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The Impact of Corporate Attributes on Disclosure Scores: A Study on Select IT Firms in India

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ABSTRACT: The article examines the link between the disclosure scores and corporate qualities of twenty IT businesses listed on the BSE India for a period of eight years, from 2016–17 to 2023–2024, This article aims to investigate how company characteristics affect transparency. Corporate characteristics like size, age, performance, profitability, liquidity, and leverage have all been studied to determine how they affect a firm's disclosure score. The degree of association between the study's variables was determined using Pearson's correlation, and the data was analysed using multiple regression analysis and an Anova.

KEYWORDS: Disclosure Score, Corporate attributes, Correlation, Multiple Regression Analysis

INTRODUCTION

The development of equity markets has increased the demand for public disclosure by companies (Choi and Meek, 2005). High disclosure is considered as a form of protection for investors and efforts to maintain value for shareholders. For this reason, the quality of disclosures in financial reporting is very valuable.

American Accounting Association AAA defines the disclosure as the measure of information from the private domain that is inside information into the public domain such a conversion of private information into public information can take place in financial statements through non accounting channels.

According to le there is an obvious need for reliable information which taken used to acquire and essential knowledge of the way in which the business enterprises are behaving in relation to public interest by perceiving interest behaviour through communicated information interested parties can use this knowledge to amend are adopt their own behaviour with service by enterprises concerned.

Caller defines disclosure as a clear showing of effect or condition on a balance sheet or other financial statements inside head in footnotes in an audit report.This definition however only reflects daily reflexi broad implication of the disclosure concept or the material matters required in adequate disclosure.

The Indian business sector is now more transparent and dynamic as a result of economic liberalization and globalization. The corporate financial reporting methods in India have seen significant transformation in the past twenty years. Both the appearance and the material contained in annual reports have undergone adjustments. These modifications are motivated by the increased disclosure obligations outlined in the Companies Act of 1956, the significant revisions made to the disclosure requirements under SEBI rules, and the additional disclosure requirements outlined in the updated and new accounting standards.

These modifications have compelled publicly traded corporations to include the bare minimum of information mandated by statute in their annual reports. Some top firms, especially those that are large and publicly traded, have exceeded these minimal standards. For big businesses, voluntary information reporting has become standard practice. To get a competitive edge in the capital market, businesses willingly compete with a wealth of company information. Information disclosure is contingent upon the characteristics of the company.

Business disclosures are primarily divided into two categories: voluntary and involuntary, aside from mandatory disclosures.The businesses' voluntary disclosures are the subject of the current investigation.

The goal of the current study is to comprehend how sample organizations' corporate qualities affect their disclosure ratings over a period of eight years, from 2016–17 to 2023–24.

LITERATURE REVIEW

Ahmed and Courtis (1999); conducted a meta-analysis based on 29 disclosure studies between 1968 and 1997 by using variables such as corporate size, listing status, leverage, profitability, and audit firm size. They confirmed significant and positive relationships between disclosure levels and corporate size, listing status, and leverage, but they found no significant association between disclosure levels and profitability, and audit firm size.

Mariq(2009) has examined the nature and the extent of voluntary disclosure in the annual reports of a sample of 52 number of firms,which were listed on the Saudi Stock Exchange in the year 2005. A disclosure index was prepared consisting of 60 items which were disclosing the basic items of voluntary disclosure.The results made it clear from the study that there was a significant large variance in the extent and nature of voluntary disclosure. However, the study has found a general trend of firms to voluntarily disclose more additional information.

Abdur Rouf(2009) in their study examined that the extent of voluntary disclosure was not found positively associated with the profitability of the firm, but it was negatively related to the proportion of independent non- executive directors and was positively related to firms with a dual leadership structure. Additionally, a higher number of directors on board is higher voluntary disclosure and the level of voluntary disclosure was associated positively for firms that have an audit committee.

Sanjay P.S. Dessai and DR. I. Bhanumurthy (2010) in their study made an attempt to evaluate the corporate governance and disclosure practices followed by 30 sensex companies by examining the annual reports for the financial year which ended by 31st march 2009. The major thrust of this study is on composition of Board of Directors,Audit Committee and Shareholders Grievance Committee. The study found that corporate governance and disclosure practices followed by SENSEX companies are very good with an exception of just one or two items.

