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Corporate Governance Mechanisms And Internet Financial Reporting Of Selected Quoted Manufacturing Companies In Nigeria (2012-2021)

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Abstract
The study analysed online financial reporting practices among listed manufacturing organisations and investigated the level of compliance with regulations. It determined the effect of corporate governance mechanisms on internet reportage of finance among manufacturing firms in Nigeria. These were done with a view to examining the relationship that exists between corporate governance mechanisms and internet financial reporting among Nigerian manufacturing firms.
The study adopted a longitudinal research design. For this investigation, secondary data were used. The study's participants comprised 86 manufacturing firms quoted on the Nigerian Exchange Group (NGX) between 2012 and 2021. A total of 22 manufacturing companies were purposefully selected due to the availability of complete data during the research period and the adoption of IFRS.
The data was collected from the websites of the manufacturing companies and their certified financial records. The data covered IFRS disclosure items classified into presentation format and content (FASB 2000), percentage of the independent director, composition of board committees, board diligence, audit committee size, non-executive director as part of the audit committee, internal control management (as mandated by CAMA 2003, CAMA 2020, SEC 2011, and NCCG 2018), and control variables (profitability and leverage).
The results showed that corporate governance mechanism measured by board size ($t = 5.09$, $p < 0.05$), risk assessment ($t = 5.34$, $p < 0.05$), board diligence ($t = 2.42$, $p < 0.05$) had a significant effect on internet financial reporting, while Audit committee ($t=1.8$ $p>0.05$) had no significant effect on internet financial reporting among Nigeria manufacturing firms.
The study concluded that corporate governance mechanisms enhanced internet financial reporting of quoted manufacturing companies in Nigeria.

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I. Introduction

Internet financial reporting (IFR) is a digital technology considered the fastest tool for companies to distribute material from websites about their financial and economic performance Ardillah & Carolin (2021). Internet financial reporting means providing accounting data through online platforms such as websites, mobile apps, and other digital channels. This allows companies to provide real-time financial information to their stakeholders such as investors, creditors, and other interested parties. Muhammad and Hasan (2016) stated that IFR provides a cheap mechanism for the business reduces information asymmetry and minimizes agency costs. Businesses need to be encouraged because of the need in this globalization age to provide timely, reliable and accurate data when publishing their financial and non-financial information. Such data should be disclosed in a transparent and open manner. Online financial reporting has become more prevalent in recent years as more companies seek to improve how the public assesses their company's information (Salaudeen &Alayemi 2020; Martic, Leike & Brown 2017; Ashaugh et al., 1999).

Corporate governance (CG) is made up of dependent and independent directors saddled with the responsibility of internal oversight, auditing, and managing the business of an organization, which could indeed be linked with a set of laws, customs, and procedures that regulate and control organization activities.

Corporate governance mechanism ensures that financial information is prepared and presented in a transparent, ethical, and responsible manner. It helps establish accountability in financial reporting and ensure all stakeholders' interests is taken into consideration during the process. Boshnak, (2020).

Statement of the Problem

Extant literature has shown that there is a nexus between effective corporate governance and efficient financial reporting globally. Cases of accounting scandals have aggregated fear and reduced trust, credibility, and assurance in financial reporting data such as in the cases of Oceanic Bank and Intercontinental Bank in October 2010. During the re-capitalization of banks (Cadbury in 2006 and Lever Brothers (now Unilever) in August 2015), All these corporate failures have increased the duty of all regulatory bodies on financial reporting credibility to include mandating firms quoted on the Nigeria Exchange Group to have a functioning website for the presentation of both financial and economic data. This is expected to reduce the issue of information asymmetries and improve financial reporting's dependability and quality in the corporate world. (Dyck, Morse, & Zingales, 2023; Yuhao Li, 2010; Cumming et al., 2017; Karen et al., 2008).

However, the function of internal control as an essential tool to monitor and check compliance with statutory regulations is not getting much attention from the board, as mandated by the law governing corporate governance. Meanwhile, the few research studies on internal control only consider auditing (Leng and Ding 2011; Oladejo, Yinus, Shittu, and Rutaro 2021; DeSimone 2017; Kwanbo 2009). Internal control functions go beyond auditing to include risk assessment and risk management so as to ensure the credibility of the monetary and non-monetary data of the firm online. The relevance of corporate governance mechanisms and internet financial reporting among Nigeria's listed manufacturing firms must therefore be studied in detail.

