3.1 INTRODUCTION

Financial disclosure is important for a firm in order to guarantee its mutually beneficial relationship with its various stakeholders especially its stockholders. Therefore, in disseminating its information, specifically non-mandatory information, firm selects disclosure strategy that maximizes the benefits, gets from the disclosure. For a firm, disclosure strategy is essential because corporate disclosure provides a means of communicating value-added information to stockholders that is useful in assessing firm value. In addition, corporate disclosure provides a source of information that is useful in decisionmaking to its stakeholders.

The rapid evolution of Internet technology has significantly affected accounting practices and accounting communication. Many companies, in developed and developing countries, now utilize the internet to disseminate corporate financial and performance information. The internet enables companies to disclose both the traditional annual reports with additional financial and non-financial information in multiple formats to wider audience.

In the modern business environment the objective of financial reporting is to assemble financial information useful for investors, information simplifying decisions related to investment and granting loans. With the rapid development and ever more widespread use of the Internet, joint stock companies have acquired a very effective communications tool for the presentation of vital information to
investors and to creditors. 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. These characteristics have made financial reporting on the Internet the usual practice of the corporate sector in developed as well as in developing counties as well.

The Internet has spawned a marketing revolution, providing an innovative way for communicating with and sells Ting to consumers around the globe. Undoubtedly, the nature of the products and the customer base of a firm will affect how this e-marketing approach is being performed on the Internet. For the typical business-to-consumer type of e-commerce, firms mainly focus on the marketing of their products to consumers.

In the past few years, there has been a new marketing application of the Internet. Internet financial reporting refers to the use of the firm’s web sites to disseminate information about the financial performance of the corporations. In this new approach, firms are using the Internet to market their companies to shareholders and investors. In IFR firms (that is, firms that have implemented IFR), the marketing activities no longer are limited to the products, and the firm's web sites are not dedicated solely to ordinary consumers. The implementation of IFR has created new challenges for management and internal auditors who are responsible for establishing and reviewing the necessary controls, respectively.
Online financial reporting can be described in terms of sociological and accounting theories. The fundamental theories that will be used to achieve this purpose include:

- Communications theory (Shannon and Weaver 1949);
- Entity theory (Paton 1962);
- Enterprise theory (Soujanen 1954);
- Regulatory capture theory (Posner 1974);
- User’s Cognitive Learning Process (Kennedy & Maines 2002)

### 3.2.1 Communications Theory

Shannon and Weaver (1949) produced a general model of communication that identified elements relating to transmission of information from one source to another. These elements have the following components: Information Source, Channel, and Destination.

**Figure-3.1: Components of Communication**
Information Source

- All human communication has some source (information source in Shannon and Weaver’s terminology), some person or group of persons with a given purpose, a reason for engaging in communication.

- In the context of the Internet, this source is first of all the company itself, which is the primary source of information. If the company does not provide information on its own website then secondary sources of company information become relevant such as databases generated by regulatory bodies, and/or private companies providing information on companies either free of cost or for a fee.

- The source controls the content and the quality of the message. In the context of Internet financial reporting, it is the company that decides as to what it wants to provide to the users of the information. Qualitative characteristics of timeliness, completeness, understandability and relevance of information therefore become the responsibility of the source, the company with the webpage.

Channel

- The Internet itself is the channel for communicating the information to the user. Before the Internet was used as a medium of presentation of financial information, and even now, the hard copy, the paper based financial reporting was the major if not the sole means of channeling financial information to users.

- The Internet poses new aspects as a medium of information presentation. The issues that relate to the Internet as a communication medium include the readability, usability and understanding of the information. These aspects relate to the nature of the information as well as the technical aspects of the medium of presentation itself.

- The Internet as a channel for communicating information faces aspects of quality control and security of the information presented. Security of the information is a major element in the context of Internet financial reporting. Internet is a channel
that allows around the clock access to the information. It also allows information to be susceptible to manipulation and change by any party that can and has a motive to do so.

- It is the responsibility of the company to ensure the security of the financial information while it is presented via the channel. This is more complicated than hard copy channel because of the continuous exposure of information to unauthorized change on the Internet. This is because hard copy versions of reports cannot be changed by third parties once printed and disseminated. Users and third parties can change them for personal use but the original version coming from the source itself cannot be changed so readily.

