INVESTOR'S PERCEPTION TOWARDS THE FINANCIAL INFORMATION DISCLOSED IN ANNUAL REPORTS OF LISTED COMPANIES OF NATIONAL STOCK EXCHANGE WITH SPECIAL REFERENCE VADODARA CITY

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ABSTRACT

This study tries to evaluate the investor's perception of users about the accessibility, sufficiency, and usefulness of financial information disclosed in the annual reports of listed companies of National stock exchange with same research area of Vadodara city. A survey method has used involving the selected sample of information users such as individual, institutions, analysts, academics and financial intermediaries. The result found from the present study identifies that most of the respondent's believe disclosed information as neither relevant for investment decision nor sufficient. In particular reported published information was not enough as listed companies did not fulfill with the minimum disclosure requirement of Securities exchange board of India (Disclosure investor's protection Gulidelines-2000) & Institute of Chartered accountants of India. This adverse perception along with the poor trustworthiness and bad timelines of disclosures has prevented the information being reflected in to stock prices. This study has limited to the Vadodara city only, to the purpose of this research 110 respondents will be collected from the same region.

Keywords: Investment decision, financial information, Investor's perception and Information availability.

I.   INTRODUCTION

Effective information disclosure is a tool for investors to identify the opportunities in the business, now a day it's a mandatory requirement imposed by SEBI (Security exchange board of India) & ICAI (Institute of Chartered accountant of India). Information disclosure is essential for the effective operation of securities markets. Resources are not completely allocated among the market participant, fund providers identify to seek new opportunities for adding the extra values, while the market players have a faith for expecting the enough capital for operation to generate the huge amount of profit. Necessary information always provides the clear cut guide lines; the proper disclosed information is called as communication technique among the active market participant. The primary objective behind the capital market research have been to assess whether accounting numbers provide value-relevant information to

market players, which is differentiate to all other general sources of large number of publicly accessible information. During the short span of time the information released among the investors the stock prices are highly volatile. Generally stock prices are relay on the accounting data which is available in public domain.

The clear picture of the organization depends on the transparency how they disclosed the information for public domain. Hear the concept of financial reporting practicing concern with the accessibility sufficiency, and timeliness of related information about traded securities are important for market confidence, effectiveness and pricing efficiency. If investors are to make sound judgments about the value of securities, they must be completely informed of related facts. Since reported information disclosure is integral part for the effective operation of the capital and security markets, the regulatory bodies are always concern about the quality of information of financial and non financial items which disclosed by the firms.

Today, there is a growing recognition by many of the regulatory bodies that the accounting reporting model has reached a tipping point and is failing to communicate what is important despite the volume of information being produced. This marks the reason for the evaluating of the regulatory framework for financial disclosures.

The primary objective of this study is to evaluate the extent that potential users perceive information disclosed in the financial reports by companies listed at the NSE (National Stock exchange) as accessible, sufficient and useful to their investment decisions. Furthermore, this study examines whether multi-groups or clusters of investors have the same investment decision criteria within the different demographics characteristics like qualification, experience, industry, and amount of money invested etc.

II. LITERATURE REVIEW

Here, highlighting one of the survey has been made by various author reasons for information environments to develop endogenously the information disclosed among the investors and business entities with investment opportunities and the issue related to agency problems that identify from control of business and the separation of ownership. In fact, the "unraveling result" by Grossman and Hart (1980), Grossman (1981), Milgrom (1981) and Milgrom and Roberts (1986) predicts that a firm that wants to maximize its share price discloses all its private information as long as (a) the disclosure is cost-less to the

firm; (b) investors know that the firm has, in fact, private information; (c) all investors interpret the firm's disclosure in the same way and the firm knows how investors will interpret the firm's disclosure; (d) the firm may credibly disclose its private information; and (e) the firm cannot commit ex-ante to a certain disclosure policy. These results are driven by investors rationally implied that if a manager did not disclose the important information, his information would have caused investors and users to revise their advantage beliefs about firm worth downwards. As an output, the manager has to disclose this information to distinguish him from managers with even worse information. This holds true for all information (except the very worst possible outcome) leading to the "unraveling" of any withheld information.

