



Πανεπιστήμιο Θεσσαλίας

ΤΜΗΜΑ ΟΙΚΟΝΟΜΙΚΩΝ ΕΠΙΣΤΗΜΩΝ

ΠΡΟΓΡΑΜΜΑ ΜΕΤΑΠΤΥΧΙΑΚΩΝ ΣΠΟΥΔΩΝ

Website and Investor Relations

ΕΠΙΜΕΛΕΙΑ: ΚΟΓΚΟΥΛΗ ΑΦΡΟΔΙΤΗ

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Υποβλήθηκε ως απαιτούμενο για την απόκτηση του μεταπτυχιακού διπλώματος στη
Εφαρμοσμένη Οικονομική

2016

ΥΠΕΥΘΥΝΗ ΔΗΛΩΣΗ

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Βόλος, Ιούνιος 2016

Ευχαριστίες

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Η εργασία αυτή είναι αφιερωμένη στον γιό μου.

Κογκούλη Αφροδίτη

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ABSTRACT

The advent of the World Wide Web has provided a new avenue for companies to communicate with current and potential investors. This study investigates corporate website financial disclosure practices.

Responding to the widespread adoption of the internet and the rapidly growing demands for information from stakeholders, corporations around the world are using the internet for business and financial disclosures. Internet responding has the benefits of low cost, wider reach, frequency and speed. Despite these benefits internet varies across companies and across countries. This study investigates the investor relations activities on the Internet of companies in UK. For this purpose, websites of UK companies were screened for investor relation items.

The purpose of this paper is to consider the determinants of web-based corporate reporting by UK listed firms. Is based on a literature review of the determinants of web-based corporate disclosures and is both descriptive and explicative. It analyses the use of the internet to disseminate corporate information and examines the extent of web-based corporate disclosure by developing a set of disclosure indexes. To test the author's hypothesis, an OLS regression framework has been estimated. Descriptive analysis shows that large- sized firms, large audited firms, firms featuring a dispersed ownership structure, those that have issued bonds or equities and IT industry firms extensively used the web to disclose information to their shareholders.

The study does not cover all information provided in websites, particularly those about the impact of IFRS on companies' accounts. The findings are useful to both managers, wishing to meet actual and potential investor's informational needs and to the investors wishing to invest in a richer informational environment and to better assess firm value.

Key words: UK, investor relations, listed companies, corporate reporting, website, disclosure

INTRODUCTION

Financial reporting developed in the early twenty-first century from the traditional design of the printed annual report to the contemporary Internet Financial Reporting aiming specifically to satisfy varying user's needs. Financial reporting is the common tool of disclosing companies' financial information, and it is predicted that internet financial reporting will gradually replace printed financial reporting as more companies will be the first to provide financial information and communicate with accounting information users (Beattie and Pratt, 2003, K.Al- Htaybat, Land A., Alhtaybat and K.Hutaibat, 2011).

Oyelere et al. (2003 p.38) argued that "Internet reporting improves user's access to information by providing information that meet their specific needs, allowing non-sequential access to information through to use of hyperlinks, interactive and research facilities, and allowing the opportunity for providing more information than available in the annual reports. This improved accessibility of information results in more equitable information dissemination among stakeholders."

Media for corporate reporting and investor relations activities are changing as a result of the increasing speed of developments in the communication industry. New communication tools and channels are developed that act as complements or substitutes for the way communication has been performed in the past. One of the fastest developing communication channels today is the Internet (Spaul, 1997). Internet is used by individuals for a wide range of purposes, such as finding general and specific information, exchanging e-mails, buying products and services, and looking for work. According to Sullivan (1999), websites are being developed by organizations for a wide range of activities, such as electronic commerce, creating a corporate image, disclosing information and reducing communication expenses.

The Internet is increasingly considered as a comprehensive instrument for investor relations activities. In particular, corporations use their World Wide Web homepage as a platform to present financial data, especially annual reports, databases on press releases and other company-specific information (Deller, Stubenrath and Weber (1999). The internet creates a new reporting environment for listed firms willing to continuously communicate with existing shareholders and to attract potential ones. The benefits of this fast growing phenomenon include the ease of

access, the widespread diffusion, the savings of costs associated with printing and sending paper-based reports and the rapid comparison and analysis of data. The internet also meets shareholders' needs to handle an ever-expanding information environment. The dissemination of financial information via the internet has no hard or fast rules or guidelines, which creates a large range of reporting practices across firms (Boubaker et al., 2011).

The potential pole of the internet as a relatively new means of communicating information to the general public in developing countries, is to meet stakeholder demands for greater speed and volume of timely information, in better and more effective ways (Willis et al., 2003). The use of the internet enables information to be disseminated worldwide and thus facilitate the improved availability of financial information in particular, so encouraging investment.

The internet has the power to revolutionize external reporting. Company websites can conclude the traditional annual reports together with additional financial and non-financial information in multiple formats, also allows corporate information to be presented in innovative ways. Indeed, large volumes of data are posted on the web with hypertext and hypermedia being used extensively (Bury, (1999), Taylor, (1998), FASB, (2000), Trites, (1999)). Such developments have a great potential impact on users, auditor and regulators in terms of widening user access and creating issues relating to security and auditability (Gowthrpe and Flynn, (2001), Green and Spaul, (1997), Wallman, (1997)).

As a key ingredient of overall strategic management responsibility, investor relations can be viewed as a link between a company and the financial community, allowing them to inter alia reach a fairer valuation of the company's share price (Marston and Straker, 2001). Features of the internet allowed companies to perform investor relations on a most efficient and cost-effective way (Kuperman, 2000). Moreover, there is open access to internet, so the use of corporate websites for investor relations activities should not only increase the information available to current and potential investors, but will also increase public awareness and the market's overall transparency. However, despite an increasingly globalized world and the growth of information and communication technologies, many developing countries still face restrictions on access and diffusion of technologies when

compared with developed countries (Al-Jaghoub and Westrup, 2003). These obstacles can be attributed to political and social conditions as well as corporate-specific features.

Institutional investors rely increasingly on corporate website in order to acquire annual reports, periodic financial statements and other relevant information. It is worth noting that the OECD (2004) Principles of Corporate Governance encourage the use of the internet and other information technologies, in order to improve information by investors. Corporate websites vary greatly across companies and countries in terms of presentation and content (Spanos and Mylonakis, 2006). Furthermore under current regulations firms are free to present the amount and type of investor relations data that they desire at their websites, provided that it is not fraudulent. While the financial content found in firm's websites consists of materials initially disclosed in filings made with the Securities Exchange Commission (SEC) or in press releases, websites give corporations an additional opportunity to disseminate such information through another medium, perhaps to a wider audience (Ettredge et al., 2002).

The presence of the Internet as a unique channel for disseminating up-to-date information of any type and any format as well as the ability of the internet to make this information available for anyone who has online access, regardless of geographical distances, have made the internet an attractive tool for companies to enhance their reporting practices and broaden their business and investment activities (Adams and Frost,(2004), Beattie and Pratt,(2001), Xiao et al., (2002)).

A range of studies have shown that with regard to stakeholder relations and information disclosure, the role of the Internet for investor relations (IR) activities, has grown consistently (Geerings et al., (2003), Marston and Polei (2004)). The rapid increase in Internet usage for financial reporting purposes and investor relations activities has attracted the interest of both academic researchers and regulatory bodies (Lymer et al., (1999) and FASB, (2000)). Most of the prior research on this topic mapped the extent of Internet usage for disseminating information (Bollen et al., (2006)).

Internet financial reporting is considered as offering new opportunities to firms to supplement their mandatory financial disclosures with additional voluntary

information and to facilitate the distribution of corporate information to shareholders. Lymer, 1998, summarizes the advantages of the internet for financial reporting as being cheap, quick, dynamic and flexible.

This paper investigates and reports on the extent and nature of internet financial reporting (IFR) among UK companies. The purpose of this paper is to consider the determinants of web-based corporate reporting by UK firms. Its objective is twofold. Firstly to explore the online status of UK companies and the extent to which websites are utilized to disclose IR- related information. Secondly, to investigate factors influencing companies' decisions to both have a website and to disclose IR-related information.

From this study it is obvious that company size, company performance, government ownership of shares, institutional ownership, and number of shareholders, industry, auditor type, equity need and foreign listing are determinants positively related to the extent of web-IR disclosure while company age, growth prospects, leverage are negatively related to the extent of web-IR disclosure.

The remainder of this paper is structured as follows. A review of relevant literature is provided in Section 1. This is followed by an analysis on investor relation, the methods used by them and the impact of the internet on them in Section 2. The research hypotheses are discussed in Section 3. Section 4, provides the companies chosen for this study. The proposed research methodology and the regression analysis is discussed in Section 5. Finally, summary and conclusions are presented in Section 6.

