



Influence of Corporate Characteristics on Extent of Disclosure in Published Annual Reports in India

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Abstract

Corporate disclosure is indispensable for efficient functioning of financial markets as market players while making investment decisions seek relevant information in the annual report of a company. The corporate houses should try to improve their disclosure level by regulating essential information along with the mandatory information. Adequate corporate disclosure helps to retain investor's confidence in the capital market. Disclosure assists corporate world to enhance its image. The present study strives to investigate the impact of select corporate characteristics namely company size, liquidity, leverage, profitability and age on the disclosure level of the companies in India. Disclosure of various categories of information, namely financial, human resources, corporate governance, social responsibility and environmental, production and marketing, future outlook, intangible asset and company specific information have been measured through a checklist consisting of 135 items. Correlation and panel data regression have been employed to examine how corporate characteristics influence the disclosure made in the annual reports of the company over a six year period commencing from the year 2008 to 2014. The results of correlation analysis shows that big firms and highly levered firms have higher disclosure score and the results of panel data regression exhibit that firm's age and profitability significantly influence the disclosure made by the corporate sector through their annual reports.

Keywords: Annual reports, Corporate characteristics, Corporate disclosure, Disclosure index, Panel data regression

JEL Classifications: M40, M41

Paper Classification: Research Paper

Introduction

Worldwide occurrence of corporate scandals and the financial crisis have badly shaken the investors' confidence resulting in demand for more transparency in the financial statements. Additional disclosure via annual reports leads to higher accountability, transparency, enhances credibility, boosts up investors' confidence and increases marketability of the shares. It also helps investors and regulators understand and manage the risk taken by the corporate decision makers. Corporate Stakeholders demand reliable, regular, complete and comparable information for



making decisions. To satisfy this information companies publish their annual reports conforming to the provisions of the Companies Act, 1956 at the end of every accounting period. Traditionally annual reports contain the chairman's statement, directors' report, reports by auditor, position and income statements, cash flow statement, funds flow statement, notes to accounts and balance sheet abstract profile. In recent years, company's annual reports are widening their scope by disclosing additional voluntary information such as economic value added information, inflation accounting, human resource accounting, environmental and social responsibility information. Enhanced disclosure decreases information asymmetry between the stakeholders and managers. 'Full disclosure' means that an annual report should include all economic information related to the accounting entity that is important to effect the decisions of informed users of annual reports. 'Fair disclosure' refers to accounting and other information is unbiased. It means that all the users of financial statements should be treated the same while preparing the annual reports. And the 'adequate disclosure' refers to that disclosure which gives the answer of some questions i.e. why, to whom, how much, what and when the information is to be disclosed (Ubha, 2001). The most critical issue faced by the financial manager is to decide how much and what kind of the information is to be revealed. Adequate disclosure depends on the quantum and qualitative characteristics of the information that is disclosed; the form in which the information is depicted; frequency and timeliness of reporting.

Moreover, companies all over the world are entering into international capital markets which pressurises them to make reliable and complete disclosure. In the present scenario, Indian companies have experienced intense change in corporate disclosure practices. These refinements have taken place not only in contents but also in the presentation of annual reports due to disclosure requirements under the Companies Act, 2013, Security Exchange Board of India (SEBI) regulations and guidelines and new Indian accounting standards. On September 2, 2015, SEBI issued some regulation regarding broad principles for periodic disclosures by listed companies. According to these guidelines the information has to be prepared and divulged in annual reports in line with relevant accounting and financial disclosure standards. The rules further specify that the listed entity shall ensure proper disclosure of all the material and relevant information.

Today, corporate sector does not confine to more disclosure of mandatory information in the annual reports but they disclose additional information on a voluntary basis to gain competitive advantage in the capital market. The large publicly traded companies have surpassed the minimum requirements set by the regulatory bodies and are setting higher disclosure standards for others to follow.

Considering the importance of disclosure, the present paper proposes to analyse the influence of selected corporate variables on the extent of disclosure made by the corporate sector in India. The rest of the study is planned as follows: the next section of the paper shows a brief literature review followed by research methodology, results and discussion and conclusion including limitations and scope for future research.

