

CORPORATE REPORTING ON THE INTERNET: A STUDY OF THE TOP PUBLIC AND PRIVATE SECTOR BANKS IN INDIA

Nabin Kumar Sarawgi*
Dr. Ahmed Hussain**

ABSTRACT

The study aims to examine and analyse the extent of corporate disclosure on the Internet of the selected top Public and Private sector banks in Indian context (both Bank wise and Category Disclosure wise). It also compares the internet reporting practices of the Indian Public and Private sector banks. For the purpose of the study, we thoroughly examined the annual reports of the top ten banks (five Public banks and five private banks) based on their market capitalization for the year 2022. An unweighted disclosure checklist consisting of 119 items of information has been used to examine the disclosure level of online reporting. On an overall analysis, it is observed that the extent of Web-based disclosure in Indian Banking Sector is low to moderate in case of both Public and Private Banks. However, information disclosure level for Public Sector Banks is slightly better than that of Private Sector Banks. The average levels i.e., mean disclosure score of 'Public Bank' and 'Private Bank' are (61.6) and (54.2) respectively. In case of Public sector banks, 'Financial Information, Marketing Information and Technological Aspect & User Support' respectively are the most disclosed categories whereas in case of Private Sector banks, the most disclosed categories are 'Financial Information, Technological Aspect & User Support, Corporate Governance Information, and Corporate Social Responsibility and Human Resource Information. The variability in the extent of web based disclosure of both 'Public Banks' and 'Private Banks' is low which is reflected from the Range value. The test of hypothesis confirms that there is a significant difference in the web-based disclosure level of Public and Private sector banks in India. The result indicates that scope exists for improvement in online reporting of banking sector in Indian context.

Keywords: Internet Reporting, Banking Sector, Corporate Disclosure, Disclosure Index, India.

Introduction

Corporate Internet Reporting (CIR) is communicating information with stakeholders using the Internet. An entity interacts with the outside world through the disclosure process. A new reporting environment has emerged due to the growth of the Internet as a global medium for publishing company information and a new communication channel in international commerce (Abdi et al., 2018). The Internet and database technology has the potential to disseminate a vast amount of raw data and enable more direct, dynamic, and interactive contact with stakeholders regardless of their location and without the

* Research Scholar, Department of Commerce, Raiganj University, West Bengal, India.

** Assistant Professor, Department of Commerce, Raiganj University, West Bengal, India.

need for intermediaries (Cormier et al., 2009). In earlier days, reporting has been periodic, like annual reports, newspapers, corporate magazines, prospectus etc. This periodic reporting has been criticized as for expensive medium and lacking timeliness etc. Due to these limitations; internet reporting is gaining importance between investors and stakeholders nowadays. Corporate internet reporting, online reporting and web base reporting are used interchangeably.

As (Boubaker et al., 2011; Lymer & Tallberg, 1997) suggest, online reporting comes with various advantages compared to traditional reporting, like low cost, global reach, timely access etc. Reporting through the World Wide Web is also advantageous to the environment as fewer paper materials are used. U.S. and European companies using websites since late 90's (Deller et al., 1999; Lymer, 1999).

This study attempts to assess the extent of online reporting of the selected top Public and Private Banks in India. A comparison of online reporting practice has also been made between public and private sector banking companies.

Literature Review

Web-based disclosure came to India after the advent of the internet. However, in the early stages, Indian companies were lagging while disclosing pertinent financial information on the internet compared to developed countries (Chatterjee & Hawkes, 2008). Gradually Indian companies started accepting the new mood of disclosing information, and 416 listed companies had an active website (Shukla & Gekara, 2010). The following selected relevant literature has been reviewed for the purpose of this study.

Davey & Homkajohn (2004) examined the extent and quality of Internet Financial Reporting (IFR) of the Top 40 Thai listed companies. A qualitative index was developed by the authors having four disclosure categories, namely content, timeliness, technology and user support. It was found that Thai companies provide financial information on the Internet as a complement to their traditional paper-based annual reports. The extent and quality of IFR practices varied widely among the firms and only a few companies applied the enhancements that the Internet technology can offer.

Iqbal Khadaroo (2005) attempted to compare the web-based reporting practices of companies in Malaysia and Singapore. It highlights that Singaporean companies have a stronger online presence and make better use of internet for reporting compared to Malaysian companies. The study also analyzed the attributes of web pages and identifies the dominant features of each country. It concluded that web-based reporting is growing in importance and suggested the need for further development and standardization in this area.