**Destination**

- The destination elements are the various types of users of financial reports. The user may question the nature of the information, the quality and completeness of the information and the authenticity of the information. Or the user may accept the information to be credible enough to be used for decision making.

- The Internet poses a major quandary regarding this aspect of presentation of information. In order to increase user confidence companies can take measures such as providing information on security measures adopted, verification reports, such as additional assurance by auditors and statements from third parties guaranteeing the quality and content of the information so presented to be at least of the same standard as hard copy.

### 3.2.2 ENTITY THEORY

- The entity theory emphasizes the concept of "stewardship" or "accountability" where the business is concerned about its survival and the business projects financial information to equity holders in order to meet legal requirements and to maintain a good relationship with them in case more funds are needed in the future ([Paton 1962](#)). Therefore this theory relates to the company itself,
sheding light on why companies may present their financial reports on their websites.

➢ The Entity theory may explain disclosure on the Internet in terms of the business being responsible and accountable towards its stakeholders, trying to meet the information needs of the users.

➢ For multinational and large companies this notion might even hold more strongly due to the expansive nature of the users. Regulatory frameworks have encouraged companies to reach all the users more or less simultaneously. The Internet offers this benefit, where companies can reach a wider audience at the same point in time.

➢ The theory has mentioned companies fulfilling legal requirements in addition to meeting the information needs of their users. This notion extended to Internet financial reporting raises questions about the jurisdictions and the laws that need to be followed, considering that the Internet has no formal boundaries.

➢ In India, there are so many private as well as Government bodies taking initiatives in making the guidelines, rules and regulations regarding the Internet financial reporting in Indian corporate scenario and also for adopting new technologies like XBRL, CFDS, EDIFAR, etc. for better development of Internet financial reporting.

3.2.3 ENTERPRISE THEORY (SUOJANEN 1954)

➢ This theory has been formulated by Suojanen (1954) and views the enterprise as a social institution where decisions are made that affects a number of interested parties: shareholders, employees, creditors, customers, various government agencies and the public and other stakeholders as well.

➢ The purpose of incorporating this theory is that when a company decides to present its financial information on its website, it has made a decision. This decision has consequences and affects.
➢ The larger the company, the greater the number of stakeholders affected. As a result the company owes responsibility to the larger number of users to provide quality, reliable, complete financial information online.

➢ This information may have a significant impact on the decision making process of a larger pool of users compared to the number of users affected if the company would choose to use hard copy medium only to transmit financial reports.

3.2.4 REGULATORY CAPTURE THEORY (POSNER 1974)

➢ The theory emphasizes the role of the manager as a major influence on the regulatory agencies and the rules that they develop and try to enforce. Capture theorists argue that while the purpose in fact or origin of regulation is to protect the public interest, this process is not achieved because, in the process of regulation, the regulated comes to control or dominate the regulator (Posner 1974).

➢ In the context of Internet financial reporting, there are rules and guidelines provided by regulatory agencies. So the extreme situation presented by Posner (1974) does not exist, where companies have no one to answer to or no regulations to follow at all. The point though is as to how rigorously the rules and recommendations are actually implemented?

➢ The question implies that companies may not have a need to dominate or control the regulator if they can get away with not putting the rules and recommendations into practice. This enhances the concept that there may be a gap between de jure and de facto accounting and that regulator may not have the resources to minimize the gap. In the context of the Internet financial reporting, this gap may be varied for different types of companies and or countries.
3.2.5 USER’S COGNITIVE LEARNING PROCESS

- **Hodge, Kennedy and Maines (2002)** have asserted that managers lobby against certain elements being recognized in the body of the financial statements. And that users place more emphasis on the body of the financial statements rather than the notes to the financial statements due to processing costs and cognitive limitations.

- This characteristic is manipulated by management, who according to Hodge, Kennedy and Maines (2002) prefer and have the choice to disclose data in the notes to the financial statements rather than recognize it in the main body.

- This is specifically so for data that would have a negative effect on the bottom line and the investor’s perception of the firm’s performance. Many factors would prevent the investor from reading the notes in detail such as limited time frame for the user to make a decision, lack of patience to read through every single piece of information presented in financial reports, inability to pick up important pieces of information from a vast amount of data.