II. Literature Review

Internet Financial Reporting

Internet financial reporting is a communication tool that businesses use to publish their annual reports on their corporate website. The most efficient medium to spread organizational performance and business data on corporate website is known as Internet Financial Reporting (IFR). (FASB, 2000; Trites, 1999; Ashbaugh et al., 1999; IASC, 1999). Internet data disclosure practice involves using technologies to communicate with stakeholders about both monetary and non-monetary information. Salaudeen and Alayemi (2020) discussed financial disclosure regarding historical and financial data on the internet, as well as how to convey current circumstances and future objectives to make investment decisions and maximize market efficiency to shareholders and stakeholders. IFR data offers information on the branding and market position of the business and the organization’s financial performance online. (Ariff & Bin-Ghanem, 2016).There are two main IFR attributes: IFR-P presentation and content (IFR-C) Sia, Brahmana, & Memarista (2018) Firstly, IFR-presentation ensures interactive display techniques, like direct user engagement with business databases, multi-media audio, and video, which are not possible with the paper paradigm. Secondly, IFR-content consists of a variety of corporate information, which includes all written content on paper such as press releases, 10Ks, 10Qs, annual reports, meeting analysts both live and recorded, and annual shareholder briefings (FASB, 2000). Extensive Business Reporting Language (XBRL) is a recent development in financial reports online; it’s an XML-based protocol for speedy automated financial data retrieval. (See: Debreceny & Gray, 2001; Muhamad & Hassan, 2016).

Corporate Governance (CG)

Corporate governance is a sequence of connections involving a company's management team, shareholders, and other stakeholders (Bhasin, 2013). CG designs a plan for setting the business’ objectives, determining how they will be met, and assessing performance. (OECD, 1999). It controls and directs businesses for long-term benefit by using the four principles of accountability, transparency, justice, and disclosure (Jamal et al., 2019). It provides structure and a plan by which organizations can set their goals and show them how to do them. It offers a framework for tracking corporate performance. It is clear that there is a national standard set for corporate governance principles and procedures to enable firms to operate consistently across national lines and in diversified organizations (OECD, 1999). These variations are because of cultural backgrounds, ownership arrangements, and market dynamics.

Code of Corporate Governance

This refers to some rules and values a company adopts to ensure transparency, accountability, and ethical behaviour in its operations. The code typically includes best practices in the organization and also covers the areas of data reporting on the annual report. Code of corporate governance (SEC, 2003) was established for public firms in Nigeria in order to correct its flaws and strengthen the enforcement process. A committee was specifically tasked with identifying flaws and obstacles to effective corporate governance, as well as researching and making recommendations on how to improve code of corporate governance and increase compliance on other topics of importance to give up-to-date excellent standards of corporate governance regulation to suit the present operational conditions.

Corporate Governance Mechanism (CGM)

The processes, policies, and structures put in place by a company to ensure that it is effectively managed and controlled are known as governance mechanisms. (Puni &Anlesinya 2020). These mechanisms offer an outline for decision-making and oversight that helps to protect the interests of all stakeholders. Some common CGM includes the BOD, audit committee, executive compensation committee, shareholder rights committee, and risk management committee (Mohamad and Sulong 2010). These are a few examples of the many CGM employed by companies to ensure effective managerial control. The specific mechanisms used will depend on the company's size and other factors. (Khastuk, 2014)

Internal Audit

Internal audits perform a crucial role in guaranteeing the stakeholders of the firm that the organization is managing its risks effectively and complying with laws and regulations. Internal auditors are charged with auditing practices in the organization. They may also provide advice and endorsements for improving business processes, systems, and operations. (Flasher, Slurley, and Higgins, 2022; Hsieh, Brennan, 2022) It is a procedure used by businesses to identify systemic flaws and improve their own aspects of making business more productive. Businesses are assessed using a range of factors via internal audits. These audits are broken down into a number of areas, including environmental audits, operational audits, performance audits, and IT audits.(Nwobia et al., 2016; Paul et al., 2020; Rezaee et al., 2016; Herbert and Durosomo, 2019; Fulop et al., 2019).