Balasubramanian (2010) in their study mentioned that mandatory disclosures are provided under certain statutory requirements and are intended to provide only minimum quality of information necessary of decision making.They are subject to verification, evaluation and certification by the independent auditors or legal counsel in terms of content and/or process.

Arjit Sen (2011), study sought to determine the extent to which Indian listed companies disclose their corporate governance disclosure practices by examining the annual reports of 50 listed companies.Also the determinants of disclosure have been looked into .They concluded that there is a substantial scope for improvement in the corporate governance disclosure practices and the size of the company is a significant determinant of disclosures.

RESEARCH GAP

The assessment of the literature that is currently accessible demonstrates that more research is being done in India on corporate social responsibility, the level of disclosures in annual reports, and other ideas of corporate governance. The impact of business qualities on disclosure ratings in the IT industry has received less attention in studies. In an effort to close research gaps, this study has taken a specific sample of IT organizations and examined the relationship between corporate attributes and disclosure ratings.

SCOPE OF THE STUDY

The balance sheets, income statements, and annual reports of IT businesses that were chosen for the study were considered. Using the data from the annual reports of the chosen companies, the Disclosure Index was created.

To assess how corporate factors, affect disclosure scores, metrics such as DER, ROA, ROE, ATR, DPR, P/BV, ROCE, company age, and firm size are employed.

RESEARCH METHODOLOGY

POPULATION: BSE 200 firms make up the study's population.

SAMPLING METHOD: The sampling unit was chosen using the convenience sampling approach.

SAMPLE SIZE:

20 BSE publicly listed IT businesses make up the study's sample size.

RESEARCH OBJECTIVES

1.To see the impact of Leverage, Profitability, Liquidity and Performance on Disclosure Scores.

2.To see the impact of firm age and firm size along with independent variables on Disclosure Scores.

DATA SOURCES

Secondary data from the official websites of the firm as well as other websites have been used extensively in the investigation. The balance sheets, income statements, and annual reports of the chosen businesses provide the data for the sample firms used in the study.

STUDY PERIOD: The current research has an 8-year study period, beginning on April 1, 2016, and ending on March 31, 2024.

HYPOTHESIS OF THE STUDY

Hypothesis 1:

H_0: There is no significant effect of Corporate Attributes on Disclosure scores.

H_1: There is a significant effect of Corporate Attributes on Disclosure Scores.

Hypothesis 2:

H_0: Corporate Attributes and business size have no discernible impact on Disclosure scores.
H_1: Corporate Attributes and business size have a discernible impact on Disclosure scores.

Hypothesis 3:

H_0: Corporate Attributes and business age have no discernible impact on Disclosure scores.
H_1: Corporate Attributes and business age have a discernible impact on Disclosure scores.

Hypothesis 4:
H_o: The combined impact of firm age, firm size, and corporate attributes on disclosure ratings is not statistically significant.
H1: The combined impact of firm age, firm size, and corporate attributes on disclosure ratings is statistically significant.

VARIABLES OF THE STUDY

I)Dependent variable: Dependent variable of the study is the "Disclosure Score".

Disclosure Indexing Method: The disclosure score of corporations was determined by extracting information from annual reports concerning a company's disclosure using the disclosure index.

The study requires disclosure data, which is gathered from the sample businesses' annual reports during an 8-year period beginning in 2016 and ending in 2024.

When an item is exposed, a score of "1" is assumed; when it is not disclosed, a score of "0."

The development of disclosure indexes involves the use of several techniques found in index construction research, such as UDI, PCA analysis, MCDM techniques like the Entropy Weight Method, AHP, etc. An unweighted disclosure index (UDI) methodology is one of the most often utilized approaches (Cheung et al., 2010; Coy & Dixon, 2004; kamal Hassam, 2012; Zhang et al., 2020). Thus, we have used the same approach in our investigation.

Based on earlier research, a disclosure index consisting of 35 components was created for the study.

Disclosure Score Formula:
Disclosure Score = Total score of the individual company (of the ith co. in the year t) /
Maximum possible score obtainable (of the ith company in year t)

Types of Disclosures:
In addition to required disclosure, there are two primary types of disclosures in business: voluntary and involuntary.

When a business decides to make its operations public, it is making a voluntary disclosure. When information about the organization is disclosed without its knowledge, it is referred to as involuntary disclosure.

Within this category, voluntary disclosures come in a variety of forms. The company may decide to reveal information about its governance, strategy, finances, and human resources.

