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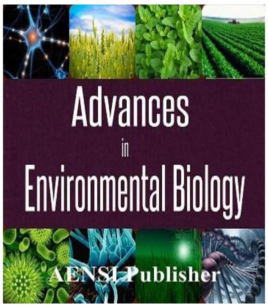

A Study on the Effects of Company Features on the Level of Internet data Disclosure (Internet Financial Reportage)

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ABSTRACT

In recent years, with the development of internet services, data disclosure through companies' websites has been increased under the title of internet reportage. This subject affected the ordinary accounting methods in a way that various statements have been published all over the world about the internet financial data disclosure by the professional authorities. The main purpose of this research was to investigate the relation between disclosure level in financial invoices through internet and company features in the companies which are accepted in Tehran's stock exchange. The present study was carried out with a check list consisting of 74 items in two financial and non-financial sections and the internet disclosure index was obtained from them. According to this index, we investigated the effects of company features –such as P/E proportion, the profit of each share, the return of assets, divided profit of each share and company size- on the level of internet data disclosure of companies. The sample contained 70 companies which were selected among 241 companies by an omissive approach. The results showed that there is a significant relation between P/E proportion, return of assets to the size of company and the level of internet data disclosure, while there is no significant relation between the profit of each share and divided profit of each share and the level of internet disclosure.

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INTRODUCTION

Quick development of internet and World Wide Web obliges companies to accept internet as a tool of commercial communication. Internet as new, efficient and effective equipment provides all beneficiaries with information. The result of this e commerce environment is transparency. The data – based information causes development. These communications in company and all through society creates transparency. Every company can distribute masses of information throughout the market in less than a second with little investment. In this way, investors can access information which was accessible merely for a limited population. The beneficiaries are willing to have direct and instance access to reliable, comparable, on time and well – organized and detailed information about the operation of company. Companies are obliged to disclose more information about programs, risks and future opportunities in order to meet these requirements. Companies can present a more approving image of themselves to investors and other beneficiaries using internet and hence decrease the price of capital and increase the value of their market. Internet is a tool which introduces new opportunities to companies in order to complete, replace and promote the conventional communication channels of investors and beneficiaries. So internet has turned to a communication tool for organizations in a short time. So many authors claimed that in recent years, internet has extensively become a tool helping companies to achieve to the commercial reportage goals. This matter can be contributed to opportunities which are provided by internet and also to the requirements of online information. Companies which have general contracts can disclose financial information, help investors, disclose important haps by media and inform the beneficiaries about social responsibility actions by company web sites. Hence, promoting internet is introduced as a data source, a communication tool and as a key phenomenon today. Data disclosure in companies' websites brings so much benefit but there are some other aspects which should be considered such as reliance and selected reportage.

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While some of the disclosed information in websites is audited like financial invoices, some others are not. In order for the disclosed information to be beneficial for decision makers, this information should be fair and unbiased. In addition, managers may be willing to disclose information but save some of it. This results in the asymmetry of information. In this situation, decision makers should make decisions based on provided information which does not show a complete image of company. Hence, if the provided information is complete and fair, benefits can be gained. Otherwise, it might be the reason of wrong decision making. In addition, there are other factors affecting data disclosure. These factors include legal and organizational factors, competition situation and economy analysis. Different researches show that companies did not use this phenomenon similarly for financial reportage. In a way that companies with different characteristics had different reaction in using internet financial reportage. In the present research, we investigated the relation between some of these characteristics and the level of internet financial information disclosure and answered this question: does internet usage influence on financial reportage and is the companies' features effective on the level of internet information disclosure or not?

Review of the literature and theoretical background:

Financial reportages, disclose capital resource specification in a current company and its profitability. This economic information contributes to the recognition of financial and health situation of a commercial unit. Because investment decisions is dependent to information which are provided for them and financial reportage sets its aim on contributing to decision making of beneficiaries, – such as investors, loaners and creditors – a special and appropriate report should accurately reflect this matter that how much company's capital sources are being used efficiently.