Dutta & Bose (2007) examined the state of online corporate reporting in Bangladesh. The study found that only 38.81% of listed companies of Bangladesh have a website, including that web-based corporate reporting is still in its early stages. The study also developed a scoring system to measure the level of online reporting and found significant variation across different sectors. The study recommended several measures to improve online corporate reporting in Bangladesh, including creating separate section for investor relations, regularly updating information, providing information both English and Bangla, using graphs to present financial information.

Verma & Garg (2010) examined the extent of web-based corporate disclosure by Indian companies and checked whether there is any relation between company characteristics and the level of Web-based corporate disclosure. 200 Indian companies were selected as sample, and information was gathered using a 119-item checklist. They concluded that Industry type, Company size, and Profitability significantly impacted Web-based disclosure.

Sushila & Amol (2016) attempted to measure the nature and extent of web-based reporting of Indian hotel industry. The authors also examined the influence of determinants on web-based reporting. A checklist was prepared with 303 items to collect data from 74 sample companies. Through the statistical analysis, the authors concluded that Size and Profitability have been found to be significant factors influencing the level of online reporting.

Bhatia & Kaur (2016) analyzed the nature and extent of internet reporting of financial and non-financial information by Indian banking companies. For this purpose, 47 public and private commercial banks were taken as samples. To analyze the extent of these companies, a checklist was prepared consisting of 144 elements. Both the public and private banks disclose financial elements on their websites, but in the case of the presentational aspect, private companies are way ahead of public companies.

Kaur & Kaur (2017) empirically investigated the extent of financial disclosure of the top 30 banks in India. The authors also examined whether there is any association between company size and financial web discloser practices. A checklist was prepared with 23 items of the financial disclosure and analyzed through One Way Anova. The results shows that Indian banking companies disclose a considerable amount of financial information on their website, but there is no relation between Size and web-based financial disclosure.

Research Gap

After reviewing relevant literature regarding online corporate reporting, it was found that the study focusing on overall web-based corporate reporting by Indian banks is very limited. In recent times, a few researchers have endeavored to compare the reporting practices on Internet by the top Public and Private sector Banks in Indian context taking into consideration both financial and non- financial information. In this backdrop, an attempt has been made to study the current status of corporate reporting on Internet by the top Public and Private sector Banks in India.

Objectives of the Study

The followings are the Objectives of the Study:

- To empirically examine the extent of corporate disclosure on the Internet of the selected top Public and Private Sector Banks in Indian context (both Bank wise and Category Disclosure wise).
- To compare the internet reporting practices of the selected top Indian Public and Private sector Banks.

Research Methodology & Disclosure Level

Sample: For the purpose of the present study, the following top five Public banks and top five private banks based on their market capitalization has been chosen of the year 2022.

Table 1: List of Sample Companies

| Sl. No. | Top Five Public Banks | Sl. No. | Top 5 Private Banks |
|---------|----------------------------|---------|---------------------|
| 1. | State Bank of India (SBI) | 1. | HDFC Bank |
| 2. | Punjab National Bank (PNB) | 2. | ICICI Bank |
| 3. | Bank of Baroda (BOB) | 3. | Kotak Mahindra Bank |
| 4. | Canara Bank | 4. | AXIS Bank |
| 5. | Union Bank of India (UBI) | 5. | IndusInd Bank |

Source: <https://www.angelone.in/blog/top-indian-banks-on-the-basis-of-market-capitalisation>

For measuring the extent of web based corporate disclosure, we prepared a disclosure checklist taking cue from relevant past studies and examined the websites of the selected public and private banks in India. The checklist consists of 119 items which is further divided into seven different categories of information viz. Financial Information (24), Corporate Governance information (18), Corporate social responsibility and Human Resources Information (14), Marketing Information (09), Investor relation Communication (10), Right to Information Act (07) and Technological aspect and user support (37). For attaining high degree of inter-temporal comparability, the data collection and analysis have been done in the short period interlude.

Disclosure score is awarded to the sample companies based on actual presentation of information contained in their website following the dichotomous method. If an information item of the disclosure checklist was disclosed in the website, a score '1' was assigned, otherwise zero.

