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A Qualitative Inquiry on the Determinants of Internet Financial Reporting in Uganda

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Abstract

Purpose – The purpose of this paper is to report the factors that may affect the adoption of internet financial reporting in developing countries.

Design/methodology/approach – The study used a cross sectional and narrative research design. Semi structured interviews were employed in the study to elicit responses from 35 Chief Finance Officers and Heads of Internal Audit Departments of various financial services firms.

Findings – This study finds that stakeholder pressures, financial firm specific characteristics and governance factors are the key factors that may affect the adoption of internet financial reporting in an emerging economy.

Originality/value – Internet financial reporting being an emerging phenomenon, there are few or even no qualitative studies that have examined which factors may affect the adoption of internet financial reporting in an emerging economy like Uganda. To the best of the authors' knowledge, this is the first paper that provides some insights into the determinants of internet financial reporting using interviews.

Keywords: Diffusion of Innovation theory, internet financial reporting, financial services firms, Uganda.

1. Introduction

There has been a number of surprise corporate collapses across the globe in the recent past in the financial services sector such as Washington Federal Bank for Savings and Guaranty Bank in the US, Regal Treasury Bank in South Africa among others. In Uganda, banks such as Crane Bank, Global Trust Bank and National Bank of Commerce have also collapsed. Whereas there are a number of reasons for the collapse of such financial services firms, their collapse came as a surprise and this is because of information asymmetry. The internal stakeholders like management and employees are knowledgeable of what is going on around firm operations but the external stakeholders are not aware of anything. One way to reduce information asymmetry is reporting about the financial performance of a firm to various stakeholders. Information is capable of reaching all sorts of stakeholders through the internet as it happens. The process of disseminating financial



performance information via the entity's website is referred to as internet financial reporting (Purba et al., 2013; Debreceny, 2002; Ashbaugh et al., 1999; FASB, 2000). Internet financial reporting (IFR) is associated with motives such as reducing the cost of disseminating information, providing timely information, enhancing the extent and type of information disclosed and improving access to potential investors (Dolinšek and Lutar-Skerbinjek, 2018; Mokhtar, 2017; Dolinšek et al., 2014; Momany et al., 2014; FASB, 2000).

World over, the usage of internet has increased with improvement of internet infrastructure for example in 2017, the number of internet users was about 4.1 billion, representing 54.4 percent of the world population and the growth rate of internet users from 2000 to 2015 was 1052 per cent (Internet World Stats, 2017). Internet usage in Africa is at 35.2 percent of the total population and for Uganda, the number of internet users is about 13 million representing 31.3 percent of Uganda's population (Internet World Stats, 2017). Internet usage in Uganda increased significantly from 9.6 percent in 2010 to 31.1 percent in 2016 (Internet World Stats, 2017). This rapid growth of internet adoption has attracted the attention of practitioners, regulatory bodies and policy makers to embrace internet usage in reporting. However, According to Belson (2016), Uganda and Ethiopia are some of those countries with the lowest internet connectivity and this implies that firms must invest more resources in internet infrastructure to be able to upload financial reports on a timely manner. In Uganda, the financial services firms are governed by different laws but the most popular financial services firms are commercial banks and insurance firms. There are 24 licensed commercial banks and 29 insurance firms (Bank of Uganda, 2017; IRA, 2017). The two categories of the popular financial services firms are each governed by a different law. Commercial banks are governed under the Financial Institutions Act of 2004 (amended in 2016 to pave way for Islamic and agency banking) and regulated by Bank of Uganda while insurance firms are governed under the insurance Act of 2017 and regulated by the Insurance Regulatory Authority. Section 50(1),(2) and (3) of the Uganda's Financial Institutions Act of 2004 requires every financial institution to publish its annual and quarterly financial statements in a newspaper circulating in the whole of Uganda and display such statements in its banking halls. Section 50(2) further requires that the unaudited half year financial statements be published in the banking hall of its offices and branches and it should be clearly stated that, the half year financial statements are not audited. Further, section 105(2) of the Insurance Act of 2017 requires every insurance firm to publish the auditor's report and the financial statements in a conspicuous place in its offices and branches and in a local newspaper of wide circulation within 4 months after the end of the financial year. Therefore, both commercial banks and insurance firms in Uganda are not mandated to disclose their financial performance and position on their websites.

The current debate is then why some firms have been reluctant to adopt IFR while others have been fast at adopting it. Existent studies suggest various explanations of internet reporting such as firm specific characteristics (Aly et al., 2010; Dolinšek et al., 2014; Mokhtar, 2017), board independence (Abdelsalam and El-Masry, 2008), corporate governance efficiency (Botti, Boubaker et al., 2014), Audit committee effectiveness (Bin-Ghanem and Ariff, 2016) and all the above studies have employed disclosure indices to ascertain the determinants of IFR. As there exists a myriad of studies on IFR, calls for further research are common with the most recent being Dolinšek and Lutar-Skerbinjek (2018) calling for a perception based study on the determinants of IFR. To the researchers' knowledge, no qualitative survey has been conducted to explore the determinants of IFR using evidence from Uganda's financial services firms. According to Dolinšek and Lutar-Skerbinjek (2018), studies that use disclosure indices do not incorporate users' opinions and position on the status of IFR. Further, Dolinšek and Lutar-Skerbinjek (2018) argue that disclosure indices may be used for those firms already using IFR and neglect firms that have not adopted IFR and this means

that, firms not yet using the internet to report on their financial performance may not learn the benefits of IFR. Therefore, this paper aims to report factors that may affect the adoption of IFR in Uganda. This aim is achieved by interviewing Chief Finance Officers and Heads of Internal Audit Departments of commercial banks and insurance firms. Results suggest that stakeholder pressures, financial firm specific characteristics and governance factors are the key factors that may affect the adoption of IFR in Uganda.

