

An Empirical Study Of Disclosure Practices In Listed Non- Financial Indian Companies

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INTRODUCTION

Corporate transparency and disclosures have gained a lot of momentum in the corporate word since the past few decades. It has become essential for the long-term survival and success of a business. The demand for corporate information emanates from different stakeholders, particularly the financial stakeholders. Information asymmetry between a firm's management and financial stakeholders, equity shareholders and bondholders, call for higher transparency and better disclosure in mitigating the agency problem in corporate governance. Financial reporting and disclosure are a potentially important means for the management to communicate a firm's performance and governance to outside investors. As disclosure improves efficiency of capital allocation and also reduces the cost of capital, almost all countries devote substantial resources in framing and regulating disclosure rules and governance structure that publicly traded firms must follow. The Organization for Economic Co-operation and Development (OECD) report on Corporate Governance and National Development (OECD, 2001) as well as the Asian Development Bank (ADB) study on Corporate Governance and Finance in East Asia (ADB, 2001) highlight recent efforts by many developing countries in improving corporate governance and disclosure structures.

Securities and Exchange Board of India (SEBI), Institute of Chartered Accountants of India (ICAI) and stock exchanges have taken several initiatives in the last three years to improve transparency and disclosure by way of additional information required to be provided in the annual reports or filed with the stock exchanges. Many of these new initiatives like Accounting Standards, Corporate Governance Report, etc., have been implemented during the period of 2000 to 2003. The Indian companies annual report for the year ending 2003, which incorporate many of these changes, provide information which was not disclosed earlier. Accounting standards are formulated with a view to harmonize different accounting policies and practices in use in a country. The objective of accounting standards is, therefore, to reduce the accounting alternatives in the preparation of financial statements within the bounds of rationality, thereby ensuring comparability of financial statements of different enterprises with a view to provide meaningful information to various users of financial statements to enable them to make informed economic decisions. (www.icai.org).

The Institute of Chartered Accountants of India (ICAI), recognizing the need to harmonise the diverse accounting policies and practices in use in India, constituted the Accounting Standards Board (ASB) on 21st April, 1977. The main function of the ASB is to formulate Accounting Standards so that such standards may be established by the ICAI in India. While formulating the Accounting Standards, the ASB will take into consideration the applicable laws, customs, usages and business environment prevailing in India. The ICAI, being a full-fledged member of the International Federation of Accountants (IFAC), is expected, inter alia, to actively promote the International Accounting Standards Board's (IASB) pronouncements in the country with a view to facilitate global harmonisation of accounting standards. Accordingly, while formulating the Accounting Standards, the ASB will give due consideration to International Accounting Standards (IASs) issued by the International Accounting Standards Committee (predecessor body to IASB) or International Financial Reporting Standards (IFRSs) issued by the IASB, as the case may be, and try to integrate them, to the extent possible, in the light of the conditions and practices prevailing in India. The Accounting Standards are issued under the authority of the Council of the ICAI. The ASB has also been entrusted with the responsibility of propagating the Accounting Standards and of persuading the concerned parties to adopt them in the preparation and presentation of financial statements. The ASB will provide interpretations

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and guidance on issues arising from Accounting Standards. The ASB will also review the Accounting Standards at periodical intervals and, if necessary, revise the same.

Studies have demonstrated in a variety of ways, that, **(a)** differences in Financial Measurement and reporting practices do exist; and **(b)** these differences do actually create problems of misunderstandings, inefficiencies, and uncertainties to the participants in the global economy (Evans and Taylor, 1986; and Chamisa, 2000). Current multinational trade not only seeks to trade physical goods across borders, but also to invest and raise capital internationally. This created a need to communicate the corporation's financial position and future goals to an internationally diversified community of investors and creditors (Murphy, 1999), and led to the enhancement of the significance of accounting standards.

The accounting standards lay down sound accounting policies to ensure proper accounting and to improve comparability of financial statements. They attempt to bring about uniformity in accounting practices by putting reasonable limits on the choice available regarding accounting methods, and disclosure of accounting policies used (Ahuja, 1988, p.1110).

Accounting standards influence the financial statements, which may, in turn, influence the investors' decisions. Further, accounting standards influence the management decisions regarding utilizations of company resources. Accordingly, the real resources of the organization will be affected. Standards thus can have economic implications also (Pasricha, 1989, p. 2(3)).