The Web-based disclosure scores of the sample companies are shown in Table 2

Table 2: Disclosure Score of the Sample Banks (in descending order)

| Sl. No. | Public Banks | Disclosure Score (%) | Sl. No. | Private Banks | Disclosure Score (%) |
|---------|----------------------------|----------------------|---------|---------------------|----------------------|
| 1. | Union Bank of India (UBI) | 54.62 | 1. | HDFC Bank | 47.90 |
| 2. | State Bank of India (SBI) | 52.94 | 2. | ICICI Bank | 47.06 |
| 3. | Bank of Baroda (BOB) | 52.10 | 3. | IndusInd Bank | 46.22 |
| 4. | Punjab National Bank (PNB) | 49.58 | 4. | AXIS Bank | 43.7 |
| 5. | Canara Bank | 49.58 | 5. | Kotak Mahindra Bank | 42.86 |

Source: Computation by the authors

Table 3: Disclosure Score in each Category and Overall Score of Public Sector Banks

| Categories in Disclosure Checklist | Information Items | SBI | PNB | BOB | Canara Bank | UBI | Overall Score (%) |
|--|-------------------|-----|-----|-----|-------------|-----|-------------------|
| Financial Information | 24 | 15 | 15 | 15 | 15 | 15 | 63 |
| Corporate Governance Information | 18 | 09 | 07 | 07 | 08 | 09 | 44 |
| Corporate Social Responsibility and Human Resource Information | 14 | 04 | 03 | 04 | 02 | 04 | 24 |
| Marketing Information | 09 | 09 | 04 | 05 | 05 | 04 | 60 |
| Investor relation Communication | 10 | 04 | 05 | 05 | 05 | 05 | 48 |
| Right to Information Act | 7 | 03 | 04 | 04 | 04 | 04 | 54 |
| Technological Aspect and User Support | 37 | 19 | 21 | 22 | 20 | 24 | 57 |
| Total Disclosure Score | 119 | 63 | 59 | 62 | 59 | 65 | - |

Source: Computation by the author

Table 4: Disclosure Score in each Category and overall score of Private Sector Banks

| Categories in Disclosure Checklist | Information Items | HDFC Bank | AXIS Bank | ICICI Bank | Kotak Mahindra Bank | IndusInd Bank | Overall Score (%) |
|--|-------------------|-----------|-----------|------------|---------------------|---------------|-------------------|
| Financial Information | 24 | 14 | 16 | 16 | 15 | 15 | 63 |
| Corporate Governance Information | 18 | 09 | 07 | 04 | 06 | 09 | 39 |
| Corporate Social Responsibility and Human Resource Information | 14 | 07 | 06 | 05 | 05 | 04 | 39 |
| Marketing Information | 09 | 04 | 04 | 03 | 03 | 03 | 38 |
| Investor relation Communication | 10 | 03 | 03 | 02 | 02 | 02 | 24 |
| Right to Information Act | 7 | 01 | 01 | 01 | 01 | 01 | 14 |
| Technological Aspect and User Support | 37 | 19 | 19 | 20 | 20 | 21 | 54 |
| Total Disclosure Score | 119 | 57 | 56 | 51 | 52 | 55 | - |

Source: Computation by authors

Table 2 shows that web based disclosure score of UBI is the highest while the disclosure score of PNB & Canara Bank are the lowest among the selected Public sector banks. In case of Private sector banks, web based disclosure score of HDFC Bank is the highest whereas Kotak Mahindra Bank is the least scorer.

Table 3 presents web based disclosure score of each Public sector banks in the seven categories of the Disclosure index separately. It also shows the overall disclosure score of all the selected Public sector banks together in each category of the Disclosure index used in the present study. It is found that out of the seven categories, 'Financial Information, Marketing Information and Technological Aspect & User Support respectively are the most disclosed categories. At the same time, under category 'Corporate Social Responsibility and Human Resource Information' minimum disclosure has been made. The probable reason of the same may be the voluntary nature of information in this category which gives discretionary power to the management regarding reporting practices of information.