This paper makes several contributions. The study adds to the emerging body of literature on IFR by addressing the research gap that exists as to how an innovative reporting practice such as IFR is diffused at a societal level in a developing country by responding to a call made by Dolinšek and Lutar-Skerbinjek (2018) for a perception based study. The research results are also useful for policy formulation especially the regulators of financial services firms who may use these results for supervision and monitoring purposes. Society may benefit from this study in the event that IFR is made mandatory by the regulators of commercial banks and insurance firms given that presently, it is voluntary.

The rest of the paper is organized as follows. The next section presents literature review. In this section, the theory of diffusion of innovation is explored to inform our study and literature relating to adoption of IR in the world is deliberated upon in forming the research question. This section is then followed by methodology. The next section is results and this is followed by discussion of findings. The last sections of this paper include conclusion, research implications, research limitations and areas for future studies.

2. Literature review

Theoretical foundation

This study utilizes the theory of Diffusion of Innovation (DOI) in establishing which factors may affect the adoption of internet financial reporting. The theory of diffusion of innovation (DOI) asserts that innovation diffusion is a general process not bound by the type of innovation studied, by whom the adopters are, or by place or culture (Rogers, 2003). In the present study, IFR is seen as an innovation of providing financial information to a wide range of stakeholders in a simple and timelier fashion. Rogers (1995, p.5) defined diffusion as the process by which an innovation is communicated through various channels overtime among the members of a social system. The DOI theory is critical in accounting since it explains why firms may adopt a given accounting procedure while other firms may choose not to. According to Rogers (1995), for an innovation to take shape, there must be change agents. Rogers (1995) defines a change agent as “an individual who influences clients’ innovation decisions in a direction deemed desirable by a change agency” and for this reason, there are a number of individuals who are responsible for creating change in the financial services firms. DOI identifies managers or heads of institutions to spearhead an innovation among a social system. In the context of this study, the board, management and the audit committees who are a subcommittee of the board can be among the propagators of internet financial reporting. It should also be noted that, once an innovation is seen to be better than what has been existing, members of the social system will adopt it and if other members have also adopted it, then the new innovation will be successful (Rogers, 1983). Diffusion of innovation majorly focuses on physical technologies and managerial and or / accounting technologies (Gunaratne and Senaratne, 2017). Managerial technologies include those tools, devices and knowledge that mediate between inputs and out puts (Gunaratne and Senaratne (2017); Abrahamson, 1991). Thus, in this study, IFR is viewed as a managerial technology since it is a tool for ensuring financial performance information is disseminated to the various stakeholders in order to reduce information asymmetry. Like any

other technology, IFR goes through a cycle but its process involves the relocation diffusion (this focuses on how ideas enter an area without necessarily increasing the number of adopters) and the expansion diffusion (this focuses on how the total number of adopters grow gradually). In this study, the use of expansion diffusion is a more relevant type of diffusion process in explaining which factors may affect the adoption of IFR.

Why internet financial reporting was adopted in other jurisdictions

Internet financial reporting is a major focus for both academicians, practitioners and regulators because of its capability to disseminate information to a large audience and on time at a slightly lower cost. Internet financial reporting has been embraced by several firms across the globe and even in Uganda, some firms such as Stanbic Bank Uganda have embraced it though other firms have neglected it. Firm specific characteristics have been identified as determinants of internet financial reporting such as firm size (Dolinšek and Lutar-Skerbinjek, 2018; Dolinšek, et al., 2014; Abdelsalam and El-Masry, 2008). Dolinšek and Lutar-Skerbinjek (2018) while investigating voluntary disclosure of financial information on the internet by large companies in Slovenia found that firm size is significantly associated with IFR. Dolinšek, et al., (2014) had earlier found the same while investigating the determinants of IFR in Slovenia. Abdelsalam and El-Masry (2008) also found that firm size is a determinant of IFR among Irish listed firms. In investigating the determinants of corporate internet reporting in Egypt using evidence from non-financial listed firms, Ahmed et al. (2017) found company size to be a significant predictor of corporate internet reporting. Uyar (2011) also noted that firm size predicts IFR.

Leverage has also been identified as another determinant of IFR. Previous scholars suggest a positive and significant relationship between leverage and internet financial reporting (Ahmed et al., 2017; Aly et al., 2010; Samaha and Abdallah, 2012) while others document no association (Larrán and Giner, 2002; Oyelere et al. 2003). Firms that are highly leveraged are expected to disclose more information voluntarily via the internet than those that are low leveraged. In their comparative study, Samaha and Abdallah (2012) document that leverage is associated with IFR. Further, Aly et al. (2010) note that leverage is not a significant determinant of IFR. Also, Oyelere et al. (2003) in New Zealand found no significant association of leverage with IFR. Auditor type is also identified as another determinant of IFR. Boubaker et al. (2012) documented that large audit firms demand more disclosure than small and medium audit practices (SMPs). In their study of audit quality differences amongst audit firms in a developing economy, Kaawaase, Assad, Kitindi and Nkundabanyanga (2016) found that there are no significant differences between the Big 4 audit firms and small and medium practices (SMPs) though the Big 4 audit firms ensure that clients (auditees) are compliant with accounting standards, laws and other regulatory requirements than SMPs. Previous scholars have found a positive and significant association between auditor type and internet financial reporting (see Moktar, 2017; Ahmed et al., 2017; Kelton and Yang, 2008) though other scholars have found no association (Samaha and Abdallah, 2012).

