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INVESTORS PERCEPTION TOWARDS FINANCIAL DISCLOSURE OF THE LISTED COMPANIES

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Abstract

The primary aim of this study is to analyze investors' perception towards financial disclosure of Indian listed companies. A survey method was considered to collect responses from Stock Analysts, Brokers, Individual investors and Academics. The received responses were analyzed using descriptive tools such as mean and standard deviation; additionally, a rank was provided based on the mean score, and an F test was performed to determine the study's significance level. The result of the study specified that investors' perception was neither adequate nor relevant to investment decisions. The study presented various findings based on variables, and suggestions were also provided. In turn, it will be helpful in improving the efficiency of voluntary disclosure practices of the listed companies.

Keywords: Survey method; voluntary disclosure; Financial disclosure; adequate and perception.

INTRODUCTION

Transparency in disclosing the information is essential to the efficient operation of any securities market (Bushman and Smith, 2003). In a market where resources are not entirely allocated, capital providers must seek out attractive chances to earn extra capital values, while capital operators must expect to attract sufficient money for profitable operations. Once the two parties reach an agreement, information sharing is required to eliminate information asymmetry between investors and management. Information is viewed as a means of communication among all effective market participants (Severn et al., 2000). Capital market research's key purpose has been to determine whether accounting data give investors value-relevant information that is additive to other publicly available sources of information. The information content of accounting statistics is deduced from the volatility of stock prices and the volume of security trades during a short period when these data are publicly available. However, empirical research on how financial statement users estimate risk is sparse in the Arab region. According to Schrand

and Elliott (1998), because most existing research focuses on the impacts of risk rather than how investors assess risk, the studies provide little clear direction on which disclosures can benefit investors in risk assessment.

Access to and adequacy of relevant details on marketable securities is fundamental for price efficiency and market confidence. Investors must be fully informed of factual details to make an effective decision about the value of securities (Alaaraj and Bakri, 2020). Despite the significant nature of information disclosure to the efficient running of the capital market, policymakers are becoming progressively concerned about the quality of companies' financial and non-financial disclosures.

India's economy is the fifth-largest globally, with a GDP of $2.94 trillion (a year's worth of products and services). When purchasing power parity is taken into account (how much money can buy in India compared to other nations), India's GDP ranks third (worth $10.51 trillion US dollars). However, India's GDP was still just $6,209 (in purchasing power parity) per person per year in 2015, owing to the country's massive population. Agriculture, handicrafts, industry, and a variety of services comprise India's economy. Today, the service sector is the primary driver of economic growth in India, despite two-thirds of the Indian population earning a living directly or indirectly from agriculture. India has become a pioneer in information technology in recent years, owing to the many well-educated people who can communicate in various global languages.

The Indian capital market is dominated by two exchanges: The Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE). Since 1875, the BSE has flourished. On the other hand, the NSE was founded in 1992 and began trading in 1994. Both exchanges have an identical trading system, trading hours, and settlements methods. The BSE had 5,518 listed enterprises, while the NSE had around 1,799 as of 2020. Only about 500 companies on the BSE account for more than 90% of its market capitalization; the remaining are very volatile shares—almost all of India's prominent companies listed on both markets. The BSE is the more established stock exchange, while the NSE is the largest in volume. The NSE, as a result, is a more liquid market. Both exchanges have a market capitalization of approximately $2.3 trillion. Both exchanges strive for market information that results in cost reductions, increased market effectiveness, and invention. Arbitrageurs maintain both two stock exchanges' rates within a tight range.

The primary purpose of this study is to determine the extent to which users evaluate the financial records disclosed in the financial reports of businesses listed on the Indian Stock Exchange as relevant, appropriate, and beneficial in making investment decisions.

