CHAPTER 2

REVIEW OF LITERATURE
Several studies have been undertaken in the past to understand the reporting practices of companies and also understand if any relationship exists between company performance and their corporate reporting practices. The current chapter is dedicated towards presentation of the review of relevant literature in the given context that was referred by the researcher towards development of this thesis.

Though a numerous studies have been conducted in various aspects related to the corporate reporting, organizational performance, determination of market price of the shares, perception of various stakeholders, but only those that were relevant to the context and conceptualization of this study have been included under this chapter.

Likewise, the chapter has been dissected under various sections containing review of literature pertaining to corporate reporting and financial disclosures, corporate reporting and non-financial disclosures, corporate reporting and voluntary disclosures, corporate reporting and market price of the shares, and corporate reporting and perception of various stakeholders.

2.1 Corporate Reporting and Financial Disclosures

Aggarwal (2013) reviewed literature about environmental sustainability and its effect on the financial performance of companies. The research analyzed the relationship between environmental responsibility and performance with the help of previous research studies. The results of various empirical researches conducted in past years were mixed, ranging from positive, to negative or statistically insignificant relationship. These results depend upon the environmental disclosure parameters and financial performance parameters selected. The study analyzed in detail the articles, sample taken for the study, time-period and control variables. The author found majority of studies indicate positive relationship. Through this research two thoughts came up – one was cost-concerned approach and second was value-creation approach. She reviewed 18 studies out of which 8 showed positive relationship, 3 showed negative relationship, 5 had mixed results and 2 treated environmental disclosure as a dependent variable.

Mishra and Suar (2010) conducted a survey to find out if corporate social responsibility influences firm performance of Indian companies. The sample
companies were bifurcated on the basis of their listing status. They utilized a questionnaire survey methodology and contacted CEO of companies and prepared a questionnaire based on six different types of corporate social responsibility namely-employee, customer, investor, community, environment and supplier. Questions were mainly about policies, strategies, processes, preferences, code of conduct and various mechanisms for corporate social responsibility. Total variables studied were 61. The variables selected to judge performance were – sales growth rate, operating profits, return on investment market share etc. correlation and regression were used to analyze the data and the results showed that listed companies displayed a higher social responsibility than unlisted companies, but did not affect financial performance of the companies. Also, size and type of ownership did not affect the financial performance of the sample companies.

Kohli (2012) studied the level of disclosure of companies listed in India. She investigated the annual reports of companies listed in India of the year 2009-10 and found that 70.91 percent was the level of disclosure made by Indian companies. Disclosure and compliance index methodology was used to calculate the level of disclosure. The items of disclosure were marked on a binary scale i.e. 1 if the factor is disclosed and 0 if there is no disclosure. The results revealed that out of the sample companies, none was fully complying with the reporting norms as per the Indian Accounting Standards although these were mandatorily required. The results revealed that there is a strong and positive relationship between level of disclosure and the size of the company, profitability and whether the reporting is made in a timely manner in case of the sample companies.

Gupta (1977) analyzed the corporate financial reporting practices of companies in India, Australia, USA and UK etc. The findings of the study revealed that the annual reports were insufficient for satisfying the needs of the modern business conditions and did not completely disclose the information required in the days of complex business situations. The study suggested that the balance sheet and income statement, statement of financial highlights, descriptive statements, past year records, and statistical diagrams and charts etc. should be incorporated in an ideal manner in the annual reports of the companies to help the investors get a complete picture of the operations of the company. The corporate annual reports of the companies should be more useful and informative. These reports should be all purpose and should address
the informational needs of the shareholders. He also emphasized the fact that the legal and regulatory framework in India and other countries of the world should be strong enough to cater to the ever increasing need of the corporate sector and the vast number of shareholders.

Singh and Bhargava (1978) investigated the disclosure practices of 40 public sector companies for 1972-73. Annual reports of the sample companies were studied and a list of 35 items was prepared containing both financial and non-financial information. They also tried to study the relationship between quality of disclosure and nature of industry. The findings of the study revealed that quality of disclosure varied from company to company and the nature of industry had a great influence on the quality of the disclosure, whereas the pattern of the organization did not influence it. They suggested that the image and transparency of public sector organizations can be improved manifold through better information disclosure. Thus, management must take more and more interest in the quality of disclosure of information. Also a minimum standard of disclosure should be prescribed for the companies to be able to meet the increasing needs of the various user groups.

Lal (1985) investigated the corporate reporting practices of private sector manufacturing companies in India. The researcher identified 50 parameters of disclosure to measure the extent of disclosure in the annual reports of these companies. The influence of four company characteristics like asset size, margin of profits, and type of industry that the company belongs to and whether the company is associated with any big business house were studied on the quality of disclosure. The results of the study showed that there has been considerable improvement in the disclosure quality over the years in the Indian corporate sector. The relationship between the studied variables and the extent of disclosure in the sample companies was found to be positive. Another result of the study showed that the extent of disclosure had a better association with the size of the company than the other three variables.

Chakraborti (1990) investigated the annual reports of companies to understand the corporate financial reporting practices in India. The researcher prepared a list of 23 items after in-depth analysis of the annual reports of the sample companies. The results of the study revealed that most of the annual reports disclosed the mandatory information more than the voluntary information. Over the years the quantum of
disclosure of voluntary information increased and is finding more prominence in the annual reports of companies. The study suggested that the companies engaged in varied types of activities must disclose segment wise information for the benefit of the individual shareholder, so that he is made aware of the operations of the company. Also, to increase the reliability and credibility of annual reports, the disclosure of significant accounting policies used in the preparation of financial statements should be made obligatory.

Rathod (1990) studied the annual reports of 10 public limited companies for the year 1987-88 to understand the trends and scenario of financial reporting in the corporate sector in India. The researcher used the content analysis method to read the annual reports in detail. The results of the study revealed that companies preferred to present their annual reports in magazine size and the front cover contained only the name of the company and the year to which the annual report pertains. All the annual reports under study contained the information about the contact numbers of important officials of the company in form of company directory. The annual reports of 5 companies contained the table of contents to help the shareholder locate the information of his interest. All the annual reports had a section for the directors’ report which provided both qualitative and quantitative information to the users.

Chander (1992) analyzed the disclosure practices of public and private sector companies in India in a comparative manner. 50 companies were chosen from each of the sample group i.e. public sector and private sector. The researcher prepared a list of 98 disclosure items after in-depth study of the annual reports of selected companies. He also investigated the relationship between disclosure of information, its timeliness, human resource and social accounting and the various company characteristics such as size, profitability, age and nature of industry. The results of the study showed that item wise and company wise disclosure was significantly better in public sector companies as compared to private sector companies. He also concluded that considerable improvements were seen in the disclosure practices of sample companies over the period of analysis. Disclosure scores were significantly associated with size of the company measured in terms of net tangible assets and age of the company. This phenomenon could be seen in both the sectors. Another important finding of the study was that public sector companies took more time in compiling their annual reports that private sector companies.
Meena (1995) investigated the corporate annual reports of state level public sector enterprises in Madhya Pradesh. The main objectives of the study were to identify the timeliness and readability of corporate annual reports and the extent of information disclosure. She identified, 215 mandatory and non mandatory from the annual reports of selected companies. The results of the study showed that the state of corporate reporting of public sector undertakings in Madhya Pradesh was not very impressive. They were not able to come up to the expectations of the stakeholders and were not even reporting the bare minimum as prescribed by the state. The study suggested that the minimum standards should be raised and the enforcement of these should be more stringent in case of public sector enterprises as they are entrusted with a bigger responsibility as compared to the private sector, which primarily works for profit motive.

Rao and Sarma (1997) based their study on 8 statements of accounting standards to find out the extent of disclosure made by companies. The accounting standards chosen for the study were AS 1-8, issued by the Institute of Chartered Accountants of India (ICAI). A content analysis was undertaken by studying the annual reports of the sample companies. The researchers chose a balanced sample with equal number of public and private sector companies. The companies were chosen on a random basis. The study tried to understand the disclosure practices of the public and the private sector, separately as well as together. Findings of the study showed that the disclosure practices of the sample companies were significantly deviant from the regulatory norms. The researchers considered the norms issued by the Institute of Chartered Accountants of India and the Indian Companies Act, 1956. The findings of the study revealed that out of the sample companies 49 percent did not disclose anything about the accounting standards followed. Among the sectors also there was huge difference in the disclosure practices of the sample companies.

Adams (1997) investigated the various factors affecting the extent voluntary disclosure practices of life insurance companies in New Zealand. Field interviews methodology was adopted to collect data for the study. The results of the study showed that voluntary disclosure practices were affected by several factors, which included factors which are specific to the company like company culture and also by factors which may be common to other companies as well like environmental conditions e.g. the state of market competition. The findings of the study spoke about
the attitude of the corporate sector, especially the insurance companies with respect to voluntary disclosure practices. The study concluded that if field based research is carried out with sound conceptual framework, it can make a worthy contribution to the accounting field.

Kohli (1998) analyzed the level of disclosure of companies in the United States and India by doing a comparative study between the ample companies. The study was a comprehensive, comparative analysis to study the difference in disclosure levels of the companies based in these two countries. The researcher made a comprehensive list of disclosure items, both mandatory as well as voluntary. Binary coding was used to study the disclosure, which means a score of 1 if the item is disclosed and 0 if it is not disclosed. She tried to understand whether size of the company, its profitability, age, nature of industry and auditing firms has any effect on the disclosure level of Indian as well as US companies. Findings of the study showed that the disclosure levels of Indian companies have improved over the period of study. Total assets, turnover, profits, age of the company and auditing firms had a positive and significant effect on the disclosure score. The U.S. companies were ahead of the Indian companies in the matter of disclosure of corporate information. The study suggested that corporate annual reports must provide detailed information about their future plans and policies so that they are able to become more informative and decision oriented.

Ubha (1999) analyzed the expectations of investors and the reporting practices adopted by Indian companies. Content analysis was undertaken of the annual reports of the sample companies along with primary data collection through questionnaire from the individual investors. The researcher selected a list of 17 major items of disclosure to measure the gap between the expected and the actual reporting practices. Both mandatory as well as voluntary items of reporting were selected to study the gap. Findings of the study revealed that there exists a vast difference between the reporting practices in the annual reports of the companies. Majority of the sample companies disclosed only mandatory information, and only a few companies reported voluntary items of disclosure. When checking the demographic profile of the investors, neither their experience in investing nor their level of education was found to have much impact on the goals of investment. The study suggested that the regulatory norms should be followed in letter and spirit, and information should be presented in a simple and easy to interpret manner for the benefit of investors.
Narasimhan (2001) studied the impact of seven new Accounting Standards added by the Institute of Chartered Accountants of India, on the various aspects of corporate disclosure practices in India. The aspects chosen to be studied included related party disclosures, segment reporting, earnings per share, accounting for taxes on income and lease accounting. The results of the study indicated that the expectation of the stakeholders with relation to information is continuously increasing with the increase in the complexity of the business units and corporate frauds. The study concluded that the new accounting standards will definitely augment the disclosure status of Indian companies which might nearly reach the international standards for better comparison.

Bistra and Maria (2002) analyzed the disclosure practices of public sector companies in Bulgaria. To achieve the objectives, sample companies were chosen randomly. The study tried to examine the targets and the bottlenecks faced by companies in trying to achieve excellence in information disclosure. The results of the study showed that the nature and extent of the information disclosed in the annual reports of companies do not completely meet the legal requirements. The board of directors were not motivated enough to disclose complete information rather disclosure of information was regarded as merely an information leak which may ultimately only benefit the competition.

Khanna, Kushvo and Srinivasan (2004) investigated the disclosure practices of companies from 24 countries in the Asia-Pacific and Europe. The main objective of the study was to find out if any relationship exists between disclosure scores of the sample companies and the level of international interaction. The study confirmed that there is a considerable Impact of various market interaction measures on disclosure score of the companies. For the purpose of analysis, transparency and disclosure scores developed by Standard and Poor’s were taken as the basis. The results of the study showed that there exists a positive association between the disclosure scores of companies and various market level interactions like U.S. listing, exports to and operations in the United States. The findings were in line with the assumption that economic transactions across the border were associated with similarities in reporting and corporate governance practices.

Shankaraiah and Rao (2004) investigated the status of companies in Oman with respect to the implementation of the applicable accounting standards and their
practices. The purpose of the study was to lay down guidelines to strengthen the adherence to accounting standards and improve their practices for good corporate governance. The researchers studied the annual reports of a sample of top 10 companies, out of which 6 were private and 4 were public companies in terms of assets for the year 2002-03. Results showed that the sample companies complied with around 20 to 25 accounting standards. They suggested that for improving the standards of corporate governance in the country, all the accounting standards should be made mandatory. This will increase the level of trust of the investors of Oman in the corporate sector.

Singh (2005) investigated the financial reporting practices of banks in India. The study made a comparative analysis of public and private sector banking companies in India to find out their reporting practices. The research was based on comparative analysis of 29 public sector and 23 private sector banks. The researcher prepared a list of 31 major items of disclosure having several items from the director’s report, notes to accounts, information depicted through charts, graphs and diagrams, performance highlights, financial performance ratios and corporate governance. The results of the study showed that the public sector and private sector banking companies disclosed only mandatory information. Another finding of the study was that there is no significant difference in the disclosure of majority items of financial ratios in both the sectors, although, public sector banks disclosed corporate governance information in a better manner than the private sector banks. He suggested that more voluntary information should be included in the annual reports of banks. The private sector banks should make their annual reports in a bi-lingual format for the better understanding of the shareholders.

