Chapter 6

<table>
<thead>
<tr>
<th>Findings and Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1 Findings</td>
</tr>
<tr>
<td>6.2 Suggestions</td>
</tr>
<tr>
<td>6.3 Conclusion</td>
</tr>
</tbody>
</table>
Chapter 6

Findings and Conclusion

6.1 Findings

This study reports the results of comparison in the two countries—Bangladesh and India with respect to the financial disclosure norms and practices of the private sector non-financial companies. The findings reveal that the mandatory mean disclosure of the companies in India is higher than that in Bangladesh. 53% of the sample companies in India discloses above 80% of the disclosure items whereas only 19% of the sample companies discloses above 80% of the disclosure items in Bangladesh. Comparing between mandatory and voluntary disclosure, the companies tend to fulfill the mandatory requirements than to disclose voluntary information. The findings also indicate that none of the companies from the two countries discloses all (100%) relevant mandatory items. In case of comparison by different parts of annual report, Indian companies are found to disclose much more information in all parts than Bangladeshi companies. The highest mean disclosure of an industry type in Bangladesh is lower than the lowest mean disclosure of an industry type in India. In respect of the disclosure index by trading category, ‘category A’ scores the highest among all categories both in Bangladesh and in India. It is found that in case of this type of categorization, the higher the rank of categorization; the higher is the level of mean disclosure in both the countries. Taking all disclosure indexes together the level of mandatory disclosure between the companies of the two countries has significant difference.

Differences are also observed while examining the impact of independent variables upon the degree of disclosure by using multiple regression models. The findings show that only ‘trading category-A’ variable is significant in Bangladesh and has profound positive impact on the level of disclosure indicating the higher the chance that a firm would be classified into a ‘trading category-A’ the higher the extent of disclosure revealed by the firm. The ‘profitability’, ‘size’, and ‘trading category-B’ variables are insignificant though these variables are found to have positive impact on the mandatory disclosure. In India, it was found that the ‘size’, ‘trading category-A and B1’ have positive significant impact on the level of mandatory disclosure which implies that the extent of disclosure would be revealed more in those firms, which are larger in size and which are classified into ‘trading category-A’ and ‘B’ in terms of activeness and declaration of dividends have the incentives to disclose more material
Findings and Conclusion

information in the annual reports. The ‘profitability’ variable is found to have negative impact on the disclosure in India indicating that the relatively more profitable firms tend to disclose less.

All types of industry category variables are found insignificant and ‘engineering’ and ‘pharmaceutical’ industries show inverse impact on the extent of disclosure in Bangladesh while in India, among industry type, ‘engineering’ and ‘pharmaceutical’ industry are significant and industry type ‘service’ and ‘textile’ are found to be insignificant though ‘food’ and ‘service’ show negative impact relative to other industries. Thus, the extent of disclosure in the two countries differs each other with respect to the industry-type and the extent of influence of industry variables upon the level of disclosure is varied in both the countries.

The findings also show that the explanatory variables in India explain much variability than the explanatory variables in Bangladesh in the total mandatory disclosure.

On the whole, though apart from some minor differences, the disclosure requirements of the two are more or less same and as the basis of disclosure requirements came from the British accounting and reporting system and the British Companies Acts in particular, the companies in two under study are expected to disclose in the same fashion, the evidence tends to reject the hypothesis that no significant difference of the degree of disclosure exists between the companies of the two countries. Rather the companies in the two countries have diverged in their disclosure practices and in spite of their common regulatory roots, adoption of accounting standards, and securities and exchange rules, significant differences in the level of disclosure are observed between the listed non-financial companies in the two countries.

6.2 Suggestions

Based on the analysis in the previous chapters, the following points come out for improvement of the disclosure norms and practices:

- Most of the Acts in Bangladesh and India adopt the concept of general-purpose financial reporting without regarding to the needs of different users group. Financial reporting can be improved by providing supplemental statements containing information needed by that group along with the general-purpose financial statements.

- In Bangladesh there is no separate body like Accounting Standards Board (ASB) in India. ICAB through its Technical and Research Committee started adoption of International Accounting Standards (IAS) as Bangladesh
Accounting Standards (BAS), which are recommendatory in nature. The Companies Act, 1994 is quite silent as regards enforcement of IAS in Bangladesh. In such a situation, accounting standards without having any legal backing, are likely to have a very little influence on the financial disclosure in Bangladesh. An Accounting Standards Board for Bangladesh having supervisory power is suggested to be formed taking members from different accounting professionals and government agencies to regulate accounting standards in Bangladesh.

- Like India, Companies Act in Bangladesh is required to be updated by incorporating laws for ‘Directors’ Responsibility Statement’, Corporate Governance Report’, etc. In Bangladesh financial audit has turned to rubber-stamp audit in practice. But Indian Act extends the scope of statutory audit of a company from ‘verificatory audit’ to ‘propriety audit’, because the auditors are required to express their opinion on systems, procedures, policies and the auditors’ report has been specified in the Manufacturing and Other Companies (Auditor’s Report) Order, 1988. The same rule is suggested to be made applicable for Bangladesh.

- There is no prescribed format for preparation of Profit and Loss Account under the Companies Act in the two countries. As a result, there is diversity in practice and much scope for hiding full disclosure. Such prescribed format is suggested to be included in the Act.

- Companies in both the countries tend to disclose less information, sometimes even ambiguous information relating to Accounting Policies, Description, Assumption, Measurement, and Valuation Bases. The compulsion for their disclosure would enhance understanding and taking proper decision of the investors.

- Acts, regulations, rules become meaningful only through their compliance. Regulation enforcing agencies are required to be activated to ensure preparation of financial statements with full disclosure.

6.3 Conclusion

In this study, various aspects of regulation of accounting and its practice in Bangladesh and in India have been examined, analyzed and compared. Based on the analysis, certain findings have come out and some suggestions have been made to improve the situation prevailing in the arena of disclosure requirements and practices. The present study may be considered to be a pointer in the area of
comparative research with accounting and disclosure practices in the developing
countries like Bangladesh and India. There is wide scope to undertake research in
this related area from different dimensions and from different point of view. This
study compares the disclosure practices between the two countries considering
annual reports for a single year. Further research may be undertaken considering
annual reports for different years to measure whether the quality of disclosure has
improved with the passage of time. Further research may also be undertaken
taking into consideration both financial and non-listed companies. Corporate
attributes have been determinant factors on the issue of disclosure practices. But it
may be an issue of research that whether the disclosure practices are the
determining factors of corporate attributes like sales, ROA, market price of shares
etc. Further research may be undertaken with the qualitative aspects of annual
reports comparing those between developed and developing countries. Further,
identifying the related issues as a research topic is an important task on the part of
a researcher but the researchers must have the option.