

Forms of Online Financial Reporting of selected Indian and U.S. Banks

Prof. Pramod Kumar*
Meenakshi Chawla**

Abstract

The development of the Internet as a global and excited medium for dissemination of financial information creates a new reporting environment. This study examines the forms of Online Financial Reporting of selected Indian and U.S. banks, for this purpose five banks selected from each country on the basis of market capitalization and net worth, with the help of these forms banks can communicate with their external stakeholders. World Wide Web (WWW) technologies are extensively used for disseminating financial information around the world. A growing percentage of competition companies disseminate information on its respective websites like financial data, financial performance, social and environmental issues, corporate information, corporate governance, marketing and other information are presented in multitude forms of annual reports like HTML (Hypertext Markup Language), PDF (Portable Document Format) and XBRL (eXtensible Business Reporting Language). HTML and PDF are the oldest form of disseminating financial information on the websites but XBRL is the new form of reporting financial information on the websites. From 2010 onwards SEC mandate, banks are required to tag their face financial statements through XBRL. Banks are required to tag its financial statement footnotes and financial statement schedules.

Keywords: HTML, PDF, XBRL, WWW, SEC

Introduction

Due to dynamic nature of the business, reporting practices has changed now; earlier forms of reporting was not so interactive and there is need not to be shown everything about the business. Due to change in time, the complex city in the business arises and companies start focuses on reporting practices and disclosed each and every aspect of the business. Earlier companies were presented its financial statements i.e. profit and loss account, balance sheet, cash flow statement, auditor's report, directors reports, notes to account etc only in the hard bound of annual report but now companies disclosed its financial statement not only in hard bound but also in soft bound. Online disclosure/ presentation of annual reports have become popular in these days; these sources are adopted by various

companies it's not only cost effective but also eco friendly.

The Internet, being the fastest mode of communication, multidirectional in nature and very fast in transmission, has the widest reach in the present world. The Companies financial information are presented in various forms like HTML (Hyper Text Markup Language), PDF (Portable Document Format) and XBRL (eXtensible Business Reporting Language) these reports available on the respective websites of the companies, and it's common for all and offer of free information made available for interested net-surfer.

This paper emphasis on various forms of online financial reporting, to conduct this study five banks from each country (India, U.S.) have been taken, from India SBI, ICICI Bank, AXIS Bank, Bank of Baroda, Punjab National

**Head, Accountancy and Law & Dean Faculty of Commerce Dayal Bagh Educational Institute (Deemed University), DayalBagh Agra.*

***Research Scholar, Department of Accountancy & Law, Faculty of Commerce, Dayal Bagh Educational Institute (Deemed University) Dayalbagh Agra.*

Bank and from U.S. Bank of New York and Mellon, Goldman Sachs Group, Wells Fargo, American Express, SunTrust have been taken in to consideration, for this purpose an index/ checklist have been prepared by researcher or to check whether selected banks are affected by these factors or not.

Review of Literature

This is an essential aspect of an investigation is a review of the related literature which is general prospective survey of previous researches pertaining to one's problem. It is obviously imprudent and wasteful to proceed in any study without knowing what has been done before. The literature in any field forms foundation upon which all future is built. The following studies have been reviewed for this purpose.

S. NO	AUTHOR	YEAR	TITLE	AREA/ COUNTRY	OBJECTIVE	FINDINGS
1.	Peter B. Oyelere	2003	"Determinants of Internet Financial Reporting by New Zealand Companies".	"New Zealand".	"In this paper researcher examines the determinants of voluntary financial reporting through traditional media such as print-based annual reports".	"The results indicate that some determinants of traditional financial reporting firm size, liquidity, industrial sector and spread of shareholding - are determinants of voluntary adoption of Internet financial reporting (IFR)".
2.	Alfred Wagerhofer	2003	"Economic Consequences Of Internet Financial Reporting".	"Australia".	"The paper considers two major economic effects created by the Internet for financial accounting and disclosure"	"The findings are that First, the Internet changes the costs of information processes and with it the demand and supply of financial information in capital markets. Second, IFR creates a demand for standardization, which has been taken up with the development of XBRL".
3.	Robert M. Bowen	2003	"Determinants of Revenue Reporting Practices for Internet Firms".	"Washington".	"This study verifies the association between market capitalization and revenue, and examines economic	"We find that firms with greater cash burn rates and higher levels of activity on Motley Fool message boards are