Julia, Kochetygova, Nick, Oleg, Levon, Atanassian and Elena (2005) selected 30 banks in Russia on the basis of the size of their total assets as on January 1, 2005. The main aim of the research was to analyze their reporting practices. The sources of information considered for the study were annual reports, reporting by the companies on their websites and statutory filings. All these documents were available in the public domain on the website of the Central Bank of Russia of study. A disclosure index was prepared which contained 102 items. The results of the study showed that the disclosure score of the Russian banks was very low at 36 percent. As far as timeliness was concerned, the banks released their annual reports in a timely manner,
either before or exactly on the cut-off date. Out of the sample only two banks had board-level audit committees. Others either did not have such committees or did not discuss their existence in the annual reports.

Vedpuriswar and Subramanian (2005) scrutinized the annual reports of Dr. Reddy’s Laboratory, Infosys and ICICI Bank to find out their disclosure practices and corporate governance compliance. The results of the study indicated that the users found the annual reports difficult to read and understand. They considered the language of the annual reports not comprehensible and were not able to understand the underlying rules and accounting conventions. As stipulated by SEBI, certain information items are to be mandatorily included in the Management Discussion and Analysis Report by the Board of Directors. The study pointed out the fact that even the best managed companies were not depicting this information in their annual reports. They suggested that companies should make a true effort on their part to disclose all material information and not only what is to be disclosed mandatorily.

Wielligh and Berg Den (2005) assessed the financial statements of 5 largest insurance companies of South Africa based on their total assets for the year 2002. The main objective of the study was to identify the commonality in the disclosure practices of the sample companies. The researchers prepared a checklist of items which should be included in the annual reports of the companies. The annual report of Sanlam Ltd. and Liberty Group were used as a starting point in designing the checklist. The results of the study showed that the financial statements were not comparable for the insurance companies. The researchers suggested that there should be clear demarcation of transactions with shareholders and policyholders in the income statement as well as the notes to accounts.

Riaz, Uddin, Mausm, Iqbal and Syed (2006) examined the annual reports of 20 companies, out of which, 10 were insurance companies and 10 were banking companies. The sample companies were selected on a random basis and all were listed on the Dhaka Stock Exchange. The results of the study indicated that banking and insurance companies were not compliant of all the mandatory requirements in the annual reports. Likewise, voluntary disclosures were also not adequately reported in the annual reports. Over the years, the reporting practices had improved, which is due to increasing awareness about corporate governance. In comparative analysis it was found that the banking companies were ahead of the Insurance companies in
compliance with disclosure, as the insurance sector still lacks in proper regulatory norms.

Sengupta (2006) investigated 100 Indian companies to find out about reporting practices prevalent in the then scenario. This was done by undertaking content analysis of the sample companies. He concluded that an organization should consider social as well as the economic repercussions of its decisions and the reporting practices. The author suggested that reporting practices in the annual reports of companies need to be continually updated so as to cater to the needs of the society, which comprises of a variety of users with varied expectations on the front of information. He also suggested that the users need increased disclosure of information with reference to employee benefits, environmental issues, human capital, and social performance along with segment reporting.

Barako, Hancock, Phil and Izan (2006) examined the companies in Kenya to find out about their voluntary disclosure practices. They indulged in content analysis of the sample companies. The researchers tried to find out if any association exists between various company characteristics and the extent to which companies report in their annual reports voluntarily. The results of the study revealed that the extent of voluntary disclosure was significantly impacted by the level of institutional and foreign ownership, although they could not find any significant impact of board leadership structure, profitability, liquidity, and empanelment of external audit firm on the extent of voluntary disclosure of the companies.

Mahajan and Chander (2007) assessed the extent of disclosure by a company in its annual report and the association with corporate characteristics like age and size of the company, level of profitability, leverage, listing status, its shareholding pattern, empanelment of audit firm and residential status of a company. The study was based on companies from the software industry for the year 2004-05. The researchers prepared a list of 90 items and un-weighted disclosure scores were used to calculate the extent of disclosure in the company annual reports. The findings of the study revealed that there existed a significant association between size, profitability, and audit firm and disclosure level of the company. However, there was no significant association between disclosure score and age, listing status, leverage, shareholding pattern and residential status of the sample company.
Hossain and Rahman (2007) investigated into the relationship between certain corporate characteristics and the extent of voluntary reporting by companies listed on New Zealand Stock Exchange. The specific area studied was the disclosure of accounting information. Five company specific characteristics were examined namely- company size, leverage, assets in place, type of auditor and foreign listing status. The findings of the study revealed that company size, foreign listing status and leverage were significantly associated to the extent of voluntary disclosure, whereas, on the other hand, assets in place and type of auditors were not significantly related to the extent of voluntary disclosures. They suggested that the study was of tremendous benefit and relevance to accounting policy makers as it showed the way for developing an acceptable and necessary set of mandatory disclosures keeping in mind the needs of the users.

Jagannath and Nanjegowda (2007) investigated the extent of compliance of accounting standard (AS) - 2 in case of inventory valuation. They measured the level of synchronization of application of the accounting standard and disclosure of costing formula applied. The researchers conducted a content analysis of the annual reports of the sample companies. The study was primarily focused on manufacturing companies in India. The results of the study showed that inventory played a significant role in financial statements. This is because inventory has a significant influence on working capital. The study brought out the fact that in spite of regulations, complete compliance was not achieved. This is the situation when AS 2 is mandatory, so stringent implementation norms should be formed.

Goliath (2007) tried to find out whether increased reporting by companies can lead to competitive disadvantage. The study was focused on Malaysian companies and their level of segment disclosures in their annual reports. The annual reports of sample companies were analyzed for the year 2002 for the purpose of the study. The results of the study showed that companies faced competitive disadvantage by disclosing segmental information, although it was not significant. Also, big companies faced greater competitive disadvantage than small companies. The study pointed out if segment reporting is made standardized then the companies will have to face less competitive disadvantage.

Chander and Kumar (2007) studied the impact of various company characteristics on the level of disclosure of the selected companies in their annual reports. The sample
companies were essentially non financial in nature as their reporting norms are standardized. Apart from disclosure levels, impact was also studied on the degree of compliance with accounting standards. The results of the study revealed that company size, its profitability, listing status, domicile status and audit firm type had significant positive impact on the level of disclosure and compliance of accounting standards. On the flip side, age, and leverage were found to have less impact.

Bhuiyan and Biswas (2007) analyzed the corporate governance and reporting practices of public limited companies listed in Bangladesh. They prepared a corporate governance disclosure index of 45 items. The sample companies were divided on the basis of sectors they belonged to and the results of the study indicated that there was a significant difference in the corporate governance reporting practices among companies from different sectors. Financial sector was found to have made more intensive corporate governance disclosures than the non-financial sector. Also, companies disclosed more of financial information than non-financial information. Local ownership and size of the company significantly affected corporate governance disclosure index. However, age and size of the board of directors did not have any significant impact on corporate governance disclosure.

Hossain (2008) analyzed the extent of mandatory and voluntary disclosure by listed banking companies in India. The researcher prepared a list of several items containing both mandatory and voluntary items. The results of the study showed that disclosure of mandatory items was 48 percent and that of voluntary items was only 30 percent. All the sample companies were scored on a dichotomous scale and objective of the study was to find whether any association exists between company specific characteristics like size of the company and total disclosure of the sample companies. The results of the study revealed that size, profitability and board composition were found to be significantly associated with level of disclosure, whereas and other variables such as age, complexity of business and asset size were insignificantly associated with the level of disclosure. The study also concluded that Indian banks were quite compliant with mandatory disclosures, but they were far behind in voluntary disclosures.

Chandra and Masum (2008) analyzed the annual reports of companies in Bangladesh to know more about their environment disclosure practices. The researchers selected companies from various sectors like engineering, packaged food, fuel and power,
tannery and footwear companies. These companies were selected because they caused substantial pollution to the environment due to their nature of operations. The results of the study revealed that out of the sample companies only 11 percent disclosed environment related information in their annual reports. Another result of the study was that the information disclosed in the annual report was only qualitative in nature and quantitative information was not disclosed which can provide details of the steps taken to mitigate the environmental pollution.

Singh (2009) investigated the corporate disclosure behavior of the large and mid cap companies in India. The study was a comparative analysis between the sample companies. The findings of the study stated that large companies disclosed more information than the mid-cap companies. He also analyzed whether there is any impact of company specific characteristics on the extent of corporate disclosure and found that this impact was higher in large cap companies and lower in mid-cap companies. Another result of the study was that companies both in large and mid-cap had April to March Financial year and were releasing their annual reports on time. He also concluded that only a very small number of companies were compliant on the front of human capital, intellectual capital, value added statement and other such disclosures.

Sarkar (2011) investigated into the disclosure practices of public limited companies in India for the year 2009-10. The sample included 12 companies listed on the Bombay Stock Exchange and were chosen on the basis of market capitalization as on 31st March, 2011. He identified several items of disclosures which included 22 items of mandatory disclosure and 32 items of voluntary disclosure. The results of the study showed that with relation to mandatory disclosures, the compliance was 100 percent, but there was wide variation in the extent and presentation of voluntary disclosures among the sample companies. He suggested that the format of annual report should be standardized so that they are easily comparable and all the companies should be reporting both positive as well as negative events in the financial year to keep the shareholders apprised of the happenings in the company.

Botosan and Plumlee (2000) examined the association between the level of disclosure and the expected cost of equity capital. The level of disclosure was categorized into three types namely- annual report, quarterly and other published reports, and investor relations. The results of the study indicated that cost of equity capital decreases when
the disclosures in annual report increases. As far as timely disclosures were concerned, the findings were reverse to what was expected. The researchers found a positive association between cost of equity capital and the level of more timely disclosures. Though this result was not expected but it matched the claims of company managers, who suggested that timely disclosures lead to stock price volatility and which in turn leads to increased cost of equity capital. Another result of the study showed that there is no association between investor relation activities and the cost equity capital. They also suggested that when different type of information is provided in a bundled format, it may result in loss in information and may lead to erroneous conclusions.

Popova, Georgakopoulos, Sotiropoulos and Vasileiou (2013) examined the association between mandatory reporting practices and the overall value of the company, which was calculated by noting the changes in share prices due to expectation of earnings. The study used a sample of UK companies which were included in the FTSE 350 Index. The researchers constructed a mandatory disclosure index according to the reporting norms which the listed companies were obliged to adopt. This list was used to quantify the extent of mandatory disclosure. The results of the study indicated a very high level of disclosure by the UK companies which showed that companies did not treat disclosure as a mere formality, rather they do it as a sense of ethics to provide value to the stakeholders. Also, the extent of disclosure was significantly related with leverage and age of the company whereas, the correlation between mandatory disclosure and listing status of the companies and size of the company was not found to be statistically significant.

Shukla and Gekara (2010) investigated the web based reporting practices of companies in India and China. The sample included companies from the fortune 500 list of companies from various sectors of the economy. The study involved extensive research on the websites of the companies. The results of the study showed that 98 percent of the Indian companies uploaded their annual reports on their websites and 30 percent companies also included the auditor’s report. The case in China showed that 80 percent of the companies uploaded their annual reports on their websites and only 5 percent included the auditor’s report.

Mangala and Isha (2015) analyzed the disclosure practices in annual reports of Indian firms. A disclosure index was prepared with 7 broad disclosure heads and 118 items
of disclosure. The level of disclosure was measured using a dichotomous scale by awarding 1 if the item was disclosed and 0 if it wasn’t. The analysis was done on item wise, company wise and industry wise disclosure. The researcher studied the annual reports of companies listed on the National Stock Exchange and non banking were taken as the sample. The results of the study showed that there exists a significant variation in the disclosure score of various items, companies and industries. Another result of the study indicated that the item disclosed highly by all the firms was corporate governance information and the lowest was forward looking information.

Aljifri, Alzarouni, NG and Tahir (2014) analyzed the impact of firm specific characteristics on corporate financial disclosures for a sample companies from the UAE. A disclosure index was created which consisted of mainly mandatory items. The variable studied for understanding performance was return on equity and for liquidity was the current ratio. Firm size was studied using market capitalization as the basis and the composition of Board of Directors using the proportion of outside directors on the Board. Eight different hypotheses were framed to find out the relationship between a various firm characteristics and the extent of disclosure in corporate annual reports. The variables chosen to be studied were nature of the industry to which the sample company belongs, listing status as in whether the company is a listed one or an unlisted one, return on equity, liquidity, market capitalization, whether shares are owned by any foreign company, ratio of non-executive directors, and existence and functioning of the audit committee. The findings of the study revealed that there is a significant association between listing status, industry type, and size of firm and the level of disclosure.

Bhatia and Kaur (2015) with the advent of the internet technology, the means of communication and the way an individual can access any sort of information has completely changed. Companies all across the globe have launched their websites either because it is easier to post information on it or it is mandatory. The website of the company provides a good platform to communicate with all the stakeholders in one go. The banking sector these days is providing net banking and online transaction facilities to its customers. With this growth of internet technology, people can all the information about the company at the click of a button. The researchers analyzed the web disclosure practices followed by various public and private sector banks in India. The researchers conducted a detailed content analysis of the annual reports of the
sample banks for the year 2013. The results of the study revealed that the disclosure score of private sector banks was found to be better than that of the public sector banks. Even the presentation and content on the websites of private sector banks was better than their counterparts in the public sector. The correlation coefficient was found to be significant with marketing related and financial reporting related items.

2.2 Corporate Reporting- Non Financial Disclosures

Lishenga and Mbaka (2015) studied companies in Kenya to understand the association between the level of corporate reporting practices and performance of the sample companies for a sample of companies listed at Nairobi Securities exchange. The primary objective of the study was to ascertain the link between corporate governance index and performance of listed company. The variables selected to measure firm performance were Tobin’s Q and ROA while corporate governance was measured by corporate governance index and control variables were firm size, board size, profitability and age of a firm. The results of the study showed that board size had insignificant relationship with firm performance whereas corporate governance index showed a positive relationship. Also, firm size and age were negatively related to performance. They created a Kenyan corporate governance index to study the variables.