Other firm specific characteristics identified as determinants of IFR include; profitability, foreign listing, industry type, liquidity, ownership concentration, legal form and firm age. For example, Aly et al. (2010) found that profitability, foreign listing and industrial type (communications and financial services) are the determinants of the amount and presentation formatting of information disclosed on Egyptian companies' web sites while firm size, leverage, liquidity and auditor size do not explain corporate internet reporting. Uyar (2011) notes that listed firms disclose more information than those not listed. Ahmed et al. (2017) also documents that profitability, foreign listing and industry type are significantly associated with corporate internet reporting. Firm age and profitability were found to be non-significant predictors of IFR (Dolinšek, et al., 2014). Uyar (2011) notes that industry and profitability are not significant predictors of corporate reporting

on the internet. In their study on internet risk disclosure, Khalil and Maghraby (2017) noted that there is a significant positive association between sector and corporate risk disclosure (CRD) on the internet.

Studies also document significant associations between corporate governance attributes and IFR for example, Bin-Ghanem and Ariff (2016), found that board of director effectiveness and audit committee effectiveness are positively and significantly associated with internet financial reporting and this finding was based on evidence obtained from the Gulf Cooperation Council Countries. Botti et al. (2014) found that boards of directors and their committees act as effective monitors of top executives, which improves the quality of the firm's disclosure policy through and this results into an increase in the level of IFR. Botti et al. (2014) further notes that, under an efficient board control, firms develop user-friendly and readily accessible web sites disclosing the information required by various stakeholders and concludes that inefficient boards in terms of composition, structure and functioning of the board lowers the entity's ability to report financial performance information on the internet. Ezat and El-Masry, (2008) further indicate that firms typically in the service sector that are large and have a high rate of liquidity, a high proportion of independent directors, a large number of board directors and a high free float disclose more timely information on their web sites.

Disclosure of financial statements on the internet is one of the means for providing accountability to a wide range of users. Bananuka et al. (2018) found that audit committee effectiveness and internal audit function are significant predictors of accountability in statutory corporations. Further, managerial competencies, internal controls and governing boards are determinants of accountability (Mukyala et al., 2017; Bakalikwira et al., 2017). According to Bananuka et al. (2017), internal auditors among other roles evaluate the effectiveness of internal controls and risk management processes which are vital in the adoption of internet financial reporting. In a study by Nyahas et al. (2017), isomorphic forces especially normative and coercive are positively associated with voluntary disclosure while organizational culture mediates the relationship between isomorphic forces and voluntary disclosure.

Barac (2004) argues that auditors are reluctant at expanding their responsibilities in regard to internet financial reporting and yet, Amin and Mohamed (2016) found that majority of auditors in Egypt agree that implementing continuous auditing can offset the challenges associated with the Internet financial reporting (IFR) environment. External auditing is thus another determinant of IFR especially when the external auditors are ready to audit information provided on the website or even if they demand or recommend financial statements and other online general financial information to be put on the entity's website. In their study on the adoption of integrated reporting, Bananuka, Tumwebaze and Orobia (Forth coming) document that firms are slow to adopt integrated reporting because of the scarce and minimal resources, culture and leadership, stakeholders demand, the regulatory requirement, the effect of globalization and the mindset, lack of awareness about IR and the nature of business and size. Nurunnabi (2017) found that low audit fees, a lack of qualified accountants, a lack of interest in IFRS by managers of some companies, a culture of secrecy, and a family-based private sector are factors that influence the implementation of International Financial Reporting Standards in Bangladesh. Since the results on the determinants of IFR as reported by previous scholars are mixed, it is hard to believe which factors are relevant for Uganda's financial services firms. One also wonders if the literature found determinants are the only ones responsible for IFR especially in developing countries like Uganda. It is thus a worthwhile endeavor to find appropriate answers to the following research question

RQ: Which factors may affect the adoption of internet financial reporting in Uganda?

3. Methodology *Research Design*

This study uses a cross sectional and narrative research design. The interviews were employed in this study primarily to gain an in-depth understanding of IFR. Interviews have been used before in accounting especially in the adoption of innovations (see Robertson and Samy, 2015; Gunaratne and Senaratne, 2017; Bananuka et al., Forthcoming). Narrative research design is a design of inquiry from humanities in which the researcher studies the lives of individuals and asks those individuals to provide stories about their lives (Creswell, 2014; Riessman, 2008). According to Creswell (2014), the information is then often retold or re-storied by the researcher into a narrative chronology. In the context of this study, stories from respondents regarding their perceptions on which factors may affect the adoption of internet financial reporting were recorded and handwritten by the researcher.

Selecting the respondents, data management and analysis

The study was informed by 35 respondents. The respondents were Chief Finance Officers and Heads of Internal Audit Departments. Chief Finance Officers and Heads of Internal Audit were selected for this study because of their expertise in financial reporting. The interviews lasted for between 45 minutes to 70 minutes. Interviews were conducted to ascertain which factors may affect the adoption of internet financial reporting in emerging economies. Interviews were recorded first through means of audio recording and manual writing of the responses in a note book so that in the event that the audio is corrupted or destroyed, a manual recording would be available and even then, for consistence purposes. The responses were then transcribed to obtain emerging themes through a methodology suggested by Miles and Huberman (1994). Qualitative data analysis involves three linked sub processes (Miles and Huberman, 1994) and these are data reduction, data display and drawing conclusions. Specifically, the stories that were told during interviews were written by the researchers and subsequently transcribed. The post-interview analysis of the transcripts encompassed a detailed search for underlying themes in the evidence collected. Following the initial transcripts studied, a comprehensive coding system was developed intuitively so as to facilitate the identification of issues and themes emerging from the transcript analysis (“open coding”), as outlined by Parker and Roffey (1997). Further, in line with Miles and Huberman (1994), matrices and templates summarizing the themes identified by each interview were developed in order to display the core issues that emerged from the coding process and this aided in identifying cross-case patterns in the data, with predominant ones becoming evident partially by mapping the relative incidence of different codes. Lastly, detailed field notes, memos, interview summaries and post-interview analyses were studied and analyzed together with the matrices and templates outlined above. Thereafter, a secondary analysis of the themes was conducted to come up with the key factors that may affect the adoption of internet financial reporting.