II) Independent variables:
For the eight-year period beginning on April 1, 2016, and ending on March 31, 2024, all of the ratios for the sample firms are computed using data from the balance sheets on the companies' official websites.

Independent variables are calculated as follows:
1)Leverage: DER is used to quantify leverage.
DER:Debt Equity Ratio is represented by DER
DER is calculated as follows:
DER = Total Liabilities / Total Shareholder's equity

2)Profitability: Utilizing ROA, ROE, and ATR, profitability is determined.
i)ROA:Return on Assets is represented by ROA
It is calculated as follows
ROA = Profit After Tax / Total Assets
ii)ROE:Return on Equity is represented by ROE
It is calculated as follows
ROE = Net income (annual) / Shareholder's Equity
iii)ATR:Asset Turnover Ratio is represented by ATR
It is calculated as follows
ATR = Net Sales / Average Total Sales

3)Liquidity: DPR is utilized to quantify liquidity.
DPR: Dividend Pay-out Ratio is represented by DPR
It is calculated as follows
DPR = Dividend Per Share / Earnings Per Share

4)Performance: P/BV value and ROCE are used to gauge performance.
i)P/BV : Price to Book Value is represented by P/BV
It is calculated as follows
P/BV = Market Price Per Share / Book value Per Share
ii)ROCE: Return on Capital Employed is represented by ROCE
It is calculated as follows
ROCE = EBIT / Capital Employed

III)Control Variables of the study are:
Firm size: The natural logarithm of the total assets determines the firm size.
Firm age: The number of years from the company's founding to the research period is considered the firm age.

DATA ANALYSIS
HYPOTHESIS:1
Regression model with the Disclosure score as the dependent variable and all other factors as independent variables.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.558[a]	0.311	0.279	0.089

a. Predictors: (Constant), ROCE, DER, ATR, DPR, P/BV, ROA, ROE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.539	7.000	0.077	9.796	.000[b]
	Residual	1.195	152.000	0.008		
	Total	1.735	159.000			

a. Dependent Variable: DISCLOSURE SCORES

b. Predictors: (Constant), ROCE, DER, ATR, DPR, P/BV, ROA, ROE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.643	0.019		33.184	0.000
	ROA	0.007	0.004	0.581	1.935	0.055
	ROE	-0.003	0.003	-0.378	-1.141	0.256
	DPR	0.001	0.000	0.268	3.612	0.000
	DER	0.004	0.023	0.014	0.194	0.846
	ATR	0.000	0.000	-0.079	-1.020	0.309
	P/BV	0.004	0.002	0.138	1.637	0.104
	ROCE	0.001	0.000	0.190	2.128	0.035

a. Dependent Variable: DISCLOSURE SCORES

Interpretation:

In Post-test the fitted regression model is Disclosure Score (0.643) +ROA (0.007) +ROE (-0.003) DPR (0.001) +DER (0.004) +ATR(0.000) +P/BV(0.004)+ROCE(0.001)

For the constant (t=33.184, p=0.000)

For the Variable ROA (t=1.935, p=0.055>0.05) significant

For the Variable ROE (t=-1.141, p=0.256>0.05) not significant

For the Variable DPR (t=3.612, p=0.000<0.05) significant

For the Variable DER (t=0.194, p=0.846>0.05) not significant

For the Variable ATR (t=-1.020, p=0.309>0.05) not significant

For the Variable P/BV (t=1.637, p=0.104>0.05) not significant

For the Variable ROCE (t=2.128, p=0.035<0.05) significant

Model Summary table shows R=0.558 and R^2= 0.311which means all the variables together are showing 31.1%variation in Ds

HYPOTHESIS:2

Regression model with the Disclosure score as the dependent variable and all other factors and Firm Size as independent variables.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.594[a]	0.353	0.319	0.086

a. Predictors: (Constant), FIRM SIZE, ATR, DER, ROCE, DPR, P/BV, ROA, ROE

Anova

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	0.612	8.000	0.077	10.291	.000[b]
	Residual	1.123	151.000	0.007		
	Total	1.735	159.000			

a. Dependent Variable: DISCLOSURE SCORES

b. Predictors: (Constant), FIRM SIZE, ATR, DER, ROCE, DPR, P/BV, ROA, ROE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.641	0.019		33.972	0.000