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					factors that potentially influence Internet company managers' decisions to adopt allegedly aggressive revenue recognition policies".	consistently associated with barter and grossed-up revenue reporting".
4.	Luiz Alberto De Lira Alves	2004	"The Voluntary Disclosure of Financial information on the Internet and the Firm Value Effect in Companies across Latin America"	"Latin America".	"Studies have evaluated that the practice of Corporate Governance adopted by Latin American companies is still in the beginning".	"The result has also been observed that it is irrelevant the country (COUNT) in which the company operates to the association between the voluntary disclosure of financial information on its web page and the firm value".
5.	Marston, C. and polei A	2004	"Corporate reporting on the internet by German companies"	"Germany".	"The use of the internet for financial information disclosure by German companies in 2000 and 2003 and identified factors influencing financial disclosure on the internet.".	"They found that company size was the only variable explaining financial disclosure on the internet for those two years".
6.	Samir Trabelsi	2004	"The Management of Financial Disclosure on Corporate Websites: A Conceptual Model".	"Canada".	"The impact of Internet financial reporting (IFR) on financial accounting theory by incorporating it in the general management framework".	"We interpret this variability in the incremental difference of IFR over TFR, as an indication that a firm's ritualistic or opportunistic behaviour under IFR is not different from its behaviour under TFR".

S. NO	AUTHOR	YEAR	TITLE	AREA/ COUNTRY	OBJECTIVE	FINDINGS
7.	Peter J Wallison	2004	"Corporate Disclosure In The Internet Age".	"U.S."	"This study shows excessive speculation, an unsustainable bubble in economy".	"The US economy continues to spawn innovative companies and new ideas. It would be ironic if the capital markets".
8.	Nikolas Diakidis	2006	"Financial Reporting Practices on the Internet : The case of Companies Listed in the Cyprus Stock Exchange".	"Nicosia Cyprus".	"This paper studies reporting disclosure practices on the websites of companies listed in the Cyprus Stock Exchange".	"Financial reporting on the internet is not largely adopted for the firms listed in Cyprus Stock Exchange, as compared with international evidence in this area."
9.	Ivica pervan	2006	"voluntary financial reporting on the internet – analysis of the practice of Croatian and Slovene listed joint stock companies".	"Crotian and Slovene".	"It focused on stock market listed crotian and Slovene joint stock companies has two basic aspects, comparative and explanatory"	"The comparative aspect of the research showed that Slovene corporations have a statistically significant higher level of financial reporting".
10.	Muther talal momany and AL-dain AL- shorman	2006	"web-based voluntary financial reporting of Jordanian companies".	"Jordan".	"It investigated the extent of financial reporting on the internet of the Jordanian companies listed in the first market on Amman Stock Exchange (ASE) for the year 2004".	"The researchers find that about (45%) of the companies have website. While (70%) of the website's companies report financial information, only (30%) don't report any financial information".

Objective

- In this paper researcher examine the forms of Online Financial Reporting practices.

Research Methodology

Research Design

The research design of this paper has been Descriptive as well as Analytical because it have been carried out with

specific objective and utilizes the large number of data of selected banks.

Sample size

For attaining objective, the following banks have been taken for the study purpose:

	INDIA	U.S.
	BSE	NYSE
1.	State Bank of India	The Bank of New York Mellon Corporation (BNY)
2.	ICICI Bank	Sun trust
3.	Axis Bank	American express
4.	Bank of Baroda	The Goldman Sachs Group
5.	Punjab National Bank	Wells Fargo & Company

Selection criteria of Sample

- On the basis of Net worth and Market Capitalization exceeding Rupees 1000 crores.

Duration of the study

For the purpose of analysis of data, a period of last financial year starts from 2013-14 have been taken in to consideration.

Sample Data:-

The relevant data have been collected from secondary sources comprises of published reports like Reports on Trend and Progress of Banking in India, Web Sites, Periodicals, Newspapers and Annual Reports published by Banks.

Statistical Tools

For analysis qualitative data statistical tools Logit and Probit Model have been taken into consideration through SPSS.

Hypothesis

H₀1: There is positive association between the variables that effect online financial reporting.

Methodology

This section of the study includes description of dependent and independent variables as well as those factors which affect Online Financial Reporting Practices. These factors are divided into three parts. First part related to Contents helps in Online Financial Reporting, Second part related to Networking, which helps to maintain websites of the banking company and third part related to Corporate Web and Mail Services, which means how banking companies provide reporting services to their stakeholders/ Investors.