Literature Review

Research on company disclosure through the annual reports is not a naive phenomenon. Instead, it has captured the attention of the researchers as early as 1960s. Both primary and secondary studies on disclosure practices by companies are available. Primary studies on disclosure through annual reports focus on gathering users' perception about importance and relevance of various accounting and other items present in the annual reports. Whereas, other researchers have analysed the impact of corporate variables on the level of disclosure in

companies annual report. This section gives brief overview of literature available on the secondary studies on linkage between the corporate disclosure level and company-specific variables.

Table 1: Research on Corporate Disclosure Depicting its Association with Corporate Characteristics

Variables	Author(s) in Support of Significant Influence	Author(s) in Support of Insignificant Influence
Firm Size	Singhvi & Desai(1971), Buzby (1975), Chow & Wong-Boren (1987), Meek <i>et al.</i> (1995), Marston & Robson (1997), Owusu-Ansah (1998), Apostolou (2000), Haniffa & Cooke (2002), Akhtaruddin (2005), Alsaeed (2006), Hashim & Saleh (2007), Hossain & Reaz (2007), Hossain & Hammami (2009), Mahajan & Chander (2011), Galani <i>et al.</i> (2011), Nandi & Ghosh (2012), Arif & Tuhin (2013), Hassan & Bello (2013), Sehar, <i>et al.</i> (2013), Soliman (2013), Aljifri <i>et al.</i> (2014), Barac, <i>et al.</i> (2014), Charumathi & Ramesh (2015)	Stanga (1976), Malone <i>et al.</i> (1993), Patton & Zelenka (1997) , Agyei-Mensah (2012) , Chakroun & Matoussi (2012), Kolsi (2012) , Hasan & Hosain (2015)
Profitability	Patton & Zelenka (1997), Owusu-Ansah (1998), Akhtaruddin (2005), Agyei-Mensah (2012), Mahajan & Chander (2011), Bhayani (2012), Nandi & Ghosh (2012), Kolsi (2012), Hassan & Bello (2013), Sehar <i>et al.</i> (2013), Soliman (2013)	Malone <i>et al.</i> (1993), Marston & Robson (1997), Meek <i>et al.</i> (1995), Alsaeed (2006), Hashim & Saleh (2007), Barako, <i>et al.</i> (2006), Hossain & Hammami (2009), Rouf (2011), Galani <i>et al.</i> (2011), Arif & Tuhin (2013), Aljifri <i>et al.</i> (2014), Barac, <i>et al.</i> (2014), Hasan & Hosain (2015), Charumathi & Ramesh (2015)
Liquidity	Nandi & Ghosh (2012)	Alsaeed (2006), Barako <i>et al.</i> (2006), Agyei-Mensah (2012), Hassan & Bello (2013), Aljifri <i>et al.</i> (2014)
Leverage	Malone <i>et al.</i> (1993), Bhayani (2012), Kolsi (2012), Hassan & Bello (2013), Charumathi & Ramesh (2015)	Chow & Wong-Boren (1987), Meek <i>et al.</i> (1995), Marston & Robson (1997), Apostolou (2000), Hashim & Saleh (2007), Haniffa & Cooke (2002), Mahajan & Chander (2011), Nandi & Ghosh (2012), Sehar <i>et al.</i> (2013),
Firm Age	Owusu-Ansah(1998), Hossain & Hammami (2009), Chakroun & Matoussi (2012), Soliman (2013), Sehar <i>et al.</i> (2013), Albitar (2015), Hasan & Hosain (2015)	Haniffa& Cooke (2002), Akhtaruddin (2005), Alsaeed (2006), Joshi (2006), Hossain & Reaz (2007), Galani <i>et al.</i> (2011), Mahajan & Chander (2011), Bhayani (2012), Nandi & Ghosh (2012), Arif & Tuhin (2013)

Source: Review of literature

Size: Previous studies have recognized size as a major variable that explains and influences the disclosure level. The main reason for which company size is established to be positively linked with disclosure is the 'agency theory' (Albitar, 2015). This theory suggests that big companies have more information asymmetry leading to higher agency costs (Hasan and Hosain, 2015). Larger firms may have higher political visibility and are more closely viewed by analysts. To minimize such costs, big corporations divulge more information in comparison to small counterparts. The dissemination and accumulation of particular information is costlier in smaller companies in comparison to larger companies. Small firms find such costs more expensive and unaffordable (Owusu-Ansah,1998). Large firms disclose additional information than smaller firms as they have competitive cost advantage (Lang and Lundholm, 1993). Many variables such as net sales, shareholders wealth as indicated by market capitalization, total assets, number of employees and shareholdings and net income have been taken as a proxy of size in previous research. In this study, size has been calculated by total asset. Most of the earlier disclosure studies evidenced disclosing more information by larger companies. Singhvi and Desai (1971),