	ROA	0.007	0.004	0.550	1.885	0.061
	ROE	-0.004	0.003	-0.457	-1.412	0.160
	DPR	0.001	0.000	0.222	3.020	0.003
	DER	0.012	0.023	0.037	0.536	0.592
	ATR	0.000	0.000	-0.017	-0.223	0.824
	P/BV	0.002	0.002	0.096	1.163	0.247
	ROCE	0.001	0.000	0.187	2.163	0.032
	FIRM SIZE	0.000	0.000	0.249	3.129	0.002

a. Dependent Variable: DISCLOSURE SCORES

Interpretation:

In Post-test the fitted regression model is Disclosure Score (0.641)+ROA(0.007)+ROE(0.004)DPR(0.001)+ DER(0.012)+ATR(0.000)+P/BV(0.002)+ROCE(0.001)+Firm Size(0.000)

For the constant (t=33.972, p=0.000)

For the Variable ROA (t=1.885, p=0.061>0.05) not significant

For the Variable ROE (t=-1.412, p=0.160>0.05) not significant

For the Variable DPR (t=3.020, p=0.003<0.05) significant

For the Variable DER (t=0.536, p=0.592>0.05) not significant

For the Variable ATR (t=-0.223, p=0.824>0.05) not significant

For the Variable P/BV (t=1.163, p=0.247>0.05) not significant

For the Variable ROCE (t=2.163, p=0.032<0.05) significant

For the Variable Firm size (t=3.129, p=0.002<0.05) significant

Model Summary table shows R=0.594 and R^2= 0.353which means all variables along with Firm Age together are showing 35.3%variation in Ds

HYPOTHESIS:3

Regression model with the Disclosure score as the dependent variable and all other factors and Firm Age as independent variables.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.829[a]	0.688	0.671	0.060

a. Predictors: (Constant), FIRM AGE, DER, ATR, DPR, P/BV, ROCE, ROA, ROE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.193	8.000	0.149	41.572	.000[b]
	Residual	0.542	151.000	0.004		
	Total	1.735	159.000			

a. Dependent Variable: DISCLOSURE SCORES

b. Predictors: (Constant), FIRM AGE, DER, ATR, DPR, P/BV, ROCE, ROA, ROE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.565	0.014		39.478	0.000
	ROA	0.004	0.003	0.325	1.595	0.113
	ROE	-0.003	0.002	-0.326	-1.457	0.147
	DPR	0.001	0.000	0.261	5.197	0.000
	DER	0.009	0.016	0.026	0.548	0.585
	ATR	0.000	0.000	-0.071	-1.360	0.176
	P/BV	0.003	0.001	0.117	2.064	0.041
	ROCE	0.000	0.000	0.094	1.545	0.125
	FIRM AGE	0.004	0.000	0.675	13.499	0.000

a. Dependent Variable: DISCLOSURE SCORES

Interpretation:
In Post-test the fitted regression model is Disclosure Score (0.565) +ROA (0.004) +ROE(-0.003) DPR(0.001)+DER(0.009)+ATR(0.000)+P/BV(0.003)+ROCE(0.000)+Age(0.004)
For the constant (t=39.478, p=0.000)
For the Variable ROA (t=1.595, p=0.113>0.05) not significant
For the Variable ROE (t=-1.457, p=0.147>0.05) not significant
For the Variable DPR (t=5.197, p=0.000<0.05) significant
For the Variable DER (t=0.548, p=0.585>0.05) not significant
For the Variable ATR (t=-1.360, p=0.176>0.05) not significant
For the Variable P/BV (t=2.064, p=0.041<0.05) significant
For the Variable ROCE (t=1.545, p=0.125>0.05) not significant
For the Variable Firm Age (t=13.499, p=0.000<0.05) significant
Model Summary table shows R=0.829 and R^2= 0.688which means all variables along with Firm Age together are showing 68.8%variation in Ds

HYPOTHESIS:4

Regression model with the Disclosure score as the dependent variable and all other factors and Firm Size and Firm Age together as independent variables.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.830[a]	0.688	0.669	0.060

a. Predictors: (Constant), FIRM AGE, DER, ATR, DPR, P/BV, ROCE, FIRM SIZE, ROA, ROE

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.194	9.000	0.133	36.770	.000[b]
	Residual	0.541	150.000	0.004		
	Total	1.735	159.000			

a. Dependent Variable: DISCLOSURE SCORES
b. Predictors: (Constant), FIRM AGE, DER, ATR, DPR, P/BV, ROCE, FIRM SIZE, ROA, ROE