Prior research at the international level has provided evidence that the degree of compliance by the companies claiming to comply with International Accounting Standards (IAS) is very complex and somewhat selective (EI-Gazzar et al., 1999; Street and Bryant, 2000; Street and Grey, 2002; and Taplin et al., 2002). These claims and evidences motivated us to examine the degree of compliance of the accounting standards in India. Since companies in India are obliged to follow the accounting standards issued by ICAI, the present study was undertaken to investigate the extent to which the disclosure requirements of these accounting standards are complied with by the listed companies.

Standard & Poor (2001) ranked 300 large and liquid companies of emerging markets on T&D scores in 2001 and then expanded the study to cover companies in Japan and the US, and several other countries. T&D score for a company is derived based on the information provided in the annual reports and other sources. The scores are based on disclosure on 98 items grouped under three sections namely, **(a)** Ownership structure and investor rights, **(b)** Financial transparency and information disclosure, and **(c)** Board and management structure and process. Patel et al., (2002) subsequently examined the T&D scores of 19 large and liquid emerging markets drawn from Asia, Latin America, Europe and Middle East for 1998, 1999 and 2000, and observed that Asian emerging markets and South Africa have significantly higher transparency and disclosure as compared to the Latin American, Eastern European and Middle Eastern emerging markets. India's position was 6th among the 19 countries in 2000 with an average T&D score of 40. Countries, which are ranked above India, are South Africa (55), Korea (45), Malaysia (45), China (44) and Hungary (43). However, India's score is far below the developed markets like UK (70), US (70) and Japan (61). The corporate governance reform process in India picked up in 1998 and the change in India's T&D score between 1998 and 2000 is the second largest among the Asian countries (Patel et al., 2002).

OBJECTIVES OF THE STUDY

- ✿ To examine the level of compliance with disclosure requirements of the accounting standards by Indian companies; and
- ✿ To determine whether any relationship exists between the level of compliance with accounting standards and a number of key company characteristics like size, profitability, leverage, age, US listing, Non US Foreign Listing, Foreign Ownership, FII Ownership and Foreign Nationality .

REVIEW OF LITERATURE

Several studies at the national and international level have addressed the impact of various corporate characteristics on the disclosures in annual report. However, few have specifically focused on the impact of these variables on the disclosure and compliance of accounting standards and some have concentrated on other disclosure aspects.

Journal of International Accounting Research (1999) “An Analysis Of Disclosure In The Annual Reports Of U.K. And Dutch Companies”, adopted a comparative approach to assess the comprehensiveness of disclosure in the 1996

annual reports of United Kingdom (U.K.) and Dutch corporations. Although the two countries exhibit some similarities, there are important differences in legal systems, capital markets, and corporate governance mechanisms. The disclosure model developed is based on the main headings specified in the Fourth and Seventh European Union Directives. Based on this model, disclosure by U.K. companies is more comprehensive than by Dutch corporations and the difference is significant (5 percent level with two-tailed test). Most of the key areas of disclosure are found to be more comprehensive in the U.K. than in The Netherlands. This is due to more stringent regulation in the U.K. than in The Netherlands, where the approach is more flexible. The model is used to establish whether disclosure is related to a number of firm-specific characteristics using regression analysis. The impact of size is the same for both countries, but other firm-specific characteristics have different effects.

Mohamed H. Abdel-Azim (1999) “Accounting Measurement And Disclosure: Choices And Implications From Egypt And The UAE” attempted to identify the degree of similarity in accounting practices, especially measurements and disclosure- between Egypt and the United Arab Emirates. The investigation extends to reasons that might be behind similarities and dissimilarities. A special investigation covers implications of source of finance, company size and involvement in foreign operations in the two countries on their accounting policies. Test of the research arguments is based on data published in the annual reports of companies in the two countries. The degree of similarity in accounting practices is measured by I index developed by Van der Tas (1988). This index computes the extent of concentration around a particular accounting practice.