Literature review

Financial reporting utility has long been a focus of accounting research. Since Ball and Brown's pioneering study in 1968, the accounting literature has amply proven the utility of accounting earnings, book value, and other financial report components in the United States and globally [Graham and King (2000), Chen (2001)]. While most of these studies demonstrate the importance of annual reports as a source of information, they also demonstrate a weak relationship between accounting statistics and stock prices or returns. Recent studies also indicate a downward trend in the value-relevance of financial statement information in the United States over the last several decades (Francis and Schipper, 1999). Numerous earlier studies prove the utility of financial reports or other financial information experimentally by examining the statistical relationship between financial information and stock prices or returns. Hodge (2003) argues that survey-based research can complement archival-based research by amassing data on a diverse array of unique ideas and practices to illuminate the fundamental causes of investors' behaviour.

According to the voluntary disclosure theoretical framework, appropriate disclosure should assist users in gaining a better knowledge of a firm's performance in a competitive market (Verrecchia, 1983). The existing research is founded on various methodologies for interpreting and better understanding managers' disclosure practices, most notably agency, signaling, and legitimacy theory (Ntim and Soobaroyen, 2013, Wang and Hussainey, 2013). Although Verrecchia (1983) offers a level of disclosure that is optimal in terms of proprietary costs, it is worth noting that user groups have various information needs (Schneider et al., 1994), and so no optimal degree of the disclosure can be determined (Beattie and Pratt, 2002). Previous research has confirmed the variability of users' information needs (Myburgh, 2001; Nicholls and Ahmed, 1995), while the bulk of studies have been done in established or developing nations with sophisticated capital markets, where the findings may not be generalizable, and studies in emerging markets are uncommon (Dahawy and Samaha, 2010; Hassan and Power, 2009). The purpose of this study is

to determine the utility of corporate transparency as measured by users' financial statements from an investors perspective.

Objective and Data Methodology

The present study aim is to analyze investor perception towards financial disclosure of the companies.

A questionnaire was constructed using a Likert-type five scales rating. The respondents were asked to select the relevance of information and statistically validated it to achieve the specified objective. A literature review was drawn by considering relevant studies. The focused group of Stock Analysts, brokers, Individual investors and Academics were selected for responses. The group were asked to indicate their view towards adequate and usefulness of financial disclosure in listed company's annual reports. Before the distribution of questionnaire contents were developed in consultation with Academics and Traders. Surveyed questionnaires were analyzed by considering mean and standard deviation by providing rank based on mean score, F test was conducted, and significance levels were determined.

Explanatory Statistics of the Sample

The sample contains stock analysts, brokers, individual investors and academics who were considered for the study. A random sample technique was used for the study; the sample size was 250 respondents, as specified in table 1.

Table 1: questionnaire Response.

Type of Investor	Distributed	Received	Rate of Response
Stock Analysts	40	23	14.47%
Broker	30	18	11.32%
Individual investor	130	86	54.09%
Academics	50	32	20.13%
Total response	**250**	**159**	**100.00%**

Source: Author's Compilation

The preliminary part of the questionnaire demonstrated in table 2 requested respondents to respond to the type of investors, qualification, Experience in investment, and Investors invested

amount in analyzing responses. The study reveals that qualification of a user group that investors with a bachelor degree were 57.86 per cent among the investors, professional membership investors were found to be 5.03 per cent. Whereas Doctoral degree and post-graduation qualified, investors were 10.69 and 26.42 per cent. Related to experience in investment, 35.85 per cent had 1-3 years of experience, 25.79 per cent had the experience of 3-6 years, 21.38 per cent had experience of less than a year, and 16.98 per cent had an experience of more than six years. Investment-related to the amount invested 45.91 per cent are investing amount between 50,000-1,00,000, 26.42 per cent investors are investing amount above 1,00,000, 20.13 per cent are investing between 10,000 and 50,000 and 7.55 per cent investors are investing less than 10,000.

