

Impact of Firm Characteristics and Corporate Governance Variables on Internet Financial Reporting: Evidence from Listed Companies in Sri Lanka

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Abstract

In the modern era with the rapid growth of internet technology, it has enabled the companies to disclose financial and non-financial information to the stakeholders through the adoption of websites as a media of communication. The objectives of the study are therefore, to examine the extent to which Internet Financial Reporting (IFR) practices are adopted by listed companies in Sri Lanka and to identify the impact of corporate governance practices on the level of IFR adoption. The extent of IFR practices were evaluated based on a comprehensive index consisting of 35 items under the main dimensions of content and presentation. The scores of IFR Indices of companies were analyzed using both descriptive statistics and univariate analysis of one sample t test. Corporate governance practices of the sample companies were assessed in terms of eight individual influential characteristics identified through extant literature and a Corporate Governance Index (CGI) that was developed to capture the effect of all individual corporate governance characteristics identified. The findings of the study reveal that Sri Lanka is still at an embryonic stage in terms of adopting IFR practice, while the concentration on presentation dimension of IFR practices depicts that more attention is deviated towards the format and outlook of the websites at the less importance forwarded towards the content and fullness of the information provided in the websites. This implies that IFR practices in Sri Lanka is not oriented towards the voluntary information dissemination for investors and other interested parties in making economic decisions on behalf of the company such that it does not enlighten the agency problems due to persistent information asymmetry.

Keywords: Internet Financial Reporting, Corporate Governance, Colombo Stock Exchange, Sri Lanka