Padmini Shrinivasan (2005) in her study, “Analysis of Corporate Voluntary Disclosure Practices: A Study of Indian Companies” concluded that investors need information for assessing the future cash flows and for decision-making. Management, on the other hand, can supply the information voluntarily to meet the demands of the investors. Listed companies disclose both the mandatory and voluntary information. Voluntary disclosures are disclosures in excess of the required disclosures. In this context, this study examined the factors influencing the voluntary disclosures contained in the annual report. The size of the firm, the nature of the industry and the ownership structures are also examined. This paper finds that the size of the firm affects the disclosure levels positively and the ownership structures affect the overall disclosure levels negatively. Industry and foreign ownership also affect certain types of voluntary information to some extent.

Shikha Sehgal , Lalit Bhalla and Minie Bhalla(2005) “Corporate Disclosure Practices: An Empirical Study” focused on the present practices for the disclosure of business information by six to ten companies selected randomly in each of the following ten sectors: FMCG, IT, Banking, Capital Goods, Power, Metal Products, Pharmaceuticals, Oil, Automobile, and Telecommunications. Data for analysis had been collected from secondary sources, i.e., Annual Reports of the selected companies available in the print or electronic form (for the year 2004-2005) across 52 selected parameters. Further, the disclosure index has been constructed and the data was analyzed on the basis of age, net worth; and sales of the companies, taking one of the company characteristics as the base factor to find out whether there is any significant effect of the important company characteristics on the quantum of corporate disclosures made by it. There is a notable difference in the quantum of disclosures of the different sectors. The IT Sector has the highest Mean Score as well as the maximum individual score. Factors like age of companies and sales of companies have no significant relationship with DI whereas, RONW as a factor has significant relationship with DI in case of highly profitable and other companies. Taking one of the company characteristics as a base factor, there is no significant association between DI and Age/RONW/Sales. To sum up, it can be said that Disclosure Practices of the companies are not significantly influenced by any of the selected company characteristics.

K. M. Jagannath and K. Nanjgowda (2006) “An Empirical Study on Compliance of Accounting Standard-2 In India” found out that Inventory plays a significant role in financial statements due to its significant influence on working capital. Methods of valuing and costing of inventory vary between different businesses, and even between different undertakings in the same trade or industry. This has necessitated the promulgation of Accounting Standard-2 (AS 2). This study was primarily concerned with examining the extent of compliance of AS 2 in case of inventory valuation and disclosure of costing formula applied, and also to measure the level of harmonization. This study, highlighted the importance of inventory, and performs an empirical study of annual reports of manufacturing companies in India. For a comparative analysis, the annual reports, for the years 1997 and 2004, of 100 manufacturing companies in India that were randomly selected, formed the basis for collating the data. It was noted that irrespective of regulations, cent percent compliance is not achieved even when AS 2 is mandatory, but the harmonization level has

increased slightly.

Chander S. and D. Kumar (2007) in their study, “Corporate Attributes And Compliances Of Accounting Standards,” empirically examined the impact of select key characteristics of non-financial companies on the degree of compliance with disclosure requirements of accounting standards in their annual reports. The results obtained with the use of multiple regression model showed that size, profitability, listing category, domicile status and audit firms had significant positive impact on the level of disclosure compliance of accounting standards. On the contrary, age and leverage were found to have less influence. **M. S. Narasimhan and S. Vijayalakshmi's** study , “Corporate Disclosure and Firm Characteristics In India” concluded that India had been ranked 6th among the 19 emerging markets in 2000 by the S&P study. Considering the large-scale changes that had taken place since 2000, this study examined disclosure levels of the Indian companies and found that T&D score had considerably improved in all components in 2003. Firm level differences in disclosure level are explained by size and ownership structure. While foreign institutional ownership positively affects the disclosure levels, ownership by insiders and domestic institutions negatively affect the disclosure levels.

Table 1: Overview of Literature Survey

Author	Sample size	Independent Variable	Techniques Used	Significant Variable
Verma, Garg and Singh 1997	100 India	Size profitability and age	Regression	None
El Gazzar <i>et al.</i> , 1999	87 cross country	Foreign sale, listing and leverage	Regression and wilcoxon test	All
Murphy 1999	44 switzerland	Foreign sale, listing, audit firm and leverage	MANOVA	Foreign sale, listing
Street and Bryant 2000	82 cross country	Size profitability and listing	ANOVA Regression	Listing US
Joshi and Mudhahki 2001	37	Size profitability leverage foreign operations	U test mean SD	Size
Street and Grey, 2002	279 cross country	Size profitability listing audit firm multinationality	ANOVA regression	Listing, audit firm
Karim and Ahmed, 2005	188	Size profitability, leverage, audit firm, multinationality, market category	Regression	Size, profitability, leverage, audit firm
Chander S. and Dinesh Kumar, 2007	100	Size profitability, leverage, audit firm, listing age	JB BP test and OLS regression	Size, profitability, leverage, audit firm, listing age