Theoretical Review

Founder of credibility theory, Liu in 2004, classified the theory as a field of mathematics that studies how fuzzy events behave. (Liu B. 2006). According to the theory, raising the reliability of financial records is the auditor's primary value. The accounts that have been examined were used by the corporate managers to decrease information metrics and boost user confidence in financial data. The numerical data on the accounting records is used to confirm the company's financial position (Hope, Thomas, & Vyas, 2011; Anthony & Rezaee, 2015). When auditors examine data to predict risk, they employ a variety of tools, policies, and methods known as credibility theory. According to credibility theory, "experience" is defined as past facts, and "experience" is used to generate estimates. Professionals can better understand the dangers involved in giving a true and fair position on a firm's information by using credibility theory Yujie and Kai-Sheng (2022). It indicates that a piece of data's legitimacy will determine how persuasive it is to its audience. High-credibility sources of information will have a greater impact than low-credibility sources. The technical proficiency of the information's compilers and the faith that users of financial data place in them as a result of their technical expertise are what give the information its credibility. Technical competence is defined as a source of power. (Almeida and Eid Jr., 2014; Akther & Xu, 2020). The concepts of internal auditing and online financial reporting are related to credibility theory. Online financial reporting's reliability can be well assured with effective internal control function. CG is saddle with the responsibility of reviewing

Empirical Review

Kristanto (2017) considered the influence of corporate transparency and online business reporting's yearly report in Barat. Its sample size consists of 100 companies from KOMPAS. Companies focus on the Bapepam-LK mandatory components for annual report disclosure, and their voluntary components are displayed on the firm website. The result from the outcome of the regression shows that excellent corporate governance expands online information disclosure and that it plays a major effect on the internet financial reporting index.

Gunawan & Sanjaya (2021) examined how ownership and control affected Indonesian cyberspace business reporting. During the study, a sample of 40 businesses that were quoted on the Indonesian stock exchange between 2015 and 2019 they used 50 disclosure items on company websites as the corporate governance proxy. The findings pool OLS result shows that institutional ownership and the number of consultations held by the auditing team have a positive influence on IFR; however, they are adversely impacted by institutional ownership. Yet, financial reporting is unaffected by the number of independent commissioners on the website.

Hezadeen, Djamhuri, and Wida (2016) investigated the effect of corporate governance and proprietorship structure on cyberspace business reporting in Indonesia. They considered 137 listed manufacturing companies in 2015. Utilizing firm size as a determinant of IFR, the corporate governance measurements were board: competence, proportions, meeting; audit: team, independence, competence, proportions, and ownership concentration. The finding showed a mixed result, where corporate governance has both positive and negative effects on online financial reporting.

Ezart and El-Masry (2008) checked the impact of corporate governance on the appropriateness of company cyberspace reporting in Egypt. They collected data from the websites of the most dynamic 50 Egyptian quoted firms on the Cairo and Alexandria Stock Exchange (CASE) at the end of 2006. The CIR appropriateness was measured by designing a worksheet that contains 11 items. Firm characteristics were return on equity and leverage, while corporate governance was examined with issues of shares, proprietorship structure, duality, and board proportions. According to the findings, companies that are large have a high rate of liquidity, a huge percentage of independent directors, a huge number of board executives, and more frequently disclose information on their sites. These companies are typically in the service sector.

Similar research on corporate governance and cyberspace business reporting was examined in Indonesia by Ardillah & Carolin (2021). This study employed purposive sampling to select 14 mining firms quoted on the Indonesia Stock Exchange between 2014 and 2018. The result of pool OLS revealed that cyberspace business reporting is positively influenced by the board of directors, auditor repute has opposing effects on internet business reporting, and public share ownership hurts cyberspace business reporting in Nigeria, Asogwa (2017) studied the impact of corporate governance on cyberspace business reporting. It used data from 10 quoted banks from 2010 to 2015, and the corporate governance variables adopted for corporate governance on IFR are shareholder choice by election rights, block ownership, organization proprietorship, and independent director ownership percentages. Based on the outcome of the pool OLS, corporate governance metrics have a large detrimental (managerial ownership and block ownership) and positive (shareholders' voting rights and proportion of independent executives) impact on business reporting on the web. In the work of Kelton and Yang (2008), the association between corporate governance mechanisms and the level of online business reporting behaviour was considered in the USA. Corporate governance was measured with owner rights, proprietorship structure, board structure, and audit group characteristics, while IFR was a proxy with disclosure transparency drawn from a sample of 284 listed companies in 2003. The OLS results show that firms with weak ownership rights, a lesser fraction of block-holder rights, a higher proportion of independent executives, a hardworking audit team, and a higher proportion of audit team members who are considered financial experts are often expected to be included in the IFR. Furthermore, results point to the possibility that corporate governance systems have an impact on a company's cyberspace disclosure behaviour, maybe as a result of the knowledge irregularity between administration and stakeholders and the ensuing agency costs. The relationship between corporate governance and IFR, according to additional exploratory data, changes with firm size.