Bhasin and Manama (2006) developed their own “working method” to analyze the corporate governance disclosure practices of Reliance Industries limited by way of a case study. In order to ascertain how far this company is compliant of CG standard, a “point-value-system” was applied. Some informal and unstructured interviews with the management were also conducted. Annual report of the year 2006-07 was taken as base to study disclosure level. A 17 point list was prepared to study the governance index of the company and each parameter had many sub parameters with the maximum possible score mentioned against each parameter. The company score very well by scoring a total of 85 points out of 100 points. This study shows the effectiveness of current corporate governance disclosure practices especially in Reliance Industries Limited. The findings of the study showed that RIL group is in the forefront of implementation of “best CG practices in India,” but some scope still exists for its improvement.
Jackling and Johl (2009) analyzed the relationship between board structure and firm performance as the clause 49 of listing agreement made it compulsory to have a detailed corporate governance report included in the annual report of companies. Companies were selected on the basis of market capitalization and return on assets and tobin’s q were used as a measure of performance. Banking and finance companies were excluded from the sample due to different intensity of regulation. STATA was used to perform the regression analysis. Three stage least squares was used as analysis tool. Variables studied included board busyness, board activity, board composition etc. The findings of the study suggested that larger board size and a higher composition of outside directors are positively related to firm performance.

Cohen, Webb, Nath, and Wood (2012) conducted a content analysis of the sample companies by keeping in mind the information bursts of the company. The platforms of releasing information which were studied included – mandatory filings, corporate websites, corporate social responsibility disclosures, product fact sheets, press releases and standalone governance documents. The main questions which were sought to be answered through this research were the extent to which the companies disclose non financial information, where they prefer to disclose this information and whether size and industry type has any effect on the disclosure of non financial information. The findings of the study suggested that there is a lack of extensive disclosure of non financial information among the sample companies and that there is significant difference with respect to size and the type of industry that the company belongs to when it comes to the disclosure of non financial information.

Thakkar (2011) in his study on corporate reporting practice in globalised scenario has concluded that the director’s report is the most important part of an annual report. It is the best index to view all the disclosures of a company and is accurate, very fair and unbiased. The strengthening of the Indian capital market and growing awareness among investors are the reasons why so much trust is being placed on the director’s report. The sample was divided among public and private companies and the findings suggested that there is significant difference in their disclosure level. Other findings of the study were that disclosure was not satisfactory in the director’s report and that increased disclosure in the director’s report will not negatively affect the performance of the company. It will rather prove to be beneficial in the long run in terms of higher price/earnings ratio and worth in the eyes of the investors. He suggested that
developing countries like India need good director’s report which should contain both mandatory and non-mandatory information to come up to the expectation of the investors.

Heracleous (2001) discussed two corporate best practices – CEO duality and the role of independent directors in an organization’s performance. He tried to find whether there exists any relationship between these two corporate governance best practices and the performance of the organizations. He discussed four possibilities. One – that best practices are not related to performance, second - that this is a theoretical concept and not practically applicable, third – studies are narrow and do not support the hypotheses and fourth - that different type of organizations need different types of best practices and these cannot be standardized for types of organizations. He discussed at length these possibilities, supported with literature and laid the way for future research.

Mishra and Mohanty (2011) studied large A group manufacturing companies in India and concluded that in India corporate governance is an important area of research because of the major role played by the promoters of such companies. They tried to find out if increased stress on corporate governance will result in increased performance of the sample companies. They measured corporate governance using three dimensions of corporate governance, namely the legal dimension, the board dimension, and the proactive dimension. The legal compliance indicator spoke about the auditor’s report and default in payment of any statutory dues. Board compliance indicator covered aspects like number of independent directors, meetings, their frequency, CEO duality etc. Proactive compliance indicator spoke about earnings forecast and additional information in the annual report. Binary scoring was used to evaluate the companies. The findings of the study suggested that companies that scored well on these three dimensions do indeed reported better financial performance. The results showed that the companies that have better corporate governance norms do report better financial performance in terms of the performance variables selected for the study.

Chatterjee (2011) studied the annual reports of the sample companies on the basis of 50 statements a required to be disclosed by the companies as per SEBI guidelines. The companies score 1 if the item was disclosed and a score of 0 was given if the item was missing in the annual report. Each annual report analyzed, included a separate
section on corporate governance reporting section and only this section was taken as the basis of analysis. The clear objective of the research was to study only the reporting practices and not the actual management practices of the sample companies. The results of the study showed that all the companies are complying with the basic requirements of corporate governance reporting as suggested by SEBI. The disclosure scores showed that only 26 percent of the sample companies have scores above 75 percent. Thirty percent of the companies secured a disclosure score between 60 and 70 percent. Twenty-six percent of the companies achieved a disclosure score between 50 and 60 percent. Rest between 20 and 50 percent. Bajaj Auto scored the highest whereas State bank of India scored the least.

Sanan and Yadav (2006) analyzed the corporate governance reforms in India by using event study methodology. The period of the study was bifurcated into two i.e. pre event and post event window. SandP Transparency and Disclosure Survey by Chinese Companies (2008) was taken as the base of studying the disclosure scores of the sample companies. A total of 108 statements were considered for the study. A dichotomous scale was used for marking the items of disclosure. Each item disclosed scored 1 and missing items were awarded 0. The study wanted to find out if disclosures as per clause 49 of the listing agreement had any effect on the corporate governance disclosure practices of the sample companies. The results of the study found that even after the reforms in the listing agreement have been implemented, there is only a moderate level of financial disclosures by the companies in India.

Saravanan (2012) studied the annual reports of sample companies which were listed on the Bombay Stock exchange except banking, insurance and financial sector companies. He tried to study if there is any relationship between corporate governance and company’s performance. The sample companies were divided into manufacturing companies and non – manufacturing companies to study if any significant difference exists amongst the sample. The variables selected to study governance were Board size and composition. Variables studied to measure performance were sales, firm’s age, financial leverage and asset tangibility apart from studying firm value through a proxy for Tobin's Q Ratio. The research applied Correlation, Multiple Regression and t-test to analyze the collected data. The research suggested that there is a high degree of positive correlation between the variables, although only 2 components of corporate governance were studied. There also exists
significant difference between manufacturing and non-manufacturing companies as far as corporate governance is concerned.

Palaniappan and Rao (2016) studied the annual reports of 10 companies for the year 2013-14 to find out whether any relationship exists between corporate governance practices and firm performance. The variables studied were Board Index (Board Size, Outside Directors, Independent Directors and Board meeting), Ownership concentration Index (Promoter as Ownership), Audit Committee Index, and Shareholding Pattern. The parameter of performance chosen was return on assets. Corporate governance disclosure score was calculated for all the companies in the sample and IT companies were found to have the highest score. The researchers used correlation and regression to understand the facts. The value of $R^2$ was 70.5 which mean that 70 percent of the variation in return on assets can be explained by corporate governance disclosure. Thus, the results confirmed that the companies which have better corporate governance policies and practices are more transparent and have higher disclosures.

Mukhopadhyay, Mallik & Dhamodiwala (2012) studied annual companies of family managed medium sized companies in India. The variables studied were Mandatory Clause 49: 56 variables, Non-Mandatory Clause 49: 7 variables, Non-Mandatory Voluntary Guidelines: 8 variables, and Beyond Compliance: 11 variables, totaling to 82 variables. The variable studied to judge the financial performance of the companies were – profit after tax, earning per share, price to book value ratio, sales, return on capital employed, return on net worth, interest coverage ratio, debt/equity ratio, Total Assets, Total Debt, Market Capitalization and Tobin’s Q. The results showed that there is positive and strong relationship between good corporate governance practices and financial results. The findings also suggested that non-mandatory or voluntary disclosure if improved will definitely help companies achieve better financial performance in terms of the variables studied.

Biobele, Igbo1 and John (2012) evaluated annual reports of 10 Nigerian banks and each report was scored basis a self constructed check list. The researcher scrutinized each and every annual report for the financial year 2010-11. The annual reports were scanned on the following criteria - Board and management structure and process, ownership structure and exercise of control rights, auditing processes, and corporate responsibility and compliance. Each reporting item on the index was scored on 4 point
scale between 0-3 where a value of ‘3’ indicated that the particular item was reported with high details, whereas on the other side a value of ‘0’ indicated that the item was relevant but not disclosed. The value of $R^2$ was 0.76 for the equation of total assets and 0.74 for the equation of Profit after tax, which shows that 76 percent of the variation in total assets and 74 percent of the variation in profitability is explained by corporate governance disclosure score of the companies. Thus, the findings of the study show that corporate governance disclosures significantly affect the status of total assets and profitability.

Gill (2013) studied the difference in corporate governance practices of central public sector enterprises and private sector enterprises. Another objective of the research was to find whether good corporate governance practices have any effect on the financial performance of companies. The annual reports of the sample companies were reviewed to ascertain the quality of company’s reporting practices. The performance variables studied included return on assets as an accounting measure and Tobin’s q as a market measure. The primary findings of the study were that non financial public sector companies were less compliant with regard to corporate governance norms when compared to the private sector companies. Another finding of the study was that even if the companies did not fully comply with clause 49, it hardly had any adverse effect on the performance of the companies. Further, it was also noticed that the auditors of public sector companies were more upfront in reporting any adverse comment, unlike the ones in private sector.

Ndikwe and Owino (2016) analyzed public schools of Kenya to find whether there is any relationship between corporate governance and financial performance. The hypotheses were framed on four broad categories namely- Board composition, skills of the board members, corporate governance principles and separation of duties. Primary data was collected through questionnaire survey methodology from head teachers, parent teacher association, and board of governors, district education officers and parents. Ordinary least square estimation was used to assess the data. The results concluded that corporate governance practices and separation of duties had a significant influence on the financial performance of the sample studied. Skills of the board of governors had the highest positive effect on performance, so much that a unit change in board skills would improve the financial performance by 107.3 percent. Composition of the board had a negative impact on the financial performance of
schools as in a unit change in the composition would decrease the financial performance by 53.1 percent. This might be due to the way board members are appointed.

Aggarwal (2013) analyzed a data set of 20 companies to understand whether corporate governance has any impact on the financial performance of the companies. Governance ratings given by CSR-HUB have been used as a proxy for corporate governance. Four measures have been used to study financial performance namely-return on assets, return on equity, return on capital employed and profit before tax. These independent and dependent variables have been analyzed using correlation, regression, t-test and f-test. The results of the study showed that there is substantial influence of corporate governance on the financial performance of the companies in the sample. The value of $R^2$ for ROA was 0.533 indicating that 53 percent of variation in ROA is explained by corporate governance. Similarly the values of $R^2$ in case of ROE, ROCE and PBT were 0.592, 0.577 and 0.683 respectively. These values indicate that there exists a significant positive association between corporate governance and financial performance.

Devi (2013) studied the concept of corporate reporting and governance as an integral part of today’s organizations. It was a conceptual study and instead of taking a sample and testing it, the author took broad concepts from around the world and tried to elaborate on the relationship between corporate reporting and corporate governance. She discussed various dimensions of corporate reporting namely- Financial, Integrated, narrative, environmental and social reporting, executive remuneration, corporate social responsibility and corporate governance. The author discussed principles of good governance like – being inclusive, networked, balanced, evolutionary and accountable. The research spoke about requirement of companies being more open and transparent in the interest of the stakeholders and that the companies with good corporate reporting and governance practices will definitely outshine the others.

Klai and Omri (2011) investigated the impact of governance mechanisms on financial reporting quality of Tunisian companies listed on the Tunis stock exchange. A variable was designed which included the accruals and earnings study to evaluate the reporting quality. Corporate governance features of the firms were analyzed basis board composition and size, ownership structure and reputation of the external auditor.
of the firm. The study tried to check whether the control by the foreigners, block shareholders, families or the State and the financial institutions affects the quality of financial reporting. The results of the study show that generally Tunisian firms have larger boards, low proportion of outside directors and only 24 percent of the companies having CEO duality. Only 40 percent of the companies have a BIG 4 audit firm and most of the companies had high ownership concentration. Panel data – fixed effects model was used to analyze the data and the findings of the study revealed that governance mechanisms have a significant effect on the financial reporting quality of the Tunisian firms.

Madhani (2015) performed a content analysis on the annual reports of the sample companies to devise a corporate governance and disclosure score and tried to find out whether any significant difference exists between the disclosure practices of companies. For this purpose, the sample was bifurcated into two – companies with tangible asset dominance and companies with intangible assets dominance. Companies were selected from the sectoral indices on the basis of market capitalization. Corporate governance and disclosure index was created with total 67 items divided into 2 broad categories- ownership disclosure category and board disclosure category. The independent variables selected were market to book value ratio and capital intensity ratio. The hypotheses was tested using univariate t-test and the results showed that there exists no significant difference in corporate governance and disclosure score between tangible assets dominated and intangible assets dominated companies. The regression analysis showed that the value of $R^2$ was 0.014 which means that only 1.4 percent of the variation in the dependent variables can be explained by corporate governance practices.

Maigua (2013) analyzed the effect of corporate governance practices on the financial performance of the sample companies in Kenya. The measure used to judge performance was return on assets and corporate governance practices studied were board committees, board meetings, board composition. The survey was descriptive in nature and secondary data was collected published annual reports of the sample companies. Pearson product Moment Correlation and Multiple linear Regression was used on the data and the results showed that there is a weak relationship between the variables. This implies that corporate governance practices do not majorly affect the
financial performance of the companies in Kenya. The insurance companies in Kenya had no CEO duality which was measured through binary coding.