SECTION 1

LITERATURE REVIEW

a. Internet Financial Reporting Practices

Between 1996 and 2002, several studies have mapped the use of the Internet for Internet Reporting (IR) purposes in a range of countries. These were descriptive studies that investigated the presence of a general website or the presence of an IR section within the general website and the potential of the internet for corporate reporting and for providing financial and other information. Some of these studies also investigated the presence of individual financial disclosure items.

The earlier studies on internet financial reporting (IFR) practices, not surprisingly, report that not all companies had an internet presence (e.g. Ashbaugh et al. (1999) and Ettredge et al. (2001), with respect to USA; Brennan and Kelly (2000), Ireland; Craven and Marston (1999), UK; Gowthorpe and Amat (1999) Spain; Marston (2003) Japan; Oyelere et al. (2003) New Zealand. More recent studies indicate a similar position still exists in the Arab world (e.g., Al-Htaybat (2006), Jordan; Desoky (2009), Egypt; Hussainey and AlNodel (2008) Saudi Arabia; Mohamed et al. (2009) Oman). While the majority of these studies primarily report current practices, a few instead employ a logit an analysis and investigate whether IFR practices can be predicted. Not surprisingly, all agree that company size is a significant determinant of IFR practices (Ashbaugh et al., 1999;Craven and Marston, 1999;Oyelere et al.,2003). In addition, Oyelere et al., (2003) report that ownership spread (the proportion of shares held by the top 40% shareholders) is also an important factor in determining IFR practices for firms listed on the New Zealand Stock Exchange.

b. The Extent of Internet Financial Reporting

The majority of studies examining the extent of IFR practices have considered web-based IR disclosures to be a part of companies' voluntary disclosure strategy. Most have therefore relied on the positions provided by economic theories such as the cost-benefit, agency and signaling theories, the primary theoretical foundation of

these studies is the notion of information asymmetry between management and ownership (Deprecey et al., 2002). According to this view corporations adopt new disclosure practices including internet- based reporting to mitigate the adverse effects of information asymmetry.

However, the specific factors examined by these by these studies have varied quite considerably. For example, Geering et al. (2003) and Graven and Marston (1999) examine only the importance of size and industry for firms listed on the Euronext Stock Exchange and the UK , respectively, and report both variables to be significant; while Bonson And Escobar (2006) also examine auditor type and report all three variables (size, industry and auditor type) to be important in explaining the extent of IFR practices for firms listed in Eastern Europe. Other studies have employed a wider range of independent variables. For example, Ettredge et al. (2002) examine the importance of the need for equity capital, performance, size and information asymmetry. They report all factors(except performance) to be significant for a sample of US listed firms. Marston and Polei (2004) find that size, foreign listing and free float are significant in explaining IFR practices for a sample of firms listed in Germany; Ashbaugh et al.(1999), found that company size was the sole significant variable for electronic dissemination of financial statements by US companies, while Xiao et al. (2004) report that government ownership, industry, leverage and company size are significant in explain IFR practices in China.

According to Xiao et al.(2002), another advantage of the internet lies in a creating interest among potential investors, as websites enable companies to present information on their own terms. They studied immediate trends in internet reporting by exploring the extent to which the use of the internet, as a new medium, will change corporate reporting practice. It was hypothesized that the impact of the internet on financial reporting is contingent on technological and non-technological factors. The experts approached in this study agreed that the impact of the internet on financial reporting will be significant and will result in a significant growth in non-financial and non-audited information broadening of the types of information provided on the internet increased auditing problems, increasing provision of information by third parties and benefits both to preparers and users.

In a different study, Debreceeny et al. (2002) examine IFR of 660 large companies in 22 countries to identify the firm, and environmental determinants of IFR. They report that company size, listing on US stock exchanges the technology (industry) are firm specific determinants of IFR. They also report the overarching disclosure environment of a country to be an important environmental driver for IFR presentation and less strongly for IFR content. Similarly Bollen et al. (2006) in a study of six developed countries report that firm size, level of internationalization (foreign listing and foreign revenue), free float, country' disclosure environment, technology and growth rate are significantly related to the level of IR activities on the internet.

One of the early published studies on investor relations is a questionnaire-study by Marston (1996) on the organization on the IR function in large UK public companies. Marston (1996), defined investor relations as “ the link between a company and the financial community, providing information to help the financial community and the investing public to evaluate a company”. In this view, the role of investor relations has been to distribute corporate reports (annual and interim), organize annual general meetings, arrange press and financial analyst conferences, telephone conference calls, etc. within the context of IR activities, the internet can be used as an alternative means of implementing traditional IR activities, but also as a new form of communication using the latest technology (Deller et al., 1999).

Debreceeny and Gray (1999) predicted that, in time, the WWW will become the primary means of communicating information, implementing some of the latest technological developments and using direct forms of communication, such as mailing lists and online participation in forum discussions and meetings. Although the use of printed reports will continue, these will be secondary and will trail the release of information on the internet.

According to Ettredge et al., 2001, the main objective of the use of the internet for IR activities is providing individual investors with comprehensive and timely information that previously was available only to select group of interested parties, such as institutional investors and analysts.

Studies conducted by Abdelsalam and Street (2007), Abdelsalam et al. (2007), Kelton and Yang (2008), and Abdelsalam and El-Masry (2008) instead investigated

the impact of corporate governance characteristics on levels of IFR. For example, in the UK Abdelsalam et al. (2007) report a significant positive relationship between IFR and board independence and a significant negative relationship with board share-ownership. In a US-based study, Kelton and Yang (2008) report significant positive relationship between levels of IFR and governance index, board independence audit committee expertise, and audit committee meetings, but a significant negative relationship with block-holdings.

The explanatory study of Fisher et al. (2004), identified the key audit implications of IFR and analyzed the contents of all listed company's websites in New Zealand. The results of their content analysis of auditor web-related practices revealed several significant concerns for the auditing profession with respect to the presentation, context and content of the audit report in a web-based environment.

Gowthorpe and Amat (1999), reported on IFR practices of Spanish companies quoted on the Madrid stock exchange, placing IFR in context by reporting extent of internet access and the actual and potential development of the internet as a means of establishing corporate dialogue with stakeholders. Also Hedlin (1999), reported the results of a survey of 60 companies listed on the Stockholm stock exchange and found larger companies to be more advanced in their use of IFR as a tool for communication with corporate investors.

Jones and Xiao (2004), studied on Delphi's corporate financial reporting by 2010 and they found that financial reporting would evolve into a core of general purpose, standardized information in both the hard copy and internet versions, together with a non-core of general purpose and customized information, and that radical changes such as real-time reporting and disclosure of raw data will not occur. IFR will need to be either standardized or customized.

Khadarro (2005), examined IFR practices of Malaysian companies with emphasis on auditing implications. Found increase in quantity, but little improvement in quality of internet reporting information to users, highlighted the issue of auditors having little control over web contents and changes that could be made to audited information. Laswad et al. (2000), examined the opportunities and challenges of IFR practices and provided recommendations for increasing the effectiveness of the use of the internet for the reporting of corporate financial information and in 2005, examine

the voluntary IFR practices of local authorities and found leverage, municipal wealth, press visibility and type of council to be associated with the IFR practices of local authorities in New Zealand.

Lymer and Debreceeny (2003), reviewed the state of guidance provided on IFR by regulators and standard –setters and found that despite a clear recognition of the challenges posed by IFR, actual enactments fall far short of requirements.

Marston (2003), surveyed the internet reporting practices of top Japanese companies in 1998 and 2001, and found that the majority of these companies (about 79 per cent) had a website in English, with about 69 per cent reporting some financial information on their website in 1998. She also found size to be the main determinant of the existence of a corporate website.

Oyelere et al. (2003), examined the determinants of voluntary IFR practices by New Zealand companies and found that some determinants of traditional financial reporting such as size, liquidity, industrial sector and spread of shareholding are also determinants of voluntary adoption of IFR. However other firm characteristics, such as leverage, profitability and internationalization, do not explain IFR practices.

Pirchegger and Wagenhofer (1999), analyzed the IFR practices of Austrian companies and compared them to those of German listed companies found that larger Austrian companies and those with higher free float percentage scored higher on measures of IFR disclosure.

Drawing on these results and combining them with the existing literature on corporate incentives for voluntary disclosures, the next section will present a set of hypotheses to explain the motivation for IFR. Given the international settings of our study, environmental variables such as the disclosure environment are important predictors of the use of IFR. Therefore, the current study using a detailed assessment of the quality of IR websites based on data from US businesses is trying to test the relationship between a relevant set of corporate and environmental characteristics of websites and investors relation (IR).

SECTION 2

a. INVESTOR RELATIONS

Marston (1996), noted that the purpose of investor relations is to provide information to the financial community and public investors such that they are able to evaluate a company. Ruder and Regeister (1989), proposed that IR has strategic importance in creating a linkage between companies and investors. They are suggested that IR activities must focus on three principles. The first is to achieve and maintain the highest –possible share price. The second is to create investor confidence such that the cost of financing is decreased. The third is to protect the needs of major shareholders and to attract institutional and foreign shareholding investment.

