

**The Effect of Corporate Governance and Firm's
Characteristics on Internet Financial Reporting by Omani
Listed Companies**

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UNIVERSITI UTARA MALAYSIA

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**The Effect of Corporate Governance and Firm's Characteristics on Internet
Financial Reporting by Omani Listed Companies**

A dissertation submitted to the College of Business (COB) in partial
fulfillment of the degree of Master of Science (International Accounting)
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By

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ABSTRACT

The purpose of this study is to investigate whether the voluntary financial information through the internet can be explained by the same determinants in conventional reporting. For this purpose, this study uses corporate governance and firm characteristics' variables to examine the influence on internet financial reporting (IFR) disclosure. Empirical evidence supporting this examination has been gathered from a sample of 120 Omani companies listed on the Muscat Securities Market (MSM). The governance factors examined are board size, proportion of independent directors on board. And, the firm characteristics examined are firm size, profitability and leverage. Logistic regression analysis used to examine variables that affect IFR. The results of this study indicate that there is a significant positive association between board size and the proportion of independent directors on board with voluntary disclosure of IFR. Furthermore, firm size is found to have a significantly positive influence on the voluntary disclosure of IFR. The larger companies are more likely to establish a website and use it for disseminating IFR, and consequently, they obtain business benefits from setting up their own website. However, profitability and leverage are found to be statistically insignificant related to the voluntary disclosure of IFR.

Key words: Internet financial reporting, corporate governance, firm characteristics, logistic regression, Oman.

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IN THE NAME OF ALLAH, MOST GRACIOUS, MOST MERCIFUL

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LIST OF ABBREVIATIONS

IFR:	Internet Financial Reporting.
Non-IFR:	Non Internet Financial Reporting.
MSM:	Muscat Securities Market.
SEC:	Securities Exchange Commission.
GCC:	Gulf Council Countries.
CMA:	Capital Market Authority.
CEO:	Chief Executive Officer.
IASC:	International Accounting Standards Committee.
WWW:	World Wide Web.
AIMR:	Association for Investment Management and Research.
SGX:	Singapore Stock Exchange.
ICD:	Internet Corporate Disclosure.
SPSS:	Statistical Package for Social Science.

CHAPTER ONE

BACKGROUND OF THE STUDY

1.1 Introduction

The objective of financial reporting in the modern business environment is to assemble financial information useful for investors. The Internet enables relatively cheap and extremely fast presentation of useful information in varying formats to the millions of people who use the Internet every day (Pervan, 2006).

Internet offers companies' new opportunities to supplement replace and enhance traditional ways of investor and stakeholder communication. The dissemination of financial information via the World Wide Web (WWW) is already a common practice for a growing number of listed companies around the world (Lymer & Debreceny, 2003). According to Ettredge, Richardson and Scholz (2002) internet financial reporting (IFR) allows companies to disseminate information to a broader audience on a timelier basis and permits the distribution of alternative types of disclosures not required by the Securities Exchange Commission (SEC) or other regulatory bodies, as compared to traditional, paper-based disclosures.

The information displayed on the internet is shareable, timely, and updateable (Joshi & Al-Modhahki, 2003). The internet also enables corporations to build an infrastructure of the information needed by the various interested stakeholders instead of dealing with each stakeholder separately in the absence of the internet (Lodhia, 2004). Thus, it is concluded that the use of the internet as a medium of disclosure enables the information to be disclosed at a high level of quantity and quality compared to other media (Wallman, 1995).

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