- Authors identified most users as ‘sequential’ searchers, who look at the financial reports in the order in which they are presented, as compared to ‘directive’ searchers who go directly to the information that they need.

- This would further support the notion that sequential users may not be able to reach or find important information due to time and cost constraints. This might lead to inaccurate and inefficient decision making on behalf of the user.

- In the context of Internet financial reporting, the capabilities of the technical language used for financial reporting would have a major bearing on how easily the format of the reports allow for direct extraction of information. If reports are presented in Acrobat format or html format, then a ‘find’ option may help the user to get to the information required. In spite of this feature there may be multiple instances of the key word or phrase within the report that the user may have to go through to get to the relevant information.
QUALITATIVE CHARACTERISTICS OF FINANCIAL REPORTING AND IT’S IMPLICATIONS ON INTERNET BASED FINANCIAL REPORTING

Qualitative characteristics of the financial reporting play an important role in deciding the behavior of the reporting. The qualitative characteristics of financial reporting which are relevant to this concept/study are stated as:

- Understandability,
- Relevance,
- Materiality,
- Timeliness,
- Reliability,
- Completeness and
- Comparability

The main purpose of this study is to examine the degree of transparency and disclosure by companies on websites in relation to financial reporting.

Therefore lack of financial reporting elements would be assumed to have a negative impact on the quality of the financial reporting and therefore a negative impact on the qualitative characteristics of relevance, reliability and completeness.

3.3.1 UNDERSTANDABILITY

Understandability is the quality of information that enables users to perceive its significance. The benefits of information may be increased by making it more understandable and hence useful to a wider circle of users. Actually, presenting information which can be understood only by sophisticated users and not by others. So, this creates a bias which is inconsistent with the standard of adequate disclosure.

Understandability is defined as ‘information to be presented in a way that is readily understandable by users who have a reasonable knowledge of business and economic activities and accounting and who are willing to study the information
diligently. It also emphasizes that if there is any information that is relevant but complex, it should not be excluded from the financial statements.

In the context of the use of the Internet, it will be investigated whether the medium itself supports better understandability or makes it harder. The factors that will also be addressed will be whether the Internet can provide any tools enhancing better absorption and thus utilization of financial information. Accounting harmonization would also be examined, since harmonized accounting standards generate uniformity, which may enhance understandability. Language of reporting is another factor that may have a positive impact on understandability, if one language, such as the English language, is used for financial reporting.

3.3.2 RELEVANCE

Relevance is closely and directly related to the concept of financial information. Relevance implies that all those items of information should be reported that may aid the users in making decisions and/or predictions.

Financial Accounting Standard Board (FASB) in its Concept No.1 (para 47, 1978) comments:

“Relevant Accounting information must be capable of making a difference in a decision by helping users to form predictions about the outcomes of past, present and future events or to confirm or correct expectations.”

Information is relevant if it influences the decision making process of users by assisting them in evaluating past, present and future events. Relevance is the dominant criterion in taking decisions regarding information disclosure. It follows that relevant information must be reported. Relevance has been defined in accounting literature, but not satisfactory set of relevant items of information has been suggested. In his regard, an important task is to determine the needs of user(s) and the items of information that are relevant to target user(s).

In the scenario of Internet financial reporting, concept of relevance is very important for the users as well as for company itself because one small mistake change the behavior of user/investor/stakeholders regarding the company and they
switch to another company, so this is the responsibility of the company to provide each and every information on their websites in a very dynamic way which is relevant for making investment/decisions.

3.3.3 MATERIALITY

The concept of materiality permeates the entire field of accounting and auditing. The materiality concept implies that not all financial information need or should be communicated in accounting reports – only material information should be reported. Immaterial information may and probably should be omitted. Information should be disclosed in the annual report which is likely to influence economic decisions of the users. Information that meets this requirement is material. Materiality is defined as a component of relevance. IASB states that “Information is material if its omission or misstatement could influence the economic decisions of users” (International Accounting Standards Board 2001, p 11). The elements of financial reporting would have various degrees of impact on the decision making of different types of users.

In the concept of Internet financial reporting, companies are in flexible mode to provide information whether it is small or in large volume to its user online which is important for taking any type of business or economic decisions. If companies omit any of the elements from their financial reports online, materiality and, therefore, relevance will be compromised.