Wanyama and Olweny (2013) studied the effects of the board size, board composition, CEO duality and leverage on the performance of the sample companies. Primary data was collected through questionnaires filled from the staff of sample insurance companies in Kenya. The study covered board size, board composition, CEO duality and leverage as the independent variables and return on equity and return on assets as the dependent variable. Multiple linear regression was used to analyze the data. The results of the study showed that there exists a strong positive relationship between high corporate governance standards and performance of the company. The findings clearly showed that experience and skills of the board of directors was more important than whether they are independent or not. Leverage also had a significant relationship with performance and if the chair of the CEO was separate, it had a positive effect on the performance of the companies.

Heenetigala (2011) concluded that corporate governance is thought to have a significant impact on the performance of the company. The researcher found that the companies with good corporate governance practices were able to reduce risk for investors, increasing shareholders wealth, attract investment capital at reduced cost and improve the performance of companies. The various variables studied were audit committee details, remuneration to the directors, appraisal of board performance, criteria to decide independence of directors, internal control procedures, code of ethics etc. Performance was measured by studying the variables return on equity, return on assets and tonin’s q. Correlation and ANOVA was used to study the variances which indicated significant relationship between corporate governance practices and firm performance. Board structures had an important role to play and the sample companies were following the norms as researched. The companies in Sri Lanka had started to invest highly in corporate social activities as well and otherwise also implemented corporate governance practices in spite of the uncertain state of affairs at the national level.

Natarajan (2011) studied the perception of the stakeholders about their expectation of corporate governance practices followed in the 5 sample companies selected for the study belonging to the Internet technology sector namely- Infosys, Wipro, TCS, HCL and Satyam. This study was conducted through a questionnaire survey which tried to
check the expectation level as well as the satisfaction level amongst stakeholders. There were 21 statements each to judge expectation and satisfaction of the respondents. The scale used was 5 point Likert scale on which the respondents were supposed to select whether they agree or disagree to the given statements. Tests used were t-test, ANOVA, Mann-Whitney U Test, Kruskal Wallis Test, Wilcoxon Signed Rank Test, Factor Analysis, Bivariate Correlations and Structural Equation Modelling. The findings of the study stated that there is no significant difference in the stakeholder’s expectation of transparency among the sample companies. Also, there is no significant difference between educational qualifications of the respondents and transparency of selected software companies.

Erer and Dalgic (2011) studied the impact of corporate governance on internet financial reporting in Turkey. The objectives of the study were to find out whether size of the board and proportion of independent directors has any impact on the financial reporting of the sample companies on the internet. Another objective of the study was whether international listing has any association with financial reporting. A check list of 60 items was prepared to assess the disclosure index of the companies. Binary coding was done like 1 if internationally listed and 0 otherwise. Also, 1 if local auditor affiliated with Big 4 and 0 otherwise. Ordinary least square regression was used along with correlation to study the relationship and the findings of the study showed that there was significant association on two hypotheses out of seven. Financial reporting was positively related to the number of independent directors on the board and the rating of the company on the corporate governance index. On the rest of the five parameters, the study showed no significant association.

Bhasin (2010) utilized the case study methodology to ascertain the corporate governance disclosure practices of Reliance Industries Ltd. for the year 2008-09. A disclosure index was prepared with several statements on statutory and non statutory disclosures made by the company. Maximum possible score for each item was pre decided and the score of the company were marked against each statement to arrive at the disclosure index. This company was selected since it was the largest private sector company listed on the stock exchange and can influence the behavior of the stock exchange. The items of disclosure considered were code of conduct, remuneration policy, board committees, details of the audit committee, experience of the directors, related party disclosures, whistle blower policy, evaluation of the performance of the
board, means of communication and CEO/CFO certification. The results of the study were that Reliance Industries Limited scored very well on the index as pre decided point value grading system was in place and the company scored 85 on 100 points. The author suggested that other companies in the country should also follow suit.

Norwani, Mohamad and Chek (2011) discussed the connection between corporate frauds and failure of financial reporting systems of those companies. The research was more like a case study of 6 different companies to see if any connection actually exists within the above named variables. The companies evaluated were Perwaja Steel, Technology Resources Industries, Transmile, Megan, Malaysian Airlines System, Port Klang Free Zone, Enron and WorldCom. The main objective of the study was to see the influence of corporate governance failures on the financial reporting of the sample companies. It was a conceptual paper which spoke about the challenges and recommendations that need to be implemented. The purpose of the study was to explore whether corporate governance mechanisms can ensure the quality of financial reporting. The study was able to prove the fact that failure of corporate governance can lead to failure of financial reporting system of an organization. Accountability of the management and auditors towards the stakeholders is the key to its success in the present scenario.

Dey (2005) investigated the association between the quality of corporate governance of a firm and the credibility of its reported earnings. The study specifically tested whether accounting numbers vary with the quantum of agency costs in a firm. The credibility of reported earnings was measured by the volatility observed in the stock returns in earnings announcement periods and the earnings announcement period excess returns. Three groups of firms were made using cluster analysis. Principle component analysis was used to find the quality of corporate governance. It was applied on 23 variables to obtain 8 factors affecting most the credibility. The results indicate that most aspects of governance are significantly associated with credibility of reported earnings, especially, board composition, CEO duality, role of the audit committee.

Lwangu (2009) analyzed the companies listed at the Nairobi Stock exchange to find out the connection between size of the company, its corporate governance mechanisms and announcements on disclosure compliance. He studied 23 sample companies in the research and found that all the companies in the sample were
compliant of the corporate governance disclosures. The moment other variables were introduced, the compliance score changed. Like, 84 percent of the sample companies did not comply with the regulatory norms with respect to Board Size. Another finding of the study was that the correlation between company size and compliance was a positive one whereas a negative correlation with company announcements. This might be due to the fact that company announcements are a decision of the company and there is no clear law as far as general announcements are concerned.

Mwirichia (2008) carried out a survey of corporate governance disclosures among Kenyan firms quoted at Nairobi stock exchange. His sample was bifurcated into two-financial sector and non-financial sector. The results of the study showed that the corporate governance disclosures were more intense and detailed in case of financial sectors than the non-financial sector and that companies are more concerned and particular in making financial disclosures rather than non-financial disclosures. Type of ownership, the size of the company and whether the company is a multinational or not, were found not to have any significant impact on corporate governance disclosure.

Maher and Anderson (1999) propounded that companies are responsible to all stakeholders like shareholders, employees, suppliers and the society. They concluded that the corporate governance practices in a company are very significant in deciding the fate of all the stakeholders. Corporate governance is the concern about how effective different governance mechanisms are in promoting long term relations with the various stakeholders. All countries have a different corporate governance mechanism with respect to ownership, executive remuneration and control of the company. All these efforts and mechanisms will definitely have a bearing on the financial performance of the organization. The study revealed that the corporate governance framework can affect the growth of the equity markets, innovations, entrepreneurship, and will ultimately have an effect on the economic growth of the country. Other findings of the study were that concentrated ownership had its own benefits like effective monitoring of the management and overcoming of the agency problems, however it resulted in low liquidity. Dispersed ownership had a benefit of higher liquidity. So the study suggested that the biggest challenge was to design such a corporate governance mechanism which could benefit the shareholders to the most.
Ding, Entwistle, and Stolowy (2004) analyzed the comparative disclosure practices of French and Canadian companies with relation to research and development. Findings of the study revealed that Canadian companies, especially those in the manufacturing, software and biotechnology industries, disclose significantly more information on their research and development activities than their French counterparts. Apart from this, the French companies disclosed mainly financial and accounting information on Research and Development whereas the Canadian companies also disclosed non-financial information regarding Research and Development activities. Another finding of the study was that there was a positive and significant correlation between Research and Development disclosure and Research and Development intensity in Canada whereas; French companies prefer to maintain secrecy over their research and development expenditure and disclose less of non financial information including Research and Development disclosures.

Rahman and Muttakin (2005) examined the environment reporting practices in the selected manufacturing companies of Bangladesh. The study was based on questionnaire survey methodology and also analyzed the annual reports of companies listed on the Chittagong Stock Exchange for 2003-04. To assess the importance of environmental reporting, chief accounts officers of 125 companies were contacted. Findings of the study revealed that only 5 companies have disclosed environment information in their annual reports. This could be due to the fact that there was no standard environment reporting framework, prevalent in Bangladesh. The level of overall disclosure was very poor. The companies only disclosed information in the descriptive form rather than making it quantifiable. There was no standard format of environment reporting so the companies which disclosed the said information placed it in different parts of the annual report. The main suggestions of the study were proper provision for environment reporting in the Companies Act and a separate accounting standard for the same.

Dutta (2013) established that triple bottom line reporting reflects a more comprehensive means of reporting that includes both financial as well as non financial information, which would help in increasing the value of the firm. He identified 16 reports that are used by managers to communicate their non financial initiatives to the stakeholders. He suggested that in India, the applicability of sustainability reporting is still in a premature stage. There are some companies which provide information on
People Planet and Profit, but that too is done voluntarily. But he also found that the organizations were more connected these days and matters related to triple bottom line reporting are not a private thing of the organization, rather the companies also want to share all that they do with their stakeholders.

2.3 Corporate Reporting- Voluntary Disclosures

Botosan (1997) studied a sample of 122 manufacturing firms in the year 1990. Annual Reports of the companies was taken as a source of disclosure and the effect of voluntary disclosures was analyzed on the cost of equity capital. She used a self constructed measure of disclosure level and found that a one unit difference in disclosure score led to a 28 basis point difference in the cost of equity capital. The disclosure score was divided into 5 categories namely: general Information, previous year’s financial results in a summary form, important non- financial figures, forecast and projected information and management discussion and analysis. Correlation and regression analysis was used to carry out the analysis and the author found a negative correlation between Voluntary Disclosure Levels and Cost of Equity Capital.

Hail (2001) analyzed the relationship between voluntary corporate reporting practices and the cost of equity capital. He analyzed non-financial companies in Switzerland during the financial year 1997. The analysis was based on a self designed disclosure index which was divided into three categories namely - Context and non-financial information, procedural analysis and managerial analysis and information on value based risk and project related information. The total variables chosen to be studied were 30 out of which 10 were for the first variable, 11 for the second and 9 for the third. The researcher assigned a maximum value that each item could score if the disclosure was complete. The results of the study revealed that there is a negative and highly significant association between the reporting quality and the expected cost of equity capital. The researcher concluded that the quality of disclosure is basically very subjective and varies from company to company and the yardstick to measure may not be the same for all the companies.

Achoki, Kule and Shukla (2016) studied 14 commercial banks in Rwanda to see if Voluntary Disclosure has any effect on the performance of banks. The parameters used for studying voluntary disclosure were- general strategic disclosures, forward
looking information, social and board disclosure etc. The parameters used for analyzing performance were Return on equity, Profitability and Revenues. Regression and Pearson Product Moment Correlation Coefficient was used to study if there is any relationship between the given parameters. The results revealed that there was a significant positive relationship between voluntary disclosure and return on equity as the regression model showed that 26.8 percent variation in return on equity was explained by variation in Voluntary Disclosure. A negative relationship was recorded between general and strategic disclosures and financial performance. However, a 1 percent increase in financial disclosure led to a 20 percent increase in Return on Equity.

Kendi (2014) studied the data from 2009-2013 and 20 companies from 10 different sectors were chosen and a self-constructed disclosure index was used to study the voluntary disclosures. The disclosure index consisted of five disclosure categories: general strategic disclosures, competition and outlook, production strategy, marketing strategy and disclosures relating to human capital. Multiple regression was used to find out the relationship between dependent and independent variables. Binary coding scheme was used for each of the 62 items of voluntary disclosures. Each item disclosed got a score of 1 and all those items which were not disclosed got a score of 0. The results for each company were studied individually as the items which were not applicable to a company were not considered for that company’s maximum possible score. The results showed that a unit increase in voluntary disclosure will lead to 0.529 unit increase in the stock performance.

Rouf (2010) studied 120 non financial companies listed on the Dhaka Stock Exchange in the year 2008. He studied the association between voluntary disclosures and various corporate characteristics like firm size, profitability, ratio of Independent directors, audit committee, board leader structure and board size etc. Ordinary least squares regression model was used through an un-weighted relative disclosure index for measuring voluntary disclosure. The analysis showed a positive relationship existed between size of the board of directors and voluntary reporting practices. A positive association was also observed on board leadership structure and audit committee with relation to the voluntary reporting practices of the sample companies. On the flip side, the extent of voluntary disclosure was found to be negatively related to the ratio of independent directors on the Board, ownership structure and net profits.
Petrova (2012) investigated the association between cost of equity capital and voluntary disclosures by studying the annual reports of 121 Swiss companies. The author used the residual income valuation model to calculate the implied cost of capital. The sample companies were all Non Financial companies as banking and finance companies have different reporting norms to be followed. The reporting strategy was bifurcated into two types: Conservative and Aggressive, although it had no effect on the cost of equity capital, where as the level of voluntary disclosures had a significant and negative association with the cost of capital. This strong negative relationship was evident for aggressive as well as conservative reporting strategy.

Barako (2007) investigated whether the level of voluntary disclosure is higher for firms that have a higher proportion of non executive directors, have an audit committee and dual leadership. Other determinants studied were firm size, firm leverage, liquidity, profitability and whether the accounts are audited by big four auditors or not. A sample of 54 companies was studied for 47 items of disclosure and the source of disclosure was taken as the annual reports of those companies. The disclosure score was created basis four types of information- General and strategic, Financial, Forward looking and Social and Board information. The results showed that all corporate attributes influence almost all categories of information to varying degrees especially the companies of the Agriculture sector.