Lev (1992), recommended that ongoing information to shareholders on the company's activities minimizes uncertainty among investors, thus minimizing negative impacts on share prices. IR can therefore be seen as a key influence in restoring investors' confidence (Gruner, 2002), especially in an uncertain economic environment. Such uncertainty can be understood in terms of internal and external factors. Internal factors refer to perceptions of a company's performance being below public expectations (negative news or rumor). External factors refer to unpredictable economic conditions that are beyond the firm's control. These internal and external factors require companies to keep investors and the general public informed of their strategies to overcome such adverse situations. IR can thus be understood as the dissemination of accurate information with a view to stabilizing share prices and enhancing investor's confidence.

Thompson (2002) noted that IR has an important role in minimizing investors' risk by providing clear and understandable information with the aim of full and fair disclosure. IR is thus important in increasing shareholders' value. Recent corporate collapses in the USA have highlighted the inadequacy of corporate disclosure policies, governance procedures and investor relations, indicate that the current disclosure and governance policies need serious revision if investor's confidence is to be rebuilt.

Internet reporting is an important part of corporate governance. The Security Commission (2000, p.10) describe "corporate governance" as the process and

structure used to direct and manage the business and affairs of the company with a view to enhancing business prosperity and corporate accountability, with the ultimate objective of realizing long term shareholder value while taking account of the interest of other stakeholders (Zakimi and Hamid, 2005)

Investor relations are based on enhancing relationships and sharing information in between the actors that are categorized in the financial community (Marston, 1996, Tench and Yeomans, 2006, Marston and Straker, 2004). It is suggested that the communication established with financial public categories about future strategies and the current situation of the organization and this positive influence will be the marker of both equity market valuation and the future evaluation of the investors (Dolphin, 2004). Therefore, companies tend to share more and higher quality information with different public categories nowadays, especially in investor relations (Ozdemir, 2010). The internet plays a significant role in this tendency as it is being widely used as an investor relations tool (Rowbottom et al., 2006). The internet provides the opportunity both to spread knowledge and, regarding investor relations, to establish two-way communication and mutual relationships.

If we focus on the subject especially regarding the companies with shares on sale, the diversifying structure of the public categories increases the significance of this course even more. The internet's structure which allows companies to fulfill their needs for relationships and diversifying communications with different public categories makes it more useful than conventional public relations tools for investor relations.

According to Rowbottom et al., (2005), investor relations can be described as the business function through which companies communicate with their stakeholders, principally their investors. The US National Investor Relations Institute define investor relations as a strategic management responsibility using the disciplines of finance, communication and marketing to manage the content and flow of company information to finance and other constituencies to maximize relative valuation.

Alternatively, the UK Investor Relations Society describes investor relations as the means whereby companies maintain a dialogue with existing shareholders and potential investors. Its purpose is to present an accurate picture of corporate performance and prospects, thus allowing the investment community, through an

informed market, to determine a realistic share price. As a result, investor relations can have a positive impact on a company's market value and cost of capital relative to its industry sector and the overall economic climate.

Both definitions imply that the objective of investor relations is not only to service the information demands of current and potential stakeholders (for example, investors, lenders, the general public) but to manage this service in a manner advantageous to the company. The nature of investor relations information typically provided extends beyond the financial reports including share price data, analyst reports, press releases and financial and non-financial data on future prospects, strategy, intangible assets and management quality.

Investor relations is said to have originated as a response to corporate failures and hostile takeover bids in the 1970s and 1980s where directors were keen to establish relationships with their institutional shareholders (Rowbottom et al., 2005). Different academics and practitioners of investor relations defined it in various ways. In general investor relations can be seen as a connection or link between companies and the investor community (Lake and Graham, 1990). Where previously corporate communications were generally private and inert, the post World War II growth in financial institutions and their globalization in holding international portfolios, had led to the need for more open communications with these generally more proactive shareholders. According to Geerings et al., (2003), increasing globalization of capital markets will lead to a strengthening and expansion of investor relations activities as companies need to attract more foreign investors in the face of greater competition for capital. Furthermore, larger institutions can often not easily sell large tracts of shares as their response to poor performance, without putting downward pressure on the share price causing associated problems for the company, and perhaps wider incidental effects in the broader market. As such, they are likely to be active in communicating their expectations to company management.

In addition to this changing profile of company shareholders, tighter regulation imposed on companies on the disclosure of price sensitive information has focused on the role of investor relations. The growth of interest in, and influence of, corporate governance has led to companies maintaining more transparent and wide-ranging communications with their stakeholders (Marston and Empson (2003)).

According to Ellis (1985), investor relations is an overall process by which a corporation communicates with the investor community, explaining the company's future challenges and opportunities, discussing present strategy and past performance, and developing a constituency of informed and interested investors. Conducted effectively, investor relations can have a positive effect on a company's total value relative to the overall market and a company's capital cost (Petersen and Martin, 1996).

The American National Investor Relations Institute argues that relations with investors represent a complex strategic company activity, which is a product of finance, communication, marketing, and business law application, and aims to provide two-way communication between company, financial public, and other subjects, which leads to a fair price for the company's securities.

Investor relation activities conveying information about present business status by explaining information about the business and environment and explaining recent developments and decisions on the basis of company's long term planning and strategy. Also about forecasting future status by highlighting future prospects of the business rather than historical performance, focusing on long term strategies and opportunities for the business. About transparency by avoiding over-expectations from the target audiences and facing adverse news openly and honestly. Finally, about managing relations by providing analysts with access to the top management, being proactive rather than re-active and employing an investor relations staff or a department that is able to explain details and is responsive to analysts' inquires and requests (Dordevic et al., 2012).

The purpose of investor relations is to make a proper connection or link between the company's management and the financial community (Miller, 1991). Basically, the investor relationship department of corporations deals and communicates with influential financial groups. According to Miller (1991), the financial community consists of the following sixteen influential financial groups: stock exchange member firms, customers' brokers, security analysts and individual analysts, unlisted or over the counter dealers, investment bankers, commercial bankers, register investment advisory services, insurance companies and pension funds, mutual funds and investment trusts, investment counselors, trustees of estates

and institutions, financial statistical organizations, investment magazines and financial publications, large individual shareholders, debt rating agencies, portfolio managers and lender banks. Whatever the principle activities and whoever the audience, communicating and transmitting relevant, concise, trustworthy, real time information are the key activities of investor relations.

Besides its basic function of informing and maintaining quality relations with professional and individual investors, investor relations nowadays include PR and marketing tools. Today in developed capital markets being straight forward and honest with the investing public is standard, so those companies or markets that do not treat investors properly are considered insufficiently transparent and unsafe for investment (Marinkovic, 2007). Investors are not prepared to invest funds in companies if they do not have sufficient data on them, and if they cannot be certain of getting required information at any time from the person in charge of investor relations or top management (Beogradska berza, 2007). Participants in the process of capital market development of countries in transition should pay more attention in the future to investor relations and adequate tools. Reporting every important event in a company, openness towards investors, internet pages and printed information intended entirely for the investing public, as well as constant direct conversations with shareholders and potential investors must become a daily routine for the companies that want to compete equally in the world's capital markets based on accomplished results.

Fundamentally, the remit of investor relations is not only to create an awareness and understanding of a company amongst the investment community, but also to help quoted companies gain access to capital and achieve liquidity in and fair valuation for their shares. The ability to raise capital and the ease with which that capital is raised are often seen as key measures of how successful a company's investor relation efforts are. Entering into a dialogue and developing relationships with the investment community over time, so that its participants become cognizant with the company and its investment propositions, is generally seen as a worthwhile exercise when trying to achieve efficient, cost-effective access to capital.

One of the outcomes quoted companies aim for from their investor relation activities is to attract liquidity-frequency of trading in their shares. Profiling and

explaining the company to the investment community on a continual basis can assist in creating greater awareness of a company. Depending on the availability of shares, this can then assist a company in attracting pools of buyer and sellers and in having the potential for higher frequency of share trading.