Internet financial reportage:

Internet financial reportage means using companies' websites in order to disclose the information about their financial operation. When companies use internet financial reportage, they put a comprehensive collection of accountants' reports and financial invoices in their website. These annual reports are connected to every part of internet and can be used. The empirical data shows that the companies which use internet financial reportage are generally more profitable and greater than the other companies. In recent years, internet provided new opportunities for the disclosure of different financial information including financial invoices and annual reports. Accounting information system, as a component of management information system, is in charge of providing beneficial information for decision making.

Disclosure:

According to wordent website, www.wordnet.prinston.edu, disclosure literally means "showing information in extended form". Also according to Wikipedia website, www.en.Wikipedia.org, disclosure means "showing the information which is normally secret and this disclosure is done voluntarily or according to the rules of subject or the norms of the society" The word "disclosure" in accounting is one of crucial principles and is known as "Disclosure Principle" and covers all important happenings and related to the latest financial activities and happenings of commercial unit specifically company's common stock. According to this principle, the financial invoices should be provided and presented in a comprehensible, informative and complete status in terms of financial reportage aims.

The features of the company:

Knowing the features of the company, which are effective in the companies' capital structure, is important. Because considering these features and their level of effect on capital structure can contribute companies to determine an approving capital structure. Different variables and factors can influence economic agency's profitability and efficiency through affecting the selection of optimum capital situation. So, investigating the level of impressibility of companies' financial source structures determines the position of companies' operation in credit supply markets through different parameters – such as the features of the company and also the importance of the company in terms of expansion of operations, profitability, development opportunities and type of activities, which are meeting their various financial requirements. And also informs managers of opportunities and internal and external threats in the path of these activities.

Profitability and growth of the company:

Lots of previous researches show that companies having successful results (good news) have quicker reportage in proportion to the companies which have unsuccessful results (bad news). Delay in broadcasting bad news and speed in broadcasting good news can be explained based on "beneficiaries' theory" and "Interval Reporting Hypothesis". According to beneficiaries' theory, when there is no possibility of denying the news due to the necessity of obligatory disclosure, the managers postpone the disclosure. So the manager gives the shareholders opportunity and "mild alarm" in order to assign their shares before they hear bad news about the

market. On the other side, quick disclosure of good news assures that no other sources in news will outguess the news. According to the interval reportage hypothesis, managers are anxious about internal operation assessment, specifically when these evaluations determine the rewards and finally their survival at their positions. So the managers will become willing to postpone the disclosure of bad news in order to investigate, modulate or represent them. On the other side, good news, because they are less investigated, are quickly disclosed (Ismaeil and Chandler, 2004). Considering the above theoretical foundation we can present hypotheses 1 to 5 of the present research as below:
H1: P/E proportion affects company's disclosure
H2: the profit of each share affects company's disclosure
H3: the gain of assets affects company's disclosure
H4: divided profit of each share affects company's disclosure

Company size:

One feature, which is related to on-time financial reportage, is the size of the company. There are two contradictory views about the direction of this relationship. According to the first view, big companies have longer time intervals between reportages compared to small companies, because the accounts of big companies are more complicated than those of small ones. Also the amount of information they should collect is abundant and some sections, branches and various peripheral companies may be transferred to them [1]. According to the second view, the smaller companies have longer time intervals between reportages compared to big companies. First because big companies have often more sources, more experienced accountant employees, and more developed data systems compared to smaller companies. Secondly because big companies receive more attention from public, specifically those big companies which are investigated by so many analysts who usually need prompt and on time information to confirm and review their expectations. Thirdly because usually big companies disclose information more quickly compared to smaller companies in order to prevent the government's interference. This is because big companies are traceable by government bases due to having great economic consequences [7]. Finally, big companies are often controlled by investors, commercial units and legal foundations; so they are faced with so much pressure to quickly present their reportages (Dyer &Mc Hugh, 1975). So we can present the below hypotheses:
H5: the size of the company affects the company's disclosure.