Validity and reliability

To ensure reliability and validity, our data were subjected to triangulation. In research, triangulation helps address the limitations of a given methodology by complementing its weaknesses with the strength of other methods (Brewer & Hunter, 1989). Denzin (1984) identified four forms of triangulation and these are; data source triangulation (retrieve data from a number of different sources to form one body of data), investigator triangulation (using multiple observers instead of a single observer in the form of gathering and interpreting data), theoretical triangulation (using more than one theoretical positions in interpreting data) and methodological triangulation (using more than one research method or data collection technique). This study employed data source triangulation to ensure accuracy, credibility and validity of the data. The authors obtained information from both the regulators and those being regulated. Those being regulated were the

accountants of commercial banks while the regulator of accountants in Uganda is the Institute of Certified Public Accountants of Uganda (ICPAU). Views from those being regulated were thus validated by views from the regulator. We obtained views from 35 respondents which were triangulated / validated by views from the regulators of accountancy in Uganda.

4. Results

This study was intended to find out the factors which may affect the adoption of internet financial reporting in emerging economies. Results in Table II indicate frequencies of major patterns arranged in descending order. In the analysis of results, we borrow from the quantitative reasoning that every factor above 50% is reliable for example Kaiser (1974) recommends accepting values greater than 0.5 as acceptable while Field (2009) argues that while carrying out factor analysis, a value close to 1 indicates that patterns of correlations are relatively compact. In the same line of argument, Nunnally (1967) recommended that an acceptable alpha is 0.5 to 0.6 while Nunnally (1978) increased the level of acceptance and considered that alpha should exceed the minimum of 0.7 for internal consistency. However, Nunnally and Bernstein (1994) suggest a rule of thumb level of higher than 0.7 with as low as 0.6 being an alpha accepted for a new scale. From table II analysis, we considered those factors whose frequencies of 21 and above (21 out of 35 equals 0.6) to be more significant in the adoption of internet financial reporting as compared to those with frequencies of 20 and below. In table III, we further conducted a secondary analysis which resulted into 5 factors that may affect the adoption of internet financial reporting. The analysis (see Table I, II and III), revealed the following factors:

i) *Stakeholder pressures:*

The stakeholders to internet financial reporting in Uganda's financial services firms were found to include majorly the clients, Capital Markets Authority, Bank of Uganda, Institute of Certified Public Accountants of Uganda and Insurance Regulatory Authority. Interviewees argued that once there is pressure to publish financial performance and position on the entity's website, they will be uploaded. Interviewees disclosed that currently, disclosing information on the internet is voluntary and financial services firms are only required to publish their annual and quarterly financial statements in the local print media with a wide circulation. From Table III, the stakeholders' pressures are categorized as below:

Question asked	Sample quotes from respondents	Emerging themes
<p>The concept of internet financial reporting is becoming popular across the world, do you have any knowledge about it? If yes, how do you understand it?</p>	<p>Yes, internet financial reporting is all about putting financial statements on the company's website (Respondent #1)</p> <p>Though not very certain about internet financial reporting, the concept is all about reporting financial performance and position on the entity's website (Respondent #7)</p> <p>Internet financial reporting is a channel through which financial information of an entity can be readily available to various users of such information for decision making purposes on the company's website (Respondent #34)</p>	<ul style="list-style-type: none"> • Uploading financial performance information on the entity's website • Uploading financial performance information and position on the entity's website • Uploading financial performance information on the entity's website to enable decision making
<p>Are you aware of any firms disseminating their financial performance information on their websites in Uganda? If yes, which are these? If few, why are they reluctant to embrace IFR?</p>	<p>Yes, [...] Stanbic Bank, Barclays Group, Jubilee Holdings among others.</p> <p>[...] It is a regulatory requirement to display our financial statements at the entrance of our firms for public viewing but not on the company's website. ... It is tricky especially when the firm has registered losses (Respondent #1).</p> <p>[...] the issue of resources. Firms with resources such as capital resources and human resources are at an advantage to use the internet while reporting (Respondent #10).</p> <p>[...] it is only a few employees in finance department and internal audit talking about internet financial reporting otherwise if for example the board, the board audit committee and management were in for internet financial reporting, then we would adopt internet financial reporting full blast (Respondent # 3).</p> <p>[...] banks are required to publish their financial statements in the print media one month after 31st March each year. Once it is made mandatory by the regulator to publish our financials on the internet or if management is in for it or if the audit committee or the board directs that such information be uploaded on the internet, the internal audit will follow up on that since internal audit is mostly for compliance issues. ...if there are any policies on internet financial reporting, internal audit will ensure that such policies are adhered to. Internal audit may also recommend a firm to adopt internet financial reporting if it sees it as best practice. You see, it is not about</p>	<ul style="list-style-type: none"> • Regulatory pressures • Profitability • Resources availability • Internal audit • Employee pressures • Board of directors' effectiveness • Audit committee effectiveness • Managerial attitude
	<p>the board being in position to pass a decision to adopt internet financial reporting but the board must be in position to perform its roles. ...if other firms in the same industry are also adopting internet financial reporting, then it may create pressure on the firm to adopt the same (Respondent # 17).</p> <p>[...] Some firms are slow at adopting internet financial reporting because it's not a regulatory requirement and that's why we do not upload on the internet for the Uganda branches. Culture is also important in the adoption of internet financial reporting. Some institutions are governed by their culture for example some firms are not about what others are saying or doing but rather the policy on information. ...the legal status of an entity has something to do with adoption of new innovations. The position of an entity in terms of size – there are issues with the parent companies (multinational firms) (Respondent #9).</p> <p>The major issue here is reluctance on the board of directors and management. ...if the board directs that financials be uploaded on the internet, they will be uploaded within a day. Management feels that it is not necessary to upload their financials since our market share is small. (Respondent #26).</p>	<ul style="list-style-type: none"> • Regulatory pressures • Audit committee effectiveness • Board of directors' effectiveness • Internal audit • Industry pressures • Board role performance • Regulatory pressures • Culture • Legal status • Firm size
<p>Are you aware of any firms disseminating their financial performance information on their websites in Uganda? If yes, which are these? If few, why are they reluctant to embrace IFR?</p>	<p>[...] but let the IRA bring a regulation to upload financials on the internet, then every insurance firm will upload. If a firm makes more profits, it could be an incentive to upload the financials on the internet but there is no benefit at all from such an initiative. Generally, there is a low market share and this makes it hard to upload financials since there are no many customers interested in the insurance information. The industry growth is also another important factor. The insurance penetration rate is below 1% per year and this is too low. However, if the board of directors woke up and said we want to see your financials on the internet, the next day, there will be financial information on the internet. Also, how old the firm has been in existence matters (Respondent # 34)</p>	<ul style="list-style-type: none"> • Board of directors effectiveness • Managerial attitude • Culture • Market share • Regulatory pressures • Profitability • Market share • Industry growth rate • Board of director's effectiveness • Firm age