III. Methodology

The study employ a longitudinal research strategy which is a combination of cross-sectional research strategy and time series because this research considered information concerning companies internet financial reporting of different firms over a period of 10 years alongside corporate governance mechanism to ensure financial information are well available for stakeholders over the period and that such information comply with the statutory regulations as provided by law. **T**his study makes use of secondary data based on the information extracted on corporate website of manufacturing organizations quoted on the Nigeria exchange group (NXG) by March 15, 2022. The study population consists of 89 manufacturing enterprises registered on the Nigerian Exchange Group (NXG). These comprise consumer goods, industrial goods, health care, and conglomerate sectors.

Table 1 Selected Manufacturing Companies Listed On NXG For The Study

S/N	Company	Ticker	Sector
1	Champion Breweries Plc	Champion	Consumer Goods
2.	Dangote Sugar Refinery Plc	Dangsugar	Consumer Goods
3.	Dangote Cement Plc [Cg+]	Dangcem	Industrial Goods
4.	Flour Mills Nig. Plc.	Flourmill	Consumer Goods
5.	Nascon Allied Industries	Nascon	Consumer Goods
6.	Honeywell Flour Mills Plc	Honywell	Consumer Goods
7.	Morison Industries Plc	Morisn.Ng	Consumer Goods
8.	Nigerian Brew. Plc	Nb	Consumer Goods
9.	Pz Cussons Nigeria Plc.	Pz	Consumer Goods
10.	Unilever Nigeria Plc	Unilever	Consumer Goods
11.	International Breweries Plc.	Breweries	Industrial Goods
12.	Beta Glass Co Plc	Betaglas	Industrial Goods
13.	Neimeth International Pharmaceutical	Neimeth	Pharmaceutical Goods
14.	Glaxosmithkline Consumer	Glaxoline	Pharmaceutical Goods
15.	Cap Plc	Cap	Industrial Goods
16.	Guinness Nig Plc	Guinness	Industrial Goods
17.	Nestle Nigeria Plc	Nestle	Consumer Goods
18.	Fidson Healthcare Plc	Fidson	Pharmaceutical Goods
19.	Pharam Deko Plc	Pharam	Pharmaceutical Goods
20	Ccnn Now Bua Cement Plc	Bua	Industrial Goods
21	Cadbury Nig Plc	Cadbury	Industrial Goods
22	Greif Nigeria Plc	Greif.Ng	Industrial Goods

Source: Nigerian Exchange Group, 2022.

Model Specification

Panel analysis for the study was specified based on the research objective. The dependent variable was internet financial reporting measured by disclosure indices, the independent variables was corporate governance mechanism and the control variables were profitability and leverage. The functional form of the model is stated as:

$\mathrm{IFR} = (\mathrm{BS, BINP, BD, BOC, ASZ, ASD, ANED, RISK, ICM, ROA, LEV}). \ldots \ldots \ldots \ldots \ldots \ldots \ldots 3.1$

Transforming equation 3.1 into multiple regression model

$\mathrm{IFR} = a + \beta_1\mathrm{BS} + \beta_2\mathrm{BINP} + \beta_3\mathrm{BD} + \beta_4\mathrm{BOC} + \beta_5\mathrm{ASZ} + \beta_6\mathrm{ASD} + \beta_7\mathrm{ANED} + \beta_8\mathrm{RISK} + \beta_9\mathrm{ICM} + \beta_{10}\mathrm{ROA} + \beta_{11}\mathrm{LEV} + \mu \ldots\ldots\ldots 3.2$