3.3.4 TIMELINESS

Timeliness means having information available to decision-makers before it loses its capacity to influence decisions. Timeliness is an ancillary aspect of relevance. If information is either not available when it is needed or becomes available long after the reported events that it has no value for future action, it lacks relevance and is of little or no use. Clearly, there are degrees of timeliness. Some reports need to be prepared quickly, say in case of takeover bid or strike.

In some other contexts, such as routine reports by a business firm of its annual results, a longer delay in reporting information may materially affect the relevance
and, therefore, the usefulness of information. But in order to have gain in relevance that comes with increased timeliness, it may involve sacrifices of other desirable characteristics of information, and as a result there may be an overall gain or loss in usefulness.

Timeliness is also another aspect of relevance. IASB (2001, p 13) has stated that 'if there is undue delay in the reporting of information, it may lose its relevance'. Alferdon, Leo, Picker, Pacter & Radford (2005) have further expanded on this and stated that to be useful, information must be provided to users within the time period in which it is most likely affect their decisions.

In the context of Internet reporting, the time frames for which financial reports are presented as at a point in time will be determined. It is assumed that the greater the lag between financial reporting and end of the relevant financial period, the more negative the effect on timeliness of financial information. Therefore if companies will not guarantee or provide timely reports, the relevance of the information is compromised and this will render the information provided irrelevant or less relevant.

3.3.5 RELIABILITY

Reliability described as one of the two primary qualities that make accounting information useful for decision-making. Reliable information is required to form judgments about the earning potential and financial position of a business firms. The main point in regards to reliability of information is for the information not to be misleading or deceptive.

FASB (USA) finds that it is not always easy to maintain a clear distinction between relevance and reliability, yet it is important to try to keep the two concept apart. To explain this point, the FASB (Concept No. 20 illustrated further):

“Two different meanings of reliability can be distinguished an illustrated by considering what might be meant by describing a drug as reliable. It could mean that the drug can be relied on to cure or alleviate the condition for which it it was
prescribed, or it could mean that a dose of the drug can be relied on to confirm to the formula shown on the label. The first meaning implies that the drug is effective at doing what it is expected to do. The second meaning implies nothing about the effectiveness but does imply a correspondence between what is represented on the label and what is contained in the bottle."

**In the context of financial reporting on the Internet**, the added risk of information not being reliable, apart from the primary source of information, arises from third party sources such as analysts and ‘financial experts’. An example is that of off-site trading. Most companies represent their financial information via a webpage on the Internet that is the primary representation of information. Apart from primary sources of information, there are also secondary sources of information. Examples of this secondary source of information include opinions and analyses provided by analysts as well as shareholders in chat rooms and news-groups. According to the Research Group into the Law Enforcement Implications of Electronic Commerce (RGEC 1999), these parties can exploit the market by releasing false information. It is fast, cost effective and has the potential to reach a wider audience. So the issue that arises is control. Another aspect raised by RGEC (1999) is the trading of shares in the newsgroups and chat channels away from the safety boundaries of the monitoring organization such as the Australian Securities and Investments Commission (ASIC) and the Australian Stock Exchange. Research Group into the Law Enforcement Implications of Electronic Commerce (1999) has pointed out that the miss-representation of elements such as profit, cash and other assets in the financial statements may lead to a major upheaval in the verifiability of these reports.

The changing responsibility of the auditor in the context of online reporting will also be investigated in this research. Although the duty to prepare the statements reliably rests with the management, the verification process lies with the auditor. Financial reports that are accompanied by an audit report may not be guaranteed to be entirely faithful, but most regulatory systems make an audit report compulsory to strengthen the reliability of reports.
3.3.6 **COMPLETENESS**
Accordingly, for information to be reliable, it also needs to be complete. If information is not complete, it can result in the information being false, or misleading and therefore unreliable and irrelevant.
Companies are more responsible to provide complete information in all respect on their websites because on the Internet users are very flexible to change one company to another company very quickly.