Table 2 - Response description

	Response	Percentage of response
Type of Investors		
Stock Analysts	23	14.47%
Stock Broker	18	11.32%
Individual investor	86	54.09%
Academics	32	20.13%
Total	**159**	**100.00%**
Qualification of Investor		
Doctoral Degree	17	10.69%
Post-Graduation	42	26.42%
Bachelor Degree	92	57.86%
Professional membership	8	5.03%
Total	**159**	**100.00%**
Experience in Investment		
Less than 1 year	34	21.38%
1- 3Years	57	35.85%
3 - 6 Years	41	25.79%
Above 6 Years	27	16.98%
Total	**159**	**100.00%**
Investors By Invested Amount		
Below than 10,000	12	7.55%
Between 10,000 – 50,000	32	20.13%
Between 50,000 – 1,00,000	73	45.91%
Above 1,00,000	42	26.42%
Total	**159**	**100.00%**

Source: Author's Compilation

Study hypothesis:

To accomplish the specified objective following hypotheses was developed as follow:

1. ***H_0: There is no significant association between information user and investment goals***

   H_1: There is a significant association between Information users and investment goals

Table 3. Investor Goals

	Mean	SD	Rank	F	P(F<=f)
Invest to maintain Safety of Capital	4.483	0.502	1	1.604	0.006
Invest to achieve Regular income	4.364	0.517	2	1.509	0.014
Invest to achieve Safety and Regular Income	4.263	0.497	4	1.638	0.004
Invest to achieve Speculative Profits	4.314	0.484	3	1.725	0.002
Invest to achieve high growth in investment	4.195	0.527	5	1.453	0.022

Source: Author's Compilation

A further question was posed related to investors' goals, and responses were analyzed in Table 3; it specifies that investors prefer the safety of Capital during investment. where P value 0.006 < 0.05. These investors are acquainted with terms such as risk, unpredictability, and price swings; many really understand the true meaning of these terms during a long period of a market downturn. They frequently fall to panic in these circumstances and liquidate their investments. These investors rarely re-enter the market. So safety of funds plays a vital role. Further, Investors pay more attention towards achieving regular income here P-value 0.014 < 0.05, Moreover, Speculative profit as a third goal here P-value 0.002 < 0.05, Besides, Safety and regular income as a fourth goal here P-value is 0.004 < 0.05 and achieve high growth in investment as last goal here P-value is 0.022 < 0.05 so, the null hypothesis is rejected, and the alternative hypothesis is accepted so, it signifies that there is an association between information user and investment goals.

2. ***H_0: There is no significant association between information user and analysis made by Investors to predict future securities value***

   H_1: There is a significant association between information user and analysis made by Investors to predict future securities value

Table 4: Analysis made by Investors to predict future securities value

	Mean	SD	Rank	F	P(F<=f)
Analysis of Political issues	4.171	0.591	4	1.155	0.219
Analysis of Macroeconomic issues	4.229	0.605	5	1.104	0.297
Analysis of Technical and Fundamentals of securities	4.263	0.576	3	1.216	0.145
Analysis of Current market trends	4.364	0.622	2	1.043	0.411
Analysis of Current news and Market sentiments	4.347	0.605	1	1.105	0.294

Source: Author's Compilation

Above table 4 depicts the analysis made by investors to predict future securities value. Investors give more attention to the analysis of Current news and Market sentiments here P-value 0.294 > 0.05. since Negative news usually affects traders to sell their stocks. Individuals will typically purchase stocks concerning positive news. Robust earnings reports, introducing a new product, a business acquisition, and favourable macroeconomic factors can result in more significant buying pressure and share prices. Moreover, Analysis of Current market trends was ranked two in predicting future stock value here P-value is 0.411 > 0.05. Likewise, Analysis of Technical and Fundamentals of securities ranked three here P-value 0.145 > 0.05. Besides,Analysis of Political issues ranked four here P-value is 0.219 > 0.05. Also, the Analysis of Macroeconomic issues ranked last here P-value 0.297 > 0.05. So, the null hypothesis is accepted with all specified variables. So, there is no significant association between information users and analysis made by Investors to predict future securities value.