Research background:

Manuel Loran and Behouna Geiner in 2002 investigated internet financial reportage in 144 companies listed in Madrid's stock exchange. They designed an index including 107 factors of internet disclosure in order to measure the internet disclosure of sample companies. According to these activities, they studied the websites of sample companies. The results showed that there was a significant relation between the size of the company – financial lever and stockholders' salary gain with the disclosed information through internet. According to the studies of Limmer, Johnson and Balldween Morgan in 1997, service companies were more willing to disclose and transfer the information compared to producer companies. But according to the findings of Craven and Marston about 206 companies among the greatest companies listed in the journal of Financial Times (22, Jan, 1998) there was no relation between the type of industry and the level of internet disclosure of financial information. Arthur Anderson in 2001 found out that 94 percent of companies among his sample selected from 350 outstanding companies had websites and among them 88 percent used internet to present financial information as annual reportages. By decreasing the size of companies, usage of internet decreased too. On the other hand Loran and Geiner considered the lower price of providing and distributing data through internet for bigger companies as a stimulus for more data disclosure from this channel. Iyakawo, Ben Busut & Decster found out that by increasing the size of the companies, their profit will increase. This will cause the bigger commercial units to benefit more of this emerging media due to the fact that they are enjoying more abundant sources. In another research, Kissou and his colleagues claim that the bigger companies use more of information technology compared to smaller companies in order to optimize and develop their financial reportages. This is because of extended information requirements. In September 1999, Headlin investigated the websites of Swedish companies. The results showed that 83 percent of companies disclosed their financial invoices through internet and the bigger companies was more developed in using internet as a tool for communication with investors and disclosed more information through internet. Preachger and his colleagues presented evidences based on the relation between the size of the company and the quality of the disclosed information in Austrian company websites. Craven and Martson in a study on London's stock exchange companies found out that the bigger companies more possible disclose their financial information through internet. Tarogh Ismaeil in July 2002, during his research, investigated the factors affecting internet financial information disclosure in 128 companies in Persian Gulf environment including 24 companies from Doha's stock exchange, 36 companies from Bahrain's stock exchange and 68 companies from Arabian stock exchange. The results of this study showed that there is a significant relation between internet financial information disclosure and independent variable of the study such as profitability, the size of the company and company's lever. Filstia Hostbroik investigated the relation between digital annual financial reports and the features of the company. The results showed that there is a significant relation between the type of industry and digital financial reportages. Emilia Garcia, Manuel Loran and Rafael Lopez designed a criteria named as disclosure index and evaluated reportage based on web in 816 small and medium companies of union. The results showed that there is a significant relation between the type of industry and the size of company. Tahmina khan in 2007 in a research titled "internet financial reportage" investigated three different aspects of internet disclosure including the crucial factors in internet reportage, the factors of social reportage responsibility of the companies, and the factors of company dominance. The results showed that companies with various activities in different industries and hotels have the lowest percent of internet financial information disclosure.

Methodology:

The present research is operational in terms of the purpose of study and is based on correlation type in terms of categorization. The population of the study includes non-financial (producing) companies which are accepted in Tehran's stock exchange. The reason for choosing these companies as the population is easy access to accounted financial invoices and also access to sample companies' websites. According to 7-year time span of the research (from the beginning of 2006 up to the end of 2012) companies are selected which had been accepted in Tehran's stock exchange at least at the beginning of 2006. They had to deliver their financial invoices of the end of their fiscal year to stock exchange office to be studied. They had to have no long – term halts (more than 6 months) and the shares of the companies have had to be transacted at the beginning and at the end of their fiscal year. Their information should be recorded on the official websites of Tehran's stock exchange and the websites of companies. The data collection method used in the literature of the present research is library method and the instruments for data collection are information banks and data softwares such as Rah Avard Novin and financial invoices of accepted companies in Tehran's stock exchange and also internet websites such as www.tsetmc.ir that provides the researcher with the accounted information and required data in the research. The instruments of data collection are studying documents and information banks and the required data of resource is obtained from the financial data recorded in their accounted financial invoices. These data are extracted from the records of Rah Avard Novin software and also electronic and internet archives of Codal websites. Also in order to determine the amount of internet data disclosure, we collected the disclosure factors used in other researches and used them as the disclosure criterion. The dependent variable is internet information disclosure. To determine the amount of this variable, we collected the disclosure factors used in other researches and used them as the disclosure criterion (table 1). In addition to reference to sample companies' websites, if a given company disclosed the factor (variable) under the investigation, value 1 and otherwise value 0 was specified to this variable. Finally with the calculation of the proportion of disclosed information sum to the total of disclosed information, the index of internet disclosure of the company will be obtained. Of course we should consider that if all factors are disclosed, the maximum amount of internet disclosure of the company will be equal to 1. The above explanations can be formulated mathematically as below:

$$ICDI = \frac{\Sigma A}{\Sigma B}$$

In which ICDI indicates internet disclosure for the given company, ΣA indicates the sum of disclosed items and ΣB indicates the total items. The independent variables include the P/E proportion, the profit of each share EPS, the return of assets ROA, dividing profit of each share DPS and SIZE of the company.