Similarly, one of the other main goals of investor relations is for a company to achieve a fair market valuation, ultimately reflected in the share price, by managing expectations in relation to the company's current and future performance. Communicating to and with the investment community will enable a company to detail its own record of its performance and its strategy using publicly disclosed information. It will also help a company to understand how it is being evaluated and whether or not the company's expectations towards and understanding of the company are in line with its own.

b. TRADITIONAL METHODS USED IN INVESTOR RELATIONS

All listed companies are required by law to publish an annual report and hold annual and sometimes extraordinary general meetings of shareholders. Informal disclosure activities can be private or public. Private activities generally comprise mailing information to analysts and fund managers, answering telephone queries, providing feedback on analysts' reports and private company meetings (Marston 1996). Public disclosure activities comprise printing and distributing information and issuing information through press releases and press interviews. Other suggested ways of meeting the needs of smaller private investors include the provision of a shareholder helpline, a periodic magazine, recorded information on a telephone line or the use of teletext with up to the minute information. The provision of a CD-ROM based information facility has also been proposed (Weetman and Beattie, 1999). Finally the introduction and growth of the internet in recent years provides an interesting alternative means for the voluntary dissemination of information.

c. THE IMPACT OF THE INTERNET ON INVESTOR RELATION ACTIVITIES

The FASB (2000) lists four motives for companies to use the internet to disseminate financial information:

1. To reduce the cost of and time taken to distribute information
2. To communicate with previously unidentified users of information
3. To enhance traditional disclosure practices and increase the amount and type of data disclosed
4. To improve access to potential investors for small companies

The internet provides a useful communication tool for corporate organizations. One of the main benefits of IFR is the potential large savings in the cost of production and distribution of financial information. The internet allows companies to reach a much wider category and variety of stakeholders at relatively lower costs, with reduction in incidental requests from non-shareholder financial statement users (Allam and Lymer, 2002, SEC, 2002,2003,Khadaroo, 2005). The literature also documents a number of other benefits that may accrue from IFR (Baker and Wallage, 2000; Ettredge et al., 2001, Debrececy et al., 2002, Wagenhofer, 2003, Jones and Xiao, 2004, Boritz and No, 2005). These include more equitable information dissemination among stakeholders as a result of improved accessibility to information. With IFR, users can choose to access information that meet their specific needs as the internet allows non-sequential access to information through the use of hyperlinks, interactive and search facilities. IFR also presents companies with the opportunity to provide more information than those available in annual reports. Potentially, the internet provides an opportunity for going beyond what is available in hard copy corporate financial statements to communicate additional financial information to users, possibly on real-time and interactive bases (McCafferty, 1995, Louwers et al., 1996, Green and Spaul, 1997, Trites, 1999, FASB, 2000, Ettredge et al., 2002, Wickramasinghe, 2006). IFR provides corporate organizations with a real

opportunity to extend financial disclosure beyond the reproduction of a hard copy annual report and improve on the timeliness, scope, and interactivity of financial reporting, with multimedia, such as sound, animation and video, being used to potentially increase the understanding of information (Louwers et al.,1996, Ravlic, 2000, Wickramasinghe and Lichtenstein, 2006). These development have a great potential impact on users (Wallman, 1997, Green and Spaul, 1997 Gowthorpe and Flynn, 2001).

A number of IFR-related issues and challenges have, however, been noted in the literature. There is a potential that the dividing line between current financial information used by management and historical audited financial information made available to public users of financial information could be erased by online, real-time reporting (Green and Spaul, 1997, Hodge, 2005, Oyelere et al., 2003), with auditors being possibly required to provide opinion on such hitherto internal financial information (Trites and Sheehy, 1997, Lymer and Debreceny, 2003, Khadaroo, 2005). Also, if IFR is installed as the only mode for communicating financial information, there is the likelihood that access to such information will be restricted to only those who possess costly computer equipment and skills. Hence to ensure equity in financial information dissemination, it will be necessary to ensure that the information being reported through corporate websites are already provided previously or simultaneously through other media of financial information disclosure (McCafferty, 1995). This could however be viewed as unnecessary duplication and may result in even greater costs in Oman and other countries in the Middle East region, where financial information are commonly disseminated in both English and Arabic languages.

Additional issues and challenges fir IFR include possible errors in the extraction or re-keying process, which may affect the reliability and integrity of the financial information; generally accepted accounting practice implications of IFR; the use of the corporate websites for many diverse purposes, which my make the location of financial information difficult; and the acceptability of internet financial reports as alternatives to hard copy annual reports among uses to corporate financial information (Laswad et al., 2000).

Perhaps, by far the greater challenge faced in the IFR environment is that of ensuring the security and integrity of the financial information published on corporate websites. Apart from possible errors in the publishing process, materials published on the web are susceptible to all manners of security risks. Financial information could, post-publication, be knowingly or unknowingly altered by parties both external and internal to the organization. There is a real risk that critical decisions could be made by users of financial information based on inaccurate financial information gleaned from corporate websites. The extent to which these issues are dealt with is likely to determine the long-term usefulness of the internet as a medium of corporate financial information dissemination.

More recently, some studies have provided evidence on the factors motivating the IFR behavior of companies around the world. Given the voluntary nature of IFR, these studies sought to establish the reason why companies engage in IFR and the extent of such engagement. Majority of these studies have found corporate size to be a major factor, with IFR likely to provide greater economies of scale cost savings for larger firms (Ashbaugh et al., 1999, Craven and Marston, 1999, Pirchegger and Wagenhofer, 1999, Debreceny et al., 2002, Ettredge et al., 2002, Oyelere et al., 2003). Evidence on other variables examined is largely inconclusive.

Companies can both broaden and segment their disclosure audience, enhance disclosure timeliness, and improve communication quality not only by increasing the amount of information made available but also by establishing two way dialogue with stakeholders and by using audio and video presentations (Lymer et al., 1999, Deller et al., 1999, Beattie and Pratt, 2003).

Looking specifically at financial information, placing investor relations information online offers equal access to all users and reduces the information advantages of institutional investors (Wagenhofer, 2003), thus providing the opportunity to enhance global links and increase the user population (Lymer et al., 1999). In addition, real-time reporting helps to reduce the “timeliness” problem inherent in the periodic time-frames of traditional print media (FASB, 2000).

Furthermore, the internet allows increased corporate disclosure as its virtually unlimited storage capacity permits cost-effective provision of press releases and additional information services (Deller et al., 1999). In this vein, Hedlin (1999) argues

that one of the greatest advantages of internet reporting is the opportunity to download files for further analysis. While Xiao et al., (2002) argues that, instead of traditional one-way provider-dominated reporting process, the internet provides the opportunity for interactive communication. Corporate websites thus have the potential to be far more than simply a vehicle for shareholder dialogue.

They can also be seen as a tool for impression management. Bart (2001) argues that websites can be used for electronic window dressing, influencing stakeholders' impressions of firms' legitimacy, innovation and attitude to social responsibility.

While the freedom to publish information on a company's website could be abused with the information provided being deliberately misleading, it facilitates the use of web-based impression management to reflect companies' images among their stakeholders, and to develop a strong identity (Winter et al., 2003).

Recognizing the potentials and advantages of the internet of investor relations does not imply that it is flawless. Concerns regarding the credibility and integrity of publishing share price sensitive information on the company's website without a proper monitoring system have been frequently raised (Debrecey and Grey, 1999, Hodge, 2001, and Lymer and Debrecey, 2003). Similarly, the problems inherent in linking audited financial statements to unaudited websites have been viewed as a major drawback of using the internet in business reporting (FASB, 2000; AbuGhazaleh, 2012)

According to Rao and Sivakumar (1999), an investor relation is the financial end of the communications function, rather than the communications end of the financial function, meaning investor relations start with financial activities and finish when that financial information is communicated to its audience. Thus investor relations can be seen as a task of the company management in order to provide timely, accurate, useful, meaningful, understandable and complete information about the company's fundamentals, present and past situation, and future prospects to the investor community, which incorporates the disciplines of marketing, communication, accounting, and finance, and influences the value of the corporation (Dordevic et al., 2012).

SECTION 3

RESEARCH HYPOTHESES

This study purposes that internet adoption should be viewed not only in terms of economic theories of disclosure but also in terms of institutional theory. Particularly important in this context are likely to be pressures, whether formal or informal, exerted by other institutions up on which the company is dependent or cultural expectations of society or the pressures to imitate similar, larger or more successful companies in order to decrease uncertainty or to appear more legitimate. Adoption of the internet may also be viewed as an innovation suggesting that the diffusion of innovations theory is also helpful in explaining corporate practices (Roger, 1995). Not only the factors such as managerial attitudes towards change and the degree of centralization likely to be important, but also of importance is the extent to which the innovation offers a relative advantage over alternatives and its ability to meet the needs of potential users. The following factors are hypothesized to affect the existence of web-IR disclosures:

Company size

Prior research has examined the association between the level of internet reporting and firm's size and finds a significant positive association. There are a number of reasons why larger companies are more likely to engage in Internet Financial Reporting activities. First of all, xiao et al (1996), explains that large companies are more likely than small ones to use information technology to improve financial reporting to meet the greater demand for information. Also, Ashbaugh et al (1999), noted that economies of scale suggest that large firms are more likely to post financial reports on web sites and this because larger firms usually have more products and more complex distribution networks, which require larger and more complex management information systems and databases for management control purposes. According to McKinnon and Dalimuthe (1993), argued that larger firms tend to attract more analyst's followings than smaller ones, and may therefore be subjected to greater demand by analyst's for private information. Therefore, disclosure costs per pound of sales may be generally lower for large firms Oyeler et

al,(2003) . Larger companies are also likely to have greater agency and political costs, both also suggesting the greater use of internet reporting. The costs related to development and maintenance of the websites are mostly fixed costs, which will be less expensive for a large company to maintain an IR website of a certain quality, than for a smaller company to do so. Larger companies will also find it easier to acquire the necessary technological skills to develop a high quality website (AbuGhazaleh et al, 2012; Bollen, 2006). Watts and Zimmerman (1978), argued that larger companies are more sensitive to political costs and will disclosure more in order to allay public criticism or government intervention in their affairs. It can also be assumed that the relative costs of information production are lower for large firms than for small ones which might not have the resources to collect and provide extensive disclosures (Marston and Polei, 2004). Salamon and Dhaliwal (1980), noted a similar association for segmental information and Cowen et al., (1987), for social responsibility disclosure. Moreover Raffournier (1995), suggest that there is a positive relationship between the extend of disclosure and the firm's size. The benefits of such disclosures are increasing with firm size (Oyelere et al., 2003; Marston, 2003) .