3.3.7 **COMPARABILITY**
Economic decision requires making choice among possible courses of actions. In making decisions, the decision-maker will make comparisons among alternatives, which is facilitated by financial information. Comparability implies to have things reported in a similar fashion unlike things reported differently.
There are two sets of characteristics of comparability: being able to compare the financial statements over time, and being able to compare the financial statements of different entities with each other (International Accounting Standards Board 2001).
Accounting harmonization is a term that has been around for a few decades. It has been an objective of bodies that have come into existence solely to harmonize. It is the adoption and implementation of one set of accounting standards worldwide. The bodies working for harmonization have been the European Union, the International Accounting Standards Board (IASB), previously called the International Accounting Standards Committee (IASC), the International Organization of Securities Markets and Analysts (IOSCO) and the International Federation of Accountants (IFAC).
The factor that needs to be addressed in the study is the adoption of one set of accounting standards by companies for online reporting. The websites of companies from different jurisdictions that have accepted the International Accounting Standards are in the process of implementing the International Accounting Standards and evaluating whether this criterion is really satisfied on companies’ websites or not.
3.4 IMPORTANT ISSUES CONCERNING INTERNET FINANCIAL REPORTING

The concept of Internet financial reporting is very new and there are so many issues and challenges in the development process in Indian Corporate scenario. Undoubtedly, Internet Financial Reporting will become increasingly popular worldwide. In large part the purposes of the different literature or studies were to determine the kind of corporate (including financial) information firms report outside of financial statements, and to cast new light on the exciting possibilities and problems of the Internet and technology on the corporate reporting universe. The Internet financial reporting implementation by firms creates new challenges to management in charge of establishing the control framework and to internal auditors in charge of reviewing the controls. Some important studies have argued that fulfilling the apparently straightforward model of IFR in practice and on that basis it leads to many complex issues but here discuss these issues in four aspects:

- **What to report**
- **When to report**
- **How to report**
- **Who is responsible to report**

These four points are the main challenges for any company when they adopt the concept of Internet financial reporting.

3.4.1 WHAT TO REPORT

The main challenge to the company is that on the Internet what to report for the users. This covers different types of user’s requirement on the internet. The coverage and the depth of IFR have to be considered. Important issues in this aspect include:

- **Coverage**: What types of financial information should the firm report online? Generally the main contents identified as five common types of online financial information, namely annual reports, interim reports, annual or
interim results, real-time share price movements and historical dividends per share.
Are these types of financial information adequate and sufficient for the variety of expected users? If not, what else should be reported?

- **Depth:** Should objective or subjective financial information be reported? It has been suggested that the relative sophistication of the users should be considered.
  Are users provided with features to drill down into reported information to remove layers of aggregation?

These features would support multiple presentations in accordance with the use of the information. From an auditing perspective, where data can be disaggregated to their constituent components, the auditing of GAAP faithfulness becomes irrelevant. This is because the data can be manipulated instead through various GAAP filters to produce accounts in any GAAP that may be required.

### 3.4.2 WHEN TO REPORT

Time is very important factor for Internet financial reporting. The frequency and time of reporting will depend on the type of financial information reported. Some important issues are:

- Should the interim results be reported on a quarterly or biannual basis?
- Should the annual report (which includes the auditor report) be provided online immediately after the completion of the annual audit exercise?
- How long the financial performance data should be posted to the firm’s web site after the data have been released officially via the press?

### 3.4.3 HOW TO REPORT

In his executive statement, the chief executive of Companies feels that information should be delivered in such a way that customers find it most convenient to receive
and use. To achieve this end, management and internal auditors should consider the following issues:

- Are users able to download online financial data in a format that facilitates subsequent analysis (for example, in the form of an electronic spreadsheet)?
- Is the financial information placed in the appropriate section on the firm's web site?
- How deep from the home page of the web site do users have to navigate to retrieve the relevant financial information?
- Is the online financial information arranged in an appropriate screen format to avoid the need for the users to unnecessarily scroll back and forth through large volumes of data?
- Are the web pages that contain the online financial information interconnected via hyperlinks?
- Should the extended business reporting language (XBRL) be used for IFR? XBRL makes use of the extended markup language (XML) to facilitate the sharing of business reporting information. (XML allows information to be marked in such a way as to encapsulate numbers or sequences of words not only for display, but also as objects containing information, numbers and words with attached meaning and context.