Buzby (1975), Alsaeed (2006), Aljifri *et al.* (2014) and other studies as shown in Table 1 depict significant relationship among size and the disclosure level. To the contrary a few studies Stanga (1976), Agyei-Mensah (2012), Hasan and Hosain (2015) have found a negative relationship among disclosure level and firm size.

Profitability: It is another important variable that has a bearing on disclosure by corporate in their annual report. High profits induce management to reveal more information in annual reports to create a good image among varied stakeholders (Ghazali and Weetman, 2006). Managers prefer to communicate good news to stakeholders to justify their compensation packages (Inchausti, 1997 and Albitar, 2015). Unprofitable companies do not disclose much information to conceal their losses (Aljifri *et al.* 2014). Profitability may be measured through net income, profit margin, return on assets, earning growth, dividend growth and return on equity. In the present study, profitability has been determined by the return on asset. Meek *et al.* (1995), Alsaeed (2006), Barako *et al.* (2006), Hashim and Saleh (2007), Rouf (2011), Galani *et al.* (2011), Arif and Tuhin (2013), Aljifri *et al.* (2014), Hasan and Hosain (2015) etc. (Table 1) established a positive relationship among profitability and the disclosure level to the contrary Galani *et al.* (2011), Arif and Tuhin (2013), Aljifri *et al.* (2014), Barac *et al.* (2014), Hasan and Hosain (2015) found negative association between profitability and disclosure.

Liquidity: It means the ability of firms to honour its short term liabilities. Liquidity is a critical decision variable for the users of financial statements. Inability of a firm to honour its current obligations may lead to bankruptcy. So to gain stakeholders confidence firms divulge more information (Wallace and Naser, 1995). Liquid firms tend to disclose more information. Most of the studies Alsaeed (2006), Agyei-Mensah (2012), Barako *et al.* (2006) Hassan and Bello (2013), Aljifri *et al.* (2014) establish a negative association among liquidity and the disclosure level whereas Nandi and Ghosh (2012) shows a positive association with liquidity and disclosure level. Financial ratios serve as a tool to measure the liquidity position of a company like current, quick, net working capital, acid test ratios. The present study measures liquidity as current ratio.

Leverage: This refers to presence of long term debt in financial structure of a company. High level of leverage leads to high agency cost. So, firms with high leverage disclose more information (Albitar, 2015). The yield to maturity and the total interest cost of debt instruments have been used as a proxy of leverage in prior studies. The present paper has used debt equity ratio to measure the leverage. Many of the earlier studies Chow and Wong-Boren (1987), Meek *et al.* (1995), Marston and Robson (1997), Haniffa and Cooke (2002), Hashim and Saleh (2007), Mahajan and Chander (2011), Nandi and Ghosh (2012), Sehar *et al.* (2013) depict negative linkage among the disclosure level and leverage. In contradiction few researchers explored a positive association among leverage and the extent of disclosure (Bhayani (2012), Kolsi (2012) and Hassan and Bello (2013)).

Firm Age: It is generally believed that with age and experience the company tends to become more sensitive to investors and other stakeholders needs. The main reason behind selecting the firm age as a variable is that old firms might improve their disclosure practices with passage of time (Alsaeed, 2006) in order to build their goodwill (Akhtaruddin, 2005). Owusu and Yeoh (2005) stated that cost of collecting, classifying and disbursing the relevant information is more for new companies than older counterparts. The company age has been determined by the number of years that have passed since the incorporation of the company. Although some studies Haniffa and Cooke (2002), Akhtaruddin (2005), Alsaeed (2006), Joshi (2006), Hossain and Reaz (2007), Galani *et al.* (2011), Mahajan and Chander (2011), Bhayani (2012) and Nandi and Ghosh (2012) establish negative linkage between the age and the disclosure level by the company. Only some

studies Hossain and Hammami (2009), Sehar *et al.* (2013), Soliman (2013), Albitar (2015), Hasan and Hosain (2015) found significant positive association among the extent of disclosure and company age. The review of literature on linkage between corporate disclosure and company specific variables depicts that size, profitability, liquidity, leverage and firm's age are significant variables influencing the corporate disclosure level. But as the results vary across the markets, industries and time periods, there is a need to reinvestigate the influence of company attributes on the extent of disclosure in annual reports.