Table 4 presents web based disclosure score of each Private sector banks in the seven categories of the Disclosure index separately. It also shows the overall disclosure score of all the selected Private sector banks together in each category of the Disclosure index used in the this study. It is revealed that out of the seven categories, 'Financial Information, Technological Aspect & User Support, Corporate Governance Information, and Corporate Social Responsibility and Human Resource Information are the most disclosed categories respectively. At the same time, Right to Information Act, Investor relation Communication and Marketing Information categories are the least disclosed ones. The possible reason might be because most of the items in these categories are not mandatory in nature. So, management is free take a firm decision regarding the quantity and quality of voluntary information.

The following Chart 1 & 2 shows disclosure score of Public sector banks and Private sector banks separately whereas Chart 3 presents disclosure score of all ten Sample Banking Companies together.

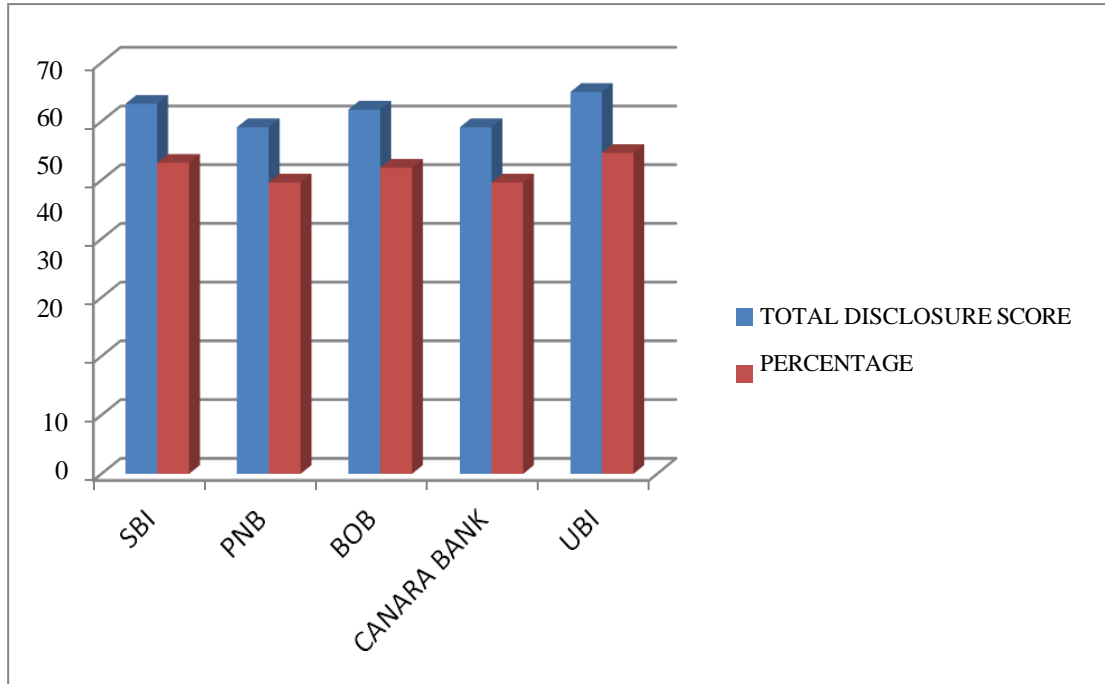


Chart 1: Disclosure Score (%) of Top Five Public Sector Banks

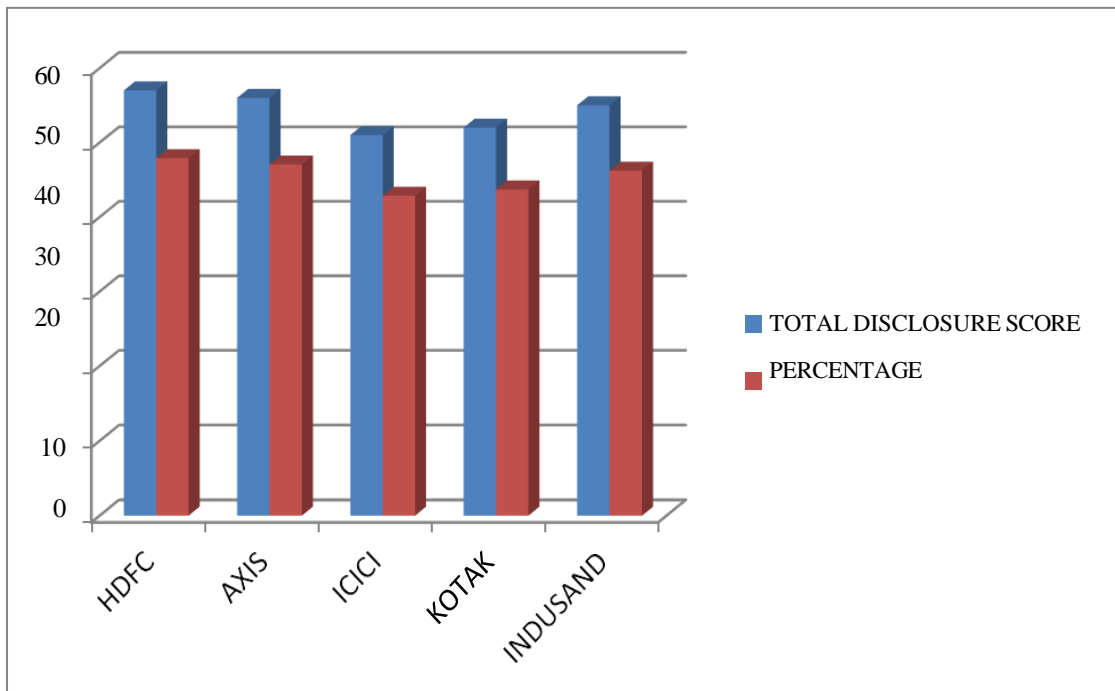


Chart 2: Disclosure Score (%) of Top Five Private Banking Companies

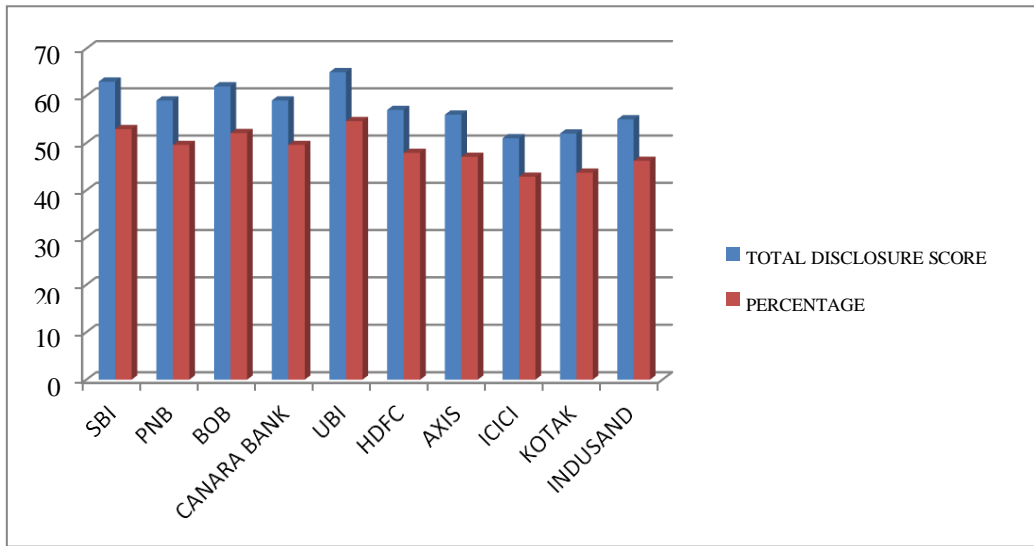


Chart 3: Disclosure Score (%) of all Ten Sample Banking Companies

Analysis of the Overall Extent of Corporate Reporting on Internet

For analyzing the extent of the Overall Extent of Corporate Reporting on Internet, we have computed some descriptive statistics in this regard which is given as below.

Table 5: Result of Descriptive Statistics

| | Public Sector Bank | Private Sector Bank |
|--------------------|--------------------|---------------------|
| Maximum | 65 | 57 |
| Minimum | 59 | 51 |
| Mean | 61.6 | 54.2 |
| Range | 6 | 6 |
| Standard Deviation | 2.61 | 2.59 |