Furthermore, according to Bollen et al, (2006), larger companies have a larger number of shareholders, as a result of which there may be a more widespread ownership structure with many individual and institutional investors holding share. The distance between the management of the company and its shareholders is therefore relatively large, which leads to increased information asymmetry. Clarkson et al, (1994), found a positive relation between the amount of the voluntary disclosure. The internet is a way of reaching a wide audience. Company size has generally been found to be a significant positive predictor of IFR practices, indicating that larger companies adopt better reporting practices. Craven and Marston (1999), Ashbaugh et al., (1999), Pirchegger and Wagenhorner, (1999), Ettridge et al, (2002), Debreceeny et al, (2002), Marston (2003), Marston and Polei, (2004), Xiao et al. (2004), Bonson and Escobar, (2006), Chan and Wickramasinghe, (2006), Al-Htaybat (2005), Bollen et al., (2006), all found a significant positive relationship between company size and the amount of information disseminates for investors via corporate websites. This relationship was stronger for disseminating voluntary information than for compulsory information. According to diffusion of innovations theory, company size is the best predictor for organizational innovativeness because it acts as a surrogate measure for several

dimensions, such as total resources, employees, technical expertise, and organizational structure (Rogers, 1995). Flanagin, 2000, notes that larger companies can better afford innovations and are more likely to have necessary technological and personal resources. Chow and Wing-Boren, 1987, Cooke, 1991, 1992, 1993, Ahmed and Nicholls, 1994, suggest that there is a significant relationship between company size and the extent of the voluntary disclosure. Ahmed and Courtis, 1999, carried out a meta-analysis of 28 disclosure studies and found that a significant association exists between corporate size and disclosure levels. Maston and Shrivies, 1996, review a number of disclosure studies and reach the same conclusion. Marston and Leow (1998), found that disclosure on the internet was significant positively associated with size. The size of a company can be measured in a number of ways, such as capital employed, turnover, number of employees, company's market value and more. There is no overriding theoretical reason for selecting one rather than another. For example, Firth, 1979, used sales turnover and capital employed to measure company size, and Cooke, 1991, used number of shareholders total assets and turnover to measure the size of the company (Marston, 2003).

H1: Company size is positively related to the quality of internet reporting websites.

Company performance

Verrecchia (1983) and Dye (1985) predicted that managers would prefer releasing only information which will increase current firm value. Besides, according to Grossman and Hart (1998), under the signaling theory hypothesis, profitable firms have the incentive to distinguish themselves from less profitable ones in order to attract more capital. Corporate disclosure aims at increasing firm value and reducing the risk of being undervalued by the market. On the other hand, Depoers and Jean (2010), show a negative relationship between information withholding and firm performance. They argue that well doing firms incur high costs of withholding information. This, as Lang and Lundholm, 1993, and Baginski et al., 2002, say, is likely to lead managers to disclose information. Firms that report large earning increases have incentives to enhance disclosure both prior to and concurrent with the

earning realization. However, Skinner, (1994) suggest that firms disclosure voluntarily their earnings to inform market about negative news to reduce legal liability. Lang and Lundholm, 1993, and Clarkson et al., 1994, suggest that average to better performing companies to underperforming companies. Ettredge et al., 2002, expected a positive relationship between the amount of information disseminated via corporate websites and performance, nevertheless the results were negative. Previous empirical results suggest a positive relationship between financial disclosure and financial performance measured by the return of investment (Richardson and Welker, 2001). On the other side, companies may be concerned about maintaining their competitive position and therefore consciously not use all options offered by the internet in order to protect their competitive advantage. Therefore, it is not apparent whether company performance will have a positive or negative influence on the quality of IR website, (Bollen, 2006). According to Ashbaugh et al., (1999), Marston and Polei (2004), Xiao (2004), performance is not a significant determinant for internet financial reporting practices. On the other hand, Aly et al., (2010), find it significant. Based on such conflicting empirical results, AbuGhazaleh, et al., (2012), examines the relationship between web IR disclosure and company performance but does not predict the direction of the association.

H2: Company performance affects the quality of corporate websites.

Government ownership

According to AbuGhazaleh et al., (2012), stemming from an institutional theory perspective, coercive isomorphism resulting from formal and informal pressures exerted on organizations may affect their decision to adopt new technologies. Companies with a significant government ownership are therefore likely to want to be seen to respond to government initiatives regarding internet usage. From an agency perspective these companies may also have higher political costs.

H3: The proportion of shares held by the government is positively related to the existence of web-IR disclosure.

Institutional ownership

Jensen and Meckling (1976), provide insights into the relationship between disclosure behavior and ownership structure. Corporate disclosure is considered as one means to control the agency costs arising from conflicts of interests between insiders and outside shareholders. The corporate finance literature focuses on mitigating conflicts of interests between incumbent managers and shareholders due to the separation between ownership and control (Shleifer and Vishny, 1997, La Porta et al., 1998). Ownership structure is likely to influence financial disclosures. The accounting literature suggests that the reporting incentives of managers affect both the production and the quality of accounting information. This relationship was documented in several studies (Eng and Mak, 2003, Ho and Wong, 2001, Healy and Palepu, 2001). As share ownership is concentrated, large shareholders are far more able to obtain information due to the relatively weak demand for public disclosure in comparison to widely held companies. In respect of internet financial reporting, the broad dissemination of information reduces information asymmetry between insiders and outside shareholders. Given the incentives of large shareholders to retain information, the use of the internet in concentrated ownership structures is much more in promoting company products rather than for information disclosure purposes. Pirchegger and Wagenhofer (1999), Oyelere et al., (2003) and Kelton and Yang (2008) found that the degree of financial reporting on the internet increases with ownership dispersion supporting the agency theory hypothesis.

H4: Ownership dispersion is positively related to the extent of Internet Reporting websites.

Number of shareholders

According to Abdelsalam and Street, 2007 and Haniffa and Cooke, 2002 a large shareholder base may create more pressures on companies to improve disclosure practices. Furthermore, Ferguson et al., 2002, argue that as the number of shareholder increase and ownership becomes more widespread, monitoring costs and demands for additional information increase. A large shareholder base may also increase a company's visibility in the market and as a result, voluntary disclosure may be used to produce political costs. The diffusion of innovations theory also explains how the perceived benefits of an innovation and the degree to which it is compatible with the company's needs may affects its use (Rogers, 1995). Brennan and Hourigan, 2000 note that using websites as a tool for disseminating and communicating IR information may be more cost-efficient and so more attractive for companies with a large shareholder base. Debreceeny et al., 2002, argue that IFR will be particularly effective in circumstances where information can be efficiently disseminated to a large and widely dispersed audience. In the existing Western economies it is common for ownership of large public companies to be extended among many shareholders. Due to the latest technological developments, investors can now purchase shares in many companies, not just in their own country but also worldwide. Using the internet to gather information as well as to trade, they can easily invest on foreign exchange markets. Since ownership of a company is extended over an increasing number of investors, the internet becomes an increasingly effective and efficient way to communicate with the shareholders. Ashbaugh et al., 1999, found a positive relationship between IFR and the proportion of the total shares available to individual investors. Therefore, companies are expected to invest more in the quality of their IR website if a larger proportion of the company shares is available to individual investors.

H5: The numbers of shareholders is positively related to the existence/ extend of Internet Reporting websites.

Company age

Company age was measured as the number of years since a company has been listed on the Amman Stock Exchange (Haniffa, 1999; Al-Htaybat, 2005; Omar, 2007). The diffusion of innovations theory predicts that older companies will be more resistant to change including the adoption of new technologies. On the other hand, new organizations may use new technologies as a strategy for defining a niche or to achieve a competitive advantage (Flanagin, 2000). According to Omar, 2007, stemming from a capital need theory, companies recently listed on a stock exchange may wish to raise additional capital and so may disclose more information compared with older, better known companies to reduce uncertainty about their operations and increase investors' confidence.

H6: Company age is negatively related to the existence/extent of Internet Reporting websites.