Transforming equation 3.2 into panel regression model

$IFR_{it} = a + \beta_1\mathrm{BS}_{it} + \beta_2\mathrm{BINP}_{it} + \beta_3\mathrm{BD}_{it} + \beta_4\mathrm{BOC}_{it} + \beta_5\mathrm{ASZ}_{it} + \beta_6\mathrm{ASD}_{it} + \beta_7\mathrm{ANED}_{it} + \beta_8\mathrm{RISK}_{it} + \beta_9\mathrm{ICM}_{it} + \beta_{10}\mathrm{ROA}_{it} + \beta_{11}\mathrm{LEV}_{it} + \mu_i + \gamma_t + \pi_{it} \ldots 3.3$

Where:

$\mathrm{IFR_{it}}$ = Internet Financial Reporting firm i in period t
$\mathrm{BS_{it}}$ = Board size of firm i in period t
$\mathrm{BINP_{it}}$ = Board independence of firm i in period t
$\mathrm{BD_{it}}$ = Board diligence of firm i in period t
$\mathrm{BOC_{it}}$ = Board committe of firm i in period t
$\mathrm{ASZ_{it}}$ = Audit committee size of firm i in period t
$\mathrm{ASD_{it}}$ = Shareholders in Audit Committee of firm i in period t
$\mathrm{ANED_{it}}$ = Non − executive directors in Audit Committee of firm i in period t
$\mathrm{RISK_{it}}$ = Risk management of firm i in period t
$\mathrm{ICM_{it}}$ = Internal control of firm i in period t
$\mathrm{ROA_{it}}$ = Return on assets of firm i in period t
$\mathrm{LEV_{it}}$ = Leverage of firm i in period t
β_{it} = Coefficients of independent variables to be estimated
α = Constant (Intercept)
U_i = Unobservable cross section specific effect
γ_t = Unobservable time specific effect
π_{it} = Common cross section time series effect

Dependent variables: The study's dependent variable is internet financial reporting. The research adopted IFR disclosure items as described by the Financial Accounting Standard Board (FASB, 2000) for the measurement of internet financial reporting (IFR). The method has been utilized in previous studies. Keliwon et al. (2017); Bin-Ghanem and Ariff (2016); Elsayed (2010); Agboola & Salawu (2008); Mustafa et al. (2018); Asogwa (2017); Madhushika (2017); Boshnak (2020); and these disclosure items are available on the company's website. Items disclosed in the financial statement are classified into presentation (format) and content (FASB, 2000). Demonstrated the IFR based on the expected items to be included in the website in terms of presentation and content format. Previous studies argued that Internet disclosures' presentation style and content can both increase disclosure transparency (Kelton and Yang 2007; Ettredge et al., 2002). In order to evaluate a company's online financial reporting by content and presentation format, the FASB (2000) adopted a list of 10 disclosure items based on prior research (Xiao et al., 2004; Kelton, 2008; Asogwa, 2017; Boshna, 2020; Ettredge et al., 2002; Debreceny et al., 2002). However, this study improved the measurement of IFR by weighting the disclosure items of each company. The ratio of each company's reported items to the total disclosure (18). Hence, the theoretical framework on which this study is based is credibility theory, which believes that corporate managers should reduce information asymmetry and boost user confidence in financial data, and the proxy for IFR is the sum of disclosures divided by the total disclosure in Table 3.2.

nth = numbers of disclosures by companies
IFR= nth disclosure / ∑disclosure

Table 2: IFR measurements

S/N	Presentation (Format) items
1	Annual report in multiple file forms
2	Financial data in processable format
3	Hyperlinks established
4	Drop down navigational menu
5	Facility of direct email for investors
6	Hyperlinks inside the annual report
7	Email alerts
8	Audio files

9	Video files
	Content Items
10	Annual report for recent year
11	Annual report for last year
12	Quarterly reports for recent year
13	Financial news for the recent period
14	Record of stock prices
15	Code of conduct and ethics for directors, officers and employees
16	Members of the Board of Directors
17	Performance overview
18	Corporate governance principles/guidelines
18	**Total IFR disclosure items**

Independent variable: The independent variable, otherwise known as the explanatory variable, is the corporate governance mechanism. Measurements used for corporate governance in the company include: board size, board independence, board diligence, board committee, audit committee, shareholders in the audit committee, and non-executive directors in the audit committee, internal control, risk management, and ensuring compliance with statutory regulations. Risk management includes the number of risks identified and assessed by the audit committee, proportion of equity ownership, size of board committee, number of meetings attendance.

Control variables: Firm characteristics are financial performance considered by stakeholders, investors, and other stakeholders who care about the financial results of the company to make useful decisions, plans, and controls. The firm characteristics used in this study are profitability and leverage.