3.4.4 WHO IS RESPONSIBLE TO REPORT
The people or the business units in the firm that are involved in IFR will have an impact on the accuracy of the reported financial information. Typical issues are:

- Who is/are responsible for deciding which financial information should be posted online?
- Who is/are responsible for posting the online financial information?
- Who is/are responsible for verifying and approving the online financial information?
3.5 NEED OF INTERNET FINANCIAL REPORTING IN INDIAN SCENARIO

The need of Internet Financial Reporting in Indian scenario can be divided into following points:

1. Advantages of Internet Financial Reporting over Paper Based financial reporting (on the basis of review of literature available)
2. Growth of Internet Users in India
3. Globalization and Internet.

FIGURE-3.2: NEED OF INTERNET FINANCIAL REPORTING IN INDIAN SCENARIO
3.5.1 ADVANTAGES OF INTERNET FINANCIAL REPORTING OVER PAPER BASED FINANCIAL REPORTING

Internet provides so many better options for making the financial reporting in very vibrant manner by which the user is very friendly and flexible to use this information accordingly which is not possible in the paper based financial reporting. Following are the some points concluded from the different available literature which attested that Internet financial reporting is very important for today’s dynamic scenario and also its weight age over the paper based financial reporting:

- Internet financial reporting recommends a low cost solution to the users as well as to the company or producers to access of corporate information by using an established network structure that all can participate in easily. Companies can virtually eradicate the substantial cost of printing and disseminating financial reports to the huge number of stakeholders.

- Internet financial reporting provides transmit (mass communication) medium for corporate reports. Financial information can be accessed by a much wider audience worldwide than the paper based financial reporting. There are no national borders for the companies to reach the international customer/stakeholders/potential client. It is also improving the access to potential investors for small companies as well.

- Flexibility in user models of data provided. Increasing the quality and quantity of data disclosed on the Internet financial reporting.

- This is very important superiority of Internet financial reporting over the paper based financial reporting that the regular maintenance of websites means that the financial information provided can be kept updated easily and whereas paper reports have a very short shelf-life.

- The use of graphics, Ability for downloading of data, Press release provision, Trend Data and analysis, Dynamic Data Provision & Non-financial measures of performance provided better services to their users.
Internet tools provides effortlessness options for the company to dissemination of financial information for users, analysts, and other interested parties like website browsers, different hyperlinks, connectivity with other sites, etc. All these techniques/options searching about specific data thus save time, integrate several sections of the annual report and link to the financial information to the other pertinent information or nonfinancial information, and enable users to recover information.

In short, we can say that the concept of Internet financial reporting increases the scope of the financial information, annual reports, quarterly reports, shareholders information, etc.

3.5.2 GROWTH OF INTERNET USERS IN INDIA

Internet is a worldwide network of computer systems. This network provides an electronic medium for delivering, gathering and analyzing information of all kinds and on virtually every subject, worthwhile or otherwise. There is enormous growth of the Internet users in India from last 12 years. From the year 2000 to 2012 there is growth of more than 1000% of Internet users in India and currently India is the fifth largest Internet users in the world. (www.internetworldstats.com)

So this is another motivation for the researchers to do this study for the importance of the Indian corporate scenario.

There are some statistical data available regarding the growth of Internet users in India and also the main applications of Internet.
TABLE – 3.1: GROWTH OF INTERNET USERS FROM THE YEAR 2000 TO 2012 WITH THE PERCENTAGE OF PENETRATION OVER TOTAL POPULATION

<table>
<thead>
<tr>
<th>Year</th>
<th>Users</th>
<th>% of Penetration over Population</th>
<th>Source of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>5,500,000</td>
<td>0.5 %</td>
<td>ITU</td>
</tr>
<tr>
<td>2001</td>
<td>7,000,000</td>
<td>0.7 %</td>
<td>ITU</td>
</tr>
<tr>
<td>2002</td>
<td>16,500,000</td>
<td>1.6 %</td>
<td>ITU</td>
</tr>
<tr>
<td>2003</td>
<td>22,500,000</td>
<td>2.1 %</td>
<td>ITU</td>
</tr>
<tr>
<td>2004</td>
<td>39,200,000</td>
<td>3.6 %</td>
<td>C.I. Almanac</td>
</tr>
<tr>
<td>2005</td>
<td>50,600,000</td>
<td>4.5 %</td>
<td>C.I. Almanac</td>
</tr>
<tr>
<td>2006</td>
<td>40,000,000</td>
<td>3.6 %</td>
<td>IAMAI</td>
</tr>
<tr>
<td>2007</td>
<td>42,000,000</td>
<td>3.7 %</td>
<td>IWS</td>
</tr>
<tr>
<td>2009</td>
<td>81,000,000</td>
<td>7.0 %</td>
<td>ITU</td>
</tr>
<tr>
<td>2010</td>
<td>100,000,000</td>
<td>8.5 %</td>
<td>IWS</td>
</tr>
<tr>
<td>2012</td>
<td>137,000,000</td>
<td>11.4%</td>
<td>IAMAI</td>
</tr>
</tbody>
</table>