Growth prospects

Debreceeny et al., 2002 suggest that companies with higher growth prospects and more intangibles arising from factors related to technology, corporate strategy, or human resources are more likely to exhibit a high market to book value ratio. These firms may attempt to mitigate information asymmetry by making disclosures through additional means (Xiao et al., 2004; Bollen et al., 2006; Abdelsalam et al., 2007; and Kelton and Yang, 2008). However, a firm's decision to disclose information to investors may also be influenced by the concern that such disclosures can damage its competitive position in the market. According to Healy and Palepu (2001), firms may not disclose information if it harms their competitive position, even if it makes it more costly to raise additional equity. Debreceeny et al., (2002) argue that this is especially of concern to companies with high growth potential, hence these companies may instead disclose less information. Based on the competing arguments, AbuGhazaleh,

et al., (2012), examines the relationship between web-IR disclosure and growth prospects but does not predict the direction of the association. For high growth companies or firms with high growth prospects, traditional accounting disclosures may be less suitable as a means of communicating with investors, given the fact that the effects of a fast growth may not be adequately reflected in accounting measures. Therefore, these companies may attempt to compensate this by using the Internet as a means to communicate more relevant information to investors. However, Debreceeny et al. (2002) consistently found a negative relationship between growth prospects and IFR for fast growing companies (for low growth companies there was no significant effect). One explanation for this result may be that the proprietary costs for disclosing information is higher for fast growing companies since disclosure of information may result in the loss of competitive advantages, as a result of which managers will be less willing to disclose (Debreceeny et al., 2002). Also, fast growing companies may lack the financial or human resources to develop an adequate Internet IR facility. In many cases, fast growing companies have to devote considerable attention and funds to manage their high growth, as a result of which investments in facilities that might be useful, such as an Internet IR site, cannot be realized.

H7. The quality of IR websites is not related to the growth rate of the company

Industry

The industry type affects disclosure choices, especially when the reported information is specific to the firm itself and not common to the industry (Dye and Sridhar, 1995). Wallace et al. (1994) suggest that industry effects could explain the different levels of disclosure among firms. The voluntary disclosure literature shows that firms from some industries disclose more information than other industries. In particular, companies belonging to the IT industry are more inclined to disclose regular and additional information because they are exposed to a larger than average risk of price fluctuations leading them to constantly report information (Ferguson et al., 2002). In addition, these firms are likely to adopt internet web-based reporting to show that they are technology leaders (Xiao et al., 2004). They could provide users with more sophisticated levels of technology and innovation in a manner that improves the access and the presentation format of the information. High-tech

companies have also the expertise to assimilate and use internet more easily than companies from other industries. Finally, the future prospects of these companies are not predictable given that these firms are subject to rapid changes and turbulent environment. Debreceeny et al. (2002) argue that the diffusion of information through internet could provide a versatile, regular and instantaneous dissemination of information, timely enough for decision making. Evidence supporting the existence of an industry type effect was provided by a number of studies. In concern with internet reporting, Brennan and Hourigan (2000) and Xiao et al. (2004) find that industries that are more technologically advanced than others disclose more information through their web sites than do firms from other industries. Other studies show a significant association between the extent of financial information on the web and industrial classifications (Ettredge et al., 2001; Debreceeny et al., 2002).

H8. Industry is positively related to the existence/extent of Internet Reporting website.

Auditor type

The diffusion of innovations theory introduced the role of the “change agent” in affecting the decision to adopt new technologies. The “change agent” is likely to be a charismatic person who shifts a company’s attention to current techniques and methods that may be implemented in the company. This is consistent with Xiao et al. (2004) who argue that international auditing firms may be “change agents”.

From an agency theory perspective, companies hire auditors to reduce conflict between managers and shareholders. Accordingly, companies may appoint one of the big international auditing firms to reduce high agency costs (Chow, 1982; Francis and Wilson, 1988 Giner, 1997). In addition, Xiao et al (2004) argue that big auditing firms are more likely to facilitate the diffusion of IFR. Firstly, auditor reputation can provide some protection against the uncertainty and loss of control resulting from online reporting. Secondly, they can serve as role models and provide implementation assistance.

H9: Auditor type is positively related to the existence / extent of Internet Reporting website.

Equity need

Lang and Lundholm (2000) argue that companies who access capital markets are more likely to increase their disclosure because increased disclosure is expected to reduce information asymmetry and hence reduce the cost of capital. It is also expected to increase investor confidence and decrease uncertainty and ambiguity about the company (Gibbins et al. 1990, Lang and Lundholm, 1993, Clarkson et al. 1994, and Frankel et al. 1995).

H10: *Ceteris paribus*, the need for external equity capital is positively related to the existence /extent of web-IR disclosure.

Leverage

Empirical evidence regarding the association between leverage and internet reporting is inconclusive. A positive association was found in Ettredge et al. (2002) and Ismail (2002), while a negative association was found in Brennan and Hourigan (1998), Debreceeny et al. (2002), Oyeler et al. (2003), Xiao et al. (2004) and Debreceeny and Rahman (2004). Agency theory has been used to explain the relationship between leverage and corporate disclosure. Increased disclosure can reduce debt holders' inclinations to price-protect against transfers from themselves to shareholders (Xiao et al., 2004). Debreceeny et al. (2002) observed that increases in the debt-equity ratio create agency costs. Management could voluntarily disclose on the internet to allow creditors to monitor constantly the affairs of the company and help them assess the ability of the company to pay its obligations on time. Ismail (2002) added that although there are extra costs associated with dissemination of corporate information on the internet, this dissemination might provide more up-to-date reliable information to creditors and would in return reduce agency costs. According to Jensen, 1986, managers are likely to invest freely available cash flows in negative net present value projects. Shareholders will then force entrepreneurs to have enough accumulated debt to reduce the cash available at the discretion of managers. Voluntary disclosures help reduce the conflicts of interests between debt holders and shareholders (Jensen and Meckling, 1976). As debt increases, further initiatives such

as internet financial reporting help mitigate the problems of high debt and ensure the informational needs of debt holders. The findings of Lang and Lundholm (1993) and Ferguson et al. (2002) support this argument. In contrast, Oyeler et al. (2003) found that leverage does not explain the decision to use internet for corporate financial reporting. They explained that this may be due to differences between internet reporting and the traditional print-based financial reporting environment and culture, manifested in the differences of costs, benefits and demand and supply structures of the two environments (Oyelere et al., 2003). Wallace et al., 1994 and Eng and Mak, 2003, show negative results too.. Firms with high debts are more likely to provide debt holders with more private information, which decreases the need for additional public disclosures. In addition, the agency costs of free cash flow could be controlled by debt, which plays here a substitutive role for the monitoring of management. As a consequence, the control effect of debt shrinks the control effect of voluntary disclosure. The relationship between internet disclosure and leverage was also not supported by Brennan and Hourigan (2000) who find that voluntary adoption of internet corporate disclosure is not associated with leverage.

H11. There is a relationship between leverage and the extent of Internet Reporting websites.

Foreign listing

Firms seek foreign listing to obtain funds from the international capital markets at the lowest cost and for other benefits such as wider marketing of products, boosting corporate image and gaining political acceptance by projecting the firm as being “local” in the foreign markets. Firms with a foreign listing face additional disclosure requirements and will provide more information than purely domestically listed companies to comply with the regulation of foreign stock markets if their requirements are greater than, or different to, those of their domestic exchanges (Cooke, 1992). In addition, foreign-listed companies have to disclose more information to reduce information asymmetries between domestic and foreign investors. Internet reporting is used to reduce information asymmetry by its immediate and wide reach (Debreceeny et al., 2002). Xiao et al. (2004) found a positive association between companies with foreign listing and internet reporting.

Debreceeny et al. (2002) found that US listing is positively associated with internet reporting, while foreign listing is negatively associated. On the other hand, Oyeler et al. (2003), Ashbaugh et al., 1999; Craven and Marston, 1999; found no association between internet reporting and foreign listing. According to Wallace et al., 1994; Raffournier, 1995; Ferguson et al., 2002, foreign listing is likely to enhance the disclosure level of a firm. Foreign investors are likely to be more cautious about the monitoring of management in order to protect themselves against information asymmetry between managers and external shareholders. In addition, they contribute to the adoption of international standards and ensure that companies disclose wide information to the market. Several researches use the foreign listing as an important factor to explain the corporate disclosure policy because it constrains managers to enhance the level of their disclosures. Show that firms listed on foreign markets are likely to release more comprehensive information than those listed on the local market only. Given the temporal information asymmetry faced by foreign investors with paper-based disclosures, internet financial reporting provides foreign investors with timely and extensive information at low costs.

H12: Foreign listing is positively related to and the existence/extent of Internet Reporting websites.

SECTION 4

Companies chosen for this survey and its websites.