3. ***H_0: There is no significant association between information user and Investment sources for the investor***

H_1: There is a significant association between information users and Investment sources for the investor

Table 5: Investment sources for the investor

	Mean	SD	Rank	F	P(F<=f)
Analyzing Market statistics	4.585	0.560	1	1.289	0.085
Corporate financial reports	4.500	0.535	2	1.411	0.032
Assistance from other Investment agencies	4.364	0.534	5	1.418	0.030
Brokers Advices	4.254	0.558	3	1.299	0.079
Specific analysis by investors	4.381	0.538	4	1.397	0.036

Source: Author's Compilation

The above table 5 specifies investment sources for the investor during investment; analyzing Market statistics were highly preferred as a source of investment here, P-value 0.085 < 0.05. Subsequently, researching before considering an investment is critical. Just after a thorough investigation, could anyone make some assumptions about an investment's worth and future performance. Even following share trading recommendations, that is good to conduct additional research to verify that you are making an investment that is projected to generate the highest possible profits. Further, Corporate financial reports were selected as a second source during investment here P-value 0.032 < 0.05. Besides, Brokers advice was also paid attention to as the third significant source here, which is 0.079 < 0.05.

Moreover, Specific analysis by investors was chosen as the fourth important source here 0.036 < 0.05. Likewise, assistance from other Investment agencies was selected as the last source of preference during investment here P-value 0.030 < 0.05. So, the Null hypothesis is rejected, and the alternative hypothesis is accepted with all the specified variables.

4. ***H_0: There is no significant association between information users and Investors dependency on corporate reports.***

   H_1: There is a significant association between information users and Investors dependency on corporate reports.

Table 6: Investors dependency on corporate reports

	Mean	SD	Rank	F	P(F<=f)
Financial Statement	4.576	0.605	1	1.104	0.297
Income statement	4.483	0.610	2	1.087	0.326
Cash flow statement	4.347	0.605	5	1.105	0.294
Cross-references of the financial statements and Income	4.246	0.598	3	1.129	0.257
Declaration of Earning per Share	4.364	0.609	4	1.091	0.320

Source: Author's Compilation

Table 6 presents Investors dependency on corporate reports during investment; investors more preferred financial statements in annual statements of companies here P-value 0.297 > 0.05. Consequently, Financial statements are critical to investors because they contain much information about such a business's income, costs, profit, debt burden, and ability to meet short and long financial commitments. Further, Income statements were the second dependence preferred by investors in their investment decision here P-value is 0.326 > 0.05. Moreover, the financial statements and Income statement cross-references were selected as the third dependency among corporate reports here P-value 0.257 > 0.05. Besides, Declaration of Earning per Share was selected as the fourth preference in corporate reports during investment here P-value 0.320 > 0.05. Likewise, Cash flow statements were preferred as the last source of dependency in corporate reports; here P-value is 0.294 > 0.05. So, the Null hypothesis is accepted concerned with all the variables.

5. ***H_0: There is no significant association between information users and Investors measuring a characteristic of corporate disclosure.***

H_1: There is a significant association between information users and Investors measuring a characteristic of corporate disclosure.

Table 7: Investors measuring characteristic of corporate disclosure

	Mean	SD	Rank	F	P(F<=f)
Correctness of information	4.305	0.547	2	1.350	0.053
Accessibility of comprehensive information	4.373	0.552	3	1.328	0.063
Strong Understanding of information	4.364	0.565	4	1.266	0.102
Consistency of information	4.356	0.547	5	1.348	0.054
Easy approach to sources of information	4.339	0.558	1	1.297	0.081

Source: Author's Compilation

Table 7 presents Investors measuring a characteristic of corporate disclosure during investment; investors more selected straightforward approach to sources of information in investment decisions here P-value 0.081 > 0.05. Accordingly, published data in annual reports must be easily approachable to investors during investment decisions. Further, investors' correctness of information was the second characteristic preferred by investors in their investment decision here P-value is 0.053 > 0.05. Moreover, Accessibility of comprehensive information was selected as the third preference among corporate disclosure here P-value 0.063 > 0.05. Besides, a Strong Understanding of information was selected as the fourth feature in corporate reports during investment here P-value 0.102 > 0.05. Likewise, information consistency was preferred as the last source of corporate disclosure measurement; here, P-value is 0.054 > 0.05. So, the Null hypothesis is accepted concerned with all the variables.