Table I: Transcript
Analysis of
Interview
Responses

Question asked	Sample quotes from respondents	Emerging themes
<p>What internally drives you to adopt IFR?</p>	<p>[...] Performance in terms of profitability, liquidity and leverage. Also, the resources available especially human resources and structural resources (Respondent #1)</p> <p>[...] the need to market firms is also another reason for firms to adopt internet financial reporting but this is possible if the firm's performance in terms of profitability and liquidity is good. For confidence purposes, if I am audited by the big 4 and I know other firms are audited by small audit firms, then I will display my financials on the internet (Respondent #24)</p> <p>[...] the attitude of management, board of directors, the audit committees and the internal auditors (Respondent # 8)</p> <p>[...] the tone at the top. Management and board of directors are in support of internet financial reporting. ...the resources available for example the human and capital resources to have IT systems in place (Respondent #17).</p> <p>[...] managerial attitude towards publishing is very critical. If management supports adoption of internet financial reporting, then it will be adopted. Likewise, if the board is in for internet financial reporting, then it will be adopted. However, the board can only pass such strategic decisions and management will implement such decisions. ...if management's attitude is negative regarding internet usage in reporting, it will be hard to achieve it. ...the board can only do so if it is effective in terms of performing their roles and also if it is well constituted and organizes meetings. By the way, if external auditors recommend that firm's financial information be uploaded on the website, this will be the starting point (Respondent # 19)</p> <p>[...] we have a large market share. The internet is exposing this bank to the world. ...there are a number of teams that have enabled the success of internet financial reporting in this firm for example the audit committees, internal audit, and board of directors, management, human capital, and asset base. ...the legal status of a firm for example if all the investors are in Uganda or many are family members or its only one investor, then you can't put information on the website. ...if a company is registered as a private limited firm and not a public listed, possibly it has an impact on how to disclose performance (Respondent #7).</p>	<ul style="list-style-type: none"> • Profitability • Liquidity • Resources availability • Market share • Profitability • Liquidity • Auditor type • Managerial attitude • Board of directors' effectiveness • Audit committee effectiveness • Internal audit • Managerial attitude • Board of directors' effectiveness • Resources availability • Managerial attitude • Board of directors effectiveness • External audit • Board role performance • Market share • Audit committee effectiveness • Internal audit • Board of directors' effectiveness • Top management support • Resources availability • Legal status
<p>What externally drives you to adopt IFR?</p>	<p>[...] most importantly are if it became a regulatory requirement, then we would not want to be found outside. ...the influence of other firms has a great impact as well (Respondent # 8)</p> <p>Sometimes, clients can also demand for information (Respondent #23)</p> <p>...The external pressures or influences from peers have to be put in mind (Respondent #10).</p> <p>[...] the need to provide accountability and transparency to the various stakeholders especially the regulators and clients drives internet financial reporting (Respondent #35)</p> <p>Institute of Certified Public Accountants of Uganda is quiet about internet financial reporting. Likewise, the Insurance Regulatory Authority is also silent about internet financial reporting. It is in fact other players in the industry which are making us think about it (Respondent #10)</p> <p>[...] We are only copying what the group is doing and also what other players are doing. ... The clients also demand for such information. (Respondent #7).</p>	<ul style="list-style-type: none"> • Regulatory pressures • Industry pressures • Client related pressures • Industry pressures • Regulatory pressures • Client related pressures • Regulatory pressures • Industry pressures • Industry pressures • Client related pressures
<p>What kind of support do you receive from top management in respect to the dissemination of financial performance information on this firm's website</p>	<p>Management has not done enough to promote internet usage in reporting, otherwise, if it had done so, we would be reporting our performance on the internet (Respondent # 8).</p> <p>[...] management has consistently organized trainings in using IT in accounts. ...there is a team that checks our website regularly to be sure that the financials and other information are on the website (Respondent #7)</p>	<ul style="list-style-type: none"> • Top management support • Top management support

Emerging themes	Frequency	Emerging themes	Frequency
1. Regulatory pressures	33	12. Market share	14
2. Managerial attitude	32	13. Legal status	13
3. Client related pressures	32	14. Industry growth rate	10
4. Profitability	31	15. Top management support	10
5. Board of directors' effectiveness	28	16. External audit	7
6. Culture	24	17. Employee pressures	7
7. Audit committee effectiveness	23	18. Board role performance	5
8. Resources availability	21	19. Firm age	5
9. Industry pressures	21	20. Auditor type	3
10. Internal audit	17	21. Leverage	3
11. Liquidity	15		