Dibia and Onwuchekwa (2015) examined the effect of firm type, profit, leverage and audit firm type on environmental disclosures. They studied a sample of 15 oil and gas companies listed on the Nigerian Stock Exchange for 2008-13. Binary regression technique was used on the data collected from the annual report of the companies. The findings showed that there is a significant relationship between company size and corporate social responsibility disclosures whereas profit, leverage and audit firm type has no significant relationship with corporate social disclosures. The data was studied on a dichotomous scale where an item scores 1 if it is present and 0 if it is not reported. Binary regression models – Logit and Probit were adopted to analyze the data.

Mutiva, Ahmed and Nadirangu (2015) examined the annual reports of 10 companies listed on the Nairobi Stock Exchange continuously from 2011 to 2013. The companies were performers in their sectors and were chosen basis their Market Capitalization as in March 2013. 49 voluntary disclosure parameters were selected.
and compared against Return on Investment as parameter for performance. The parameters were divided into 4 major heads - General corporate and strategic information, Socio- Environmental and Board disclosures, Forward Looking Information and Financial information. Multivariate regression analysis was applied on the data set which showed a strong linear relationship with return on investment.

Wangari (2014) studied the corporate annual reports of 42 commercial banks in Kenya from 2008-2013. The chosen index comprised of 47 disclosure items and their impact was studied on Return on Equity as a performance variable. The parameters were classified into four groups – general and strategic information, financial data, forward looking information and board and social disclosure. Multiple regression model was used to study the results and proposed a positive relationship between voluntary disclosures and return on equity of the firms under study. The information that is highly disclosed in the annual reports is the financial information and forward looking information is the least disclosed. He also concluded that the disclosure levels in Kenya amongst banks, was at a moderate level although, there is a positive relationship between the studied variables.

Aksu and Kosedag (2005) studied a sample of 52 companies listed on the Istanbul Stock Exchange. These companies had the largest Market Capitalization. They tried to investigate the relationship between transparency and disclosure and firm performance. The objective of the study was to associate Transparency and Disclosure scores to return on equity and market based performance measures. A list of 106 attributes was developed to study the extent of voluntary disclosure in Turkish Companies. The ratios utilized to study the performance were return on assets, return on equity and debt to equity ratio. The findings of the study were that there is a strong and positive relationship between transparency and disclosure scores of a company and its financial performance. It was also noted that the companies in Turkey had higher levels of financial disclosure but the level of board disclosure was relatively lower.

Lang and Lundholm (1993) analyzed the corporate reporting practices of various industries at the same time. They studied a cross sectional data to find out the factors of ratings given by analysts and specialists for corporate disclosure of the sample companies. Apart from finding the determinants of disclosures, the other objective of the study was to establish a relationship between disclosure, firm size and firm
performance. The study involved detailed understanding of reporting practices of different industries and the researchers used descriptive statistics to arrive at conclusions. Disclosure was analyzed from the corporate annual reports of the companies along with analyst ratings. The study concluded that where the disclosure scores were higher the performance was also higher like increased stock returns and profitability. The authors stated that there existed a positive relationship between firm performance, firm size and disclosure level.

Ahmed and Courtis (1999) investigated 29 previous studies and performed a meta-analysis to find if any association exists between the corporate attributes and disclosures through the annual reports since the year 1961. The study tried to identify the basic factors that could have explained the apparent variation in the results reported in the past studies. The authors observed that the findings in the past studies had consistently shown that size and listing status are significantly associated with the extent of disclosure, although not for leverage, profitability and size of the audit firm. The analysis concluded that a significant and positive relationship existed between the level of disclosure of companies and the company size, listing status and leverage. However, no significant association was found between the aggregated disclosure levels and corporate profitability, or audit firm size. They finally related the differences in research findings to sampling error, differences in the structure of index of disclosure and variations in the definitions of the explanatory variables.

Hossain (2008) studied the extent of disclosures in annual reports of banking companies in India. A disclosure index was created for 23 banks. The objective of the study was to investigate the level of disclosure both mandatory and voluntary done in banks. 184 items of disclosure were studied in total to identify the extent of disclosure, out of which 101 were mandatory and 88 were voluntary disclosure items. The results stated that banks were compliant with the rules regarding mandatory disclosure as the average score was 88, however they were lagging behind when it comes to disclosing voluntary items where the average score was 25. Another observation of the study was that there existed a significant relationship between levels of disclosure of a company and its size, profitability, board composition and market discipline, whereas, age of the company, nature of business and asset size were not found to be significant in explaining level of disclosure.
Moghadam and Alipour (2016) investigated the annual reports of 112 companies over 2009-2013. Firm value, size, leverage and profitability were identified as the financial factors affecting the disclosure quality of the sample companies, which is dependent variable in the study. Multiple regression technique was used and the results indicated that firm value and profitability had a positive and significant correlation with corporate disclosure, whereas leverage had a significant negative correlation with corporate disclosure. Since the value of adjusted R2 was 23 percent, it indicated that 23 percent of variation in disclosure quality is explained by the various financial factors like size and profitability.

Uyar, Kiliç and Bayyurt (2013) studied annual reports of companies for the year 2010 and collected data on voluntary corporate disclosure of selected items to study the extent of disclosure. Ordinary least square and two stage least square regression was used to study the data and the results showed that there is positive association between information disclosure level and variables like firm size, audit quality and board composition. The voluntary parameters identified were grouped under various sub heads like customer and supplier disclosure, environmental, social and employee disclosure, forward looking information, corporate strategy and governance. They analyzed ten hypotheses to conclude about the proposed relationship and found that the reporting level in Turkish companies was moderate.

Hamrouni, Miloudi and Benkraiem (2015) suggested that there exists a strong correlation between corporate voluntary disclosure and firm performance. They prepared a checklist of 112 disclosure items and analyzed them from the annual reports of 179 companies listed on the Euronext stock market. This checklist was divided into four major heads – strategic information, financial information, non-financial information and corporate governance information. Unweighted scoring technique was used by assigning binary codes of 1 and 0 in case of disclosure and non-disclosure, respectively. Data Envelopment Analysis was used and the performance outcomes were taken as Tobin’s q and return on equity. Results showed that there exists a positive and statistically significant relationship between voluntary disclosure scores and firm performance.

Kendi (2016) studied the annual reports of 66 companies listed on the Nairobi stock exchange and applied regression analysis to study the relationship between voluntary disclosures and performance of the sample companies. The variables studied were
grouped under four categories - general corporate and strategic information, financial information, forward-looking information and social-environmental and board disclosures. The relative performance variable selected was return on equity. The sample companies were from different sectors like agriculture, real estate, automobiles, construction etc. The results showed that voluntary disclosure accounts for 63.5 percent variation in the performance of the companies. Amongst the variables, forward looking information at 49.2 percent accounted for the major share of change in the performance variables.

Kimbro and Cao (2011) noted that firms that provide voluntary disclosure and those that behave in a socially responsible manner have significantly higher market valuation, higher return on assets and return on equity, low cost of equity, low cost of debt, and low beta indicating better state of affairs of the company which has to face lesser risk. These results were based on the study of UN Global Compact – signatory companies and their performance measurement. UN Global Compact is voluntary initiative in which the signatory companies are expected to follow ten principles of social and human rights, environmental protection, and anti-corruption practices. If any company fails to produce a report on progress made on these fronts during the year, it is termed non-communicating and for two years, it is delisted. Although it is a voluntary initiative, but the results of the study showed that communicating companies had better returns.

Mathuva (2012) studied interim financial reports of non-financial companies listed on Nairobi stock exchange to find out the factors that influence forward looking information disclosures in interim accounts. 91 observations were analyzed from interim reports between 2009-2011. The study concluded that firms with higher capital investment, debt and better performance and with more foreign investor concentration tend to have disclosed more forward looking information in their financial statements. His results indicated a higher degree of forward looking disclosures for best performing firms and those firms with higher financial risk. The insignificant determinants of forward looking disclosures were- firm size, liquidity and sector type.

Cerf (1961) analyzed the annual reports of companies to understand their reporting practices. The sample companies were listed on the New York stock exchange and the main objective was to investigate the relationship between firm’s voluntary disclosure
of information, their level of profitability, their size and their shareholders in the United States. The idea was to find out the connection between voluntary disclosure of information and company profitability. He used a quantifiable measure of disclosure and related it to certain financial and non-financial corporate variables. He developed an index consisting of 31 items, which was scored on a scale of 1-4 on the basis of primary data. A descriptive approach was used and the results concluded that there existed a positive correlation between the disclosure level and the firm’s asset size. The sample of the study was diverse – some listed on the New York stock exchange, some not and some on the OTC exchange. He reported that listed firms disclosed more information than the non listed ones.

Schuster and O’Connell (2006) argued that when a company increases its disclosures it leads to improved decisions on the part of the investors in terms of their investments. Increased disclosures also help the investors in identifying the expected returns from the shares of a company. Apart from this the increased disclosure of important financial and non-financial information voluntarily by the company management improves its credibility among stakeholders. They concluded that additional voluntary disclosures will have implications on the cost situation in terms of reduced cost of capital and on the capital markets in terms of increased liquidity and reduced volatility. Theirs was a study based other reporting frameworks designed by earlier authors.

Leuz and Verrechia (2000) in their study examined 102 annual reports of listed German companies in the year 1998 to find out the financial repercussions of increased disclosure. They used event study as their research methodology. The event was selecting to report by following the U.S. GAAP. The US reporting environment is considered to be rich in terms of all sorts of reporting and those German firms which decided to adopt International Accounting Standards (IAS) or the U.S GAAP for their annual financial reporting to the capital markets instead of the German reporting norms were studied over a period of time. It was predicted that this switch will increase firm’s dedication to disclose more information and will help the firms to derive measurable economic benefits. The results of the study showed that such firms exhibited a higher turnover in terms of shares and lower cost of capital.

Khan and Rahim (2016) examined the data from the annual reports of 98 sample companies with a view to find out the relationship between timely financial reporting
and firm performance. Apart from timeliness, the other dimension studied was financial voluntary disclosure and firm performance. Variables chosen to determine firm performance were Tobins Q and Return on Assets. The results of the study showed that timeliness of financial reporting has significant relationship with firm’s performance. It indicates that firm’s performance will be increased if the number of days in announcing the annual report is less. However, the relationship between financial voluntary disclosure and firm’s performance is insignificant, showing that disclosure does not impact the firm performance. Overall, this study has highlighted on the importance of timeliness of financial reporting as to assist shareholders in making decision effectively for their future investments.

Musyoka (2017) studied the effect of financial policy disclosure, investment policy disclosure, sales growth disclosure, financial liquidity and research and development disclosure on financial performance of selected sample of 43 companies. Disclosure score was calculated using un-weighted approach where a score of 1 was assigned if the item was disclosed and a score of 0 if the item was not disclosed. Data was analyzed using STATA and concluded that there was appositive relationship between these disclosures and firm performance. The variable chosen to study firm performance was Tobin’s q. The study concluded that 63 percent of variation in the performance of a company can be explained by the disclosure variables examined.

Sahore and Verma (2017) analyzed voluntary disclosure among the sample companies to find if such disclosures have any effect on the financial performance of a company. Data was collected on a dichotomous scale for 140 variables of voluntary disclosure and stock returns were used as a measure of firm performance. Correlation and regression was used to study the impact. The sample companies comprised of few from the manufacturing sector and others from the non-manufacturing sector. Three different analysis were performed – one for each sector and the third for both the sectors combined. Companies listed on the national stock exchange CNX 100 index were considered for the study. Correlation between stock returns and firm performance were not significantly different for manufacturing and non-manufacturing sector, but when all companies were taken together, the results showed positive relationship, although the relationship was not significant as stock returns are dependent on various other factors as well.
Wachira (2017) examined the factors affecting the corporate social disclosures of listed companies in Kenya. The determinants chosen were size, profitability, industry to which the company belongs, country of origin, ownership structure, leadership structure, audit type etc. Regression analysis was used to study whether there is any significant difference between the determinants and the level of corporate social disclosures among the studied sample. The findings of the study revealed that It was found that size, profitability, liquidity, industry in which a company operates have a positive influence on the level of corporate social disclosure, which was measured on a binary scale from the annual reports of the companies. It was also found that a company that a dispersed ownership disclosed more information than a company with concentrated ownership.

Kristandl and Bontis (2007) investigated the annual reports of companies in several countries to find out whether any relationship exists between the level of voluntary disclosure and cost of equity capital for the sample companies. They investigated annual reports of 95 listed companies from Germany, Sweden, Denmark and Austria. Voluntary information was classified into two types – forward looking information and historical information. Ordinary least square method was used to analyze the data. Findings of the research showed that there exists a negative relationship between the cost of equity capital and the level of forward-looking information as was expected and an unexpected positive relationship was found to exist between cost of equity capital and the level of historical information.

Pop, Bogdan and Popa (2009) studied 18 companies listed on the Bucharest Stock Exchange by applying Standard and Poor’s Transparency and Disclosure Survey Questions. The survey consists of 98 disclosure items which should be considered while following best practices in reporting. The disclosure items are grouped under three categories – Financial Transparency and Information disclosure, Board and Management Structure Process and Ownership Structure and Investor Relations. Scoring was done on a binary basis, assigning 1 if the item was disclosed and 0 if the item was missing. The findings indicated that profitability, auditor type and reporting regulations have a positive relationship with extent of voluntary disclosure.