Research Gap

On the basis of review of literature it is apparent that many studies have been carried out worldwide to analyse the influence of selected corporate characteristics on disclosure by corporate sector in their annual reports. The uniqueness of present study lies in the fact that it makes an attempt to reinvestigate this relationship by taking a wide range of disclosure items (135) covering different facets of disclosure namely corporate financial information, corporate human resource information, corporate governance information, corporate social responsibility & environmental information, corporate production & marketing information, future outlook, company specific information and information of intangible asset. Furthermore, the present work covers a long time span of six years from 2008 to 2014.

Contribution of the Study

The findings of the present paper aid to know the variation of level of disclosure in the light of selected company specific variables. The management can improve their disclosure level in the annual reports by monitoring the variables, like profitability and firm's age, to whom the disclosure is most sensitive. Simultaneously higher disclosure may enhance investors' confidence, values of shares and satisfy creditors and policy makers.

Objectives of the Study

The aim of the present paper is to examine the influence of selected corporate characteristics namely size, profitability, liquidity, leverage and company age on the disclosure level in annual reports of the selected Indian companies. Following hypotheses have been designed for this purpose.

H₁: Company size does not influence the level of disclosure made by company in annual reports.

H₂: Profitability has no influence with disclosure level in annual reports.

H₃: Liquidity has no influence with the extent of disclosure.

H₄: Leverage has no influence with the disclosure level.

H₅: Company age does not influence the level of disclosure made by the company.

Research Methodology

Companies included in National Stock Exchange (NSE) Nifty 100 index as on date August 4, 2015 have been taken as sample. Out of these, the financial sector companies i.e. banking and insurance companies have been excluded due to different reporting practices. Companies whose annual reports are not available for the entire study period have also been excluded. So, the final sample consists of 69 companies representing different industries.

Annual data of selected corporate characteristics namely, size, profitability, leverage, liquidity, firm's age have been collected from Prowess database of Centre of Monitoring Indian Economy

(CMIE). The data set covers six year period commencing from the financial year 2008 to 2014. The variables are selected on the basis of the support available from the review of literature. The analysis has been done through E views 8.

Disclosure Index	No. of Items	Percentage
Corporate Financial Information	28	20.74
Corporate Human Resource Information	25	18.52
Corporate Governance Information	18	13.33
Corporate Social Responsibility & Environmental Information	10	7.41
Corporate Production & Marketing Information	15	11.11
Future Outlook	11	8.51
Company Specific Information	11	8.51
Information of Intangible asset	17	12.59
Total	135	100

In earlier studies, researchers have used disclosure indices to calculate the level of disclosure made by the companies in their annual reports. The disclosure indices have been created to measure differences in disclosure practices among firms. Disclosure index is based upon wide-ranging information items which are disclosed in company annual reports. The selection of items embedded into the disclosure index is done through review of literature. In the present study, the disclosure index includes a list of 135 items shown in Table 2. These items are then categorised into eight sub-indices, namely, financial, human resource, corporate governance, environmental and social responsibility, production and marketing, future outlook, company specific information and information on intangible assets. The score sheet was prepared for giving the score to companies to check the disclosure level. It has been measured by dichotomous method where score one is assigned if a firm discloses information and zero if it does not disclose.

The overall disclosure score of the companies has been measured by dividing number of items disclosed by the company with total items incorporated in the disclosure index (Kolsi, 2012).

$$\text{Disclosure Score} = \frac{\text{No. of items disclosed by the company}}{\text{No. of items included in the Disclosure index}} \times 100$$

The level of disclosures of sample firms has been evaluated by content analysis, which involves reading through the annual reports of the companies. A brief description of all the six variables used for the study is given in Table 3.