The effective work had been done by Ball and Brown (1968), the relationship between accounting information and capital markets has attracted considerable attention. The interest for this subject is legitimate, given the objective of financial reporting practicing that accounting figures are aimed at providing investors with useful information for their future investment decisions, some times investors were blindly relay on the figures. In capital markets, financial information is supposed to facilitate the prediction of firms' future cash flows and help investors assess future securities' risk and returns. On this subject, three types of research are successively considered. Studies of the market reaction to the release of new accounting information that analyze the stock price impact of accounting disclosures in order to determine whether these are useful to market players. Studies of the long-term relationship between stock returns and accounting numbers, which provides the extent to which the information conveyed by accounting figures is steady with that reflected in the movement of stock prices for specific time period. Similar studies identified the use of accounting numbers by investors and to the influence of market considerations on accounting options.

Financial reporting usefulness has been one of the most important research areas in accounting. Since the same study of Ball and Brown (1968), extant accounting literature has well documented the usefulness of accounting profits, book value/ face value and other items in the annual financial reports both in the U.S. as well as internationally [Graham and King (2000), Chen (2001)]. While most of these studies provide evidence that annual report is an important source of accounting information, they also show a low relationship between accounting figures and stock prices or average returns. Some recent studies even report a decreasing trend in the value-relevance of financial statement information in the U.S. over the past decades (Francis and Schipper, 1999). Many prior studies

empirically establish the usefulness of financial reports or other financial information by the statistical relationship between the financial information and stock prices or returns. Hodge (2003) suggests that a survey-based research can complement the archival-based research in that it gathers data on a multitude of individual beliefs and practices to provide the underlying reasons for investors' behavior.

The disclosure of relevant corporate information is an essential element of a market-based observation of companies. Transparency and Disclosure induce to business for better protect investors, and thereby maintain investors' self-confidence in equity & capital markets. For disclosure to be significant and meaningful, it should be informative, timely and accurate. In relation to the reliability of general published information, companies must accept internationally authorized accounting and auditing norms, and assure the transparency of the audit process. Appropriate disclosure of actual and accurate information on important firm-related matters is essential for the protection of shareholders and investors rights for basic two main reasons. First, shareholders require having access to important information about important matters to make decisions that are in their interest. Second, information disclosure is integral in preventing managers and dominant shareholders from engaging in activities that are illegal or are detrimental and harmful to minority shareholders as well as business. Corporate disclosure has evolved from being solely focused on financial information excerpted predominantly from a firm's financial statements today, corporate disclosure is utilized as a strategic tool in risk assessment and the value creation process. The emergence of exclusive disclosure strategies that show the picture of all aspects of a firm's performance has resulted in the enlarging of both the scope and degree of the information published by firms. Disclosure policies, including economic, financial, social and environmental information, are now key factors of many firms' investor communication programs (Richardson and Welker, 2001). This development in corporate practices appears to be well identified, since empirical findings suggest that an open disclosure policy provides many benefits and advantages to a firm, e.g., a lower cost of capital (Harris 2000 and Botosan 2001). An environmental reporting practice typically occupies a prominent place within the general range of a firm's disclosure strategy.

III. OBJECTIVES

(A) To know the perception of the investors from the Vadodara city about information disclosed in the annual reports of listed companies (NSE)

(B) To evaluate level of information disclosed by the selected companies from the NSE

(C) To identifies the usefulness of the information with respect to the various users.

IV. RESEARCH METHODOLOGY

Data collected through the structured questionnaire with the help of five point Likert scale ranging from (Y+) strongly agree to (N+) strongly disagree. The descriptive research design applies for the research purpose. The questionnaire also contained the information regarding demographic characters of the respondents such as age, education background, income level & area belongs to the investment objective. The target population for this study has from the Vadodara (Gujarat). Sample size this of research are 110 respondents from various categories.

Drawing on the literature and considering the Indian stock market environment, ten listed companies from the NSE (National stock exchange) as institutional investors and information providers, and five groups as external users of corporate interim reports identified, individual investors, institutional investors, stock brokers, academics, and creditors The overall target groups has asked to give their opinion, using a five-point scale, on items of very important to not at all important or (Y+) strongly agree to (N+) strongly disagree. Before distribution, the questionnaire has presented during a pilot interview with individuals comprising both academics and practitioners. All of our pilot interviewees either researched this area to some extent or aware of the financial reporting practices of listed companies of NSE (National stock exchange). Each has asked to respond critically on any aspect of the design of the questionnaire. Their comment has incorporated in the final version of the questionnaire distributed to the sample.

(A). Hypothesis:
This study tries to evaluate the accessibility, sufficiency, and the perceived usefulness of information for taking an investment decisions. To facilitate our analysis, the following hypotheses were farmed and stated as below.

H0: There are no significant relationships among the multi user groups and perception about information disclosed.

