

Financial Reporting on the Internet by Quoted Companies in Nigeria

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This study examines the status of financial reporting on the internet by the Nigerian listed companies. Secondary data were sourced from the websites of the sample companies. The descriptive analysis was used to analyze the data obtained. The sample consists of 220 companies listed on the Nigerian Stock Exchange. Among the 220 companies, 62(28.2%) are financial companies while 158(71.2%) are non-financial companies. The study shows that, 119 (54.1%) companies have official website while 101 (45.9%) do not have an official website. Furthermore, 31 (14.1%) companies publish their financial information on-line while 189 (85.9%) do not publish their financial information on-line. Also, 21 (9.5%) publish their information using Portable Document File (PDF) format while 10 (4.5%) publish theirs using Hyper Text Markup Language (HTML) format. The study recommends that, official regulations should be put in place to ensure adequate storage reliability, timeliness, effective and efficient distribution of paramount information by enforcing the use of the internet for financial reporting.

INTRODUCTION

Accounting information about a business entity is required by variety of users ranging from shareholders, investors, government, customers, employees to management, competitors etc. Thus, the information expected to be provided in financial statements are those that are quantitative and qualitative in nature to aid their relevant users in making informed economic decisions. All accounting information that will assist users to assess the financial liquidity, profitability and viability of a reporting entity should be disclosed and presented in a clear logical and understandable manner.

In the past, all listed companies presented their financial report manually. This was done through the printed-based annual report or the paper-based annual report. The printed-based annual report entails writing and printing of financial information. It is mandatory in practice to send a copy of the annual financial report to the Nigerian Stock Exchange (NSE). Moreover, the Nigerian Stock Exchange produces a fact book annually that contain five years financial summary of all the listed companies on the stock exchange.

Financial Reporting is regarded as an important and effectual means of dissemination of financial information. Lymer et al. (1999), define web-based reporting as “the public reporting of operating and financial business data by a business enterprise via the World Wide Web or internet-related communication medium”. The paper-based form of reporting has certain problematic features as increased cost associated with printing, limited copies available to only selected market, less timely information, historical disclosure the use of obsolete technology.

This study addressed the following questions. Out of the 220 companies listed on the floor of the Nigerian Stock Exchange, how many of them have websites and how many do not? Of the companies that have websites, what is the proportion of those that report their financial information? In what information format is the report and to what extent is the financial information reported-full, partial or summary/highlight? In summary, the main objective of this study is to examine the status of financial reporting of some of the Nigerian Companies listed on the internet. The paper is organized as follows. Section two focuses on literature review. The third section describes the methodology and data used. The results are then shown in section four, while section five summarizes the conclusion.

LITERATURE REVIEW

Rapid developments in information and communication technology have led scholars and people in many countries to consider the impact of web-based financial reporting and several other issues relating to the topic. Initially, the internet was used mainly for the purpose of sending and receiving emails but the use now widely covers areas such as dissemination of information and e-commerce applicable to all human fields. The practice of Financial Reporting on the net is rather new in Nigeria. Companies throughout the world use different computers software for financial reporting purposes among which are Microsoft Word and Microsoft Excel which were previously used for distributing and exhibiting financial as well as other forms of information through internet. The major technologies currently employed in internet Financial reporting are HTML (Hypertext Markup Language) and Adobe Acrobat.

Microsoft Word and Microsoft excel are two widely used application software. These types of files can be imported into the database of the receivers system for further processing. At the same time, credibility and authenticity of financial information is quite impossible to ensure because the downloaded files can be manipulated. (Khan et al, 2008). Hypertext Markup Language (HTML) consists of text, graphics and formation information. There are also hyperlinks that point to other documents for further and detailed information (Westarp et al, 1999). Many companies offer financial information in downloadable formats known as Portable Document Format (PDF) file. When downloaded and printed, these files can provide an exact duplicate of the printed annual reports (Gray, 2004). (XBRL) is a freely available electronic language for financial reporting. According to Richard and Smith (2004), XBRL is an XML (Extensive Markup Languages)-based framework that provides the financial community with a standard-based method to prepare and published financial statements in a variety of formats and automatically exchange the information they contain. XBRL is XM-based. It uses the XML syntax and related Xml technologies such as XML-Schema, X-Link, X-Path and Namespaces.

DATA AND METHODOLOGY

This study covers all the companies listed on the Nigerian Stock Exchange. The sample consists of 220 companies divided into 31 sectors. Secondary data were employed in this analysis and they were sourced from annual financial statements and relevant journal articles. The websites of the sampled companies were browsed for collecting data relating to financial reporting on the internet. The www.google.com was the major search engine used in addition to the government site www.sec.gov.ng and www.nigerianstockexchange.com/quoted-company. Data were analyzed using descriptive analysis such as table, percentage and mean.

