

Analysis of Challenges, Innovations and Utilities in the Adoption of XBRL in Indian Corporate Reporting

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ABSTRACT

The forces of globalisation have narrowed the gap between countries for business activities. Economic barriers between different economies are dismantling and economies are integrating with themselves. The stakeholders of those companies which operate in many foreign countries require uniform corporate reports for uniform information. But each country has its own country specific practices of accounting and reporting. To harmonize the accounting and reporting practices between different countries of the world various attempts have been made by the international bodies like IASB and XBRL International. XBRL is the internet based computer language for the electronic communication of business and financial data started in 1998. XBRL streamlines the processes for collection and reporting of financial information. Users of financial data can get, search, compare and analyse financial information with much more speed and efficiency. The present study attempts to explore various insights into different aspects in adopting XBRL for Indian corporate reporting, primarily focusing upon three vital aspects i.e. challenges, utilities and innovations. The study uses primary data collected through a questionnaire consisting of 29 items from 150 respondents. The study concludes that XBRL is a useful system of corporate reporting in transforming country specific corporate reporting into global reporting but also faces challenges in its way in Indian corporate reporting practices like the literacy, skills, technology etc. Unless these challenges and barriers are removed, the benefits of better corporate reporting through XBRL cannot be capitalized.

1. Introduction

The forces of globalisation have narrowed the gap between countries for business activities. Therefore, economic barriers between different economies are dismantling hence, economies are integrating with themselves. The stakeholders of those companies operating in many foreign countries would like to have uniform corporate reports for uniform information. But each country has its own set of accounting standards for which reconciliation of financial statements may become necessary. To harmonise the accounting and reporting practices between different countries of the world, the International Accounting Standards Board (IASB) came forward with a set of International Financial Reporting Standards (IFRS). Standardizing accounting standards the world over alone would not be able to find the solution towards uniform accounting information at the global level unless and until the manner and methods with which corporate reports are prepared are also standardized.

Extensible Business Reporting Language (XBRL)

XBRL is the internet-based computer language for the electronic communication of business and financial data consisting of various set of standards, called taxonomies, which are built using the Extensible Market Language (EML). XBRL International is a not-for-profit consortium of over 600 companies and organizations which is promoting its worldwide use, started in 1998. The XBRL International has produced large number of specifications and taxonomies. In India XBRL India is the Indian Jurisdiction of XBRL International. XBRL India is a company registered under Section 8 of the

Companies Act, 2013 with the main objective is to promote and encourage the adoption of XBRL.

XBRL provides variety of benefits i.e. it provides an identifying and unique tag for each individual item of data rather than treating financial information as a block of text as is found in case of a standard internet page. These unique tags enable automated processing of business information by computer software. XBRL cuts laborious and costly processes of manual re-entry and manual comparison. Data generated by XBRL system can easily be recognized by computers. Further selection, analysis, storing, exchange of data with other computers is also possible. XBRL also enables presentation of data and reports in a variety of ways for users. XBRL also increases the speed of handling of financial data. XBRL reduces the chances of error. XBRL also enables automatic checking of information. Hence, XBRL streamlines the processes for collection and reporting of financial information.

2. Research Design and Methodology

Objective

To analyze challenges, innovation and utilities in XBRL enabled corporate reporting in India.

Nature of Data

The study is primarily based upon the opinions of the selected respondents who have been selected randomly from different parts of the country. Hence, the study uses only primary data generated from the opinions of 150 respondents. The opinions of selected respondents were based upon the 29

items included in the questionnaire which was divided into 3 parts namely challenges, innovations and utilities. These opinions were obtained on a seven (7) point scale ranging from strongly agree (7), agree (6), moderately agree (5), neither agreed nor disagree (4), moderately disagree (3), disagree (2) to strongly disagree (1).

Sample Size

The sample of the present study includes 150 respondents including 50 academicians, 50 share brokers/consultants/chartered accountants and 50 company executives. The respondents were selected from different parts of the country for better representation with the help of convenient sampling.

Statistical Techniques Used

Keeping in mind the requirements of the study various appropriate statistical techniques were used. Careful investigation suggested two statistical techniques to apply i.e. weighted average score and factor analysis.

Weighted Average Score (WAS)

Another useful technique of data analysis is Weighted Average Score (WAS). It is a technique which describes the most important factors on the basis of weighted average scores for different items. In this regard the opinions of the respondents of questionnaire were calculated for each item according to their weights. For better analysis the responses with regards to Weighted Average Score (WAS) are required to be categorized in different categories. So the category with the highest scores is considered to be the most important category

and the category with the lowest scores is considered to be the least important category.

