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Corporate Internet Reporting and Firm Performance: Evidence from Malaysia

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ABSTRACT

Anecdotal evidence showed that the portion of internet users to the population in Malaysia is relatively higher among developing economies. However, there are not many Malaysian listed companies that use the internet as a platform for financial information disclosure. Perhaps, the managers do not believe that there is positive association between internet reporting and firm performance. Therefore, this study aims to examine the impact of corporate internet reporting (CIR) on firm performance for a sample of 583 non-financial listed companies in Malaysia over the year of 2013. We use content analysis to retrieve the internet reporting items and test its validity and reliability before running the regression model. The findings showed that CIR has a significant effect on firm value. This means that more related information that is regularly disclosed on the company's websites can contribute more value to the firms. Meanwhile, company size does not significantly influence firm value. The firm's leverage is negative and statistically significant, and the growth brings a positive significant effect to the firm's value. In addition, in this study, the results support the resource-based view theory and the signaling theory between corporate internet reporting and firm value. The findings of the research suggest that companies should disclose more information through the internet in order to ensure the accessibility of financial information for stakeholders, and this will present a better image and reputation of the company's best practices in financial performance. CIR will help them to have meaningful investment decisions and persuade them to invest in the company.

KEY WORDS: Corporate internet reporting (CIR), firm performance, size, leverage, growth

JEL Classification: G14; G39; M40

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Introduction

Firms' stakeholders need fast and reliable financial information to satisfy their requirements for timely decision making. Hence, information technology provided by the internet can meet that expectation through internet reporting. According to Willis, Tesnie're, and Jones (2003), internet reporting can be used as a new information communication tool to provide information quicker and timelier in better and more effective ways. By using internet financial reporting, the information will be disseminated worldwide and facilitate broader stakeholders.

This is in line with the growth of internet users around the world. The number of worldwide internet consumers have increased more than seven-fold in ten years from 394 million in 2000 to 2,923 million users in 2014 (Statista, 2014). This implies that there

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