The Dependent variable of this study is Online Financial Reporting. For this purpose an index has been prepared by researcher that helps to access banks websites.

- Contents help in Online Financial Reporting-** The contents available/ disclosed on the website of the companies through HTML, PDF and XBRL format



a. **HTML (Hyper Text Markup Language):-** HTML or Hypertext Markup Language is the set of markup language that helps to create Web page of the company. Web browser can read HTML files and it is available in the form link and these files are visible and audible. The browser does not display the HTML tags, but uses them to construe the content of the page. Web browsers can also refers Cascading Style Sheets (CSS) are also used for layout of text and other material. It is a stylish language sheet used for describing the look and formatting of a document written in a markup language. While it is mainly used to change the style of web pages and user interfaces written in HTML.

b. **PDF (Portable Document Format):-** It is a file format used to present documents in a manner independent of application software, hardware, and operating systems. Each PDF file encapsulates a complete description of a fixed-layout flat document, including the text, fonts, graphics, and other information needed to display it.

PDF files are available into two forms Unabridged and Abridged formats.

Unabridged format includes detailed information of the company and **abridged format** includes condensed information like Profit and Loss Account, Balance Sheet, Cash Flow Statement and Auditors Report, which is required by shareholders. In case of Indian Banks, these Unabridged and Abridged reports are available in two languages, Hindi and English. In case of U.S. Banks these reports are available only in English format.

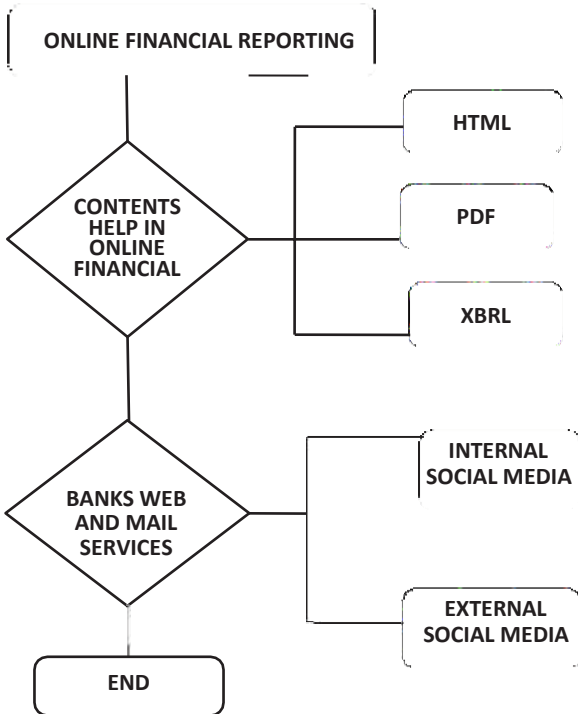
c. **XBRL (eXtensible Business Reporting Language):-** "XBRL is an electronic markup language for the purpose of corporate business reporting. XBRL is

based on XML, which is the universal format for structuring documents and data on the web. In an XBRL compliant report, each financial and non-financial item is enclosed by a pair of XBRL tags, which describes the meaning of the item. These tags provide semantic information to the reports and make the financial reports not only human readable but also computer comprehensible. Leveraging the power of computers and the Internet, XBRL provides the financial community a standard to electronically and automatically prepare, publish, exchange, and extract financial statements. It is expected that XBRL will have widespread effects on financial reporting. First, preparing financial reports will be easier with XBRL".

2. **Corporate Web and Mail Services:-** Development of information technology is so rapidly increase a use of internet, this source has become popular means of communication and it is much better than traditional/paper based reports as well as cost effective. Earlier banks sending their printed financial statement (annual report) to their stakeholders but now these financial statements are send to their stakeholders through E-mail or sending a link which is open through the website of a company.

a. **Internal Social Media:-** This technique is also adopted by various banks, for this social software is designed to meet out the needs of business and empowers bank's employees to be more innovative and productive, where creative ideas can be exchanged that can foster increase in business growth. There are five internal media tools adopted by banks like Yammer, Digsby, Skype, Wiki, Podcaste.

b. **External Social Media:-** Banking companies communicate its stakeholders through external social media also like Face book and Twitter, it starts as online networks for people to connect with one another, have evolved into legitimate publishing platforms for businesses. Social media channels now represent some of the fastest and most reliable ways to communicate with the public. Every bank has created branded profiles to transmit information to their followers.



