International Journal of Social Impact
ISSN: 2455-670X
Volume 10, Issue 4, DIP: 18.02.S20/20251004
DOI: 10.25215/2455/1004S20
www.ijsi.in |October-December, 2025

Research Paper

Factors Influencing Corporate Online Reporting in India

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ABSTRACT

This paper aims to identify the factors capable of influencing corporate online reporting in India. For this purpose, 100 Indian listed manufacturing companies have been selected following random sampling method without replacement from ET500 during 2021-22. This study employed a corporate online reporting index comprising 124 informational items organized into seven categories to assess the disclosure extent. Binomial logit regression technique has been used for examining the factors influencing the corporate online reporting. The result of the Regression analysis reveals that out of five selected explanatory variables, three variables namely, Size of company, Profitability and Age of the company have significant and positive influences on the corporate online reporting. The remaining two factors, namely, Financial Leverage and dominance of independent directors on the board are found to be statistically insignificant. Moreover, the study provides the evidence of adequate and satisfactory level of corporate online reporting by the top manufacturing companies listed on Indian stock exchanges.

Keywords: *Corporate Online Reporting, Corporate Characteristics, Manufacturing Companies, India*

The rise of the Internet has fundamentally transformed corporate reporting policies. Unlike traditional printed reports, the Internet enables various presentation formats. Online reporting provides anytime access to up-to-date and relevant information to users, promoting greater transparency in reporting practices and ultimately improving a company's overall transparency. Transparency in reporting practices is a key priority for companies in the Indian context. As web-based disclosure has become more widespread, researchers have focused on understanding this development (Ettredge et al., 2002; Oyelere et al., 2003). Early studies primarily described online reporting practices without exploring the underlying factors driving corporate web reporting. This study addresses that gap by assessing the factors influencing corporate online disclosure.

Moreover, most prior research concentrated on financial information disclosed on websites, often overlooking the importance of non-financial information despite its value to users. This study contributes to the literature by examining the factors linked to the disclosure of both financial and non-financial information on company websites. To evaluate website disclosures, this paper employs an index that considers not only the content but also the

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Received: November 17, 2025; Revision Received: November 22, 2025; Accepted: November 26, 2025

manner in which information is presented on corporate webpages. Unlike previous studies that focused solely on financial data, this study analyses all types of information disclosed online. Its goal is to better understand web-based disclosure practices by identifying the factors associated with them.

Examining the Internet's role in reporting both financial as well as non-financial information in India is crucial to exploring ways to strengthen that role. Given India's need for external capital to drive economic growth, it is essential for firms to adopt transparent practices and leverage the Internet's opportunities to enhance their transparency.

The rest of the paper is framed as follows. Section (2) and (3) provide the review of literature relevant and research gap respectively. Section (4) speaks about the extent of corporate online reporting. Section (5) deals with the corporate characteristics and hypotheses formulation. Section (6) and (7) state the research methodology for determinants of corporate internet disclosure and report the empirical results and discussion respectively. Finally, section (8) concludes the paper.

LITERATURE REVIEW

Review of relevant literature shows that a good number of studies, in foreign context, have assessed the corporate online reporting and attempted to identify the factors attributable to the variation in disclosure levels in corporate online reporting. But in Indian context, limited studies on corporate online reporting have been found. Though, we have reviewed many of them, a brief review of literature is provided for conducting the present research.

Review of studies in the context of foreign countries

Over the past two decades, considerable amount of research focusing on corporate internet reporting has emerged in various countries. These studies have explored different facet of web-based reporting from different angles: Some studies conducted abroad have focused on the extent of corporate internet reporting (e.g. Davey and Homkajohn, 2004; Spanos, 2006; Dutta and Bose, 2007). Few researchers were focused on examining the nature of internet reporting practices (e.g. Samaha and Abdallah, 2012; Miniaoui and Oyelere, 2013; Turmin et al., 2016). Majority of the studies try to find the influence of company specific characteristics on the internet reporting (e.g. Ettredge et al., 2002; Marston and Polei, 2004; Xiao et al., 2004; Celik et al., 2006; Cormier at al., 2009; Abdi et al., 2018). Only a few, for example Ahmed et al., (2023), attempted to examine both the extent of corporate reporting on internet and its determinants. Some researchers try to find the influence of board specific characteristics on the internet reporting (e.g. Abdelsalam et al., 2007; Abdelsalam and El-Marsy, 2008). Akinfemide et al., (2023) attempted to examine the effect of online reporting on financial performance of listed manufacturing firms in Nigeria. Though a good number of studies exists in foreign context but studies in the last decade is few in number.