H1: There are significant relationships among the multi user groups and about the information disclosed in the financial reports of the listed companies from the NSE (National stock exchange) as accessible sufficient, and useful.

V. DATA ANALYSIS AND INTERPRETATIONS

From the initial part of the questionnaire as demonstrated in table – I (Table- I : Sample Description.) asked the respondent to provide the information concerning their qualification experience, industrial sector & amount of money invested in order to help in the analysis collected from the respondents. Results of the analysis shows that user groups holds at least a professional degree with 16.36% of Ph D degree, 20% with master degree, 35.45% with the first degree, & 24.55% has acquired professional qualification. According to the experience, 14.54% had less than one year experience, 40.91% had 1 -5 years of experience, 29.10% had 6 -10 years of experience and 15.45% respondent having an above 10 years experience. Now the analysis moves to the preference of the industrial sectors. The statistic shows that 29.09% has preferred telecommunication, 41.81% preferred insurance companies, 16.36% has interested in banks, 44.54% has interested in investment management companies, 46.36% has preferred service sector, and 32.72% has interested in industrial sector. In terms of the amount of fund invested, 16.36% are not investing at all, 26.36% are investing less than 10,000(Rs), and 33.64% are investing between 10,000-24,999 (Rs), 10.91% between 25,000-49,999 (Rs), 7.27% between 50,000-99,999 (Rs), and 5.46% invested more than 100,000(Rs). Finally, maximum respondents has belonging from the range of 10000-24999(Rs) hear their shall have an opportunities in this range to increased the level of investment among the various sectors.

The subsequent part of the analysis shown in the Table – II (Table – II : Sample Description), it indicates investors' pays more attention to the steady income as their first goal while the second best option has safety of principle capital because of the limit of other investment opportunities in NSE (National stock exchange). The third preference given to the speculative gains, where the investment opportunities has least preferred. When the attention is turned to the kind of analysis where the macroeconomic analysis was the only significant tool as calculated the Kruskal-wills significant level KWSL (0.052), while others analysis tools are least preferred by the respondents. This indicates that many investors in the market having incapability to understand the environment. The successive analysis continuous with the information users mentioned those corporate financial reports & the NSE (National stock market) market statistics are the most significant source of information for their investment decisions.

The result indicates that remaining factors are least concern for the purpose of satisfying their investment objective. It shows that many of investors are always depends on the various source of information. This means that poor quality of investment decision, especially in the financial analysis, does exist in the NSE (National stock exchange).

The next part of the analysis has concern with the users' perception information from the NSE market perceived the financial information disclosures as a relevant for the investment decision. Results that are outlined in the table - III (Table – III: Users' perception information) shows that when asking the external users information about the readership of the corporate financial reports users attached a higher level of importance to the profit and loss statement, balance sheet & cash flow statement, where the other factors are the least concern or insignificant things associated with the investment decision. According to the quality of information, all users considered the accessibility of information, understandability & sufficiency as an important for their investment decisions. Information users evaluated the company's level of disclosures as mainly depends in the balance sheet, cash flow statements & income statement sections, where the segmental & accounting policies & notes are the least factors for the disclosures' matters in NSE (National Stock exchange). The KWSL value was not significant & it's fluctuated for the section level of disclosures by the companies. Hear the result confirm that companies should follow the minimum disclosure standards as per companies' act -1956.

The last part of the analysis concern with the result of Kruskal-wills test that examines whether the perception of multi user groups on the importance of the information disclosed in the financial reports differ with qualification, experience & industrial sector & amount of money invested. The table – IV (Table – IV: Kruskal – wills tests of the kind of disclosures within the uses) represents the results that most of the qualified respondents are depends in the balance sheets, income statement sections & cash flow statements, where the remaining three kinds of respondents are not heavily relay on this two sections & industrial sector has not given the clear idea about investment decision.

VI. CONCLUDING REMARKS

The main theme behind this research is to provide the clear evidence on the accessibility, sufficiency & the usefulness of the various aspects of corporate information to individuals and multi user groups. A questionnaire was forwarded to the 110 respondent from the Vadodara (Gujarat) & 100% response rate given from the respondents.

The above result shows that most of the respondent within the multi user group using the various kind of information for their investment purpose. That means alternate hypothesis rejected and null hypothesis is accepted where the respondents perception are different for the investment with respect to the Vadodara (Gujarat) region.