Flow Chart

Data Analysis

In this paper the following Hypothesis has been framed and it has been analyzed through Logit Model; it is probabilistic statistical model and applicable in qualitative data. Logit or Logistic regression measures the relationship between the categorical dependent variable and one or more independent variables, which are usually (but not necessarily) continuous, by using probability scores as the predicted values of the dependent variable.

$$\text{LOGIT: } P = \text{Pr}[Y = 1] = \frac{1}{1 + e^{-X\beta}}$$

Equation:

$$\text{OFR} = \beta_0 + \beta_1 \text{HTML} + \beta_2 \text{PDF} + \beta_3 \text{XBRL} + \beta_4 \text{E.MEDIA} + \beta_5 \text{I.MEDIA} + \epsilon$$

Omnibus Tests of Model Coefficients				
		Chi-square	df	Sig.
Step 1	Step	7.235	3	.065
	Block	7.235	3	.065
	Model	7.235	3	.065

Classification Table ^a					
	Observed	Predicted			
		IFR		Percentage Correct	
		0	1		
Step 1	IFR	0	1	1	50.0
		1	0	8	100.0
Overall Percentage					90.0
a. The cut value is .500					

Variables in the Equation							
		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1 ^a	XBRL	-38.166	4.499E4	.000	1	.999	.000
	INTERNALMEDIA	18.736	1.171E4	.000	1	.999	1.371E8
	EXTERNALMEDIA	38.541	2.316E4	.000	1	.999	5.471E16
	Constant	-76.013	4.041E4	.000	1	.998	.000
a. Variable(s) entered on step 1: XBRL, INTERNALMEDIA, and EXTERNALMEDIA.							

Source: Calculation show in Annexure 1

Interpretation:

These estimates shows the relationship between the Independent Variables and the dependent variables, where the dependent variables is on the logit scale. These estimates tell the amount of increase or decrease, if the sign of the coefficient is negative and the predicted log odds of honcomp is equal to 1 that would be predicted by a 1 unit increase (or decrease) in the predictor, holding all other predictors constant. In this example, the statistics for the Step, Model and Block are the same because we have not used stepwise logistic regression or blocking. The value given in the Sig. column is the probability of obtaining the chi-square statistic given that the null hypothesis is true. In other words, this is the probability of obtaining this chi-square statistic (7.235) if there is in fact no effect of the independent variables, taken together, on the dependent variable. This is, of course, the pvalue, which is compared to a critical value, perhaps .05 or .01 to determine if the overall model is statistically significant. In this case, the model is statistically significant because the pvalue is less than .000.

Conclusion

In the world of competition, it is required for any company/banks to disclosure each and every aspect of presentation whether on hard copy of annual reports or soft copy, displayed on the websites. To disclose the information on the websites, banks/ companies required needs particular format in which it's disclose information. There are three forms of disclosing information on the websites like HTML, PDF and XBRL. HTML and PDF is commonly used by all companies whether Indian, U.S. banks. While XBRL is not commonly used forms of

reporting, from 2010 onwards SEC mandate reporting in XBRL format while it is not mandate in India.

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Annexure 1

INDEPENDENT VARIABLES

Checklist

S.No	Particulars	Indian Banks					U.S Banks				
		SBI	AXIS	ICICI	BOB	PNB	BNY	WELLS FARGO	GOLD MANS	AMERICAN EXPRESS	SUN TRUST
1.	Contents helps in Online Financial Reporting										
	(i) HTML (Hyper Text Markup Language)	1	1	1	1	1	1	1	1	1	1
	(ii) PDF (Portable Document Format)	1	1	1	1	1	1	1	1	1	1
	(a) Unabridged Annual Report	1	1	1	1	1	1	1	1	1	1
	(b) Abridged Annual Report	1	1	1	1	1	1	1	1	1	1
	(iii) XBRL (Extensible Business Reporting Language)	0	0	0	0	1	1	1	1	1	1
2.	Corporate Web and Mail Services										
	(i) Internal Social Media	1	1	1	1	1	1	1	1	1	1
	(ii) Bank has made available its presence on External Social Media	1	1	1	1	1	1	1	1	1	1