The profitability was measured with the return on assets (ROA), which is the ratio of profit after tax to total assets, and the sign is expected to be positive. The return on assets shall be used to send a signal to the shareholders and other stakeholders about whether the company was able to make returns based on the assets available.

The leverage was measured by the debt ratio, which is the proportion of total liabilities to total equity.

Data Analysis Techniques

Static panel regression analysis was used to test the interactions that exist between the two variables. (i.e., corporate governance mechanisms and internet financial reporting). This research work made use of panel data, which comprised cross-sectional data for the 22 Nigerian manufacturing companies purposefully selected and time series data for the period of 10 years. That is, the data of the sampled companies found on the Nigerian Exchange Group (NXG) for the 10-year period from 2012 to 2021. The analysis was done on the companies for which data on corporate governance mechanisms and control variables was determined based on prior research using fixed effect estimation. The hypothesis in this study is about corporate governance mechanisms and internet financial reporting. The study started by conducting necessary descriptive statistics like ratio, means, standard deviation, percentage and range, correlation matrix, and inferential statistics using pool Ols for the findings. The robustness of the model was checked by conducting diagnostic tests, which include a normality test and a cross-dependency test.

IV. Result And Discussion

Descriptive analysis

The firm's performance is presented in Table 3. It shows that the return on assets is positive, with an average and standard deviation of about 0.15 percent and 0.94 percent, respectively. This suggests that the overall profitability of the shareholders is maximized by the directors. In the same vein, the leverage ratio on average is about 70 percent, which is less volatile based on the value of the standard deviation of 1.47. The result indicates that large numbers of manufacturing companies are highly levered because they take on too much debt compared to equity.

Table 3: Summary of statistics

Variables	Mean	Std. Dev.	Max	Min	Jarque-Bera	p-value	Obs
IFR	0.93	0.42	0.72	0.22	233.11	0.000	220
PD	0.29	0.13	0.66	0	20.49	0.000	220
CD	0.71	0.32	1	0	40.06	0.000	220
BS	10	3.0	16	4	30.90	0.16	220
BINP	1	0.46	3	0	613.41	0.00	220
BD	4	2	11	0	6.58	0.04	220
BOC	2	0.22	3	2	65.20	0.00	220
ASZ	6	1	7	4	451.48	0.00	220
ASD	3	1	4	2	1208.71	0.00	220

ANED	3	1	3	0	80.16	0.00	220
RISK	2	2	6	0	24.81	0.00	220
ICM	1	1	5	0	31.39	0.00	220
ROA	0.15	0.94	1.34	-1.86	293530.5	0.00	220
LEV	0.70	1.47	13.51	-2.92	20671.34	0.00	220

***Source**: Researcher's computation via Eview 10 (2023)*

Correlation analysis

The correlation coefficients are reported in Table 4, which shows the degree of association between corporate governance mechanisms and internet financial reporting. It was used to check the existence of multicollinearity. A threshold of 0.8 (80 percent) correlation coefficient is suggested as the collinearity among the exogenous variables, which may affect the significance of variables even if the coefficient of determination is high (Gujarati, 2008).

The results indicate a positive and significant association between internet financial reporting board size, board independence, board diligence, and board committee (0.42, 0.27, 0.48, and 0.53), respectively at 5 percent significant level. Similarly, correlation shows a negative relationship with the audit committee size and non-executive directors in the audit committee (-0.12, -0.35), but are significant with IFR at ten and one percent levels respectively, while the number of shareholders in audit committee had a weak positive association (0.04)but not significant with IFR.

In addition, risk and risk monitoring shows a positive and significant association with IFR. However, the performance of the sampled manufacturing companies (return on assets and leverage) shows a negative and insignificant association with IFR, respectively (-0.05 and -0.004).

The study further checked for possible multicollinearity, and none of the independent variables (corporate government mechanism, control variable, and firm performance) were highly correlated. For instance, the correlation between corporate governance mechanisms is: BS and BINP (0.1), BS and BD (0.29), BS and BOC (0.39), ASZ and ASD (0.72), ASZ and ANED (0.33), RISK and RM (0.78), and ROA and LEV (-0.01). This result suggests that the variables in the model are free from the problem of multicollinearity that may render the model spurious.