Factor Analysis

The factor analysis is a data reduction technique that reduces the number of variables to different constructs. It is a technique of extracting the significant factors affecting a particular situation. For the purpose of the requirements of the study, the exploratory factor analysis was applied. But it was important to see whether all the assumptions of factor analysis are met or not before using this technique. Therefore, for the purpose of extracting significant factors, the first attempt was to reduce the variables to significant constructs with common scores to give them a meaningful interpretation.

3. Analysis

Weighted Average Score Analysis

For the purpose of analysis of opinions of the respondents, Weighted Average Score (WAS) was calculated for each item. The responses have been categorized into four categories for better analysis namely:

- a) Highest preferred (having 6 or more than 6 WAS)
- b) Moderate preferred (having more than 5 but less than 6 WAS)
- c) Average preferred (having more than 4 but less than 5 WAS)
- d) Least preferred (having less than 4 WAS)

Table 1: Weighted Average Scores for Challenges, Innovations and Utilities of XBRL Based Corporate Disclosure in India

Sr.	Factor	SA (7)	A (6)	MA (5)	NAND (4)	MD (3)	D (2)	SD (1)	WAS
	Highly Preferred								
1	Literacy	105	35	10	0	0	0	0	6.63
2	Skills	87	47	16	0	0	0	0	6.47
3	Company	94	34	18	0	4	0	0	6.43
4	Investors	81	54	10	0	5	0	0	6.37
5	Training	70	66	12	0	2	0	0	6.35
6	Qualitative Information	87	25	29	0	9	0	0	6.21
7	Technology	85	30	25	2	6	2	0	6.2
8	Infrastructure	67	47	35	1	0	0	0	6.2
9	Regulatory Barriers	67	46	26	0	10	1	0	6.05
10	Presentation	71	45	17	3	14	0	0	6.04
11	Technology	65	42	30	7	6	0	0	6.02
12	Professional	64	54	15	6	10	1	0	6.02
	Moderately Preferred								
13	Form/Types	65	45	17	5	18	0	0	5.89
14	Auditors	69	37	24	3	10	7	0	5.87
15	Methods	54	46	29	7	14	0	0	5.79
16	Consultants	64	45	15	1	22	3	0	5.79
17	Regulatory	43	47	41	3	16	0	0	5.65

18	Research	54	45	22	0	21	8	0	5.58
19	Contents	35	37	42	27	8	1	0	5.41
20	Time	27	49	47	8	19	0	0	5.38
21	Company/Management Problems	42	23	22	63	0	0	0	5.29
22	Manner	55	22	33	1	21	4	8	5.1
23	Values	37	42	28	9	12	17	5	5.08
	Average Preferred								
24	International Factors	12	43	35	49	11	0	0	4.97
25	Cost	15	39	25	47	20	4	0	4.8
26	Political Factors	12	10	27	87	14	0	0	4.46
27	Legal Restrictions	8	22	24	65	21	10	0	4.34
	Least Preferred								
28	End Results	22	22	4	25	21	19	37	3.63
29	Academic	8	18	12	16	45	39	12	3.42

Table 1 shows the results of weighted average score analysis with regards to challenges, innovations and utilities for XBRL based corporate reporting in India. It can be seen from the Table 1 that as per the Weighted Average Scores (WAS) out of 29 items, 12 were highly preferred, 11 were moderately preferred, 4 were averagely preferred and 2 items were least preferred by the respondents of questionnaire.

It can be seen from the Table 1 that items like literacy, skills, company, qualitative information; regulatory barriers, technology etc. have been highly preferred by the respondents with more than 6 weighted average score. Items like

forms/types, auditors, methods; consultants etc. are moderately preferred items. Other items like International factors, costs, legal restrictions, and results were either averagely or least preferred by the respondents.

Hence, it reflects that literacy and skills are the most important challenges in adoption of XBRL based corporate reporting in India. Forms/types and methods are the most important innovations of XBRL in Indian corporate reporting. Lastly, professional uses are the most important utilities of XBRL based corporate reporting in India.

Table 2: Factor Analysis Results for Challenges, Innovations and Utilities of XBRL Based Corporate Disclosure in India

Rotated Component Matrix ^a		Component			Communalities
Factors Name		1	2	3	
Challenges	Technology	.838			.773
	Skills	.748			.592
	Literacy	.695			.437
	Qualitative Information	.539			.629
	Regulatory Barriers	.527			.683
	International Factors	.496			.729
Innovation	Technology		.729		.462
	Contents		.704		.682
	Presentation		.639		.559
	Manner		.571		.462
Scope/Utilities	Regulatory			.810	.793
	Professional			.739	.730
	Auditors			.666	.458
	Company			.502	.603
	Research			.463	.638
Eigen Values		4.924	2.857	1.447	
Percentage of Cumulative Variance		36.592	57.483	72.576	

Keeping in mind the requirements of factor analysis and number of items under different questions of questionnaire, few questions with their items have been merged. Table 2 shows the combined results of factor analysis applied with

regards to challenges, innovations and utilities of XBRL based corporate reporting in India.