Empirical literature suggests that inventory valuation is one of the devices often resorted to smooth out a firm's operating results. The study aims to find out the prevailing practices, diversity in such practices, and degree of adherence to mandatory behavioural prescriptions of the Accounting Standard and possible reasons for substance-wise departure from such stipulations. The study is aimed at aiding policymakers to come out with modified behavioural prescriptions as far as futuristic compliance is concerned. The findings suggest that the disclosure of accounting policies regarding inventory valuation in listed Indian companies is more of a form than of substance, and there is ample scope for improvement in fixing the valuation norms.

Poonam Mahajan and Subhash Chander (2007) in their study, “Corporate Disclosure Practices In Indian Software Industry: An Empirical Study” empirically examined the quantum of corporate disclosure and its association with corporate attributes, such as age, size, profitability, leverage, listing status, shareholding pattern, audit firm, and residential status of a company. It is based on a sample of 50 companies from the software industry drawn from 'PROWESS' database of the Center for Monitoring Indian Economy (CMIE) for the year 2004-05 on the basis of market capitalization as on March 31, 2005. An unweighted disclosure index consisting of 90 items of information was constructed, which was used to compute the disclosure score of each selected company. Pearson correlation

product moment matrix was used to check the multicollinearity between independent variables. Multiple regression analysis revealed that significant association exists among size, profitability, and audit firm and disclosure level. However, no significant association was found among disclosure score and age, listing status, leverage, shareholding pattern, and residential status of a company. **K. M. Jagannath and K. Nanjgowda (2008)** study on “The Impact of Mandatory Accounting Standards on the Harmonization of Accounting Practices” examines the diversity in the treatment of accounting measurement practices and the impact of mandatory accounting standards by quantifying the harmonization level in the selected sample of listed manufacturing companies in India. Nine measurement issues of the actual accounting measurement practices of 104 companies for the three years, 1997, 2004 and 2006, disclosed in their annual report, were collated and index values for the frequencies of the method that they had adopted were calculated by using Van der Tas's (1988) Herfindahl index method. Four independent variables- age, performance, size and operation status - of the companies were analyzed with these indices to know if they are related to the harmonization level. The study revealed that mandatory accounting standards have increased the harmonization level in India; and there is a positive relation among the company's age, performance, size and sector status and harmonization level. It also highlights that there was an increasing trend in the harmonization level, which stood at 24.09 % in 1997, followed by 43.57% in 2004 and 49.59% in 2006.

RESEARCH DESIGN

EXPLANATORY VARIABLES AND HYPOTHESES

Researchers have addressed the impact of various corporate characteristics on the disclosures in annual report. These characteristics include size, profitability, listing status, type of ownership, size of equity market, leverage, etc. The procedure for operationalizing the variables in the regression analysis and the rationale for expecting them to explain disclosure variability are outlined in the following paragraphs.

✿SIZE

Theoretically, size of a firm is assumed to affect the level of disclosure in the annual reports. Larger the firm, the more is the information disclosed in the annual reports. Many reasons have been advocated in the literature to support this relationship. For example, generating and disseminating information are costly exercises. Only large firms would be having necessary resources and expertise for the production and publication of more sophisticated financial statements with maximum disclosures required by the users. In the prior research, size has been found to be a significant factor in explaining the differences in the extent of disclosure in a number of countries. For example, Singhvi and Desai (1971), Belkaoui and Kahl (1978), McNally et al. (1982), Cooke (1992), Inchausti (1997), Dumontier and Raffournier (1998), Joshi and Mudhahki (2001) and Karirn and Ahmed (2005) have found size to be a significant variable in their disclosure studies. However, Ahmed and Nicholls (1994) found both measures of size (assets and sales) to be insignificant in explaining the disclosures by Bangladeshi firms. Also Street and Grey (2002) and Murphy (1999) found it to be statistically insignificant in their studies of the independent variables initially considered as measures of size are net assets and net sales.

H1: Company size is positively associated with the degree of compliance with disclosure requirements of accounting standards.