Table II: Frequencies of the major patterns and trends

- a) Regulatory pressures. Respondents argued that the most viable way of ensuring all firms report their financial performance information on their websites is the respective regulators to require firms to report on the internet. From Table II results, 33 respondents out of 35 (about 94 percent) argue that regulatory pressures are critical for the adoption of IFR. Respondents further argue that whereas IFR is voluntary in Uganda, a mention by the regulators to adopt IFR would speed up its adoption.
- b) Client related pressures. Interviewees argued that if clients want information uploaded on the entity's website then it will be uploaded. From Table II results, out of the 35 respondents, 32 (about 91 percent) do mention that the pressure exerted by the client on the use of the entity's website to disclose its financial performance and position is significant in the adoption of IFR. Given that there are a number of commercial banks and insurance firms in Uganda fighting for the same niche, clients are very critical. Both insurance firms and commercial banks thus listen to clients demands.
- c) Industry pressures. 21 respondents out of 35 (about 60 percent) argue that industry pressures may lead to the adoption of IFR. Sometimes, firms in the same industry may publish their information on their website and this makes other firms to do the same. Respondents mentioned that there are firms such as Stanbic Bank, DFCU Bank, Bank of Baroda, Centenary Bank among others who have uploaded their financial performance and position information on their websites and this encourages other firms to do so. Respondents from firms that upload their financial performance information on their websites argued that other firms elsewhere were doing so and they opted to do so after investigating the benefits of adopting the innovation.
- d) Employee pressures. Only 7 respondents out of 35 argued that employee pressures can lead to the adoption of internet financial reporting. In certain situations, employees will demand that their firms cope up with other firms while in other situations, employees find it easier to market firm products if information regarding such products is readily available. Employees may thus exert pressure on management to adopt IFR.

One of the Chief Finance Officers had this to say;

*“... but if **clients** demand so, then we can disclose what they want us to disclose. Secondly, if it can be **a regulation**, then we can adhere to it but at the moment, there is no regulation on internet financial reporting but if customers demand that our detailed financial statements be put on the website, we will do so immediately but of now, what is on our website is a summary of financial statements and not the detailed financial statements”*

ii) **Financial firm specific characteristics**

Respondents indicated that the overall financial condition of a corporation or organization, commands a lot on whether the financial information should be broadcasted on the Internet or not. Interviewees indicated that profitability, liquidity and leverage are factors that may affect the adoption of IFR. Out of 35 respondents, 31 (about 88 percent) were confident that profitability is a motivator of firms to disclose their financial performance and position on its website. Interviewees indicated that if a firm makes profits, it is motivated to disclose it to its stakeholders unlike when it makes losses. Highly indebted firms may not wish to disclose that fact unlike those with good leverage. It was revealed that firms in good liquidity position will be motivated to disclose such information on the internet. If the quick and current ratios are good enough especially for banks, clients and other stakeholders will gain confidence in the bank. Below are the excerpt from one of the Chief Finance Officers.

“...Performance in terms of profitability, liquidity and leverage can determine whether to adopt or not to adopt internet financial reporting”

iii) **Governance factors**

A number of governance factors which are critical in the adoption of internet financial reporting were identified. These factors include: managerial attitude, board of directors' effectiveness, culture, audit committee effectiveness, resources availability, internal audit, external audit, top management support and board role performance. However, internal audit, top management support, external audit and board role performance have frequencies of 17 and below and thus considered less significant in the adoption of IFR (see Table II).

- a) Managerial attitude. Managerial attitude is one of the most significant factors (32 respondents out of 35) for the adoption of IFR (see Table II). If management has a positive attitude towards adoption of IFR, then it will be possible for its adoption but in a situation where management's attitude towards IFR is negative, then it impossible. If management is comfortable with traditional financial reporting, it is impossible for IFR adoption. The desire by management to communicate to the various stakeholders using any available means has a positive impact on IFR. This finding is further supported by the excerpt below;

“...If management thinks what it is doing as the best, then there will be no adoption if what it is doing is not related to internet financial reporting”

- b) Board of director's effectiveness. The board of directors have an upper hand in spearheading the adoption of a given innovation. Respondents suggest that if the board or even a single board member advocates for financial statements and other information to be uploaded on the internet, it will be done within a short time. Therefore, those firms that have not adopted IFR possibly have boards of directors

who are not mindful of using the internet to disseminate financial performance information. One of the Chief Finance Officers had this to say;

“...if the board of directors woke up and said we want to see your financials on the internet, the next day, there will be financial information on the internet”

- c) Culture. There is a culture of secrecy among Ugandans. People do not want to disclose information to third parties for fear of in-depth scrutiny of such information. Uganda is one of those countries in Africa where there is still a big problem of information asymmetry. Management and employees have a lot of information but external users of such information are not aware of it and possibly, that is why we see surprise corporate collapses. One of the Chief Finance Officers had this to say;

“...We have a culture of not disclosing so much since at times it is unnecessary. Disclosing details of a company's performance is risky because you do not know who will use that information. I agree that financial statements of bank is public information but where possible, it should remain a secret otherwise, you may be caught unawares”

- d) Audit committee effectiveness. Respondents argued that if the audit committee suggested that internet financial reporting be adopted, it would happen because the audit committee has the financial expertise and is knowledgeable in risk management. An audit committee of a firm is responsible to ensuring that the internal controls for the preparation and presentation of financial statements are in place and effective. This is further supported in the excerpt below;

“...there are a number of teams that have enabled the success of internet financial reporting in this firm for example the audit committees”

- e) Resources availability. Results further indicate that the availability of resources is a critical factor in the adoption of IFR. Resources such as human, structural and relational resources have an impact on reporting. Given that IFR is more into information technology (IT) and computer related resources, it is important that a firm has qualified personnel to handle the IT component. One of the Chief Finance Officers had this to say;