Table 2 shows that the first factor emerges as challenges (for the first part of the questionnaire) that have

been found as the most significant factor with eigen value 4.924 explaining the variance of 36.592 showing the superiority of XBRL reporting over non-XBRL reporting in India. The respondents have given highest weightage to technology (0.838) followed by skills (0.748) followed by literacy (0.695) followed by qualitative information (0.539) followed by a regulatory barriers (0.527) and International factors (0.496).

The second factor emerges as innovations (for the second part of the questionnaire) that have been found as the second most significant factor with eigen value 2.857 explaining the variance of 57.483 showing the superiority of XBRL reporting over non-XBRL reporting in India. The respondents have given highest weightage to technology (0.729) followed by contents (0.704) followed by presentation (0.639) and manner (0.571).

The third factor emerges as scope (for the third part of the questionnaire) that has been found as the third most significant factor with eigen value 1.447 explaining the variance of 72.576 showing the superiority of XBRL reporting over non-XBRL reporting in India. The respondents have given highest weightage to a regulatory (0.810) followed by professional (0.739) followed by auditors (0.666) followed by company (0.502) and research (0.463).

The combined results of the weighted average score and factor analysis shows that the most important challenges in adoption of XBRL based corporate reporting in India are technology, skills, literacy and regulatory barriers. The most important utility factor is qualitative information. The most important innovations factor is international factor.

4. Conclusion

On the basis of results and analysis it is seen that despite having various utilities for regulators and professionals; and despite having better presentation with regards to manner and method, there are plenty of challenges in the way of adopting XBRL in Indian corporate reporting practices like literacy, skills etc. Unless all these challenges are removed or controlled to a significant extent the benefits of better corporate reporting through XBRL cannot be capitalised. So, the study concludes that XBRL is a useful system of corporate reporting that will transform country specific corporate reporting into the global reporting. In India various regulators, professional bodies and governmental agencies must collectively work hard in this direction.

5. Suggestions to Improve the Adopting of XBRL in India Corporate Reporting

The study suggests the following suggestions to improve the adoption of XBRL in Indian corporate reporting:

➤ Regulatory Simplifications

In India, there are various regulators with different regulations regulating corporate reporting. Multiplicity and complicated regulatory requirements act as hurdles in the way of XBRL based corporate disclosure of India. Hence, to achieve the benefits of XBRL, the regulatory requirements should be made simple.

➤ Technology

Technology is the backbone of XBRL based corporate reporting. The success of XBRL based corporate reporting can be achieved only if technology is also up to the requirements of XBRL needs. The state of technology in India also acts as a hurdle in this regard. Technological strengths must be improved to make XBRL based corporate reporting is success.

➤ Educational Reforms

The Indian education system is yet to incorporate XBRL in its curriculum. XBRL is not a part of formal education in India. But if we look at the relevance and need of XBRL in different spheres of life then it needs for urgent reforms in education system. Such changes would definitely open new horizons into the understanding of XBRL concepts.

➤ Non-Financial or Descriptive Disclosures

XBRL based corporate reporting basically covers only financial information. Various non-financial/descriptive items like management discussion and analysis, director's report, corporate governance report, highlights, snapshots, achievements, products etc. also carry importance in corporate reporting. Therefore, XBRL taxonomies must be developed in a way to take care of these requirements too.

➤ Training

XBRL is a new and contemporary area. Therefore, training is needed for practitioners/preparers of XBRL based corporate reports. The Institute of Chartered Accountants of India (ICAI) has started few courses for professionals and students. But the coverage of such courses is very narrow. Other regulatory bodies must also start training programs to train professionals like chartered accountants, company auditors, company secretaries, cost auditors etc.

➤ Extended Use of XBRL

As of now XBRL is used only in corporate annual reporting in India. But it has ample of opportunities to be applied in diversified other areas like banking, civil authorities, tax authorities, government departments etc. Hence, it becomes important to extend the use of XBRL in different other sectors apart from its use in corporate reporting.

➤ Awareness Programs

It is a human behaviour that whenever a new system emerges there are resistances. These oppositions are mainly due to lack of awareness. Hence, various institutions and bodies of the government must also start awareness programs so as to spread awareness about the uses and utilities of XBRL.

➤ XBRL Research

XBRL is a contemporary area in corporate reporting. As of now the use of XBRL is limited only up to few areas like corporate reporting. But the scope of XBRL very wide and can be extensively used in diversified areas. So, more research in the area and other areas is required to explore new insights into it.

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