✿PROFITABILITY

Corporate profitability affects the disclosure in annual reports in many ways. Studies on the understandability of financial statements found that narrative disclosures in corporate annual reports are deliberately made complex to communicate bad news and made more lucid and understandable to communicate good news (Adelberg, 1979). Moreover, agency theory suggests that managers of very profitable firms will use external information to their personal advantage. So, they will disclose detailed information in order to support the continuance of their positions and compensation agreements. Prior research regarding the association between profitability and level of disclosure is mixed. For example, research by Singhvi and Desai, 1971; Belkaoui and Kahl, 1978; and Wallace et al., 1994, indicate a significant association. Here, the variable profitability is used as net profit ratio.

H2: Profitability is associated with extent compliance with disclosures requirements of accounting standards.

✿LEVERAGE

A positive relationship can be expected between leverage and disclosure level. Companies having higher levels of debts are seen to be more risky and incur more monitoring costs. The disclosure of information reduces the monitoring costs and facilitates the creditors in assessing the firms risk and cost of debt (Botosan, 1997). EI-Gazzar et al., 1999, Murphy, 1999, Joshi and Mudhahki, 2001 found these variables to be statistically insignificant. The debt equity ratio is used in the present study as measure of leverage and the following hypothesis has been formulated.

H3: Leverage is associated with the extent of compliance with disclosure requirements of accounting standards.

✿AGE

The age of the company may also be associated with the extent of compliance with disclosures requirements of accounting standards. It will provide them matured personnel and standing in the market. However, Verma, Garg and Singh 1997 found it to be insignificant in the Indian context.

H4: Age is positively associated with the extent of compliance with disclosure requirements of accounting standards.

✿US LISTING

Listing in US may also be associated with the extent of compliance with disclosures requirements of accounting standards since in the case of US, listing requirement of SEC is considered to be stricter than that in India.

H5: US listing is positively associated with the extent of compliance with disclosure requirements of accounting standards.

✿NON US FOREIGN LISTING

Foreign listing is considered since at the international level, disclosure requirements are more qualitative and it makes companies more transparent.

H 6: Non US foreign listing is positively associated with the extent of compliance with disclosure requirements of accounting standards.

✿FOREIGN OWNERSHIP

In case a company has more of a foreign ownership, the policy of making disclosures will be at a higher rate which may make the company more transparent in terms of disclosure requirements.

H7: Foreign ownership percentage are positively associated with the extent of compliance with disclosure requirements of accounting standards.

✿FII OWNERSHIP

Ownership of FII seems to be making a company more responsible in their behaviour to comply with the disclosure requirements.

H8:FII ownership percentage is positively associated with the extent of compliance with disclosure requirements of accounting standards.

✿FOREIGN NATIONALITY

Foreign nationality of promoters may make them more transparent and responsible in their approach towards fulfilling disclosure requirements.

H9: Foreign nationality is positively associated with the extent of compliance with disclosure requirements of accounting standards.

DATA AND METHODOLOGY

A sample of 100 companies was selected from the companies listed on the BSE. All the selected companies are “A” group companies. Annual reports of the selected companies were the major sources of data. Further, sample characteristics are given in the descriptive statistics.

CONSTRUCTION OF COMPLIANCE INDEX

Out of the 32 accounting standards issued by ICAI as on 31st Dec, 2009, 22 significant accounting standards were selected for the purpose of the present study. Accounting Standards like AS 8 Accounting for Government Grants have been ignored since they are not applicable to many companies.

Table 2: List Of Accounting Standards Selected For The Study

AS 1	Disclosures of Accounting Policies
AS 2	Valuation of Inventories
AS 3	Cash Flow Statements
AS 4	Contingencies and Events Occurring After Balance Sheet Date
AS 6	Depreciation Accounting
AS 7	Construction Contracts
AS 9	Revenue Recognition
AS 10	Accounting for Fixed Assets
AS 11	The Effects of Changes in Foreign Exchange Rates
AS 12	Accounting for Government Grants
AS 14	Accounting for Amalgamations
AS 15	Accounting for Employee Benefits
AS 16	Borrowing Costs
AS 18	Related Party Disclosures
AS 20	Earnings per Share
AS 21	Consolidated Financial Statements
AS 22	Accounting for Taxes on Income
AS 24	Discontinuing Operations
AS 26	Intangible Assets
AS 27	Financial Reporting of Interests in Joint Ventures
AS 28	Impairment of Assets
AS 29	Provisions, Contingent Liabilities and Contingent Assets

On the basis of disclosures requirements of accounting standards, a check list was prepared. On the checklist, each item was coded as 1 if disclosed; and 0 if not disclosed and NA if not applicable.