Table 1: Factors of financial information disclosure.

	Factor name
Financial information	Comparative balance sheet with processable formats
	Bill of comparative accumulative profit and loss with non-processable formats
	Processable comparative cash circulation check
	Comparative balance sheet with processable formats
	Accumulative profit and loss check in processable formats
	Comparative cash circulation check with processable formats
	Midterm financial bills with non-processable formats
	Midterm financial bills with processable formats
	Notes along with their links
	Accounting report or its link
	Financial attributions
	Financial / comparative analytic reports
	The report of the operation of board of directors to the conference
	The information related to the prediction of the profit of each share
	Stock exchange market information including price and volume of transacted shares
	The information related to the portfolio of investments
	Conferences' information and decisions

	Tax information
	Form1- the first prediction of each share's income
	Form2- the prediction of each share's income in 3-month time spans and budget modulation
	Form3- profit and loss and accumulative profit and loss bill
	Form6- midterm information and financial checks
	Modulated financial checks based on general levels of prices
	Human source policy

Research findings:

In order to examine the hypotheses of the research we used the correlation between variables and to calculate the regression we used panel data method. First, the descriptive data of the variables are presented in table 2. Generally, descriptive items show that the selected sample has so much variability. As an example, descriptive statistics of the size of the company shows that the maximum and minimum of the size of the company is 33.97 and 39.021 respectively and the standard deviation is equal to 1.7896. This feature is true about other variables, which shows the variability of the selected companies and as a result generalization of the results of one sample to the whole sample group.

Table 2: Variables' descriptive data.

Name	EFSH	DPS	EPS	PE	ROE	SIZE
Mean	30.20872	681.9688	812.1371	3.566168	12.76265	26.91785
Median	30	460	610	5.3	10.97	26.28
Max	66	5175	7094	48.91	62.74	33.97
Min	1	1	-1072	-794	-17.18	39.021
SD	26.50218	777.9446	876.9648	44.89363	11.00073	1.789613

The analysis of the first main hypothesis:

This hypothesis is presented about the existence of any effect of P/E proportion on monetary policy and is examined by the model presented below:

$$EFSHA_{it} = \alpha_i + \alpha_1 P/E_{it} + \varepsilon_{i,t}$$

First, according to the type of model, the temporal and fixed synchronic effects are examined. In combinational data, the temporal and fixed synchronic effects and also their simultaneous effects are examined. In the examination of all research hypotheses, according to the Chau test item about fixed synchronic effects which possibility is lower than 0.05 and fixed temporal effects which possibility is higher than 0.05, the model of fixed synchronic effects is preferred. After carrying out the Chau test and selecting the fixed temporal effects model, we used Housman test to select the method of data testing among two methods including fixed effects and random effects. In examination of all research hypotheses according to the possibility related to test which is lower than 0.05, with the confidence of 95 percent, the random effects are voided and fixed effects are accepted. Also the results related to the item Durbin – Watson statistics (no self – correlation of error terms) in all models shows the relatively independence of data. The results related to the examination of the first main hypothesis of the research are presented in table3. According to the F value and the possibility related to it, we can conclude that in the confidence level of 99 percent, the regression equation is significant.

Table 3: Analysis of the first main hypothesis.