Celik, Ecer and Karabacak (2006) aimed at analyzing the disclosure in the annual reports of companies listed on the Istanbul Stock Exchange (ISE) with special reference to the reporting of forward looking information. Forward-looking
information guides the shareholders and prospective investors of the company to forecast the future of a company. This information predicts the performance and strength of the management of the company. The few figures of interest to the investors are forecasts about profit, revenue from sales and earnings per share the researchers concluded that when the management conveys incorrect or wrong predictions, it loses its credibility in the market and any future forecasts may be ignored by the investors considering them to be meaningless. This may lead to a possibility of increase in the cost of capital. The study also tried to identify the factors which influence the decision of listed companies whether to disclose forward-looking information or not. The factors that were studied included size of the company, industry to which the company belongs and amount invested by institutional investors. The researchers did a thorough content analysis of the annual reports as this document was considered as the most reliable source of forward looking information. They used a self designed disclosure index based on the statements included in the annual reports. They analyzed the disclosure of forward looking information disclosed in the annual reports of the companies in two broad categories. The results of the study revealed that the disclosure of forward looking information was positively related with the size and foreign offers, and negatively related with the ownership structure, profitability, the level of foreign investment and the proportion of institutional investors. Other results of the study indicated that service sector and finance sector companies usually disclosed more forward looking information in comparison to the manufacturing firms. The determining factors for disclosure of forward looking information were found to be ownership structure and financial performance of the sample companies.

Albassam (2014) investigated the compliance level of some selected sample companies in Saudi Arabia with relation to the established corporate governance provisions and aimed to find out the factors affecting voluntary corporate governance disclosures. Another aim of the study was to find out the relationship between voluntary disclosures and financial performance of the sample companies. The study used both qualitative and quantitative methods to arrive at the conclusions. The researcher applied Explanatory Sequential Design proposed by Creswell and Clark (2011) within a theoretical framework. The idea was to keep into consideration the various theories of stakeholder relationship. The study also used questionnaire
methodology for five different categories of stakeholders. The study examined balanced panel data of Saudi listed companies taken from the annual reports of the sample companies. The results of the study suggested that increased corporate governance index was positively related to return on assets but not with Tobin’s Q. Other corporate governance features like CEO duality and proportion of independent directors on the Board also had a positive relationship with return on assets.

Manoj (2011) analyzed the disclosure practices of banks in India. The objective of the study was to understand the level of disclosure adopted by the banks keeping in mind the enhanced disclosures as per Companies Act, SEBI Guidelines and RBI Guidelines. The researcher took a sample of 10 banks on the basis of judgment sampling. Out of the 10 banks, 5 were from the public sector and 5 from private sector. The population of the study was 49 banks which were listed on the Bombay Stock Exchange and National Stock Exchange. The selected banks had the highest market share and good ratings by the rating authorities like ICRA and CARE. The researcher collected secondary data by undertaking content analysis of the annual reports of the banks. A total of 12 voluntary reporting items was selected to check the extent of voluntary disclosure by banks in India. The results of the study revealed that both types of banks had adopted voluntary reporting practices and there was no significant difference between the reporting practices of private and public sector banks. This is due to uniform reporting guidelines issued by the Reserve Bank of India.

Sukthomya (2011) analyzed the extent of voluntary disclosures of listed companies in Thailand and to understand the impact of various company specific features, financials and corporate governance on the disclosure practices. The study also analyzed the perception of people responsible for making these disclosures to better understand the reporting environment of Thailand. The study used both primary data through questionnaires from compliance officers and secondary data from the annual reports of the company. The researcher constructed a disclosure index to measure the quantum of disclosure. Various questions were included in the questionnaire, like the purpose of the annual report and whether any difference exists in the reporting practices of different companies. The results of the study revealed that there was a significant difference in the voluntary reporting practices of even the most actively traded securities. The researcher employed univariate and multivariate analyzes and
concluded that size of the company, type of industry, and CEO duality were the main variables explaining the variation in voluntary disclosure practices of the sample companies. The variation in financial information disclosure was not significant among companies. While analyzing the perception of interviewees, it was found that they believed that closely held companies had lower level of voluntary disclosure, although it was not supported by secondary data analysis.

2.4 Corporate Reporting and Market Price of Shares

Masum (2014) studied the effect of dividend policy on the stock price of a company. He studied in detail the prices of commercial banks listed on Dhaka stock exchange. Panel data analysis was used to study the relationship between dividend policy and stock prices of the sample banks. For the purpose of the study market price was calculated by taking the average of high and low market prices of the shares. Pearson correlation coefficient was calculated to understand if any correlation exists between the studied variables. Fixed effects model and random effects model was used to draw conclusions. Market price is used as a measure of banks performance. The study tried to find if any association exists between return on equity, return on assets, earning per share and dividend per share on the stock market prices of the shares. The results showed that there exists a significant association between the variables studied.

Nishanthini and Nimalathasan (2014) investigated the relationship between share prices and other variables like dividend and earnings etc. Manufacturing companies listed in Sri Lanka were studied using correlation and regression techniques to find out the relationship between earning per share and share prices. They used standard event study method by taking a total of 21 observations to be studied - 1 the event day, and 10 for the period before the event and 10 for the period after the event, which in this case was dividend declaration. Market price was taken as the average abnormal returns and cumulative average abnormal returns for the study period. The results of the study showed that there existed a positive and strong relationship between dividend announcement and market price of the shares.

Hemadivy and Devi (2013) studied three companies, one each from the primary, manufacturing and service sectors namely: Tata Consultancy services, Bharat Heavy electrical Limited and ONGC. They analyzed the relationship between Market Price
and earnings per share of selected companies by using coefficient of correlation and Analysis of Variance. Regression was also used to study the relationship. The value of $R^2$ in case of BHEL was 0.57 which means that 57 percent variation in market price was explained by EPS. Similarly the value of $R^2$ in case of TCS was 0.01 and for ONGC it was 0.49. Market price was taken as the actual absolute value of share price on a selected date.

Pradhan (2014) analyzed the effect of dividend announcement on share price. The share price 10 days before announcement and 10 days after announcement was studied for analysis. The sample size was fifteen and average share price of all the companies were analyzed using Independent sample T-test to compare price before and after dividend announcement. The independent sample t-test uses mean price before and after to make comparison. The results of the study showed that there was a significant change in price after announcement of dividend in nine companies out of fifteen companies. But the change is negative in many companies. Company wise analysis of trend of share price was also done. Industry wise analysis was also conducted for which the companies were divided into Steel, Aluminum, Oil, Automobiles, Pharma and IT. The analysis of variance is used to find out the significant difference in share price among different industries. The findings showed that there is no significant change in share price in particular industry after dividend announcement. This means that the impact of dividend is not different from industry to industry.

Kumar (2015) analyzed four companies in the year 2013-14 and the sample companies were – Hero Motocorp Ltd., Tata Motors, Nissan Motors and Maruti Suzuki Ltd. The study was based on Secondary data which was taken as the average share price of the companies taken from the BSE websites. The dates of Company’s interim financial report collected from companies’ websites and BSE website. Average Share price of the company was collected five days before and five days after the announcements of the every quarter’s result. Average, standard deviation, correlation and pie chart have been used in this study. Trend of the share price movement was studied using simple average of the share price of the companies for five days before and after the announcement of the quarterly results of the selected sample companies. The results of the study showed that share price is not affected by the company’s performance or financial result.
Mousa (2015) selected the industrial shareholding companies to investigate the effect of financial statement disclosure on stock prices. The reaction of stock prices was studied on the basis of daily movements. The underlying assumption of the study was that the share prices will respond quickly and positively in the direction of the results announced. Secondary data was studied by taking the closing price of selected sample companies and average abnormal returns were calculated to study the relationship between declaration of financial results and movement of share prices. For analyzing the data Pearson correlation was used. Market model was used to find out the normal return and the variance between actual and expected return. Paired sample test ANOVA was used for testing the hypotheses and to measure the difference between returns before and after the event.

Balakrishnan (2016) investigated 5 companies from the pharma sector to find out whether earning per share, price earnings ratio and dividend per share have any effect on the market price of companies. The companies selected were being regularly traded on the national stock exchange. The dependent variable in the study was the average Market Price (MPS) of the selected companies in NSE. Correlation and multiple regression was applied on the data set to reach at conclusions. The sample companies were Cipla, Dr. Reddy, Ranbaxy, Sterling and Torrent. The results were mixed as in case of some of the companies the impact was visible whereas in others it was missing. Overall the study proved that none of the variables had any significant impact on the share prices. Although out of the studied variables earning per share was the most important factor for determination of share prices.

Matthew, Enekwe, Innocent and Mike (2014) related price volatility with dividend yield and dividend payout ratio. Pearson product moment correlation was used along with simple linear regression. The study was majorly concerned with historic data and figures which was taken from the annual financial reports of the companies chosen for the sample. The research work involves events which have taken place that is why it is said to have used the Ex Post Facto research design. The sample consisted of seventeen listed companies in Nigeria and their data was taken from the published annual reports, Nigerian Stock Exchange as the data from the stock exchange in any country is considered the most authenticate and genuine information and most easily accessible documents for accessing information regarding the historical performance.
of the publicly owned firms. The results of the study concluded that there exists a positive relationship between dividend payment and firm’s average share prices.

Dedman, Lin, Prakash and Chang (2008) explored the relationship between drug announcements and their impact on share prices of the selected pharma companies. The study used market capitalization as a proxy to study the market price of shares before and after the drug announcement. Day 0 is considered the drug announcement day, -1 and +1 are the days studied before and after the drug announcement. The findings of the study revealed that drug development announcement have a much higher price impact than earnings announcements. The study also found that the sample companies reported good news more voluntarily than bad news. The pattern of disclosure varies between larger and smaller firms.

Wang and Chang (2008) studied seven independent variables and the dependent variable was the stock price, which is the closing price of the sample firms on 31/3/2004. The sample companies were divided into two groups- one with high level of disclosure and the other with low level of disclosure. They examined whether firms which are in the higher disclosure category have a higher association with earning per share and market price of shares. The details about disclosure and share prices of the sample Taiwan companies was taken from the Taiwan Stock Exchange. The results indicated that firms with higher information disclosure have higher association with earning per share and market price of the shares than firms with low level of information disclosure. The findings also suggested that there is a positive and strong relationship between earning per share and market price of the sample companies.

Moghaddam, Khorami, Alidoost, Arasteh, Kobrazadeh, and Gholampoor (2014) concluded that there is a significant positive relationship between level of voluntary disclosure and market price of shares. Sample companies were listed on the Tehran stock exchange and the dependent variable was stock return, independent variable being financial information disclosure while controlling for variables like- return on assets, earning per share, gold price and exchange rates. Multivariate regression models were used to test the hypothesis. The results showed that the level of voluntary disclosure have a positive impact on the performance of the companies. A total of 22 items were selected as parameters for voluntary corporate disclosure like- discussion on capital and research and development expenditure and experience of the management team, predicted market share and expected future profits.
Kalhor, Hosseini and Alipour (2013) evaluated the hypotheses that the quality of financial reporting has a strong and significant relationship with the performance of the company. Financial reporting quality was the independent variable, whereas the performance variables chosen were return on assets, return on equity, earning per share and the stock market prices taken at the end of the financial year. Multiple linear regression was used for the analysis of the data. Individual significance variables of return on assets, return on equity and earnings per share as well as share price have a value less than 0.05 indicating that there is a strong relationship between disclosure quality and firm performance in terms of the selected variables. Information that is available with the shareholders is an important determinant of the share price of the companies and also other performance measures analyzed in the study.

Mwangi and Mwiti (2015) analyzed the disclosure practices of 20 companies from 10 different sectors. The study focused on voluntary disclosures, categorized into five different disclosures namely- disclosures regarding strategic actions, competition and outlook, production, marketing strategy, and human capital. To measure the share prices, data was based on annual dividends and share prices of the sample companies. A total list of 62 items was prepared to measure the disclosure index and detailed content analysis was undertaken of the annual reports of the sample companies. Binary coding mechanism was used to measure disclosure by assigning 1 if the item under study was disclosed and 0 if it wasn’t. Correlation, ANOVA and regression were used to analyze the data. The results of the study indicated that there is a significant relationship between market performance of listed companies and voluntary disclosure, exchange rate, interest rate and inflation rate calculated by the consumer price index.

2.5 Perception of Stakeholders with respect to Corporate Reporting

Nayak (2012) studied the corporate reporting practices and the satisfaction among investor’s of various categories like salaried, professional, analysts or academicians. A sample of 250 investors was taken from the Valsad district of Gujarat. He studied the perceptions of the investors with respect to the disclosures made by listed companies especially the availability, adequacy and usefulness of
information. The researcher studied various disclosure parameters like disclosures in the Directors' Report, disclosure of risk exposure of the company and corporate governance report. The data was tested using chi-square test and the results showed that the information furnished to the users was not found to adequate and relevant to investment decisions.

Abdelkarim, Shahin and Arqawi (2009) have investigated the extent to which the information disclosed in the Corporate Reports of companies listed in Palestine Stock Exchange is considered as available, adequate, and useful for making investment decisions. The study also tried to find out whether different categories of investors have the same investment criteria. Different categories of investors were selected like individual and institutional investors, analysts, academics, and intermediaries. Results were studied by segregating the investors on the basis of qualification, experience, industry, and amount of money invested. A sample of 180 investors was selected for the study. The results showed that users perceived reported information as neither adequate nor useful for making investment decisions. It was depicted that speculative gains was the most important goal of investment followed by investment opportunities, steady income third goal, and safety of capital the last.

Sagoo (2016) analyzed the perceived importance of annual reports of listed companies in Kenya and the factors which influence the usefulness of annual reports. A sample of 125 respondents was chosen from three different user groups- 65 CFOs, 39 Lenders and 21 investment managers. The annual Reports were found to be the most important source of information for users and Newspapers the least. The respondents felt that the Income Statement, Balance Sheet and Auditors Report to be the most important section of Annual Report. As regards Non-Financial information, users found the Management Discussion and Analysis very important as it provides reasons for change in financial position and compares actual performance with projected or forecasted figures.