Review of studies in Indian context:

In Indian context, there have been a limited number of studies focusing on corporate internet reporting. Over the past two decades, there have been only few studies in India on corporate internet reporting focusing different industries. Garg and Divya (2009) measured the extent of compliance of corporate internet reporting with the help of Indian accounting standard disclosure index. Verma and Garg (2010) examine the extent of corporate online reporting and identify the relationship of internet disclosure with various company characteristics. Bhatia and Kaur (2016) and Kaur and Kaur (2017) examined analyzed the extent and impact of different company characteristics on corporate internet reporting of banking industry companies. Soriya and Dhaigude (2016) study the influence of determinants on web-based reporting of hotel industry companies listed in India. Sandhu and Singh (2019) and Sandhu and Kaur (2024) measure the impact of board composition and ownership structure of Indian companies respectively on the level of corporate internet reporting.

In a nut shell, review of relevant literature that, in Indian context, scarcely any study has been undertaken to empirically investigate the corporate online reporting practices by the manufacturing industry of Indian companies. Only few studies have attempted to explain the effect of selected factors on the corporate online reporting practice in India.

Research Gap

Review of relevant literature clearly indicates that, on one hand, the number of studies on online reporting by Indian corporate is very limited. On another hand, accounting researchers attempted internet reporting practices of companies belonging to banking industry and hotel industry only. No study has been found to investigate the online reporting practices of manufacturing companies in India. In this back drop, an attempt has been made to study the online reporting practices and determinants of listed manufacturing companies in India taking into consideration both financial and non-financial information. So, lack of empirical evidence regarding factors capable of explaining the corporate online reporting practices has motivated for the present research work.

Extent of Corporate Online Reporting

In order to measure the extent of corporate online reporting, 100 sample companies listed on Indian Stock Exchange have been randomly chosen from ET 500 companies for the year 2021-22. An unweighted checklist of corporate online reporting items was developed based on past studies of developing countries (Dutta and Bose, 2007; Sandhu and Singh, 2019) and actual disclosure of information related to corporate internet reporting by companies through a pilot study. Finally, the ‘Corporate Internet Reporting Index’ consisting of 124 information items was prepared which have been further divided into seven different categories.

Some descriptive statistics have been applied for the examination of the overall corporate online reporting. The same has been shown in Table 1.

Table 1 Descriptive Statistics

Mean	74.64%
Maximum	86.29%
Minimum	53.22%
Range	33.07%
Standard Deviation	5.79%

The table 1 depicts that maximum disclosure score is 86.29 percent while the minimum disclosure score is only 53.22 percent. Mean Disclosure (74.64%) confirms the moderate level of online reporting by the sample companies. A variation in the extent of online reporting is evident from Range (33.07%) and standard deviation (5.79%).

This result has provided the base to the present study for examining the potential company specific factor capable of explaining the reason behind such variation.

Corporate Characteristics and Development of Hypotheses

This section speaks about the explanatory variables which are capable of influencing corporate online reporting. The following five corporate characteristics have been selected based on previous studies and availability of data.