FIGURE – 3.3: TOP 10 COUNTRIES WITH HIGHEST NUMBER OF INTERNET USERS IN THE WORLD

![Top 10 Countries Internet Users Chart]

- **China**: 538 million
- **United States**: 245.2 million
- **India**: 137 million
- **Japan**: 101.2 million
- **Brazil**: 88.5 million
- **Russia**: 68 million
- **Germany**: 67.5 million
- **Indonesia**: 55 million
- **United Kingdom**: 52.7 million
- **France**: 52.2 million

Users (in Millions)
As shown in the figure, India is the third largest country in the world in terms of internet users. This growth shows that Indian scenario is changing and Indian people are more comfortable with internet. The hesitation to use internet is reduced and not only Indian youth but also the aged persons now using internet as a source of information sharing.

3.5.3 **GLOBALIZATION AND INTERNET**

The Internet is often described as an engine of globalization that knocks down borders and imposes market democracy on every nation. As Internet becomes integrated into the practices of businesses, governments, and social movements, it is becoming possible to define what such a wild claim might mean. Some of the necessary ideas derive from the economic aspects of information technology. Others concern the place of information in social change.

The 21st century has ushered in a new era in man’s ongoing quest for a better life and a better world. For the first time in history, we can now claim to live in ”One World.” Globalization has removed many of the gaps that have existed between and among nations. While the physical divide is still present, the impact of the Information Highway on how we communicate and live in the present day is simply staggering. Through globalization, cultural exchange is now open and dynamic. Economies have also been merged, with the economic life of an Asian country affecting other nations in other parts of the world, and vice-versa. Rapid improvements in information technology have allowed us to exchange information and communicate almost everywhere, anywhere, and anytime. The nature of business and how it is done had also improved by leaps and bounds all because of globalization.

Indeed, globalization has spawned a new age of connectivity in culture, society, economy, social life, technology, and politics. Globalization, as a general term, is best understood as the spread of ideas about the environment, democracy, human rights, and less complicated issues like fashion and fads. The mass marketing of computers and the wide availability of Internet services have brought many parts of the world
together, as if we are all woven on a single pattern or web of daily life. Countries today do not just export raw materials or the usual projects. Global exchange is now taking place as the market of ideas, culture, and beliefs expand through the use of technology.

Because of the electronic media, vast amounts of important information can reach any parts of the globe in no time. Business establishments, whether big or small, are using the Internet in many ways to build or expand their company’s growth. With the ever improving technology comes a new market, high demand for products, and also greater competition. Making investments in information and communication technology is now a must for any business enterprise.

Many economists claim that globalization and the Internet have created many advantages for small and medium-sized businesses around the world. This advantage can be utilized while avoiding many business obstacles by using Internet faxing properly.

**SUMMARY**

This chapter gives the conceptual knowledge of traditional financial reporting and its regulatory requirements. After the traditional view, this chapter deals with financial reporting on internet, its concept and implementation, advantages and disadvantages of Internet financial reporting over traditional methods. Under this chapter Internet Financial Reporting also described in terms of sociological and accounting theories. The fundamental theories which were used to achieve this purpose include: Communications theory (Shannon and Weaver 1949); Entity theory (Paton 1962); Enterprise theory (Soujanen 1954); Regulatory capture theory (Posner 1974); and User’s Cognitive Learning Process (Kennedy & Maines 2002). Increasing number of internet users in India and global reach of internet is the main reason, why internet reporting is essential in Indian environment.
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