1. Bagir Group LTD, www.bagir.com
2. Burberry Group PLC, www.burberryplc.com
3. Camkids Group PLC ORD NPV, www.londonstokexchange.com
4. Creightons PLC, www.creightons.com
5. Gimmy Choo, www.jimmychoo.com
6. Paternoster Resources PLC, www.paternosterresources.com
7. Pittards, www.pittards.com
8. Pz Cussons, www.pzcussons.com
9. Super Group PLC, www.supergroup.co.uk
10. Swallowfield PLC, www.swallowfield.com
11. Teathers Financial PLC, www.teathers.com
12. Toye and Co, www.toye.com
13. Worthington Group PLC, www.worthingtongroupplc.com
14. Cramwick PLC, www.cranwick.uk
15. Devro PLC, www.devro.com
16. Fyffes, www.fyffes.com
17. Clanbia PLC, www.clanbia.com
18. Greencore Group, www.greencore.ie
19. Hidong Estate PLC, www.bloomberg.com
20. Hilton Food Group PLC, www.hiltonfoosgroupplc.com
21. Hunter Resources PLC, www.hunter-resources.com
22. The Narborough Plantations PLC, www.narboroughplantations.com
23. Premier Foods, www.premierfoods.co.uk
24. Provexis PLC, www.provexis.org
25. Ukproduct Group LTD, www.ukproduct.com
26. Zambeef Products PLC, www.zambeefplc.com
27. Character Group PLC, www.thecharacter.com
28. Fitbug Holding PLC, www.fitbugholdings.com
29. Gamedigital PLC, www.gamedigitalplc.com
30. Games Workshop Group PLC, www.blomberg.com
31. Photo-me International plc, www.photo-me.co.uk

32. Sony Uk, www.sony.co.uk
33. Vmoto , www.vmoto.com
34. Tavistock Investments, www.tavistock.org
35. British American Tobacco Group, www.bat.com
36. Imperial Tobacco Group, www.imperial-tobacco.com
37. Filtronic LTD, www.filtronic.com
38. Imagination Technologies Uk, www.imgtec.com
39. Laird Technologies, www.lairdteck.com
40. Peer TV, www.peertv.com
41. Pure Water Company Uk LTD, www.linkedin.com
42. Vislink, www.vislink.com
43. Wolfson Microelectronics, www.bloomberg.com
44. Armstrong Ventures PLC, www.armstrongventures.com
45. Gamma Communications, www.gamma.co.uk
46. Mobilestreams, www.mobilestreams.com
47. Mobiletornado Group, www.mobiletornado.com
48. Zamano, www.zamano.com
49. Monitise, www.monitise.com
50. Avanti Communication Group, www.avantiplc.com

SECTION 5

a. Data

We have downloaded data from the Bloomberg® platform regarding 50 companies primarily listed in the London Stock Exchange. After screening the data sample for delisted and merged companies we end up with 40 companies combining 480 observations. The data include financial and corporate governance variables regarding year end of 2015 and are listed below:

Dependent Variable

WE_IFR: This is a dummy variable that takes the value of 1 for companies that have internet reporting websites and 0 otherwise.

Independent Variables

AGE: The age in years from the establishment of the company

AUD: This is a dummy variable taking the value of 1 for companies that hire high reputational auditing firms and 0 otherwise.

EQ: This is a dummy variable that takes the value of 1 if the company in question has raised capital during the investigation year (2015) and 0 otherwise.

GOV: This is the proportion of government ownership of each company, i.e. the percentage of shares that belong to the government.

GR: This variable represents the growth prospects of the company as measured by its market value at the end of the year in question (2015).

IND: This is a dummy variable that takes the value of 1 if the company belongs to the financial sector and 0 otherwise.

INST: This variable represents the percentage of company ownership attributed to institutional investors.

LEV: A variable that represents the company leverage as measured by the ratio of long term debt to shareholder's equity.

LIST: This is a dummy variable that takes the value of 1 for companies that are listed in a foreign exchange as well as the London Stock Exchange and 0 otherwise.

PERF: This variable represents the profitability of each company as measured by the company's Return on Equity (ROE) for the year in research.

SHARE: This variable represents the amount of different shareholders in each company, as reported in the year end of 2015.

SIZE: The size of each company as measured by the market capitalization at the end of 2015.

b. Research Hypotheses & Empirical Model

The model we will use to test the above hypotheses is the one below:

$$WE_IFR = a + b_1SIZE + b_2PERF + b_3GOV + b_4INST + b_5SHARE + b_6AGE + b_7GROWTH + b_8IND + b_9AUD + b_{10}EQ + b_{11}LEV + b_{12}LIST + e$$

In the above model we will examine both the overall explanatory power, as indicated by the value of the adjusted R squared, and the individual statistical significance, as indicated by the individual t-scores of each estimated coefficient.

Below we present the hypotheses which will be tested throughout the present research.

H1: Company size is positively related to the quality of internet reporting websites.

H2: Company performance affects the quality of Internet Reporting websites.

H3: The proportion of shares held by the government is positively related to the existence of web-IR disclosure.

H4: Ownership dispersion is positively related to the extent of Internet Reporting websites.

H5: The numbers of shareholders is positively related to the existence/ extend of Internet Reporting websites.

H6: Company age is negatively related to the existence/extent of Internet Reporting websites.

H7: The quality of IR websites is not related to the growth rate of the company

H8: Industry is positively related to the existence/extent of Internet Reporting website.

H9: Auditor type is positively related to the existence / extent of Internet Reporting website.

H10: Ceteris paribus, the need for external equity capital is positively related to the existence /extent of web-IR disclosure.

H11: There is a relationship between leverage and the extent of Internet Reporting websites.

H12: Foreign listing is positively related to and the existence/extent of Internet Reporting websites.

c. Descriptive Statistics

Below we present the descriptive statistics for the aforementioned variables, excluding the dummy variables for obvious reasons. The mean age is about 30 years with a standard deviation of almost 40 years. The longest operating company is around for 191 years and the youngest company of our sample operates for just 1 year. The mean government ownership is about 1.14% with a dispersion of 1.85% and the maximum government ownership of a single firm is 8%. The mean growth prospects, as measured by the market value at the end of 2015, is about 3.5 million Sterling with the largest value to be about 7.8 million Sterling and the lowest stands at 362 thousand Sterling. Moving to the participation of the institutional investors, the mean value is a bit more than 75% with a standard deviation of 56.7%. Regarding the leverage variable, as measured by the ratio of long term debt to shareholders equity, has a mean value of 43.3% with a dispersion of 68.27%. The maximum amount of leverage stands at 223.4% indicating a truly high degree of leverage. The mean ROE of our sample is 1.40% with a standard deviation of almost 36%. The highest performance company has an ROE of 115.43% while the worst performer has an equivalent value of -77.5%. Following the number of shareholders, the mean value is around 5.200 different shareholders with the highest value having a value of 91.859. Finally, as far as the company size is concerned, the mean value is 2,921 billion Sterling with the maximum value to be around 69.5 billion and the minimum 600 thousand Sterling.

	AGE	GOV	GR	INST	LEV	PERF	SHARE	SIZE
Mean	30.13	1.137	3456.6	75.23	43.29	1.41	5216.81	2.98E+09
Median	17.00	0.059	72.45	87.97	8.902	4.15	1689.00	67431724
Maximum	191.0	8.000	77928.2	242.1	223.42	115.43	91859.00	6.95E+10
Minimum	1.000	0.000	362.62	0.00	0.00	-77.53	8.00	599377.7
Std. Dev.	39.55	1.855	14055.2	56.70	68.27	35.95	14952.30	1.23E+10
Skewness	2.667	1.936	4.60	0.411	1.637	0.39	5.46	4.729767
Kurtosis	9.898	6.538	23.58	3.252	4.3	4.79	32.19	24.82311
Observations	40	40	40	40	40	40	40	40

d. Correlation Matrix

Below we present the correlation matrix of the variables included in our data sample. The strongest correlation is observed between the number of shareholders and the company size, as the largest the company the more shareholders it has on average, *ceteris paribus*. Also, the growth prospects have a high positive correlation with the shareholder size as this indicates greater investor interest which might boost company growth. Also, an interesting finding is the significant negative correlation (-67%) of the company age and the existence of web based reporting, as older companies are less elastic to employ new technological procedures than newly established ones that try to diversify from competition. Furthermore, foreign listing is seen to have an important positive correlation with the existence of web-based reporting (59%). A less significant positive correlation is observed between growth prospects and leverage as companies which aim at growth are in need for more equity to achieve their purposes (54%). A same positive correlation is notified between the company size and the leverage for a similar reason (53%).