Source: Computed by the authors

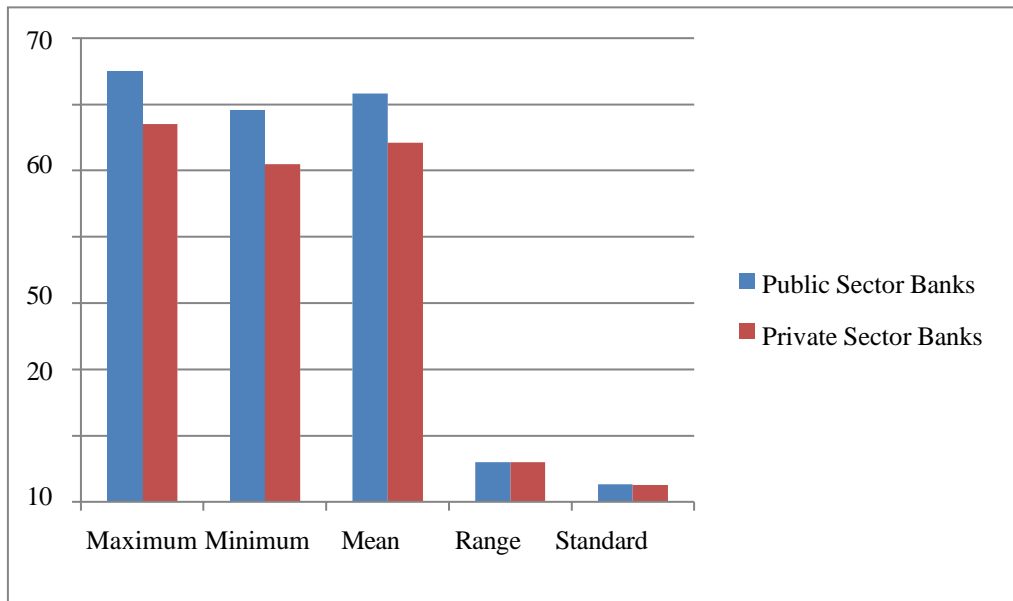


Chart 4: Descriptive Statistics of Public and Private Banks

Table 5 and chart 4 reveals the following important findings regarding the extent of web based disclosure in both the Public and Private sector Banks.

The maximum disclosure score is 65 for 'Public Sector Banks' and 57 for 'Private Sector Banks'. This implies that the level of disclosure is low to moderate for both Public and Private Banks. None of the bank either in Public Sector or in Private Sector has disclosed all the items of information of the disclosure index considered for the present study.

The minimum disclosure score of Public Sector Bank is 59 whereas the minimum disclosure score of Private Banks is 51. It cannot be considered a good level of disclosure for both the sectors.

The average level i.e., means disclosure score of 'Public Bank' and 'Private Bank' are (61.6) and (54.2) respectively.

The variability in the extent of web based disclosure of both 'Public Banks' and 'Private Banks' is low which is reflected from the Range value. The Standard Deviation for average level of web based disclosure are close to being identical (2.61 and 2.59 respectively).

Testing of Hypothesis

To examine whether there is any difference in the extent of Web-based disclosure of Public and Private Sector Banks in India, the following hypothesis has been framed.

H₀: There is no significant difference in the web-based disclosure level of Public and Private Sector Banks in India.

H₁: There is a significant difference in the web-based disclosure level of Public and Private Sector Banks in India.

Given that the total sample size is 10 (five in each group), we have used the independent sample t- test to test our hypothesis and to compare the average disclosure score of online reporting of Public and Private Sector Banks in India. The statistics have been calculated using SPSS version 28.

Interpretation of Result

An independent sample t-test is conducted comparing the mean disclosure level of Indian Public and Private Sector Banks. Shapiro-Wilk test having Sig. value > .05 confirms that the assumption of normality is not violated for either group of score. The Levene's Test for Equality of Variances is not significant (F=.014, Sig. = .908 i.e. > .05). So, the assumption of homogeneity of variances is not violated as well. A 95% confidence interval is also computed revealing that we could be 95% confident that the true mean difference lies between 3.611 and 11.189. Even our calculated mean difference of 7.400 is within this range of confidence level.

The t-test found significant difference between the means of the two group ($t(8) = 4.503, p < .05$). The significance level of .002 indicates that there is only 0.2% chance that the difference in the disclosure level could be attributed to chance. As this significant value is <.05, we reject the null hypothesis and concludes that there is statistical evidence in support of the alternate hypothesis of a significant difference in the web-based disclosure level of Public and Private Sector Banks in India. We further conclude that the mean disclosure level of Public sector banks ($M = 61.60, sd = 2.608$) is higher when compared with the Private sector banks ($M = 54.20, sd = 2.588$).

