Abstract—This paper examines empirically the corporate disclosure practices of listed non-financial firms in India. The study is based on sample of BSE 100 firms for the period of 2008-09 to 2010-11. An unweighted disclosure index with 74 reporting items were applied to sample firms. In the paper an attempt has been made to examine the quantum of corporate disclosure and its relationship with corporate characters such as size, profitability, leverage, listing status, shareholding pattern, audit firm, residential status of a firm, and age of the sample companies. To measure the association between the variables of the study pearson correlation matrix was used. Multiple regression analysis results indicates there is significant association exits among Listing status, promoters shareholding pattern, leverage, size of audit firm and profitability. However, no significant association was found among age, and residential status of the firm.

Keywords— Corporate Disclosure, Disclosure Index, Firm-Specific Characteristics.

I. INTRODUCTION

LIBERALIZATION and Globalization of Indian economy has made more dynamic and transparent of Indian corporate sector. In India, the last two decade has experienced profound change in corporate financial reporting practices. The changes have occurred not only in the information content of annual reports, but also in presentation. These changes are driven by the additional disclosure requirements prescribed through amendments to the Companies Act, 1956; by considerably amending disclosure requirements under SEBI regulations; and by additional disclosure requirements stipulated in revised and new accounting standards. As a result of these changes, companies listed on stock exchange have been forced to disclose the minimum information in their annual reports as set out by the statutory requirements. However, particularly large and publicly traded leading companies have gone beyond those minimum requirements. Reporting information voluntarily has become a norm for large companies. Companies compete with an extensive amount of business information voluntarily to establish competitive advantage in the capital market. The disclosure of information is dependent on the characteristics of the firm. The study is an attempt to assess empirically the extent of corporate disclosure practices and influence of firm characteristics.

With this end in view, the rest of the sections are organized as follows: Section 2 presents the review of literature; Section 3 provides objectives of the study; Section 4 describes the methodology of the study and development of hypotheses; Section 5 finds out the results of the study; and Section 6 summarizes the findings and draws conclusion.

II. REVIEW OF LITERATURE

The section reviews some of the studies on the extent of corporate disclosure henceforth conducted since early 1960 in the various countries of world. Since, the 1960s there has been an increased interest in accounting disclosure studies investigating various determinants of companies’ disclosure practices. Cerf, A.R. (1961) measured disclosure by an index of 31 information items and concluded that financial reporting practices of many US companies need improvement. Several researchers have replicated his methodology. The majority of these studies were applied to developed countries such as the UK Spero, L.L. (1979), Firth, M. (1979), the USA Buzby, S.L. (1974). Lang, M., & Lundholm, R. (1993). Canada Belkaoui, A., & Kahl, A. (1978), Sweden Cooke, T. E. (1989), Switzerland Raffournier, B. (1995), Japan Cooke, T. E. (1992), and in Hong Kong Wallace, R. S. O. & Naser, K. (1995). Similarly, the present study concentrates on corporate disclosure practices of Indian firm and influence of the firm characteristics on it.

III. OBJECTIVES OF THE STUDY

The objectives of the study is to –

To assess the level of corporate disclosure of listed firm in India.

To measure empirically the association between firm characteristics and corporate disclosure levels of listed firm in India.

IV. METHODOLOGY OF THE STUDY

A. Sample selection:

The sample for the study was collected from the BSE 100 Index, reason behind selection of BSE 100 index was that includes the major sector firms of India. So sample can be
B. Computation of index

The annual report of firms were studied and differences were observed in the levels of information disclosed, which provided an important base for identifying the items of the disclosure index. These have also influenced the selection of the items in the index. Disclosure list used in the study by Meek et al. was also used extensively in this study. In all 74 items were included in the disclosure index. The disclosure index is developed using the information listed in disclosure checklist. The content of the annual report were examined & the scoring for the voluntary disclosure is done in the form of 1 & 0. If the disclosure item is present, then a score of (1) is given & if the item is not present then a score of (0) is entered as a score. The disclosure index of the sample firm developed for the year ended 31st March, 2008 to 31st March, 2010 of the sample firm.