RESULTS AND DISCUSSION

Presentation of Result by All Companies (Cumulative)

TABLE 1: Cumulative Distribution

| DISTRIBUTION BY NATURE OF TRANSACTION | | |
|--|------------------|---------------------|
| | Frequency | Cumulative % |
| Financial | 62 | 28.2% |
| Non-Financial | 158 | 71.8% |
| TOTAL | 220 | 100% |
| DISTRIBUTION BY WEBSITE | | |
| | Frequency | Cumulative % |
| Website | 119 | 54.1% |
| No Website | 101 | 45.9% |
| TOTAL | 220 | 100% |
| DISTRIBUTION BY E-MAIL | | |
| | Frequency | Cumulative % |
| E-Mail | 74 | 33.6% |
| No E-Mail | 146 | 66.4% |
| TOTAL | 220 | 100% |
| DISTRIBUTION BY FINANCIAL INFORMATION | | |
| | Frequency | Cumulative % |
| Financial Information | 31 | 14.1% |
| No Financial Information | 189 | 85.9% |
| TOTAL | 220 | 100% |
| DISTRIBUTION BY FORMAT OF FINANCIAL INFORMATION | | |
| | Frequency | Cumulative % |
| PDF | 21 | 9.5% |
| HTML | 10 | 4.5% |
| No Financial Information | 189 | 86% |
| TOTAL | 220 | 100% |
| DISTRIBUTION BY NUMBER OF FINANCIAL INFORMATION PUBLISHED | | |
| 1 – 2 | 6 | 2.7% |
| 3 – 5 | 14 | 6.3% |
| 6 – 7 | 11 | 5% |
| No Financial Information | 189 | 86% |
| TOTAL | 220 | 100% |
| DISTRIBUTION BY RATED TYPE OF FINANCIAL INFORMATION PUBLISHED | | |
| Full | 11 | 5% |
| Partial | 14 | 6.3% |
| Summary | 6 | 2.7% |
| No Financial Information | 189 | 86% |
| TOTAL | 220 | 100% |

Table 1 presents the cumulative distribution of all the 220 companies covered by this study. Among the 220 companies, 62 (28.2%) are financial institutions while 158 (71.2%) are non-financial institutions. Also, 119 (54.1%) companies have official website while 101 (45.9%) do not have an official website. In the same vein, 74 (33.6%) companies have e-mail address while 146 (66.4%) of them do not have an e-mail address. Again, 31 (14.1%) companies publish their financial information on-line while 189 (85.9%) do not publish their financial information on-line. Additionally, 21 (9.5%) publish their financial information using Portable Document File (PDF) format while 10 (4.5%) publish theirs using Hyper Text Markup Language (HTML) format.

Financial information that can be published on-line include Profit and Loss Account, Balance Sheet, Financial Statement, Auditor's Report, 5-Year Financial Summary, Director's Report and Notes to the Account. Out of the 220 companies, 11 (5%) publish between 6 and 7 of these kinds of financial information items above while 14 (6.3%) of them publish between 3 and 5, and 6 (2.7%) companies publish just between 1 and 2 of the different forms of the financial information. Also, financial information published on-line were rated as full, partial, or summary, based on the number of different kinds of financial information published. The rating was done as follows: (i) Between items of 6 – 7 – full report; (ii) Between different forms 3 – 5 – partial report; and (iii) Between different items of 1 – 2 – summary report. On this basis, 11 (5%) of the companies publish full report, 14 (6.3%) publish partial report, while 6 (2.7%) publish summary report. It should be noted here that 86% do not have report or no website.

Of the 220 companies covered, Insurance Industry has the highest number of companies being 15%, followed by Banking Industry with 10%. This is followed by Food, Beverages and Tobacco; next is the Second Tier Securities; then Industrial and Domestic Products; and Healthcare industries, which have 8.2%, 6.8%, 5% and 4.5%, respectively. This is also followed by other industries with percentages ranging from 4.1% to 0.9%. Others are Maritime, Real Estate, Real Estate Investment Trust, Road Transportation, Telecommunication and Foreign Listing industries each has the least percentage (0.5%).

In the Insurance and Banking industries, 25 (75.8%) and 20 (90.9%) have official websites, respectively. However, in many of the industries, for example Airlines, Commercial Services, all (100%) of the companies in the industry have official website. Whereas, in some other industries, e.g. Footwear, Machinery Marketing industries, etc, none of the companies has official website. Distribution of companies with e-mails shows almost the same picture.

In summary, it can be clearly seen from the table that almost all of the companies in Banking and Insurance industries have official website and e-mail addresses. This could be traced to several unique factors - drivers that prompt financial companies to adopt internet as a medium of Web-Based Voluntary Financial Reporting more than other sectors. Some of the drivers are: 1 – Nature of business; Banks perform international operations intensively which encompasses international loans, letters of credit, foreign exchange contracts and currency swap. 2 – Strong competition - This forces banks to introduce more advanced services and intensify the use of technology, including visa cards, electronic fund transfer, paying bills, send drafts and balance inquiries on the internet.