CI: Compliance Index was computed by dividing total no. of disclosures made with total no. of disclosures applicable. Each item of disclosures was given an equal weight age.

CALCULATION OF EXPLANATORY VARIABLES

The study uses a total of 10 variables. They are market capitalization (MCAP), turnover (TURN), Net Profit Ratio (NPR), Debt-Equity (D/E) ratio, age, US listing, Non US foreign listing, foreign Ownership, FII ownership and Foreign Nationality. Market capitalization and turnover are used as proxies for size. Profitability is measured through NPR and leverage is measured through D/E ratio.

The formulas used are:

Net Profit Ratio (NPR) = Net Profit after Tax / Net Revenue

Debt-Equity (D/E) ratio = Total Debt/Total equity

RESULTS

DESCRIPTIVE STATISTICS

Following is the descriptive statistics of the entire dependent as well as independent variables.

The Table 3 shows that the highest level of compliances is 100% and lowest is 70.83%. The average compliance score is 90.14%.

Table 3: Descriptive Statistics [Output Generated From STATA]

Variable	Mean	Std. Dev.	Min	Max
MCAP	28293.75	40709.29	36.66	209898.3
TURN	49425.93	176018.6	1.2	1230794
NPR	-.7541726	8.869811	-65.66666	10.99718
D/E	9.035774	37.47025	-1.00914	278.678
Us listing	.1551724	.3652312	0	1
Non US listing	.3333333	.4755949	0	1
Age	41.26316	31.25958	2	114
Foreign Owned	20.85627	18.49223	0	90.28
FII Owned	17.51025	10.73569	3.88	51.76
Foreign Nationality	.8275862	.3810388	0	1
CI	.9014575	.0782554	.7083333	1

FORMULATION OF THE MODEL

In order to determine the effect of company characteristics on compliance with AS, Multiple Regression technique is used. To identify the variable affecting CI, step wise regression is used. Two models have been conceptualized; Model 1 takes turnover as proxy for size, while Model 2 takes Market capitalization as proxy for size.

MODEL 1

Model 1 takes Compliance Index [CI] as dependent variable, whereas independent variables are turnover [TURN] as proxy for size, Net Profit Ratio [NPR] as proxy for profitability, Debt equity ratio [DE] as proxy for leverage, AGE, US listing, Non US Listing, Foreign Ownership, FII Ownership and Foreign Nationality.

$CI = \alpha + \beta_1 \text{TURN} + \beta_2 \text{NPR} + \beta_3 \text{DE} + \beta_4 \text{AGE} + \beta_5 \text{USLISTING} + \beta_6 \text{NON US LISTING} + \beta_7 \text{FOR OWN} + \beta_8 \text{FIIOWN} + \beta_9 \text{FOR NAT}$

MODEL 2

Model 1 takes Compliance Index [CI] as dependent variable whereas independent variables are Market Capitalization [MCAP] as proxy for size, Net Profit Ratio [NPR] as proxy for profitability, Debt equity ratio [DE] as proxy for leverage, AGE, US listing, Non US Listing, Foreign Ownership, FII Ownership and Foreign Nationality.

$CI = \alpha + \beta_1 \text{MCAP} + \beta_2 \text{NPR} + \beta_3 \text{DE} + \beta_4 \text{AGE} + \beta_5 \text{USLISTING} + \beta_6 \text{NON US LISTING} + \beta_7 \text{FOR OWN} + \beta_8 \text{FIIOWN} + \beta_9 \text{FOR NAT}$

REGRESSION RESULTS

MODEL 1

Dependent variable: CI

R square: 0.2832

Adjusted R square: 0.0988

Table 4: Regression Output Model 1[Generated from STATA]

CI	Coef.	t stst
TURN	-8.71e-08	-1.29
NPR	.0019086	1.34
DE	-.0016304	-1.42
US LIST	.0671081	1.51
NON US LIST	.0004148	0.01
AGE	-.0002951	-0.68
FOR OWN	-.0000538	.0007737
FII OWN	-.002614	-2.04
FORE NATION	-.028276	-0.76
_cons	.9836807	20.31

The above analysis reveals that in Model 1, all the variables, viz., turnover (TURN), Net Profit Ratio (NPR), Debt-Equity (D/E) ratio, age, US Listing, Non US listing, Foreign Ownership and Foreign nationality are insignificant at 5% level of significance. FII ownership is found to be significant at 5% level of significance. The study supports the view of Verma, Garg and Singh (1997) found size, profitability and age to be insignificant.