	AGE	AUD	EQ	GOV	GR	IND	INST	LEV	LIST	PERF	SHARE	SIZE	WE_IFR
AGE	100%	-34%	-41%	-31%	-7%	-25%	24%	-11%	-48%	0%	-13%	-7%	-68%
AUD	-34%	100%	40%	19%	26%	-3%	-10%	26%	48%	24%	24%	26%	33%
EQ	-41%	40%	100%	44%	25%	27%	-3%	16%	52%	34%	23%	25%	48%
GOV	-31%	19%	44%	100%	-14%	10%	-5%	-9%	31%	4%	-3%	-14%	38%
GR	-7%	26%	25%	-14%	100%	-8%	7%	54%	-9%	37%	89%	100%	15%
IND	-25%	-3%	27%	10%	-8%	100%	-6%	-7%	21%	5%	-5%	-8%	26%
INST	24%	-10%	-3%	-5%	7%	-6%	100%	30%	-21%	15%	-6%	7%	-15%
LEV	-11%	26%	16%	-9%	54%	-7%	30%	100%	11%	37%	42%	53%	9%
LIST	-48%	48%	52%	31%	-9%	21%	-21%	11%	100%	5%	-9%	-10%	59%
PERF	0%	24%	34%	4%	37%	5%	15%	37%	5%	100%	36%	38%	29%
SHARE	-13%	24%	23%	-3%	89%	-5%	-6%	42%	-9%	36%	100%	90%	23%
SIZE	-7%	26%	25%	-14%	100%	-8%	7%	53%	-10%	38%	90%	100%	14%
WE_IFR	-68%	32%	48%	38%	15%	26%	-15%	9%	59%	29%	23%	14%	100%

e. Regression Output

Below we present the Eviews output of the regression model. The regression follows the OLS procedure and has been corrected for heteroskedasticity and serial correlation using the Newey-West correction. The overall explanatory power of the model, as indicated by the adjusted R squared value, is 0.5389, meaning that the model explains 53.89% of the existence of internet financial reporting of the companies in our sample. The AGE variable is statistically significant at the 99% level as the high t-stat value indicates. It has a negative sign indicating the negative relationship between the company age and the internet financial reporting. This can be interpreted as older companies tend to apply modernized techniques less often than newly established companies. The auditor type seems to be statistically insignificant and with a least expected negative sign. Equity needed also seems to be insignificant, along with government ownership, growth prospects, industry and the rest of the independent variables, except foreign exchange listing and ROE. Foreign listing has a positive sign and is significant t the 95% level. It seems that a company is in need of internet reporting to access distant investors in the foreign countries in which they are listed. Also, although literature provides mixed evidence regarding the relationship between company performance and internet financial reporting practices, in this case ROE seems significant at the 95% confidence level and has a positive sign.

Dependent Variable: WE_IFR
Method: Least Squares
Sample: 1 40
Included observations: 40

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.641945	0.156907	4.091250	0.0004
AGE	-0.005717	0.001688	-3.387439	0.0024
AUD	-0.078636	0.134237	-0.585803	0.5635
EQ	-0.103171	0.157041	-0.656967	0.5175
GOV	0.026905	0.036307	0.741046	0.4659

GR	0.000108	0.000174	0.622047	0.5398
IND	0.074610	0.166349	0.448518	0.6578
INST	0.000856	0.001106	0.774037	0.4465
LEV	-0.001554	0.001108	-1.401666	0.1738
LIST	0.389565	0.155493	2.505347	0.0194
PERF	0.004055	0.001779	2.279181	0.0318
SHARE	1.46E-05	1.52E-05	0.958159	0.3475
SIZE	-1.31E-10	2.12E-10	-0.619086	0.5417
<hr/>				
R-squared	0.692602	Mean dependent var	0.702703	
Adjusted R-squared	0.538903	S.D. dependent var	0.463373	
S.E. of regression	0.314649	Akaike info criterion	0.795123	
Sum squared resid	2.376102	Schwarz criterion	1.361121	
Log likelihood	-1.709776	Hannan-Quinn criter.	0.994664	
F-statistic	4.506228	Durbin-Watson stat	1.418221	
Prob(F-statistic)	0.000839			

A problem with multiple regression models is the serial correlation that arises from the correlation between independent variables. The more the correlated variables the greater the impact of serial correlation. Isolating each variable and examining its unique impact on WE_IFR, the following results were reached about the impact of each variable in the absence of serial correlation :

The age variable is statistically significant at the 99% confidence level. As the high t-stat indicates. The estimated impact is negative confirming literature that argues that older companies are less elastic in changing and modernizing procedures. The R squared value indicates that the company age alone explains about 46% of the internet accounting procedures of the company. The audit type is statistically significant at the 95% confidence level and has a positive sign indicating that the employment of high caliber and reputation audit firms leads to internet financial reporting, in line with literature. Equity capital raised is significant and has a positive sign as companies who access capital markets for funding are more likely to increase their disclosure in order to reduce information asymmetry and lower cost of capital, while at the same time increase investor confidence. Government participation seems significant at the 95% level following the p-value of 0.013. The positive sign indicates that companies with government ownership are more likely to adopt internet reporting as a response to government initiatives. Growth prospects seem not to be statistically significant in the explanation of internet practices, as the low t-stat (and the high p-value) indicate. This is in line with literature as high growth companies tend to

allocate resources to fund their expansionary policies thus less resources remain to promote internet based facilities. Industry type seems to slightly affect internet reporting practices, as the p-value is slightly more than the 90% threshold of 0.1 (0.1021). The positive sign indicates that the financial sector companies positively affect web financial disclosures. Institutional ownership is not statistically significant in our sample as the low t-stat value indicates (significant at about 68%). Leverage is also not significant indicated by the large p-value (and the low t-stat). Foreign listing is statistically significant as the large t-stat indicates. As literature confirms, foreign listed companies face more disclosure requirements to comply with local regulation and are in need of providing more information to reduce information asymmetries between domestic and foreign investors. Foreign listing alone, explains more than 38% of the web based financial disclosure oscillation among companies. Company performance, as measured by the ROE ratio, is statistically significant at the 90% confidence level following a p-value of 0,071. Although near zero, the estimated coefficient is positive meaning that higher performance could lead to greater need of web based financial reporting as profitable firms have the incentive of upgrading their disclosure methods in order to distinguish themselves from competition. This is confirmed by Verrecchia (1983) and Dye (1985) but other research, as in Depoers and Jean (2010), found contradictory evidence arguing that profitable firms incur high costs of withholding information. Number of shareholders is not very significant, as the p-value indicates significance at about 85%. Literature confirms the positive relationship between number of shareholders and internet based financial reporting but in our data sample evidence are not so strong maybe due to the fact of small data sample. Company size positively affects web based reporting following the large t-stat value. This is in line with the literature as it is natural for larger companies to adopt advanced reporting practices.

SECTION 6

CONCLUSION

The development of the Internet as a medium for global corporate communication creates a new channel for the dissemination of corporate financial information. Due to its increasing usage, its multimedia capability and its capacity for interactive communication, the Internet is challenging the very nature of financial reporting, its boundaries, its frameworks, and even its fundamental role in society. The global access of financial reports on the Internet could produce further impetus for global standards for financial reporting. A significant proportion of companies have set up websites and some of them use their websites to provide financial information.

The purpose of this study is to make an exploration to the research hypotheses that are related or not to the existence of a website. For this purpose, 50 UK companies listed in London Stock Market have been chosen. Firm size and performance, government and institutional ownership of shares, number of shareholders, industry, auditor type, equity need and foreign listing are considered to be positively related to the extent of a website, while company age, growth prospects and leverage are seen to be negative related to the extent of a website although there is a relation between them. This finding suggests that large companies are deriving benefits from setting up websites and providing financial information on this medium.

Companies with greater levels of liquidity are also more likely to engage in IFR. Likewise, the industry group sector of a company is a predictor of its likelihood of engaging in IFR, with companies operating in the primary industry group sector, such as those in the oil and gas, and forestry industries, are more likely to engage in IFR than companies from other industry group sectors. The higher the proportion of shareholding, by the top 40% of shareholders, the lower the probability that a company would provide financial information on the Internet.

The study contributes to the literature on internet financial reporting (IFR) in UK countries by examining the research hypothesis of web-based IR activities in the UK context using a multi-theoretical approach. This study should be of interest to regulators as it offers valuable insights into the characteristics of those companies that do and do not meet national and international investors' demands for online information. It also assists current and potential investors to know the drives of web-IR activities in the UK context. Furthermore, investors would be provided with information needed in order to make capital allocation decisions.

It is based on practices of other countries as an example of an emerging economy; and international comparisons of determinants of web-based IR activities are useful in the development of a comprehensive predictive model for the choice of web-based IR activities.

The results have particularly pointed out several areas which could be improved and which could form the basis of future research. Future research may consider explanatory variables specific to the IFR environment, which may provide further insights into IFR practices. Such factors may include the age and levels of education of company directors, managers, attitude of management and new ideas, the age and strategic position of each company in its industry, and the stage in the life cycle of the company's major products. These factors may influence voluntary use of the internet for financial reporting purposes. Also, researchers in this evolving area may investigate other disclosure-related issues such as the frequency and timeliness of IFR and the level of users' interest and needs in respect of IFR, possibly measured by frequency of visits to corporate websites to download or view financial information.

These issues are particularly pertinent as interest in continuous on line reporting grows. Continuous on line reporting is the practice by which firms provide financial or non- financial information simultaneous with, or within a short period of, the occurrence of relevant events. This study is based on UK practices, practices in other countries and international comparisons of determinants of IFR are useful in the development of a comprehensive predictive model for the choice of IFR.

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