“... Firms with resources such as capital resources and human resources are at an advantage to use the internet while reporting. In this firm, we have the qualified human resources, the capital resources such as internet infrastructure though the internet is very slow but we can persevere”

- f) Internal audit function. The internal audit function is charged with compliance issues and can recommend best practice while performing their function of contributing to risk management. Results in Table I indicate that internal audit may contribute to the adoption of IFR because, if in their wisdom perceive IFR as best practice, then they will recommend its adoption. Further, if the audit or audit committees pass a regulation in respect to adoption of IFR, the internal auditors will ensure that such a policy is implemented. Internal audit function will thus ensure that all the controls in respect to uploading of financial statements and other financial information on the entity's website are effective. The Head of Internal Audit had this to say;

“...If there are any policies on internet financial reporting, internal audit will ensure that such policies are adhered to. Internal audit may also recommend a firm to adopt internet financial reporting if it sees it as best practice”

- g) External audit can also influence the adoption of IFR through making recommendations to the entity. If external auditors see it viable as a way of minimizing business risk, they can advise the board of directors and or management to upload their financial information on their website. External auditors may also require so for their benefit especially when it comes to understanding the entity and its environment during the process of audit planning and risk assessment. One of the Head of Internal Audit narrated as follows;

“...By the way, if external auditors recommend that firm’s financial information be uploaded on the website, this will be the starting point”

- h) Top management support. Respondents believe that if management is in support of IFR, then it will be able to provide all the necessary resources and support. The resources availability is key to achieving a new innovation. Management may support IFR by sponsoring or organizing training of employees, developing policies that support innovation and creating teams to monitor the exercise of IFR. The Chief Finance Officer of one bank that has its financial information on its website had this to say;

“...there is a group of personnel that were specifically employed to maintain the company website and management regularly monitors their activities”

The Chief Finance Officer of another company had this to say;

“...management makes sure that the license to maintain the website is valid all the time and it has provided enough manpower and trainings to ensure that the correct information is disseminated”

- i) Board role performance. Respondents argued that if the board can perform their roles especially the strategic planning roles, this could improve their capacity to form decisions on the adoption of internet financial reporting and through its control role, then such decisions could be implemented. The board must carefully perform their roles and incorporate the new innovations as long as such innovations are good for their firm and the various stakeholders. One Head of Internal Audit had this to say;

“...the board is expected to make strategic decisions for the benefit of the firm and ensure that these decisions are implemented. Board decisions can only be implemented if they have control over management for example, if they have an upper hand in the appointment and disappointment of the chief executive officer”

iv) ***Non-financial firm specific characteristics***

Legal status, firm size, age and auditor type are firm specific factors that may affect the adoption of IFR. The interviewees further state that firms registered as family business may not disclose much like those firms that are public limited companies. Large sized firms especially those with a number of branches may be motivated to disclose because of its wider coverage as compared to small firms. How long the firm has been in existence determines whether to disclose information on the internet or not. Firms that have been in existence say for 10 years, have established systems and other resources that are sufficient enough to facilitate internet financial reporting. Chief finance officers and heads of internal audit also narrate that the firm that is audited by the big 4 audit firms may be motivated to disclose its financial performance and position on its website as compared to those firms audited by the SMPs. Below are the excerpts from the various Chief Finance Officers and Heads of Internal Audit Departments.

“...the legal status of an entity has something to do with adoption of new innovations. The position of an entity in terms of size – there are issues with the parent companies (multinational firms) but if the parent company has shared, then there is no need for the subsidiary to also disclose unless the subsidiary is also listed in that country”

“...Multinational firms may not behave like merely national firms. So, the policies of the mother organisations and may be the funding agencies have an impact on which media to use to disclose performance of an entity”

Market share. Companies with a large market share have a diversity of clients across the globe and may not have access to the local print media. However, if a firm has fewer clients, then IFR may not be necessary. By having a large market share means that clients want information for different purposes and they exert pressure on the entity in different ways. One of the Chief Finance Officers had this to say;

“...to us, the internet is a powerful tool through which we communicate. The internet provides information to our customers. Our customers are not only in Uganda but outside Uganda. We have a large market share”

v) ***Industry growth rate.***

Respondents argued that the rate at which the industry is growing determines how much information to be disclosed. Respondents further argue that if the industry is growing faster, then there is a motivation for one to provide all the necessary information since there will be competition for clients and there will be many stakeholders. The firms in the industry would then each want to remain on top of others. Below is a comment from one of the Chief Finance Officers of an insurance firm;

“...The insurance penetration rate is below 1% per year and this is too low. If you compare 2016 and 2017, there is a small growth in the insurance sector. Insurance firms are surviving on the same pool year after year. If the insurance industry was growing at a faster rate, all such initiatives would be welcome but the industry growth is too slow. You see, if the industry is growing at a faster rate, then there could be some pressures being mounted on the insurance firms to disclose more information”

1. Stakeholder Pressures	2. Financial firm specific characteristics	3. Governance factors	4. Non-financial firm specific characteristics	5. Industry growth rate
Regulatory pressures	Profitability	Managerial attitude	Market share	
Client related pressures	Liquidity	Board of directors' effectiveness	Legal status	
Industry pressures	Leverage	Culture	Firm age	
Employee pressures		Audit committee effectiveness	Auditor type	
		Resources availability		
		Internal audit		
		External audit		
		Top management support		
		Board role performance		

Internet Financial Reporting

Table III: Summary of Key Factors influencing the adoption of Internet financial reporting

Discussion

Based on this study results, it is now clear that the key factors that may affect the adoption of IFR in Uganda are as follows:

- Stakeholder pressures especially the regulatory pressures, client related pressures, industry pressures and employee pressures. However, Employee pressures is a weak determinant of internet financial reporting
- Financial firm specific characteristics such as profitability and liquidity. The overall financial condition of a firm tells a story of whether the firm can be motivated to disclose its financial performance and position on its website or not although the liquidity position of firm is less significant in the adoption of IFR as compared to profitability.
- Governance factors such as managerial attitude, board of directors' effectiveness, culture, audit committee effectiveness and resources availability are critical for the adoption of internet financial reporting. However, internal audit function, top management support and board role performance are weak determinants of the adoption of IFR.