Conclusion

Corporate Internet Reporting offers an effective way of disseminating financial and non- financial information to its users and various stakeholders for making informed and prudent decision. On an overall analysis, it is observed that the extent of Web-based disclosure in Indian Banking Sector is low to moderate in case of both Public and Private Banks. Nature of voluntary disclosure of a good number of information items might be the reason of such level of disclosure which gives the management a discretionary power to take decision regarding disclosure or non- disclosure of any information. However, information disclosure level for Public Sector Banks is slightly better than that of Private Sector Banks. In addition to this, t-test found statistical evidence to reject the null hypothesis; consequently, we conclude that there is a significant difference in the web-based disclosure level of Public and Private Sector Banks in India. The result indicates that scope exists for improvement in online reporting of banking sector in Indian context. Therefore, regulatory bodies should bring mandatory provision of web based disclosure of relevant information capable of influencing the economic decision of various stakeholders.

References

1. Abdi, H., Kacem, H., & Omri, M. A. B. (2018). Determinants of Web-based disclosure in the Middle East. *Journal of Financial Reporting and Accounting*, 16(3), 464–489. <https://doi.org/10.1108/JFRA-11-2016-0093>
2. Bhatia, R. K., & Kaur, D. J. (2016). *Online Corporate Reporting Practices of Indian Public and Private Commercial Banks*. 6(2).
3. Boubaker, S., Lakhali, F., & Nekhili, M. (2011). The determinants of web-based corporate reporting in France. *Managerial Auditing Journal*, 27(2), 126–155. <https://doi.org/10.1108/02686901211189835>
4. Chatterjee, B., & Hawkes, L. (2008). Does internet reporting improve the accessibility of financial information in a global world? A comparative study of New Zealand and Indian companies. *Australasian Accounting, Business and Finance Journal*, 2(4), 33–56. <https://doi.org/10.14453/aabfj.v2i4.3>
5. Cormier, D., Ledoux, M.-J., & Magnan, M. (2009). The use of Web sites as a disclosure platform for corporate performance. *International Journal of Accounting Information Systems*, 10(1), 1–24. <https://doi.org/10.1016/j.accinf.2008.04.002>
6. Davey, H., & Homkajohn, K. (n.d.). Corporate Internet Reporting: An Asian Example. *Problems and Perspectives in Management*.
7. Deller, D., Stubenrath, M., & Weber, C. (1999). A survey on the use of the Internet for investor relations in the USA, the UK and Germany. *European Accounting Review*, 8(2), 351–364. <https://doi.org/10.1080/096381899336087>
8. Dutta, P., & Bose, S. (2007). *Web-based Corporate Reporting in Bangladesh: An Exploratory Study*.
9. Iqbal Khadaroo, M. (2005). Business reporting on the internet in Malaysia and Singapore: A comparative study. *Corporate Communications: An International Journal*, 10(1), 58–68. <https://doi.org/10.1108/13563280510578204>
10. Kaur, M., & Kaur, M. (2017). Web based Financial Disclosure Practices of Top Indian Banks. *Asian Journal of Research in Banking and Finance*, 7(12), 58. <https://doi.org/10.5958/2249-7323.2017.00128.6>
11. Lymer, A., & Tallberg, A. (1997, April). Corporate Reporting and the Internet—a survey and commentary on the use of the WWW in corporate reporting in the UK and Finland. In *annual congress of the European accounting congress, Graz, Austria*.
12. Lymer, A. (1999). Internet and the future of reporting in Europe. *European Accounting Review*, 8(2), 289–301. <https://doi.org/10.1080/096381899336041>
13. Shukla, A., & Gekara, M. G. (2010). *CORPORATE REPORTING IN MODERN ERA: A COMPARATIVE STUDY OF INDIAN AND CHINESE COMPANIES*. 3(3), 15.
14. Sushila, S., & Amol, D. (2016). A Study of Corporate Web-Based Reporting in Hotel Industry. *Asian Economic and Financial Review*, 6(11), 661–680. <https://doi.org/10.18488/journal.aefr/2016.6.11/102.11.661.680>
15. Verma, D. (n.d.). *Web-based Corporate Reporting Practices in India*. 22.