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TABLES
Table – I Sample Description

Kind of Users	No. of Observation	Percentage(%) of total sample
Individual Investors	42	38.18
Institutional investors	18	16.36
Creditor, bank loan officer	19	17.28
Stock Brokers	11	10
Academics	20	18.18
Total:	**110**	**100%**
Users by Qualification	No. of Observation	Percentage(%) of total sample
PhD	18	16.36
Master Degree	22	20
First Degree	39	35.45
Professional Qualification	27	24.55
Others	4	3.64
Total:	**110**	**100%**
Users by experience (Age)		Percentage(%) of total sample
< 1 year	16	14.54
1 – 5 years	45	40.91
6 – 10 years	32	29.1
Above 10 years	17	15.45
Total:	**110**	**100%**
Investors by Industrial sector	No. of Observation	Percentage(%) of total sample
Telecommunication	32	29.09
Insurance companies	46	41.81
Banks	18	16.36
Investment management companies	49	44.54
Services	51	46.36
Industries	36	32.72
Total : (110 Respondents)	--	--
Investors by amount of money invested (Rs.)	No. of Observation	Percentage(%) of total sample
Nothing	18	16.36
< 10000	29	26.36
Between 10000 - 24999	37	33.64
Between 25000 - 49999	12	10.91
Between 50000- 99999	8	7.27
Above 100000	6	5.46
Total:	**110**	**100%**

Source: Primary research work)

Table – II Sample Description

Items:	Mean	Standard Deviation	Ranking	KWSL (sig level 0.032)
Investors Goals				
Safety of Capital	4.73	0.867	2	0.226
Steady income	4.92	0.889	1	0.261
Speculative gains	4.69	0.811	3	0.113
Investment opportunity	4.26	0.802	4	0.102
Kind of Analysis				
Political analysis	4.22	0.627	2	0.526
Macroeconomic analysis	4.31	0.767	1	0.052
Technical analysis	4.09	0.607	3	0.417
Fundamental (Financial) analysis	3.68	0.619	4	0.596
Statistical analysis	3.12	0.589	5	0.437
No Analysis, imitation other investors	2.91	0.648	6	0.469
Sources of information				
NSE Market statistics (data)	4.88	0.428	2	0.332
Corporate financial reports	5.10	0.586	1	0.067
Advice of investment services (Specialists).	4.62	0.446	4	0.340
Advice of stockbrokers	4.26	0.193	5	0.317
Direct information from the company	4.23	0.082	6	0.427
Investors own analysis	4.82	0.412	3	0.221
Market rumors, and adages	4.11	0.076	7	0.201

(Source: Primary research work)

Table – III Users' perception information

Items:	Mean	Standard Deviation	Ranking	KWSL (sig level 0.032)
Readership of the corporate reports				
Balance sheet	4.86	0.590	2	0.022
Profit and loss statement	5.16	0.642	1	0.046
Cash flow statement	4.51	0.826	3	0.034
Footnotes to the financial statements	3.16	0.796	7	0.072
Statement of shareholders equity	4.17	0.920	5	0.128
Management commentary	3.62	0.761	6	0.136
Auditors report	4.23	0.569	4	0.320
Information quality				
Timeliness	3.56	0.480	5	0.056
Accessibility & sufficiency of specific information	4.25	0.310	1	0.048
Understandability	3.78	0.527	2	0.488
Credibility	3.59	0.780	4	0.228
Availability of Information	3.72	0.652	3	0.186
Relevancy	2.99	0.340	6	0.341
Level of disclosure by companies				
In Management Commentary Section	3.44	0.572	4	0.682
In Income Statement section	3.89	0.522	3	0.296
In Balance Sheet Section	4.78	0.680	1	0.256
In Cash Flow Statement Section	4.67	0.758	2	0.365
In Segmental Information Section	2.99	0.428	6	0.221
In Accounting Policies and Notes	3.21	0.270	5	0.345

(Source: Primary research work)

Table – IV   kruskal – wills tests of the kind of disclosures within the uses

Parts of Financial Reports	Qualification Chi Square	Experience Chi Square	Industrial sector Chi Square	Amount of Money invested (Rs.) Chi Square
In Management Commentary Section	4.630	0.970	2.223	4.862
In Income Statement section	5.720	5.552	4.067	6.870
In Balance Sheet Section	6.428	6.729	2.216	6.274
In Cash Flow Statement Section	6.322	5.836	3.760	4.372
In Segmental Information Section	4.462	3.867	3.425	3.132
In Accounting Policies and Notes	4.124	0.986	0.899	1.617

(Source: Primary research work)

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