

## Determinants of Internet Financial Communication: Evidence from AIM Italia

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This study aims to highlight the determinants of Internet financial communication for the 39 firms quoted on Alternative Investment Market (AIM) Italia. The Internet has become a main channel of communication. It provides a useful communication tool for corporate organizations. One of the main benefits of Internet reporting is the potentially large savings in financial disclosure costs (Oyelere and Mohamed, *Global Journal of Business Research*, 2007). For small- and medium-sized firms (SMEs), the Internet can be a vector of communication similar to large firms without having a marketing and communication department with many resources (human and capital). Several papers have highlighted variables that have an impact on Internet financial communication such as performance, size, sector, and capital dispersion (Martson, *Corporate Communications*, 2003; Xiao, Yang and Chow, *Journal of Accounting and Public Policy*, 2004; Debreceny and Rahman, *International Journal of Accounting*, 2005; Bollen, Hassink and Bozic, *International Journal of Accounting Information Systems*, 2006).

Our study concerns all 39 firms quoted on AIM Italia on 3 March 2014. This unregulated market created in March 2012 is devoted to SMEs. Thanks to the more flexible listing procedure through AIM Italia, Italian SMEs have an efficient means to reach investors focused on small caps and raise capital. This market provides an

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opportunity to raise capital and offers a simplified process and reduced admission criteria. For example, there is no capitalization minimum and a 10 % free float is sufficient. In Europe, there are other markets dedicated to SMEs, for example, Alternext Paris (created in 2005) and Alternext Brussels (created in 2006) which are part of the Euronext.

To highlight the determinants of Internet financial communication level, first we use an analysis grid of websites to evaluate the level of Internet financial communication. For each item in the grid (annual report, stock price, dividend, shareholder structure, etc.) available on the firm's website, we assign one point. We derive an Internet financial communication score for each firm. Second, we use linear regression to discover the determinants of Internet financial communication level. In our econometric model, the score is the dependent variable and the explanatory variables are derived from the literature.

Our results show that firm size, defined as market capitalization, has a positive effect on the financial communication score and is statistically significant at  $p < 0.01$ . This means that bigger firms have a higher level of Internet financial communication, as established by many other studies (Craven and Martson, *European Accounting Review*, 1999; Asbaugh, Johnstone and Warfield, *Accounting horizons*, 1999; Ho and Wong, *Journal of International Accounting, Auditing and Taxation*, 2001; Larran and Giner, *The International Journal of Digital Accounting Research*, 2002; Debreceny, Gray and Rahman, *Journal of Accounting and Public Policy*, 2002; Ettredge, Richardson and Scholz, *Journal of Accounting and Public Policy*, 2002; Oyelere, Laswad and Fisher, *Journal of International Financial Management and Accounting*, 2003; Rodriguez and Menezes, *RAE Electronica*, 2003; Bollen, Hassink and Bozic, *International Journal of Accounting Information Systems*, 2006).

We find that membership in the information technology (IT) sector has a significant ( $p < 0.01$ ) positive impact on the score. The coefficient of this variable appears to be statistically significant at  $p < 0.01$ . So a company in the IT sector will tend to communicate more financial information on the Internet than others. Performance of the firm, measured by return on assets (ROA) and return on equity (ROE), have a negative effect on the Internet financial communication level. This means that firms with higher levels of performance have lower levels of Internet financial communication. Debt and capital dispersion are non-significant variables.

The same results were found when we studied SMEs quoted on unregulated markets of Brussels and Paris. We also find a positive effect of size (Pozniak and Croquet, *Journal of Small Business and Entrepreneurship*, 2011; Pozniak, *International Journal of Business and Finance Research*, 2013), a positive effect of IT sector (Pozniak, *Accounting and Taxation*, 2010; Pozniak, *International Journal of Business and Finance Research*, 2013) and a negative effect of performance (Pozniak, *Accounting and Taxation*, 2010).

All research suffers from some limitations. Our study focused on all firms quoted on AIM Italia but there are only 39 firms. We could extend our study to AIM London and add to each firm quoted in Italy a twin, matched on size and sector, as quoted in London. This peering technique has been used previously (Caby, *Ph.D. Thesis*, 1994; Thietart, *Methodes de recherche en management*, 2nd edition, 2003; Bughin and Colot, *Revue française de gestion*, 2008; Pozniak and Croquet, *Journal of Small Business and Entrepreneurship*, 2011; Pozniak, *International Journal of Business and Finance Research*, 2013).

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