MODEL 2

Dependent variable: CI

R square: 0.2739

Adjusted R square: 0.0817

Table 5: Regression Output Model 2[Generated From STATA]

CI	Coef.	t
MCAP	1.25e-07	0.44
NPR	.0023598	1.63
DE	-.0014304	-1.19
US LIST	.0517341	1.18
NON US LIST	.0301776	0.86
AGE	-.0004954	-1.23
FORE OWN	.0001082	0.14
FII	-.0026313	-1.99
FOR NAT	-.0560395	-1.59
_cons	.9964943	19.64

The above analysis reveals that in Model 1, all the variables, viz., turnover (TURN), Net Profit Ratio (NPR), Debt-Equity (D/E) ratio, age, US Listing, Non US listing, Foreign Ownership and Foreign nationality are insignificant at 5% level of significance. FII ownership is found to be significant at 5% level of significance.

CORRELATION MATRIX

Followings are correlation matrices for both the models.

MODEL 1

Table 6: Correlation Matrix [Output From STATA]

	CI	TURN	NPR	DE	USLIST	NON US	AGE	FOR OWN	FII	FOR NAT
CI	1.0000									
TURN	-0.2275	1.0000								
NPR	0.1368	0.0324	1.0000							
DE	-0.1463	0.0036	0.0696	1.0000						
US LIST	0.2682	-0.0447	0.0470	0.0484	1.0000					
NON US	0.1239	-0.1140	0.0721	-0.0599	0.6504	1.0000				
AGE	-0.1215	0.3827	0.1684	0.0451	0.0354	-0.0044	1.0000			
FOR OWN	-0.0964	-0.2042	-0.5127	-0.1177	-0.1115	-0.0466	-0.0388	1.0000		
FII	-0.2330	-0.1256	0.1438	-0.0810	0.0472	0.2896	-0.0797	0.1401	1.0000	
FOR NAT	-0.0184	0.1011	0.3169	-0.0637	0.1538	0.2365	-0.0061	-0.3858	0.0457	1.0000

No significant correlation is found between any of the variables.

MODEL 2

Table 7 : Correlation Matrix [Output From STATA]

	CI	MCAP	NPR	DE	US LIST	NON US	AGE	FOREIGN OWNED	FII OWNED	FOR NA T
CI	1.0000									
MCAP	0.0806	1.0000								
NPR	0.1364	-0.0726	1.0000							
DE	-0.1445	-0.1423	0.0705	1.0000						
US LIST	-0.2700	-0.0744	0.0479	0.0453	1.0000					
NON US	0.1901	-0.1970	0.0772	-0.0870	0.6136	1.0000				
AGE	-0.0670	0.0882	0.1698	0.0170	0.0097	0.0756	1.0000			
FOR OWN	-0.0907	-0.0651	-0.5124	-0.1217	-0.1152	-0.0545	-0.0385	1.0000		
FII OWN	-0.2165	-0.2118	0.1455	-0.0894	0.0398	0.2866	-0.0651	0.1386	1.0000	
FOR NAT	-0.1014	-0.0331	0.2905	-0.0279	0.1728	0.1455	-0.1284	-0.3550	0.0326	1.0000

No significant relation was found between any of the variables.

CONCLUSION

The companies have shown high degree of compliance with disclosure requirements irrespective of size, profitability, leverage, age, listing, foreign ownership, and nationality. The highest level of compliance as measured by Compliance Index (CI) is 100% and lowest is 70.83%. The average compliance score is 90.14%. In this study OLS Regression shows that there is no relation between Compliance Index (CI) and company characteristics namely size, profitability, leverage, age of company, foreign listing, promoter group, promoter nationality. However FII ownership is found to have a positive relation with Compliance Index in both the models.

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