1. Company's Size
2. Profitability
3. Financial Leverage
4. Dominance of Independent Directors on Corporate Board
5. Company's Age

1. Company's Size

Generally larger companies remain under pressure to disclose more information to legitimize their business activities as they are considered to remain under observation and scrutiny from a number of stakeholders (Cowen et al., 1987). It is expected from big companies to disclose more information in comparison of small firms because management of large firms understands the potential advantages of providing greater disclosure, such as improved marketability and easier access to funds (Singhvi and Desai, 1971). At the same time, big companies, having more financial resources than small companies, can easily afford the cost of disclosure. Such cost also gets reduced for big companies because of large scale of operation (Lang and Lundholm, 1993). Many previous research studies considered firm size as an independent variable to explain the extent of corporate online reporting, for example, (Garg and Divya, 2009; Samaha and Abdallah, 2012; Abdi et al., 2018). Thus, the underlying assumption is:

***H_1*. Company's size has a positive effect on the extent of corporate online reporting.**

2. Profitability

Many studies (e.g. Khan, 2010) have argued in respect of the positive association between profitability and disclosure because profitable companies enjoy more affordability and flexibility to disclose more to the stakeholders with the intention of legitimizing their business activities and existence. However, there also exist some studies providing evidences of no relationship between profitability and disclosure (e.g. Ghazali, 2007). Some studies gave evidences of negative association between profitability and extent of disclosure (Wallace and Naser, 1995; Camfferman and Cooke, 2002). Thus, the results regarding the association between profitability and the extent of CSR disclosure are mixed. Evidences in many empirical researches confirmed the role of profitability as a factor of the extent of corporate online reporting (e.g. Soriya and Dhaigude, 2016; Sandhu and Singh, 2019). Hence, in the view of inconclusive result about the association between profitability and corporate online reporting, the following hypothesis has been developed:

***H_2*: There is an association between profitability and the extent of corporate online reporting.**

3. Financial Leverage

Generally, the stakeholders of the companies using higher debt capital demand more disclosure for better transparency. Based on agency theory, the relationship between leverage and the engagement of internet disclosure practices is explained theoretically. According to Jensen and Meckling (1976), agency costs would be higher for higher debt financing firms. Companies can minimize their agency debt cost by increasing their

corporate disclosure level (Boubaker et al., 2011). Firms with high leverage are incentivized to voluntarily enhance corporate online reporting (Aly et al., 2010).
Empirical literature provides varied results on the relation between leverage and extent of online disclosure. While most of the researchers testing this variable (Garg and Divya, 2009; Aly et al., 2010; Ahmed et al., 2017; Boshnak, 2020) have found no significant association between the degree of leverage and the extent of online disclosure, a few of the like (Samaha and Abdallah, 2012; Abdi et al., 2018; Sandhu and Singh, 2019) have found a significant relationship between these two variables.
In view of this justification, the underlying assumption is;

***H_3:* There is a positive association between financial leverage and extent of corporate online reporting.**

4. Dominance of Independent Directors on Corporate Board

In India, appointment of independent director(s), by every listed company on its board, is mandatory. It brings more protection to overall interest of all stakeholders. They should function as a watchdog in various committees set up by company to ensure good governance as per societal expectations. Presence of independent directors on the boards increase the capability of the board by means of internal control mechanism (Fama, 1980) and put emphasis for enhanced disclosure (Forker, 1992). As corporate online reporting at the present time is decisive element as well as the need of the hour for stakeholders, dominance of independent directors on the corporate board is expected to favour positively with regard to corporate online reporting to legitimize their business. In view of this justification, the underlying assumption is;

***H_4:* Majority of Independent directors on Corporate Board has a positive effect on the extent of corporate online reporting.**

5. Company's Age

Company's Age is considered in many research papers (Garg and Divya, 2009; Verma and Garg, 2010) as one of the factors which influence the corporate disclosure. Generally older firms are considered to be more responsible corporate citizens as they had been associated with the society and environment for a longer period of time. So, disclosing more CSR related information to a variety of stakeholders is regarded as a sign of good corporate citizen. This is why the age of a company is believed to be positively associated with extent of disclosure (e.g. Singh and Ahuja, 1983). On the contrary, some studies provided evidences of insignificant relation between company age and extent of disclosure (Alsaeed, 2006; Hossain and Reaz, 2007).
Thus, the following hypothesis is developed:

***H_5:* There is a positive association between company's age and the extent of corporate online reporting.**

RESEARCH METHODOLOGY

As mentioned, for measuring extent of corporate online reporting, an unweighted checklist of corporate online reporting items was developed based on past studies of developing countries and actual disclosure of information through a pilot study. Finally, the 'Corporate Internet Reporting index' consisting of 124 information items was prepared which have been further divided into seven different categories.