TABLE 2: Distribution of Industries with Website by Financial Information

| INDUSTRY SECTOR | No. of Companies with Website | Financial Information | % in Industry | Non-Financial Information | % in Industry |
|---|--------------------------------------|------------------------------|----------------------|----------------------------------|----------------------|
| Agriculture | 2 | 1 | 50% | 1 | 50% |
| Airlines | 2 | -- | -- | 2 | 100% |
| Automobile & Tyre | 2 | 1 | 50% | 1 | 50% |
| Aviation | 1 | -- | -- | 1 | 100% |
| Banking | 20 | 8 | 40% | 12 | 60% |
| Breweries | 4 | -- | -- | 4 | 100% |
| Building Materials | 3 | 2 | 66.7% | 1 | 33.3% |
| Chemical & Paints | 5 | 1 | 20% | 4 | 80% |
| Commercial Services | 3 | -- | -- | 3 | 100% |
| Computer & Office Equipment | 2 | -- | -- | 2 | 100% |
| Conglomerates | 7 | 2 | 28.6% | 5 | 71.4% |
| Construction | 3 | 1 | 33.3% | 2 | 66.7% |
| Engineering Technology | -- | -- | -- | -- | -- |
| Food, Beverages & Tobacco | 7 | 1 | 14.3% | 6 | 85.7% |
| Footwear | -- | -- | -- | -- | -- |
| Healthcare | 7 | -- | -- | 7 | 100% |
| Hotel & Tourism | 1 | -- | -- | 1 | 100% |
| Industrial & Domestic Products | 2 | -- | -- | 2 | 100% |
| Insurance | 25 | 8 | 32% | 17 | 68% |
| Machinery Marketing | -- | -- | -- | -- | -- |
| Maritime | 1 | -- | -- | 1 | 100% |
| Mortgage Companies | 2 | -- | -- | 2 | 100% |
| Other Financial Institutions | -- | -- | -- | -- | -- |
| Packaging | 2 | 1 | 50% | 1 | 50% |
| Petroleum Marketing | 6 | 3 | 50% | 3 | 50% |
| Printing & Publishing | 4 | -- | -- | 4 | 100% |
| Real Estate | 1 | 1 | 100% | -- | -- |
| Real Estate Inv. Trust | -- | -- | -- | -- | -- |
| Road Transportation | 1 | -- | -- | 1 | 100% |
| Telecommunication | 1 | -- | -- | 1 | 100% |
| Textile | -- | -- | -- | -- | -- |
| The Foreign Listings | 1 | 1 | 100% | -- | -- |
| Second Tier Securities | 4 | -- | -- | 4 | 100% |
| TOTAL | 119 | 31 | 26% | 88 | 74% |

Table 2 presents the number of companies that publish their financial information on-line among those with official website in each of the industries. 8 (40%) of the companies in the Banking industry publish their financial information on-line as compared with 8 (32%) of those in Insurance industry. Also, less than half, half, or a little more than half of some of the other

industries that have official website about half and less of the companies, publish their financial information on-line. However, it is notable from the table that more than half (20 out of 33) of the industries with official websites do not publish their financial information on-line.

TABLE 3: Distribution by the Nature of Transaction and Format of Financial Information

| NATURE OF TRANSACTION | No. of Companies with Financial Information | PDF | % | HTML | % |
|------------------------------|--|------------|--------------|-------------|--------------|
| Financial | 16 | 12 | 75% | 4 | 25% |
| Non-Financial | 15 | 9 | 60% | 6 | 40% |
| TOTAL | 31 | 21 | 67.7% | 10 | 32.3% |

Table 3 presents the formats used by the companies which publish their financial information on-line. Out of the 16 financial companies 12 (75%) use PDF and 4 (25%) use HTML. Out of the 15 non-financial companies, 9 (60%) use PDF while 6 (40%) use HTML format. In summary, altogether, more companies present their financial information in PDF format than HTML.

CONCLUSION

This study examines the Financial Reporting on internet by the Nigerian companies listed on the floor of the Nigerian Stock Exchange. It also, surveys the usage of websites by the sampled companies and examines the extent of the financial information reported by them. It was revealed in the course of the study, that about 54.1% of the companies on the stock exchange have website. Only about 20.5% of the companies listed report their financial information while 79.5% of the companies do not report financial information. Most listed companies that do not present financial information employed websites for circulating other information about the background of the company, available services to customers(consumer relations), latest news and events as well as marketing or launching their product or services.

Financial information is reliable to the extent that it is verifiable, reports faithfully and is free from error. As a result of non existence of regulation in Nigeria as well as certification from official authorities, the reliability of the financial information of the Nigerian companies as published is in doubt. Hence, it is recommended that official regulations be put in place. The Institute of Chartered Accountants of Nigeria should incorporate Internet Financial Reporting into the Accounting Standard and Regulatory framework.

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