Modulated determinant coefficient	0.1723				
F value	20.4031				
Probability	0				
Durbin-Watson value	1.679				
Descriptive variable	coefficient	SD	T value	probability	Level of confidence
P/E	0.00721	3.031472	6.022915	0.0017	99%
C	29.18431	3.263044	8.943891	0	99%

The modulated determinant coefficient shows the level of relation between independent variables and dependent variables (disclosure). According to the table 3 above, the modulated determinant coefficient of the model is 0.17. So in average, 17 percent of the changes in this dependent variable are determined by this model. According to the possibility related to the P/E proportion which is lower than 0.01, this variable is 99% confidently significant in model. So we can claim that there is a relation between P/E proportion and the advantage of disclosure. Because the symbol of this variable in model is positive, the relation is positive. This means that the companies with high P/E proportion have higher possibility of internet disclosure through websites. So according to the results of the model, the first hypothesis of the present research is confirmed.

The analysis of the second main hypothesis:

This hypothesis is presented about the existence of any effect of the profit of each share on disclosure of the company and is examined by the model presented below:

$$EFSHA_{it} = \alpha_i + \alpha_1 EPS_{it} + \varepsilon_{i,t}$$

The results related to the examination of the second main hypothesis of the research are presented in table4. According to the F value and the possibility related to it, we can conclude that in the confidence level of 99 percent, the regression equation is significant.

Table 4: Analysis of the second main hypothesis.

Modulated determinant coefficient	0.14673				
F value	14.93602				
Probability	0				
Durbin-Watson value	1.6153				
Descriptive variable	coefficient	SD	T value	probability	Level of confidence
P/E	0.002028	0.001576	286916	0.1989	insignificant
C	27.7815	1.770787	15.68878	0	99%

The modulated determinant coefficient shows the level of relation between independent variables and dependent variables (disclosure). According to the table 4 above, the modulated determinant coefficient of the model is 0.14. So in average, 14 percent of the changes in this dependent variable are determined by this model. According to the possibility related to the profit of each share EPS which is higher than 0.05, this variable is 95% confidently insignificant in model. So we can claim that there is not any relation between the profit of each share and internet disclosure through websites. So according to the results of the model, the second hypothesis of the present research is not confirmed.

The analysis of the second main hypothesis:

This hypothesis is presented about the existence of any effect of the return of assets on disclosure of the company and is examined by the model presented below:

$$EFSHA_{it} = \alpha_i + \alpha_1 ROA_{it} + \varepsilon_{i,t}$$

The results related to the examination of the second sub hypothesis of the research are presented in table5. According to the F value and the possibility related to it, we can conclude that in the confidence level of 99 percent, the regression equation is significant.

Table 5: Analysis of the third main hypothesis.

Modulated determinant coefficient	0.1962				
F value	19.16652				
Probability	0				
Durbin-Watson value	1.686426				
Descriptive variable	coefficient	SD	T value	probability	Level of confidence
P/E	0.306833	0.099951	3.069839	0.0023	99%
C	26.13735	1.767176	14.79046	0	99%

The modulated determinant coefficient shows the level of relation between independent variables and dependent variables (disclosure). According to the table 5 above, the modulated determinant coefficient of the model is 0.19. So in average, 19 percent of the changes in this dependent variable are determined by this model. According to the possibility related to the return of assets which is lower than 0.01, this variable is 99% confidently significant in model. So we can claim that there is a relation between the return of assets and internet disclosure through websites. Because the symbol of this variable in model is positive, the relation is positive. This means that the companies with high return of assets have higher possibility of internet disclosure through websites. So according to the results of the model, the third hypothesis of the present research is confirmed.

The analysis of the forth main hypothesis:

This hypothesis is presented about the existence of any effect of the divided profit of each share on disclosure of the company and is examined by the model presented below:

$$EFSHA_{it} = \alpha_i + \alpha_1 ROA_{it} + \varepsilon_{i,t}$$

The results related to the examination of the second sub hypothesis of the research are presented in table6. According to the F value and the possibility related to it, we can conclude that in the confidence level of 99 percent, the regression equation is significant.

Table 6: Analysis of the third main hypothesis.

Modulated determinant coefficient	0.1444				
F value	18.44623				
Probability	0				
Durbin-Watson value	1.6917				
Descriptive variable	coefficient	SD	T value	probability	Level of confidence
P/E	0.001973	0.001886	0.046116	0.2963	insignificant
C	28.82656	1.934298	14.90285	0	99%

The modulated determinant coefficient shows the level of relation between independent variables and dependent variables (disclosure). According to the table 6 above, the modulated determinant coefficient of the model is 0.14. So in average, 14 percent of the changes in this dependent variable are determined by this model. According to the possibility related to the divided profit of each share DPS which is higher than 0.05, this variable is 95% confidently insignificant in model. So we can claim that there not any relation between the divided profit of each share and internet disclosure through websites. So according to the results of the model, the fourth hypothesis of the present research is not confirmed.