Furthermore, Binary logit regression has been applied for examining the influence of selected corporate characteristics on the level of corporate online reporting.

RESULTS AND DISCUSSION

Considering all the issues during the initial testing procedure, a notably plausible model among different choice-combinations of the predictors, was finalized as follow:

Corporate Internet Reporting Score = f (TA, ROE, Leverage, INDP and Company Age)

In proper mathematical term, the logit regression model is represented as:

ln 21 = 0+ TAXTA + ROEXROE+ LEVXLEV+ BINDPXBINDP+ CAGEXCAGE

Where,

Where, π_1= Probability that a randomly selected observation belongs to the first group

π_2= Probability that a randomly selected observation belongs to the second group

21 = Odd in favour of group 2 w.r.t. group 1

*ln*21 = log Odd in favour of group 2 w.r.t. group 1

= logit of category 2 w.r.t category 1

Xi represents the regressors

The result obtained from the binomial logit regression is summarized in Table 3.

Table 3: Result of Logit Regression

Regressor	Estimate (B)	Standard Error	P.Value	e^B
Intercept	-2.313	1.292	0.07347	0.09896
TA	1.038×10^{-4}	4.829×10^{-5}	0.03158	1.00010
ROE	6.28	2.349	0.00749	533.789
LEV	-2.515	3.099	0.41703	0.08086
BS	0.1776	0.1275	0.16374	1.12479
AGE	0.0176	0.0113	0.01835	1.01773
Null deviance: **120.430** on 99 degrees of freedom Residual deviance: **89.896** on 94 degrees of freedom AIC: **103.9** Overall p-value=**3.110636×10^{-05}**				

Source: Researchers' own calculation

The overall model is found to be very significant as the p-value is found to be 0.0000311. Further, the present model has the least AIC value among all possible trial combinations on the choices of predictors.

It is observed that three regressors, TA, ROE and AGE have significant association with the corporate online reporting.

In other words, the results of the *Binary Logit Regression* analyses have shown that out of five selected explanatory variables, three variables are statistically significant. These three statistically significant variables representing Firm Size, Profitability and Age of the Company have significant positive impact on the extent of corporate online reporting of sample companies listed in Indian stock exchanges. The remaining two variables representing Leverage and Dominance of Independent Directors on Corporate Board are found to be statistically insignificant, suggesting that these independent variables could not influence the extent of corporate online reporting.

CONCLUSION

In this study, an attempt has been made to examine the influence of the selected corporate characteristics on the extent of corporate online reporting in India. Five corporate characteristics have been analyzed, namely, Company's Size, Profitability, Financial leverage, Company's Age and Dominance of Independent Directors on Corporate Board. Average level of orporate internet disclosure in India has been found to be moderate one. The Binary Logit Regression analysis reveals that out of the five regressors used in the model, Company's Size, Profitability and Age of the firm turn out to be the significant determining factors. Remaining two company specific attributes did not contribute in explain the reason behind the variation of corporate online reporting in Indian context. Thus, going by the results of the *Binary Logit Regression* of 100 sample companies, it is possible to conclude that manufacturing companies listed in Indian stock exchanges with higher total assets, higher return on equity and mature in age firms would disclose more information on the internet.

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Acknowledgment
The author(s) appreciates all those who participated in the study and helped to facilitate the research process.

Conflict of Interest
The author(s) declared no conflict of interest.

How to cite this article: Sarawgi, N.K. & Hussain, A. (2025). Factors Influencing Corporate Online Reporting in India. *International Journal of Social Impact*, *10*(4), 204-212. DIP: 18.02.S20/20251004, DOI: 10.25215/2455/1004S20