Table 4: Correlation Matrix

Correlation												
Probability	IFR	BS	BINPR	BD	BOC	ASZ	ASD	ANE	RISK	RM	ROA	LEV
IFR	1.000000											

BS	0.415014	1.000000										
	0.0000	-----										
BINPR	0.268783	0.099793	1.000000									
	0.0001	0.1419	-----									
BD	0.481944	0.292015	0.232820	1.000000								
	0.0000	0.0000	0.0005	-----								
BOC	0.531463	0.386711	0.385932	0.395377	1.000000							
	0.0000	0.0000	0.0000	0.0000	-----							
ASZ	-0.116992	-0.089800	-0.168716	-0.043194	-0.104158	1.000000						
	0.0848	0.1865	0.0126	0.5258	0.1252	-----						
ASD	0.043679	0.049877	-0.079428	0.090497	0.090365	0.722974	1.000000					
	0.5212	0.4638	0.2429	0.1831	0.1838	0.0000	-----					
ANE	-0.349369	-0.320217	-0.298520	-0.116876	-0.351916	0.334022	-0.002368	1.000000				
	0.0000	0.0000	0.0000	0.0851	0.0000	0.0000	0.9723	-----				
RISK	0.593025	0.094108	0.350385	0.519299	0.709203	-0.120656	0.114866	-0.326738	1.000000			
	0.0000	0.1662	0.0000	0.0000	0.0000	0.0754	0.0907	0.0000	-----			
RM	0.550889	0.188363	0.493731	0.543553	0.727075	-0.120729	0.085373	-0.458028	0.783289	1.000000		
	0.0000	0.0053	0.0000	0.0000	0.0000	0.0753	0.2093	0.0000	0.0000	-----		

ROA	-0.049837	0.008978	-0.034657	0.029528	-0.047296	0.044726	0.030831	0.021157	-0.033553	-0.028317	1.000000	
	0.4641	0.8951	0.6108	0.6646	0.4873	0.5112	0.6508	0.7561	0.6222	0.6776	-----	
LEV	-0.003996	-0.091245	0.123820	0.096574	0.071164	-0.044940	0.020215	-0.093552	0.147356	0.153504	-0.009907	1.000000
	0.9532	0.1795	0.0680	0.1553	0.2956	0.5092	0.7666	0.1687	0.0296	0.0234	0.8844	-----

***Source**: Researcher's compilation via Eview 10 (2023)*

Determining the Effect of Corporate Governance Mechanism on Internet Financial Reporting

The pool OLS displayed in Table 5 and it provides estimates to determine the effect of corporate governance mechanisms (board size, board independence, board diligence, board committee, audit committee, internal control activities) on internet financial reporting (IFR).

First, the pool OLS in Table 5 shows that board size has a significant positive effect on IFR, and this implies that for a percentage increase, board size improves IFR. The magnitude of the coefficient is 0.05, which indicates that if the board size increases by one percent, it will improve internet financial reporting disclosure by 5 percent. The result may be attributed to the value added by the board member, which influences the level of IFR. However, it is consistent with the expected sign and similar to the studies of Mustafa et al. (2018) that established a significant positive relationship between BS and IFR, but it did not agree with the Madhushika (2017) result, which found no significant relationship between board size and IFR.

Also, it shows the relationship between IFR and board diligence, which is measured by the number of times board meetings are held. The result shows that board diligence has a positive (0.03) effect and it is significant enough to induce IFR. In other words, if board diligence increases by one percent, it will improve internet financial reporting by 3 percent. This means that exercising due diligence incorporates the responsibility of the director to adhere to good governance standards, which will encourage IFR practices. Thus, firms with more diligent boards are more likely to provide Internet financial reporting disclosures. The outcome agrees with the expected sign and the study of Hezadeen et al. (2016).

Similarly, it reports the relationship between IFR and board independence, another measurement of corporate governance board composition. The result shows that board independence has a negative effect and it is not significant with IFR. This implies that the board independence as no effect on IFR. The result is not consistent with A priori expectations, and studies by Kelton and Yang (2008) and Mustafa et al. (2018) reported that firms with a higher percentage of independent directors likely engage more in IFR.

