulatory policies and enforcement mechanisms among other remedies. Some of the ways in which this can be done are summarized in the recommendations in the succeeding section. There is no doubt that these recommendations would be of immense benefit to the companies, the regulatory authorities and other stakeholders.

Flowing from the foregoing, the following recommendations are provided for companies and regulatory bodies to implement.(i) Companies should release the corporate annual reports online the same time the hard copy is being released.(ii)Companies should provide user-friendlier formats for presentation of financial reports. (iii) Smaller companies should be encouraged by Government to aquire IT infrastructure by promoting the development of IT in Nigeria. (v) The Big four auditors audited 62.8% of the sampled listed companies with websites. As a result, an attempt should be made to develop the Nigerian 'Big Four' through the merger or acquisition of small audit firms. This will enable audit firms to be properly equipped with the

necessary human resources and IT infrastructure that will enable them to compete with the Big four firms which are all essentially multinational accounting firms.

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