Other factors which may affect the adoption of internet financial reporting are:

- Non-financial firm specific characteristics such as firm age, legal status, firm size and auditor type.
- The industry growth rate

The present study results are consistent with the previous study results for example, Botti et al. (2014) found that boards of directors and their committees act as effective monitors of top executives, which improves the quality of the firm's disclosure policy through and this results into an increase in the level of IFR. Botti et al. (2014) further notes that, under an efficient board

control, firms develop user-friendly and readily accessible web sites disclosing the information required by various stakeholders and concludes that inefficient boards in terms of composition, structure and functioning of the board lowers the entity's ability to report financial performance information on the internet. Also, Bananuka et al. (Forth coming) document that firms are slow to adopt integrated reporting because of the scarce and minimal resources, culture and leadership, stakeholders demand, the regulatory requirement, the nature of business and size. Further, Nyahas et al. (2017) documented that isomorphic forces especially normative and coercive are positively associated with voluntary disclosure while organizational culture mediates the relationship between isomorphic forces and voluntary disclosure. Dolinšek and Lutar-Skerbinjek (2018) found that company size, company profitability, age, legal form and industry sector to be significantly associated with voluntary disclosure. The study findings are also consistent with the DOI theory which is to the effect that for an innovation to be successful, there must be change agents. In the absence of change agents, then no new innovations may be adopted with an organization.

The regulator of accountants in Uganda, the Institute of Certified Public Accountants of Uganda (ICPAU) has not done a lot in the adoption of IFR. The ICPAU has neither published any materials to encourage the adoption of IFR but has only encouraged firms participating in the Financial Reporting Awards (FiRe) to disseminate their financial performance information using available means and not restricting themselves only on the print media. The ICPAU has not in any way included in their syllabus or examination for their students undertaking professional courses and neither has it organized any seminar or workshop on the usage of internet in disclosure of financial information. One of the managers at ICPAU had this to say;

"...As an institute, we have embraced internet financial reporting through the FiRe awards although we have not yet included it in our syllabus and no article has been published in our 'Today's Accountant magazine'"

The regulator of accountants in Uganda (ICPAU) further acknowledges the fact that Ugandans have a culture of not disclosing enough and that the size of the entity, the legal status, stakeholder pressures and the speed of internet connectivity and availability have a great impact towards the adoption of IFR. A manager at ICPAU further narrates as follows;

"...In Uganda, financial reports are secretive. As ICPAU, we are trying to break that culture by organizing FiRe awards. We started with only 37 firms in the FiRe awards but as we speak now, we have 97 entrants in 2018. The size of the entity determines the need for further disclosures. The legal status of the entity determines who to disclose say listed firms. However, if possible, we can have all firm reporting both their financial and non-financial information on their websites but this can be possible only if there is improvement in the existing internet infrastructure. There is no internet availability. If internet is available and accessible with the necessary speed, then we can promote internet usage"

In the presence of the efforts made by the ICPAU, there is need for further effort in encouraging the adoption of IFR. Given that there are some companies in Uganda that are not interested or even aware of IFR, there is need for regulatory bodies to make it a mandatory requirement for all firms registered under the companies Act of 2012.

6. Conclusion and implications

With respect to factors that may affect the adoption of internet financial reporting in Uganda, stakeholder pressures such regulatory pressures, client related pressures and industry pressures play a major role in the adoption of internet financial reporting. Also, governance factors such managerial attitude, board of directors' effectiveness, culture, audit committee effectiveness and resources availability are equally important in the adoption of internet financial reporting. There are also financial firm specific factors such as profitability which is a key motivator in the adoption of internet reporting. The non-financial firm specific characteristics and industry growth rate were perceived as less significant in the adoption of internet financial reporting. In Uganda, those firms that have so far adopted internet reporting are mostly the listed firms and this may be because of their audience as compared to non-listed firms.

This paper enlists several implications. On the academic side, this study provides further insights into IFR and adds to the existing knowledge on how IFR is being dispersed among firms in developing countries by responding to a call made by Dolinšek and Lutar-Skerbinjek (2018) on further studies on voluntary disclosure using a perception based study. The study further provides more insights on the innovation literature in the field of accounting using DOI. On a policy stance, the regulators can now use this study's findings to influence the various stakeholders to speed up the process of making IFR mandatory especially through amending the Financial Institutions Act of 2004 and the Insurance Act of 2017 to pave way for disclosure of financial performance information on their websites. Policy makers such as government through their process of developing laws, may come up with a law that requires all firms especially those that are publicly interested (listed firms, financial institutions and government entities) to upload their financial statements and other financial information on their websites. In the same spirit, management and those charged with governance of financial institutions that have not yet embraced the use of internet in reporting their performance may have to think about it given that it is the cheapest way of communicating to a large audience in a timelier fashion. Uploading financial performance information and any other information can be a tool for marketing a firm. As most if not all firms already operate a website, it would be a worthwhile endeavor for a firm to upload its financial performance information and other information on its website.

Nevertheless, results of this study may be treated with caution. Whereas we interviewed a good number of managers, these managers were selected from financial services firms in Uganda. There is need for similar studies in other sectors and other national settings. This study was purely qualitative and future studies may wish to test for example the mediation and moderation effects of some factors using either a quantitative approach or a mixed method design in the prediction of adoption of internet financial reporting. However, these results are useful and may be understood also in the context of other developing countries.

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