Table 3: Description of Variables

Variable	Label	Description of Variables
Disclosure Score (DS)	DSCORE	Number of items that are disclosed by a selected firms divided by the total items *100 (Kolsi, 2012)
Size	SIZE	Natural Logarithm of Total assets.
Liquidity	CR	Current ratio
Leverage	LEV	Long-term debt divided by capital equity.
Profitability	ROA	Net income divided by total assets to proxy for company performance (Kolsi, 2012).
Firm Age	AGE	This is measured by using the incorporation year of a firm

Descriptive statistics i.e. mean, median, standard deviation, skewness, kurtosis, jarque- bera statistics for all the variables have been calculated to examine the basic characteristics of the variables. Further, correlation analysis and panel data regression have been used to analyse the data. Correlation quantifies the extent of association between two variables. The correlation of the selected company specific variables i.e. size, liquidity, profitability, leverage, company age on the disclosure level in annual reports have been examined.

Panel data regression has been applied in the present study for investigating the influence of the selected company specific variables on the disclosure level. The data has been used in this study covering both time series data for the period 2008 to 2014 and also cross section data of 69 companies which is called panel data. The easiest way to deal with panel data is to estimate pooled regression in which average value of the variables and the association between them over time and across all cross-sectional units in the sample are assumed to be constant (Brooks, 2008). Panel data analysis helps to capture the heterogeneity of the companies. That is why the present study has employed panel data regression. The basic regression equation (i) of the model is

$$DS_{it} = \alpha_{1i} + \beta_1 SIZE_{it} + \beta_2 CR_{it} + \beta_3 DE_{it} + \beta_4 ROA_{it} + \beta_5 AGE_{it} + u_{it} \dots\dots\dots (i)$$

Where,

α_{1i} = constant of i^{th} firm

$\beta_{1,2,\dots\dots\dots,3}$ = coefficient of independent variables

DS_{it} : Disclosure Score of i^{th} firm for t^{th} period

$SIZE_{it}$: Size of i^{th} firm for t^{th} period

Liq_{it} : Liquidity of i^{th} firm for t^{th} period

Lev_{it} : Leverage of i^{th} firm for t^{th} period

$Prof_{it}$: Profitability of i^{th} firm for t^{th} period

Age_{it} : Age of i^{th} firm for t^{th} period

μ_{it} : Error term of i^{th} firm for t^{th} period

$i=1,2,3,\dots\dots\dots,69; t=1,2,3,\dots\dots\dots,6$.

Both fixed effect model and random effect model of panel data regression have been used to investigate the effect of company characteristics that is size, liquidity, leverage, profitability, age on the disclosure level in annual reports. Hausman specification test is used for comparison of fixed effect and random effect models. Hausman test's null hypothesis states that individual effects of a firm are uncorrelated with the other regressors in the regression model. If the null hypothesis is accepted, the random effect model (REM) will be preferred and if the null hypothesis (H_0) stands rejected, then the fixed effect model (FEM) is preferred. In fixed effect model, heterogeneity of each firm is captured using the dummy variables. That is why it is also called least square dummy variable (LSDV) method. Equation (ii) represents the equation for fixed effect model as given below:

$$DS_{it} = \alpha_{1i} + \gamma_{it} \sum_{i=1}^{N-1} Dummy_i + \beta_1 SIZE_{it} + \beta_2 CR_{it} + \beta_3 DE_{it} + \beta_4 ROA_{it} + \beta_5 AGE_{it} + u_{it} \dots (ii)$$

Where,

a_{it} = constant of i^{th} firm

Dummy $_i$ = Dummy variable taken for i^{th} firm

$\beta_{1,2,\dots,3}$ = coefficient of independent variables

DS $_{it}$: Disclosure Score of i^{th} firm for t^{th} period

SIZE $_{it}$: Size of i^{th} firm for t^{th} period

Liq $_{it}$: Liquidity of i^{th} firm for t^{th} period

Lev $_{it}$: Leverage of i^{th} firm for t^{th} period

Prof $_{it}$: Profitability of i^{th} firm for t^{th} period

Age $_{it}$: Age of i^{th} firm for t^{th} period

μ_{it} : Error term of i^{th} firm for t^{th} period

$i=1,2,3,\dots,69; t=1,2,3,\dots,6$.