Furthermore, the result establishes the relationship between IFR and the board committee, which is measured by the proportion of the board committee established by the directors. The result revealed that the board committee has a negative and insignificant effect on IFR. In other words, board committee does not significantly have impact on internet financial reporting. The result disagrees with the expected sign and agree with the study of Again, it reports a positive relationship between audit committee size (0.07) and IFR. But shareholders in audit and non-executive directors in audit are negatively associated (-0.17, -0.08) with IFR meanwhile, both audit committee size and shareholders in audit are not significant enough to affect IFR practice, whereas only non-executives' director in the audit committee as a significant effect on Internet disclosure. This implies that an inclusion of non-executive directors in the audit committee increases the reliability and credibility of the information in the IFR disclosures. The result is consistent with Hezadeen et al. (2016) and Kelton (2008). The outcome of this result confirms credibility theory, which asserts that effective auditing increases the credibility of financial information reported by companies.

In addition, the effect of internal control activities on IFR is provided in the table. It indicates that only risk management has a significant positive effect on IFR practice. This suggests that a one percent increase in the monitoring activities will improve the IFR disclosure by 10 percent. The result means that compliance by the board with practice and regulation through internal control activities will induce the effect of IFR disclosure positively. The result can also be linked to credibility theory because the internal auditor reviews the process and procedures, identifies loopholes, and strengthens internal control, which induces the information provided for the stakeholders in internet financial reporting.

In the same vein, it shows that return on assets and leverage (-0.02. -0.02) has a negative effect on IFR practice but are not significant to affect IFR disclosure. This means that, companies with negative return on assists and a high-leveraged companies reduce IFR practices because they may not want to disclose that the assets of the company are tied to debt, while companies with lower leverage ratios will be encouraged to improve IFR practices on the website because it will attract investors and encourage the purchase of company shares. The result agrees with Ezart and El-Masry (2008).

According to the result, the coefficient of determination of the pool OLS shows that board size, board diligence, board committee, audit committee, internal control risk management, risk monitoring, return on assets, and leverage explain about 50 percent of the variation in IFR, and this suggests that the model is fitted well. The result of the f-statistic was significant enough, indicating the overall significance of the entire model at the 5 percent level.

Table 5: Pool Ordinary Least Square (OLS)

Exogenous Variable	**IFR**
BS	0.05***
	0.01
	[0.00]
BINP	0.03
	0.05
	[0.49]
BD	0.03**
	0.01
	[0.02]
BOC	0.02
	0.16
	[0.90]
ASZ	0.07
	0.069
	[0.29]
ASD	0.17
	0.13
	[0.19]
ANED	0.08*
	0.04
	[0.07]
RISK	0.10***
	0.02
	[0.00]
RM	0.01
	0.02
	[0.70]
Control Variable	
ROA	0.02
	0.02
	[0.41]
LEV	-0.02
	0.01
	[0.16]
Constant	0.53
	0.40
	[0.19]
Observations	220
R^2	0.50
Adj R^2	0.48
f-test	26.48**
P(f-test)	0.000

*Note: significant levels are *p<0.1, **p<0.05, ***p<0.01, parenthesis are (standard error), (p-value)*
***Source**: Researcher's compilation via Eview 10 (2023)*

Post Estimation

The robustness of the estimated model was checked through a normality test and a cross-dependence test. The diagnostic tests are reported in Table 6.

First, the result of the normality test using the Jarque-Bera statistic evidences that the residual is normally distributed at a 5 percent significant level and the model is not spurious. Second, the study corrected for cross-sectional dependence in the individual disturbance term, and the results of the Pesaran CD test suggest that there is no correctional dependence after generalized least squares (GLS) correction; this is necessary because unobserved factors common to all countries may affect the residuals at 5 percent significant level. The result implies that the estimated model lacks cross-dependence.

Table 6: Diagnostic tests

Normality test	
Jarque-Bera	14.03**
Cross-section Dependency test	
Pesaran CD	-1.06

*Note: significant levels *p<0.1, **p<0.05, ***p<0.01*
***Source**: Researcher's compilation via Eview 10 (2023)*

V. Conclusion

This finding shows that the model fits well. The result of the f-statistic was significant enough, indicating the overall significance of the entire model at the 5 percent level, which implies the effectiveness of CGM on IFR practice on the corporate website. Easy access to firm performance information on their website will attract investors and enhance the purchase of company shares. The outcome confirms credibility theory and is consistent with the study of Hezadeen et al. (2016), Mustafa et al. (2018), and Kelton and Yang (2008).

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