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.565	0.014		39.055	0.000
	ROA	0.004	0.003	0.325	1.590	0.114
	ROE	-0.003	0.002	-0.318	-1.410	0.161
	DPR	0.001	0.000	0.265	5.156	0.000
	DER	0.008	0.016	0.024	0.498	0.619
	ATR	0.000	0.000	-0.078	-1.418	0.158
	P/BV	0.003	0.001	0.121	2.098	0.038
	ROCE	0.000	0.000	0.093	1.524	0.130
	FIRM SIZE	0.000	0.000	-0.025	-0.417	0.677
	FIRM AGE	0.004	0.000	0.683	12.698	0.000

a. Dependent Variable: DISCLOSURE SCORES

Interpretation:
In Post-test the fitted regression model is Disclosure Score (0.565) +ROA (0.004) +ROE(-0.003) DPR(0.001)+DER(0.008)+ATR(0.000)+P/BV(0.003)+ROCE(0.000)+size(0.000)+Age(0.004)
For the constant (t=39.055, p=0.000)
For the Variable ROA (t=1.590, p=0.114>0.05) not significant
For the Variable ROE (t=-1.410, p=0.161>0.05) not significant
For the Variable DPR (t=5.156, p=0.000<0.05) significant
For the Variable DER (t=0.498, p=0.619>0.05) not significant
For the Variable ATR (t=-1.418, p=0.158>0.05) not significant
For the Variable P/BV (t=2.098, p=0.038<0.05) significant

For the Variable ROCE (t=1.524, p=0.130>0.05) not significant

For the Variable Firm size (t=-0.417, p=0.677>0.05) not significant

For the Variable Firm Age (t=12.698, p=0.000<0.05) significant

Model Summary table shows R=0.83 and R^2= 0.688 which means all variables together along with Firm size and age together are showing 68.8%variation in Ds

FINDINGS

To determine if there is a link between the dependent and independent variables, multiple regression analysis is performed.

1.Hypothesis 1 examines how corporate attributes affect DS without taking into account how control variables (firm size and firm age) interact.

The test's results indicate that the only factors that substantially affect DS are (DPR and ROCE).

According to the Model Summary Table, R=0.558 and R2=0.311 indicate that there is a 31.1% variance in Ds across all variables combined.

2. Hypothesis 2 examines how corporate attributes affect DS in relation to the interplay of firm size, a control variable.

The results indicate that firm size, ROCE, and DPR have a major impact on DS.

All factors combined with Firm Age reveal a 35.3% variance in Ds, according to the Model Summary Table's R=0.594 and R2= 0.353 values.

3.Hypothesis 3 examines how corporate attributes affect DS using Firm Age as a control variable.

The results indicate that DS is highly influenced by DPR, P/BV, and Firm Age.

The model summary table displays R=0.829 and R2=0.688, indicating that the combined effect of all variables and Firm Age is 68.8% variation in Ds.

4. Hypothesis 4 examines the impact of corporate attributes on DS by examining the combined effects of Firm Age and Firm Size.

The results indicate that the firm age, P/BV, and DPR have a major impact on the DS.

The model summary table indicates R=0.830 and R2=0.688, indicating that the combined effect of all factors, firm size, and age is 68.8% variance in Ds.

SUGGESTIONS

1.The study's findings give the stakeholders a wealth of new information.Based on the disclosure scores of the individual IT firms, customers may select the IT company.Higher disclosure ratings are a sign of better business openness and governance.

2.Based on the disclosure scores, investors may confirm again how reliable the company's performance measures are. Reduced likelihood of window dressing is indicated by higher disclosure scores.

3.The study highlights the significance of disclosure compliance, which motivates management of the firms to strive for more transparency and compliance.

CONCLUSIONS

The corporate disclosure practices used in the Indian IT sector are represented in this study. The study shows how disclosure ratings and company qualities are related to one another.

A greater focus is being placed on corporate disclosure policies as a result of previous corporate scandals. Voluntary disclosures bridge the gap left by mandatory disclosures in providing investors with a comprehensive understanding of disclosure processes.

Given the growth of the IT industry, disclosures in this field will aid in increasing openness and awareness about a company's disclosure practices among investors, legislatures, and shareholders.

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