But REM does not consider dummy variables, it is assumed that constant of each firm is combination of some fixed and some random part as mentioned in equation (iii).

$$\alpha_{1i} = \alpha_1 + \varepsilon_i \dots \text{(iii)}$$

α_1 Represents that part which is common to all the firms or we can also say fixed part.

ε_i is the random component of the intercept.

Equation (iv) & (v) of REM can be expressed as:

$$DS_{it} = \alpha_1 + \beta_1 SIZE_{it} + \beta_2 CR_{it} + \beta_3 DE_{it} + \beta_4 ROA_{it} + \beta_5 AGE_{it} + \varepsilon_i + u_{it} \dots \text{(iv)}$$

and

$$\varepsilon_i + u_{it} = \omega_{it} \dots \text{(v)}$$

Thus, equation (vi) is final equation as given below:

$$DS_{it} = \alpha_1 + \beta_1 SIZE_{it} + \beta_2 CR_{it} + \beta_3 DE_{it} + \beta_4 ROA_{it} + \beta_5 AGE_{it} + \omega_{it} \dots \text{(vi)}$$

Results and Discussion

Descriptive statistics of both dependent and independent variables for 414 observations have been presented in Table 4. It is found that disclosure score ranges between 8.148 to 70.370 with a mean value of 55.632. The companies are broadly distributed with regards to disclosure. It shows that on an average 56 % indexed items are disclosed by the selected companies. The results has been found to be similar to that of earlier studies. Buzby (1975) 54.4%, Akhtaruddin (2005) 43.53%, Aljifri *et al.* (2014) 57%, Charumathi and Ramesh (2015) 46%, and Hasan and Hosain (2015) 50.62%. However, the findings are in contradiction with results of Alsaeed (2006) 33.33%, Hossain and Hammami (2009) 37%, Soliman (2013) 31.92% and Albitar (2015) 35.7%. The results also, reveal that the mean value of the firm size is 11.859 where minimum score is 8.626 and maximum is 15.118 with a standard deviation of 1.290. The value of company size shows that the firms are expansively spread. The mean value of the liquidity is 1.297, denotes that the near future cash repayment ability of the companies is low. The average leverage ratio is 0.391 depicting that the

capital structure is highly leveraged as the long term debt is the major (39%) constituent of the capital structure. The mean value of the profitability is (12.053) and company age lies between 2 year to 107 year with a mean score of 41.543. The values of skewness and kurtosis show the data is not normal because if the value of skewness is 0 and of kurtosis is 3 then, the observed distribution is supposed to be normal. The results of Jarque-Bera statistics also suggest that all the variables except size are not normally distributed.

Table 4: Descriptive Statistics

	DS	Size	Liquidity	Leverage	Profitability	Firm Age
Mean	55.632	11.859	1.297	0.391	12.053	41.543
Median	55.555	11.708	1.085	0.220	10.775	34.000
Maximum	70.370	15.118	13.390	2.600	50.790	107.000
Minimum	8.148	8.626	0.080	0.000	-23.920	2.000
Std. Dev.	6.887	1.290	1.177	0.494	8.799	24.667
Skewness	-1.862	0.130	4.931	1.834	0.935	0.574
Kurtosis	13.237	2.455	42.186	6.765	5.069	2.441
Jarque-Bera	2046.913	6.285	28165.59	476.293	134.165	28.163
Probability	0.000	0.043	0.000	0.000	0.000	0.000
Observations	414	414	414	414	414	414

Source: Calculated using E-views 8.

The results of correlation analysis are depicted in Table 5. The presence of high level of correlation among independent variables with critical value of 0.8 and above (Cooper and Schindler, 2008) results into multi collinearity which deteriorates reliability of regression. But the highest correlation value in present study is -0.518 among the leverage and profitability variable. Thus, the findings of correlation analysis indicate that there is no multi-collinearity between the independent variables in current study.

Table 5: Correlation Analysis

	DS	Size	Liquidity	Leverage	Profitability	Firm Age
DS	1.000					
Size	0.390 (.000)***	1.000				
Liquidity	(.046)** (.179)	-0.098 -0.066	1.000			
Leverage	(.003)*** 0.145	(.000)*** 0.272	(.000)*** -0.206	1.000		
Profitability	-0.071 (.152)	-0.306 (.000)***	0.078 (.111)	-0.518 (.000)***	1.000	
Firm Age	0.064 (.192)	0.097 (.048)*	-0.117 (.017)**	-0.053 (.285)	-0.003 (.953)	1.000

Source: Calculated using E-views 8.