Alzarouni, Aljifri, Ng and Tahir (2011) studied the usefulness of Corporate Financial Reports in United Arab Emirates by identifying the following user groups- Individual, institutional, Governmental Investor, Government representatives. A sample of 395 respondents was selected. They studied 62 disclosure items of Financial Reports and checked the perception about the various sections of the annual report on the basis of readability, understandability, reliability, relevancy and the problems affecting the use
of annual reports like delay in publishing and trust etc. Adequacy of disclosure in annual reports was studied on a three point scale measuring the disclosure being either sufficient, insufficient or too much. The results revealed that 56 percent of the users were not satisfied with the level of disclosure in Financial Reports.

Sinha studied whether the information disclosed by listed companies in India was completely available, adequate and useful and investor’s perception about disclosure practices. A sample of 300 was selected from Lucknow district of Uttar Pradesh and respondents were classified into two categories – Active and Ordinary Investors. The respondents were asked rank their satisfaction with regard to disclosure practices of companies on selected parameters and the results showed that the investors ranked the Disclosure of information in director’s report as first followed by Disclosure of additional information in financial statements and Disclosure of risk management technique. He also analyzed the importance of disclosure of additional information in financial statements for making investment decision. The additional information studied included Social Accounting, Human Resource Accounting, Environmental Accounting, Economic Value Added statement, Financial Ratios, New products and services introduced and Brand Value.

AbuNassar and Rutherford (1996) investigated the corporate reporting practices of companies in Jordan with specific reference to the perception of the users with respect to the level of usage of corporate annual reports. The shareholders of different companies were chosen as the respondent group to give a shape to the study. The results of the study revealed that corporate annual reports were considered to be the most important source of information for the shareholders. After annual reports the second place was grasped by the visit by the shareholders to the company’s office and direct communication with company management. When asked about the level of dependence on the corporate annual reports, the users pointed at a moderate level of dependence for making investment decisions; although the fact that was also highlighted was that the users actually read annual reports of only a few companies and spent very little time on each report. The analysis showed that the main reason for this result might be a perception on the part of the users that the information not credible and most of the users felt that they completely understood the annual report. The respondents were asked to rate the understanding of the content of annual reports and the results revealed that the most easily understandable section was the auditor’s
On a final note, the respondents regarded the information disclosures to be inadequate and inappropriate as far as companies in Jordan were concerned. The biggest area of concern was that the information contained in the annual report was not comparable over years and across companies in the same industry.

Naser, Nuseibeh, and Al-Hussaini (2003) analyzed the perceptions of various users about Corporate Annual reports in Kuwait. They found that the respondents considered the annual report to be the most important source of information. Direct information from the company came second in order of importance followed by specialist advice. While studying characteristics of a useful annual report, they found that credibility and timeliness are of utmost importance. The research also concluded that for making a well informed investment decision, the corporate annual reports do play a useful role. They are also useful to judge the company’s performance and monitor their investments. The respondents believed that the information depicted in the main parts of the annual reports was considered to be trustworthy and easy to understand and that balance sheet and income statement constitute the most important section of a corporate annual report.

Naser and Nuseibeh (2003) investigated the perceptions of various users about the usefulness of the corporate annual reports of listed companies in Saudi Arabia. The results show that users in Saudi Arabia majorly rely on facts and figures made available directly by the companies and that the most important source of information for making investment decisions was found to be the corporate annual reports of companies. The respondents also confirmed that financial reports especially the profit and loss statement was the most significant part of the annual report and from the given disclosures, they could most clearly understand the auditor’s report.

Al-Razeen and Karbhari (2004) studied in detail the perceptions of users of corporate annual reports in Saudi Arabia. Users were classified into five major groups - individual investors, institutional investors, creditors, government officials, and financial analysts. The results revealed that the out of the financial statement, balance sheet and the income statement were the sections or parts of the corporate annual reports which were regarded as the most important by most of the users in Saudi Arabia. Most of the users regarded the director’s report as the least significant in making investment decisions. Another finding of the research was that the users did
not consider the cash flow statement as an important guiding force in making investment decision.

Mirshekary and Saudagaran (2005) investigated the attitudes, perceptions and characteristics of the users of financial reports in Iran. The results showed that for making investment decisions, annual report was considered the most important source of information followed by advice from stockbrokers and then market rumors. As far as ranking of importance of parts of annual report was considered, the respondents ranked profit and loss statement as the most important followed by the report given by the statutory auditors of the company and the balance sheet respectively. The major concerns in the true understanding of corporate annual reports by the respondents were delay in bringing out the annual reports, the information furnished was not reliable and that the information considered to be essential was not reported at all.

Chen and Hsu (2005) analyzed the opinion of individual investors about the usefulness and appropriateness of the corporate annual reports in Hong Kong. Investors in Hong Kong believed that the annual reports are not that important source of information as other sources like share prices and their historical figures, earnings and dividends; general news about the company; advice from analysts and financial specialists; and newspapers and magazines. Two most desirable features of corporate annual reports were relevance and reliability. The various demographic features of investors like education level, investment experience, type of share holding and investment horizon had an effect on the perceived usefulness of annual reports and this perception was also influenced by the type of firms in which they invest. Additional information like non-financial and voluntary information were also required the study revealed that the individual investors aspire for more of additional information. Apart from financial information they preferred relevant non-financial information, to be disclosed in annual reports so that they can make a well informed investment decision.

Dardor (2009) primarily investigated the perception of users with relation to the delay in publishing of corporate annual reports in Libya. The other objective of the study was to find out what are the determinants or the factors affecting the delay in publishing. The researcher divided the respondent base into five groups to find out their perception about the usefulness of corporate annual reports. The respondents identified for the study were tax authorities, academicians, statutory auditors, banks,
financial institutions. The researcher identified a sample of 33 industrial companies to find out the extent of publishing delay and its component factors. Apart from the primary study about publishing delay, the other results of the study showed that the users regarded the balance sheet as the most important followed by the profit and loss account, auditors' report, management report, cash flow and funds flow statement.

Hasan, Abdullah and Hussain (2014) evaluated the views and perceptions of various users about selected qualitative characteristics like timeliness, verifiability, representational faithfulness, neutrality and comparability of corporate financial reports in Bangladesh. Survey methodology was used on a sample of 190 respondents who were bifurcated in to five categories bankers, shareholders, stockbrokers, academicians and tax officials. The respondents felt that the quality of corporate financial reports is far below the acceptable level and they do not tend to completely believe the disclosures of financial reporting. The users of corporate annual reports expected that whatever information is provided to them is a true reflection of the actual financial position of the company, its current and projected performance and the exact state of affairs of the company.

Razzaque (2004) investigated the perception of the users about the corporate annual reports of selected sample of commercial banks in Bangladesh. The researcher selected a sample of respondents from the state owned banks and not from the commercial banks as the basic principles of working of both these types of banks is basically different. Another user group targeted for the study was that of chartered accountants because they are the people who audit the financial statements and certify the correctness of the statements contained in them. This group of respondents will probably never accept that some sort of discrepancy or inconsistency exists in corporate reporting in Bangladesh. Apart from the above specialist financial advisors were also selected as respondents, but these were very few in Bangladesh as the profession has not yet found its place like that in the developed countries. The results of the study showed that the users were not very much satisfied with the extent and quality of disclosures in the corporate annual reports in Bangladesh. The users agreed that a lot of improvement can be done in the status of reporting for it to become adequate.

Ahmed (2009) analyzed the perception of the users about the adequacy and usefulness of corporate annual reports. The focus area was the banking sector. He studied
hundred respondents and divided them into five major groups. The respondents included both accountants and financial analysts. Likert type scale was not used to gauge the perception although it is considered as a very important and relevant tool to measure the views and perceptions of the users basically through a structured questionnaire. Instead, the researcher utilized a different format of simple yes/no questionnaire. The results of the study revealed that the quantum of corporate disclosures in Bangladesh was not very promising specifically for the banking sector. The focal point of the study was not the qualitative features but the quantitative aspects.

Gold, Anna, Ulfert and Christane (2009) studied the perception of the users about unqualified audit reports. Their study was based upon companies in Germany and Netherlands. They divided the respondents into two types, one being the auditors and the other being general users of the financial statements. They tried to find out the gaps in perception of the respondents regarding the reliability of audited financial statements. The main objective was to measure the audit expectation gap by analyzing the perception of the respondents. They based their research on the global survey conducted by the Association for Investment Management and Research by using a five point Likert type scale. The global survey was conducted to study the global corporate financial reporting quality and corporate communications and disclosure practices.”

Ambrose and Mutswenje (2014) concluded that firm’s reputation and status in the industry were the most important factors that influence individual investment decisions. These factors were followed by expectation of future earnings, current profits and state of affairs of the company, performance of the company in the past, market price of the shares of the company, believes about the growth of the economy and the amount of dividend expected by the investors. The researchers studied a sample of 42 respondents who were supposed to answer the pre designed questionnaire. The statistical tools applied were Friedman’s test and Factor analysis along with correlation coefficient and the results of the study revealed that the coefficients of correlation were more close to 1 indicating that there exists a close correlation between the various factors studied and the investment decisions of the investors.
Kribat (2015) investigated the perceived usefulness and sufficiency of Libyan banks’ annual reports. The study also aimed to understand the attitudes of various user groups about content and quality of the corporate annual reports. The researcher collected primary data with the help of a questionnaire survey. The questionnaire was administered to individual investors of banks in Libya. The results of the study suggested that the investors in Libya use annual reports of Libyan banks very frequently for making financial decisions and were in fact considered to be the most important source of information for making economic and financial decisions about banking companies. Apart from the above the users were found to be satisfied with the quality but not with the quantity of financial reporting in Libyan banks’ annual reports. The most important characteristics of financial information were reliability and relevance of the information by the users, although the problem of lack of relevance in annual reports was perceived to be the most pertinent issue for Libyan banks. With respect to the different component parts of the annual report, the income statement was rated as the most important and the auditor’s report was ranked as most reliable by the respondents.

Alanezi, Alfraih & Almujamed (2014) investigated the perceptions about the usefulness of different types of information for the purpose of investment decision-making in Kuwait. 410 questionnaires were distributed and 168 useable questionnaires were collected. This shows a response rate of 41 percent. The survey was mainly aimed to get responses from analysts, fund managers, individual investors and stockbrokers who are involved with investment decisions. The results of the study were that information about the product and services of the company were of the utmost importance under the head general shareholders information. As far as financial information was concerned, operating profit was found to be the most important. With relation to non financial information, new contracts and for corporate governance information, corporate strategies information was considered to be the most important. Customer service was perceived to be the most important in corporate social information. Findings of the study revealed that there exists no significant difference between the perceptions of various respondents. The final results can be stated as all information sources mentioned in the study were considered to be important by the respondents.
Alattar and Al-Khater (2008) explored the perception of users about corporate annual reports in Qatar. The user profile included five major groups namely- individual investors, institutional investors, bank credit officers, government officers, and financial analysts. They studied whether annual reports was an important source of information, and the results were consistent with the previous studies proving that annual reports were considered the main source of information for investment decisions. The most important components in the corporate annual reports were found to be the balance sheet, auditor’s report, cash flow statement, income statement, and notes to the accounts. Apart from these, government publications, newspapers, magazines, and journals were considered to be very important sources of updated, accessible and useful information. There were significant difference between the users’ views about the importance of the cash flow section, the utility of information to monitor investments, and the use of other available sources of information.

Al-Ajmi (2009) analyzed the perception of investors in Bahrain to find out which is the most useful and reliable source of information for making investment decisions. Primary data was collected through a questionnaire survey from the respondents who were regularly investing in the equity market and could share their views on the usefulness and adequacy of corporate reports. The results of the study revealed that the respondents considered annual reports to be the most important source of information for making investment decisions. On the next level came personal expectations of the investors, advice from specialist consultants, and advice from bankers, newspaper reports, advice from stockbrokers, advice from friends. Rumors circulating in the market came on the last pedestal of importance as a source of information for the investors for making investment decisions. The response rate of the questionnaire was 42 percent. The users were studied on the basis of groups large and small and there existed significant difference between them regarding the perception of importance of cash flow and income statement.

Zoysa and Rudkin (2010) conducted a survey in Sri Lanka to find out about the viewpoint of users of company annual reports and their perception about the importance of various parts of the corporate annual reports. They circulated questionnaires to the investors and other user groups to determine their perception. The questionnaire was put up to various user groups namely- accounts officers, executives of companies, bankers, tax officers, academicians, financial analysts, and investors. The results of
the study showed that the annual report was considered as the most important source of corporate information by majority of the respondents. Also, there was no significant difference in the importance of various parts of the annual reports between various user groups in making investment decisions.

Desoky (2010) studied the perception of users about the electronic sources of financial information in Egypt. This study was the first in this direction in Egypt as all other studies spoke about only corporate reports and other traditional sources to understand adequacy of reporting practices. The study concluded that a hard copy of the annual report was considered the least important and the respondents preferred electronic sources of communicating financial information as the most important. The respondents rated specialized newspapers and magazines as the second most important source. Since web reporting is becoming essential these days, this study aimed at finding its importance in the eyes of the users. Two methods were employed to collect the data – first, through structured interviews of individual investors and detailed content analysis of the websites of companies. This was done so that apart from reading and understanding the websites himself, the researcher also could understand the perceived importance of electronic sources of information from the users’ point of view.