C. Model Development:

In the present study to examine the impact of independent variables on the disclosure score of the firm the following Ordinary Least Square (OLS) regression model has been used.

\[
\text{Disclosure Score} = \beta_0 + \beta_1 \text{AGE} + \beta_2 \text{LIST} + \beta_3 \text{OWNER} + \beta_4 \text{LEV} + \beta_5 \text{AUDIT} + \beta_6 \text{RS} + \beta_7 \text{SIZE} + \beta_8 \text{PROFIT} + \epsilon
\]

Where 
- \(\beta_0\) = Constant
- \(\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6, \beta_7, \beta_8\) = Slopes of the independent variables
- \(\epsilon\) = The error term

A. Multiple Regression Analysis

A regression analysis has been run to measure the association between dependent and independents variables of the study. Regression has been used in much previous research (Roef Abur, 2010, Aktaruddin, M. et al., 2009; Apostolos, K. et al., 2009; Hossain and Hammani, 2009 HongxiaLi & Ainian Qi, 2008; Lim, S. et al., 2007; Mahajan and Chander (2007), Barako, D. G. et al., 2006; Da-Silva and Christensen, 2004; Gerald and Sidney, 2002; Owusa-Ansah, 1998; Wallace & Naser, 1995; Wallace et al., 1994). Three separate determinants of firm size (sales, total assets, and market capitalization) as well as three different measures of profitability (ROCE, RONW, and ROS) were used. Each surrogate to represent size and profitability was used only once in a model. This led to the creation of 9 regression equations.

All nine models of regression ownership structure was positively found to be significant at 1 % level. But audit firm size was negatively found significant in all nine model of regression at 1% level of significant. This result is similar to that of Mahajan and Chander (2007). Listing status of firm were found significant at 5% level of significant in equation no. 1,4,5, and 7 whereas in equation no. 2,3,6,8, and 9 it found significant at 10% level. Leverage of the firm found negatively correlated with corporate disclosure of the firm at 1%, level of significant in equation no. 2, 3, 6, 7, 8 and 9, while it found significant at 5% level in equation no. 1 and 4 and in equation no. 5 it found significant at 10% level. ROCE was significant at 1% level when applied in combination with all surrogates of size. Other profitability surrogates could not significantly explain variations in the corporate disclosure level. Market capitalization was found significant (equation 4).
VI. CONCLUSION

This research is an extension of previous research where a set of variables is considered to examine their association with the level of corporate disclosure. The objective of this study was to examine firm characteristics and their influence on corporate disclosure. These factors include Age of the Firm, Listing Status of the Firm, Ownership Structure of the Firm, Leverage of the Firm, Size of the Audit Firm, Residential Status of the Firm, Size of the Firm and Profitability of the Firm. In particular, the study aimed to determine which of these factors were significantly related to increased corporate disclosure. The study used the disclosure index to measure corporate disclosure on a sample of 81 listed non financial firm of India. The results of the study indicate that the extent of corporate disclosure within the sample firm varies within 6% to 72% (approximately) for the period of study. It implies that though all the firms disclose mandatory information as required by law, but at the same time, a large number of firms disclose more than required by legal provisions. These firms are globally recognized and have overseas operations too. These firms are also known for maximization of the shareholders wealth. That is why these companies try to be more transparent in the eyes of domestic as well as foreign investors and have better disclosure level. It has also been observed that the extent of corporate disclosure is influenced by listing status of the firm, ownership structure, leverage of the firm, size of the audit firm, size (as measured by total assets, sales and market capitalization), and profitability (as measured by return on capital employed). The companies with large assets size, higher profitability, higher leverage, listing in foreign stock exchanges, lower holding of promoters share and audited by big audit firms have tendencies to be more transparent and hence disclose more information. However, age of a company and residential status do not significantly influence the level of corporate disclosure.

REFERENCES


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