Values in parentheses indicate probability value.

Note: *, **and *** indicates significance at: 10, 5 and 1 per cent levels respectively.

The above table also denotes that size and leverage are positively related with the disclosure at 1% level of significance and the correlation coefficient is 0.272 and 0.145 respectively. But liquidity is negatively significant at the 5% level of significance with disclosure and the correlation

coefficient is -0.098. The results also reveal that profitability is negatively insignificant and age is positively insignificant with the disclosure level.

Table 6: Panel Data Regression Results

Variables	Fixed Effect Model	Random Effect Model
Constant	11.263 (1.002)	20.373 (4.008)***
Size	0.579 (0.365)	2.836(6.785)***
Liquidity	0.035 (0.133)	-0.094(-0.379)
Leverage	0.257 (0.173)	0.070(0.069)
Profitability	0.091 (1.794)*	0.078(1.732) *
Firm Age	0.873 (3.384)***	0.019(0.789)
Hauseman Test (P-value)	24.817 (0.000)***	
R ²	0.655	0.106
Adjusted R ²	0.581	0.095

Source: Calculated by using E-views 8

Values in parentheses indicate t - value.

Note: *, **and *** indicates significance at: 10, 5 and 1 per cent levels respectively.

The results of fixed and random effects model of panel data regression are shown in Table 6. Hausman test was used to select between fixed effect and random effects model. The value of chi-square is 24.817 and its P value is 0.000 which rejects the null hypotheses. Thus, the fixed effect model is found to be more suitable. So, the findings of the fixed effect model show that all the variables have positive influence on the extent of disclosure, but firm's age and profitability are found to be significant. The firm's age has a significant positive influence on the extent of disclosure that means older companies have higher disclosure level in comparison to the new firms. The findings are in line of Owusu-Ansah (1998), Soliman (2013), Albitar (2015), Hasan and Hosain (2015) and support views of Akhtaruddin (2005) that more experienced firms are more willing to maintain reputation and disclose more information. The results are also consistent with the studies of Patton & Zelenka (1997), Owusu-Ansah (1998), Agyei-Mensah (2012), Soliman (2013) in which they found that highly profitable companies disclose more information in comparison to less profitable companies. The value of R² is 0.655 which denotes that 65% variation of disclosure score is explained by size, leverage, liquidity, profitability and age variables.

Conclusion

Corporate disclosure is described as a process through which financial information is to be disclosed either on mandatory or voluntary basis. The financial statements show true and fair view of the firms financial position to the users. It facilitates an organization to gain stakeholder confidence. Generally, investors prefer to invest in a company which makes adequate disclosure than the companies which disclose less information. The extent and quality of information to be supplied in annual report depends upon the users' requirements and the level of uncertainty existing in decision making (Ubha, 2001). The aim of the present study is to determine the influence of company characteristics, i.e. firm size, leverage, liquidity, profitability, firm age on the disclosure level in published annual reports in India. The correlation analysis and panel data regression have been done to achieve the objective. The findings of correlation depict that size and leverage are positively linked with the disclosure made by a company, whereas liquidity is negatively associated with disclosure score. The results of panel data regression indicate that all the variables have positive influence on the extent of disclosure but profitability and firm's age are found to be significant with the disclosure level. This paper suggests companies to improve

the extent of disclosure in their annual reports. With the help of more disclosure companies will improve their image, profitability and stakeholder morale. This study has a few implications for companies, investors and regulators. The investors can measure the risk and return attached to their investment on account of information available in the annual reports. Corporate reporting facilitates companies in gaining the competitive advantage, confidence of regulatory bodies, build a relationship with the intermediaries and enhancing the goodwill and corporate image.

Limitations and Scope for Future Research

The present study is confined to influence of five corporate characteristics on the extent of disclosure by corporates in India. Further studies may be conducted taking a wider range of company specific variables. Also further research can be done on a particular industry; social reporting and web based reporting practices by companies in India and Abroad.

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