The analysis of the fifth main hypothesis:

This hypothesis is presented about the existence of any effect of the size of the company on disclosure of the company and is examined by the model presented below:

$$\mathrm{EFSHA}_{it} = \alpha_i + \alpha_1 \mathrm{ROA}_{it} + \varepsilon_{i,t}$$

The results related to the examination of the second sub hypothesis of the research are presented in table7. According to the F value and the possibility related to it, we can conclude that in the confidence level of 99 percent, the regression equation is significant.

Table 7: Analysis of the third main hypothesis.

Modulated determinant coefficient	0.1921				
F value	19.8923				
Probability	0				
Durbin-Watson value	1.717				
Descriptive variable	Coefficient	SD	T value	Probability	Level of confidence
P/E	141.801	40.83.97	3/460394	0.0006	99%
C	-3070.7	1096.208	-2.80122	0.0054	99%

The modulated determinant coefficient shows the level of relation between independent variables and dependent variables (disclosure). According to the table 7 above, the modulated determinant coefficient of the model is 0.19. So in average, 19 percent of the changes in this dependent variable are determined by this model. According to the possibility related to the size of the company which is lower than 0.05, this variable is 99% confidently significant in model. So we can claim that there is a relation between the size of the company and internet disclosure through websites. Because the symbol of this variable in model is positive, the relation is positive. This means that the bigger companies have higher possibility of internet disclosure through websites. So according to the results of the model, the fifth hypothesis of the present research is confirmed.

Discussion and conclusion:

In the first hypothesis the effects of P/E proportion on company disclosure was examined. The results of the test showed that the variable P/E proportion is significant in the confidence level of 99%. So there is a relation between P/E proportion and the advantage of disclosure. On the other hand, the symbol of this variable in the model was positive. This means that there is a positive and significant relation between P/E proportion and company disclosure. According to this result, in companies with higher P/E proportion, there is higher possibility of internet information disclosure through websites. In the second hypothesis we investigated the effect of the profit of each share on company disclosure. The probability related to the profit of each share (EPS) in model was higher than 0.05. So this variable was not significant in the confidence level of 95%. According to insignificance status of profit of each share (EPS) in model, we can claim that there is no relation between the profit of each share and the advantage of disclosure. This means that the profit of each share is not effective in the internet disclosure through websites. In the third hypothesis the effects of return of assets on company disclosure was examined. The results of the test showed that the probability related to the return of assets was lower than 0.01. So this variable is significant in the confidence level of 99%. So there is a relation between return of assets and the advantage of disclosure. On the other hand, the symbol of this variable in the model was positive. This means that there is a positive and significant relation between return of assets and company disclosure. According to this result, in companies with higher return of assets, there is higher possibility of internet information disclosure through websites. In the fourth hypothesis we investigated the effect of the

dividing profit of each share on company disclosure. The probability related to the dividing profit of each share DPS in model was higher than 0.05. So this variable was not significant in the confidence level of 95%. According to insignificance status of dividing profit of each share DPS in model; we can claim that there is no relation between the dividing profit of each share and the advantage of disclosure. This means that the dividing profit of each share is not effective in the internet disclosure through websites. In this research we also investigated the effects of the size of the company on company disclosure. The results of the test showed that the probability related to the size of the company was lower than 0.05. So this variable is significant in the confidence level of 99%. So there is a relation between the size of the company and the advantage of disclosure. On the other hand, the symbol of this variable in the model was positive. This means that there is a positive and significant relation between the size of the company and company disclosure. According to this result, in bigger companies, there is higher possibility of internet information disclosure through websites
.

Suggestions based on the results of the study:

We suggest companies to focus their efforts on creation of websites and internet reportage in order to provide information users with the required data in shorter time and lower expense. In this way the information users can make benefits of the information in order to make decisions. Also we suggest companies to start internet websites and disclose required data for investors and provide willingness for internal and external investments.

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