Al Sawalqa (2012) examined the perception of individual investors in Jordan. The main objective of the study was to find out the importance of different financial information sources in investment decision-making. The researcher surveyed ninety-four respondents who were actively investing in securities in Jordan. The findings of the study suggested that the respondents rated corporate annual reports as the most significant source of information for the purpose of investment decision-making. Second in the list was, daily share prices at the stock exchange. This was followed by the company’s Web sites, specialized newspapers and magazines, information form the company staff, advice of friends, stockbrokers’, and tips and rumors in the market.

Almujamed, Fifield, and Power (2012) investigated the sources of information that a Kuwaiti investor employs for investment decision making and also studied the share valuation methods. The methodology adopted was a questionnaire survey. The results of the study were similar to that in most countries because the main evaluation technique used by investors is fundamental analysis; followed by technical analysis and risk analysis. Other findings of the study were that the investors considered
various information sources for making investment decisions like quarterly and annual reports of the companies as well as newspapers, the Kuwait Stock Exchange Web site, and charts are commonly evaluated by the investors. On the other hand, most investors did not prefer discussing things with the company’s management as employees were usually not ready to discuss finer details about their companies with a general investor.

Alfraih and Almutawa (2014) investigated the perception of users of corporate annual reports in Kuwait about the usefulness and relative importance of these reports. The study also attempted to explore the perception of the users for improving the quality of voluntary reporting in annual reports. Data was collected through a self-designed questionnaire which was distributed to individuals representing the four groups identified. These groups were specialist advisors, statutory auditors, regulatory bodies, and academicians form the finance field. To achieve the objectives of the study, Descriptive measures like, the Kruskal-Wallis test, and the Mann-Whitney test were used. The results of the study showed that the respondents strongly agreed that although the time lag within which an annual report is published is an issue but still the annual reports of Kuwaiti listed companies were considered a very important source of information in their decision making. However, the timeliness in publishing these reports was a matter of great concern. Most of the participants of the survey were not satisfied with the quantity and quality of information provided in the annual reports and indicated a need for more information. The results would help in assessing the usefulness of annual reports in Kuwait and in providing suggestions to improve their quality.

Belal and Roberts (2010) analyzed the perception of non – managerial stakeholders in the context of corporate social responsibility. The study was undertaken in Bangladesh, to study the specific views and thoughts of stakeholders in a developing country. The authors conducted various semi structured interviews with individuals who represented non- managerial stakeholders group. The respondents were of the view that the concept of corporate social responsibility is assuming great importance in Bangladesh because of international scenario. But, they suggested that companies in Bangladesh should not indulge in pre-mature adoption of corporate social responsibility only because of international pressure. Making it compulsory was also opposed as it may lead to excessive corruption. The respondents suggested that
corporate social responsibility reporting should be based on transparency, full disclosure and accountability.

Ambrose and Grace (2013) studied the perception of investors on the quality of financial reports in Kenya. A sample of 48 was taken and questionnaire survey was undertaken in which the researchers sought to know the sources of information considered the most important at the time of taking investment decisions. The results of the study showed that 78.8 percent of the respondents felt that annual reports are most important followed by advice from specialists agreed by 69.7 percent followed by newspapers, magazines and journals as agreed by 63.6 percent of the respondents. Another objective of the study was to understand the perception of investors about the usefulness of annual reports for the purpose of taking investment decisions. With regard to relevance the quality of forecasting and making accurate predictions was found to be most relevant, on reliability, the quality of annual reports being representative of true picture was found to be the most useful, with regard to comparability, the most useful information was the year wise comparison. The findings of the study were that most of the respondents found the Kenyan annual reports good and appropriate in terms of understandability, relevance, representativeness, quality of being predictive.

Khan and Siang (2013) identified the most useful components of internet financial reporting in Malaysia. This objective was achieved through a questionnaire survey of the users. The investors were taken from online forum in Malaysia. The study used a list of 50 items for public financial disclosures so that the data is optimized. The checklist of 50 items was prepared on the basis of previous research. A self administered questionnaire was used and the respondents were asked to score the importance of each of the 50 items on a 5 point Scale. The 50 items of internet financial reporting were classified into four heads- corporate information, financial information, information sharing and presentation and user support. The result of the study showed that the top five items of users’ perception were- annual report, dividend details, current share price, balance sheet and historical share price. On the flip side, the features regarded as unnecessary in internet financial reporting were- audio-visual recording of meeting, multilingual information, external links on the company’ websites, site map, and corporate calendar.
Salaudeen, Ikuomoregbe, Alayemi and Adeniyi (2016) studied the perception of investors towards web-based reporting practices of companies. For the purpose of the study, the researchers analyzed manufacturing companies in Nigeria through a structured questionnaire for the collection of primary data. Various data analysis techniques were applied like multiple regression and analysis of variance (ANOVA). The results showed that the investors and other stakeholders’ perceived web based reporting as more useful and easier to use. The study also tried to understand the attitudes and reasons behind behavioral intentions of stakeholders. The results showed that the value of $R^2$ was 0.417 indicating that 41.7 percent of variation in the behavior was explained by performance expectancy and attitude. Some of the respondents felt that they were not comfortable with this tool and were apprehensive about its use and the complexity involved, whereas a majority felt that they were skillful in using this platform and had no apprehensions. Another important finding of the study was that the companies using web reporting were perceived to be more successful than the ones which adopt only traditional means of reporting.

Jain (2013) analyzed perception of investors about internet financial reporting. The respondents included shareholders, financial analysts, investor relationship managers, or professionals like, chartered accountants and company secretaries. A total of 110 questionnaires were filled to know the perception of the respondents. 12 questions were included in the questionnaire and percentage and average was used to study the data. The findings of the study showed that financial reporting on the internet platform is gaining importance among investors but even after the boom of internet technology, there are quite a few investors who prefer traditional format of reporting company performance over internet financial reporting. Out of the sample studied, 89 percent respondents agreed that whatever financial information is available on the internet is complete in all respects and more than 94 percent respondents agreed that the financial information provided on the internet is reliable.

Joshi (2015) studied the annual reports of companies and tried to understand perception of various stakeholders on voluntary corporate reporting practices. Voluntary disclosures are an important measure of reporting of the working of the company on the issues of ethics and social responsibility. She selected ten different user groups to study the perspectives. A questionnaire was designed to judge the rationale and usefulness of voluntary reporting practices in the Annual Report. The
results of the study showed that among the various groups of stakeholders, all of them felt that the main reason behind voluntary reporting is to provide relevant information to all the parties interested in the information and increase investors' confidence. Out of the sample investigated, the stakeholders ranked voluntary financial reporting the most important information and forward-looking information the second. As far as usefulness is considered, the stakeholders confirmed that voluntary disclosures are useful in judging the performance of the company and making a comparative analysis with reference to other companies. They also believed that the two purposes served via voluntary disclosures were – help in taking informed investment decisions and to monitor investments. Another important role of the voluntary disclosures was forecasting the expected income and earnings per share of the company.

Chandrikaan (2011) investigated the perception of the investors to know their views about adequacy and the utility of annual reports of companies listed in Sri Lanka. 204 responses were received from among the shareholders who invested in the sample companies and were asked questions like frequency of using annual reports, adequacy of information contained in annual reports, significance of different parts of annual reports, whether different parts of the annual report are understandable. The results revealed that Balance Sheet and Income Statement were the most significant and understandable parts of the annual report. Another area studied was usefulness of information content in annual reports, reliability of the sources of information and factors restricting the use of annual reports. The shareholders in Sri Lanka felt that the annual reports did not contain sufficient information for them to make informed investment decisions. All the user groups studied believed that the biggest area of concern for the investors was the delay in publishing annual reports.

Cook and Sutton (1995) investigated the perception of users of annual reports and found that there are differences in the views of respondents from different stakeholder categories with regard to the importance of the annual report. They concluded that the investors preferred concise annual reports and were not happy with excess information provided in a detailed annual report. Hence, if the companies disclose main pieces of information which is depicted in a clear and understandable format and is composed into a summary annual report, the relevance of the annual reports is increased and its value in the eyes of the investors improved. Such summary annual reports are better in providing crucial corporate information to the investors. All the
respondents agreed that the annual report is considered the second most important source of information about the company after personal contact with the management of the company. The results revealed that employees of local government authorities and public sector companies also regarded the annual report as a ‘very important’ source of information like the other user groups.

Vergoossen (1992) studied the sample from the members of the Dutch Association of Investment Analysts. The research was undertaken by using a questionnaire survey methodology on a postal platform. The study divided the investment analysts into three categories namely investment advisers, portfolio managers and heads of department. As per the views of the investment analysts, the annual report is a very important source of information for the stakeholders although it is not a complete one, as stakeholders need to look elsewhere for more information. The author reported that almost every respondent was using annual report as a part of his analysis either to a higher or lower extent. However, with relation to the perception about usefulness and the importance of the annual report, the three user groups were clearly divided in terms of their opinion. He also found that any sort of communication from the management was ranked second and interim reports were ranked third. Reports of previous years had the lowest ratings and reports of investment specialists, data from the industry were also on the lower side of the ratings.

Bhattar (1995) studied the perception of investors with relation to relevance and use of published accounting information. This was sought to be achieved through a questionnaire which was distributed among investors in order to collect the information. The results showed that the information needs of the investors and the disclosure of information by the companies were on different levels altogether and that there existed a wide gap between actual and expectations. The results also confirmed that majority companies in India disclosed only the mandatory information in their corporate annual reports and that voluntary information did not find the same prominence. Suggestions of the study included that the companies should incorporate mandatory as well as voluntary information in the corporate annual reports in a way that would suffice that requirements of the investors.

Pasricha (2000) examined the reporting practices of Indian companies by studying their interim reports and declaration of interim results by the company. The main basis of the study was the quarterly results of companies published in “The Economic
Times’ newspaper for the period from July 1, 1999 to August 15, 1999. The purpose of the study was to check the level of compliance with the listing agreement for reporting interim results. Apart from checking compliance, the study also aimed at knowing the opinion of investors regarding usefulness and adequacy of various items disclosed in interim reports. The results of the study showed that all the companies were complying with the requirements of the listing agreement. The study took into consideration the views of 80 investors and found that the investors felt that only those items of the interim report were useful which directly have a bearing on their investment decisions.

Azam, Warraich and Awan (2011) investigated into the perception of the managers with relation to presenting both financial and non-financial details about the company. A questionnaire survey methodology was used to prove the hypotheses. The researchers studied a sample of 101 respondents to find out their perception about the most important guiding principles which help in making the investment decisions. The researchers proposed that a single report containing both financial as well as non-financial details should replace separate disclosures. The factor which was found to be of utmost importance was Financial Performance, followed by Image and Reputation, Quality of Product, Customer Service, and Treatment of Staff, Honesty, Corporate Strategy, and Market share analysis. The researchers proposed one integrated report basis their analysis of the primary data collected through the questionnaires. The respondents also believed that a single report will increase the level of trust amongst the stakeholders as all relevant information can be accessed at the same time.

2.6 Discussions and Theoretical Research Framework

Based on the review of relevant literature that have been discussed above, it was observed that most of the studies have considered either mandatory disclosures Gupta (1977); Rathod (1990); Meena (1995); Kohli (1998); Bistra and Maria (2002); Singh (2005); Mahajan and Chander (2007); Hossain (2008); Mishra and Suar (2010); Aljifri et al. (2014); Sanan and Yadav (2006); Jackling and Johl (2009); Thakkar (2011); Gill (2013); Ndikwe and Owino (2016) and others or voluntary disclosures Botosan (1997); Hail (2001); Aksu and Kosedag (2005); Barako (2007); Rouf (2010); Kendi (2014); Wangari (2014), whereas some of the studies have included both
mandatory and voluntary information items in their disclosure indices. Even under mandatory disclosures, there have been numerous studies about the extent of only non-financial disclosures. Apart from disclosure index other areas that have been studied by the previous authors are relationship between corporate reporting and market price of the shares by event study method which includes analyzing the share prices of the company before and after a particular reporting event Dedman et al. (2008); Wang and Chang (2008); Matthew et al., (2014); Masum, (2014); Pradhan, (2014); Mousa, (2015); Balakrishnan, (2016) and others.

A number of studies have been conducted in the past about the perception of various stakeholders regarding the adequacy and usefulness of corporate reporting. For this purpose most of the researchers have used questionnaire survey methodology for the collection of primary data. The studies which have tried to establish a relationship between reporting practices and organizational performance have taken various parameters to measure performance of the companies. Financial performance has been considered as the primary barometer for measuring performance of any organization and authors across studies have used various ratios like return on equity, return on assets, return on capital employed and other profitability ratios. Following is a gist of the various articles and researches which were reviewed for the purpose of the study Nayak (2012); Abdelkarim et al. (2009); Sagoo (2016); Naser et al. (2003); Chen and Hsu (2005); Ahmed (2009); Gold (2009); Kribat (2015); Alattar et al. (2008); Desoky (2010); Ambrose (2013); Jain (2013); Cook and Sutton (1995); Pasricha (2000) and others.

Based on the above observations from the review of the relevant literature a theoretical research framework was developed for the current study that will provide a broad framework for the methods and settings of this research attempt. Accordingly the objectives and hypothesis of the study shall be set and methodology will follow. The current study will focus on the identified research gaps in a way that a comprehensive and benchmarking study is required in this area of research. So far most of the research that has been undertaken in the field of corporate reporting is usually on isolated components and the scholar could barely come across any work that have studied the aspects including reporting practices on one hand and organizational performance on the other, along with its impact on market price of the shares and perception of the stakeholders.
The theoretical framework based on the extant review of literature was developed for the current study presented in Exhibit 2.1.

**Exhibit 2.1 Theoretical Research Framework – Corporate Reporting Practices and Organizational Performance**