6. ***H_0: There is no significant association between information users and Investors understanding the usefulness of the information.***

H_1: There is a significant association between information users and Investors understanding the usefulness of the information.

Table 8: Investors understanding of the usefulness of the information

	Mean	SD	Rank	F	P(F<=f)
Providing accurate data to Investors by helping in investment decision	4.475	0.550	1	1.334	0.060
Providing detailed information for supervising investments	4.415	0.560	2	1.289	0.085
To forecast Profit and earnings per share	4.322	0.553	4	1.322	0.067
To forecast forthcoming dividend of the company	4.288	0.571	3	1.237	0.126
To assess company's functioning ultimately	4.356	0.607	5	1.098	0.307

Source: Author's Compilation

Table 8 analyses investors' understanding of the usefulness of information during investment decisions; providing accurate data to Investors by helping in investment decisions was preferred with the highest priority by investors in investment decisions here P-value 0.060 > 0.05. Further, providing detailed information for supervising investments was selected as the second more preferred usefulness by investors in their investment decision. The P-value is 0.085 > 0.05. Moreover, to forecast the company's future dividend was selected as the third useful information among corporate disclosure here P-value 0.126 > 0.05. Besides, to forecast profit and earnings per share were selected as fourth useful information in corporate reports during investment here P-value 0.067 > 0.05. Likewise, to assess a company's functioning ultimately was preferred as the last useful measurement in corporate disclosure, P-value is 0.307 > 0.05. So, the Null hypothesis is accepted concerned with all the variables, and there is no significant association between information users and Investors understanding the usefulness of the information.

Findings and suggestions of the study

Investors' perception of corporate disclosure study found that investors pay more attention to the funds' safety during investments. Investors can invest funds with hybrid securities to ensure the safety of funds like bonds, fixed deposits. Investing to achieve high investment growth was used as the last goal—likewise, an analysis made by investors to predict future securities value. Investors give more attention to an analysis of Current news and market sentiments. Negative news usually affects traders to sell their stocks. Proper analysis of current news will always provide safety in investment. Analyzing Market statistics were highly preferred as a source of investment it provides investors can ensure clear information regarding market movements and safety of investment, and assistance from other Investment agencies was selected as the last source of preference during investment since agencies information should be analyzed and compared with market movements because of price volatility and success ratio of assistance must also be analyzed.

Investors more preferred the financial statement in annual statements of companies. Likewise, the cash flow statement was preferred as the last source of dependency in corporate reports. Financial statements provided in annual reports provide comprehensive information to be made use of during investment decisions. Investors measuring a characteristic of corporate disclosure during investment, Easy approach to sources of information were more selected by investors in

investment decisions; also, Consistency of information was preferred as the last source of measurement in corporate disclosure. Investors understanding about the usefulness of information during investment decisions, providing accurate data to Investors by helping in investment decisions were preferred with the highest priority by investors in investment decisions. Similarly, to assess a company's functioning ultimately were preferred as the last helpful measurement in corporate disclosure.

Conclusion:

The primary aim of the study is to provide investors perception towards financial disclosure of the company's. Four users group were surveyed stock analysts, stockbrokers, individual investors and academics. A questionnaire was forwarded to 250 different financial information users, and responses were received with a 64 per cent response rate. Qualification, invested amount and experience by their investment were also considered for the study. Investors goals were analyzed, and it was found that they pay significant attention towards the safety of funds, current news and market sentiments were preferred more by investors, analyzing market statistics were highly preferred as a source of investment, investors more preferred financial statement in annual statements of companies, straightforward approach to sources of information were more preferred by investors and providing accurate data to investors by helping in investment decision were preferred with the highest priority by investors. Surveyed questionnaires were analyzed by considering descriptive statistics by providing rank based on mean score, an F test was conducted, and significance levels were determined. Ultimately, investors' perception was neither adequate nor relevant but, Investors highly accept adequate and usefulness of financial disclosure in Indian listed company's annual reports.

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