



# STAKEHOLDERS' PERCEPTION ON USEFULNESS OF PUBLISHED CORPORATE ANNUAL REPORTS

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## **ABSTRACT:**

Corporate financial reporting acts as an information system between the management and stakeholders. The management communicates the relevant quantitative and qualitative information to the various stakeholders for decision making. Enhanced disclosure of the relevant information brings about the transparency which increases the credibility of the company and boosts investor confidence thereby promoting an investor friendly market. Although information about the company affairs can be communicated through other media like financial press release, interim reports newspapers, business and industry journals, Published Corporate Annual Report is regarded as the most important source of information about the company's affairs. The present study examines the stakeholders' perception on the usefulness of published corporate annual reports. Kruskal Wallis test has been applied to investigate whether the type of stakeholder affects the stakeholders' perception on usefulness of published corporate annual reports.

**Keywords:** stakeholder perception, annual reports, financial reporting, corporate disclosure.

## **1 Introduction**

Financial reporting or disclosure is the process through which an entity communicates with the outside world (*Chandra, 1974*). Financial reporting/ disclosure may be defined as communication of published financial statements and related information from a business enterprise to third parties (external users). It includes shareholders, creditors, banks and financial institutions, customers, government authorities and public at large. *Saeed (1990)*. It is a system of communication between the management and user groups of the financial statements in order to report the result of the business activities of a corporate enterprise and also to demonstrate the credibility, accountability and reliability of its working. The information disclosed forms the basis for making decisions relating to investment, portfolio management and credit granting. Although information about the company affairs can be communicated through other media like financial press release, interim reports newspapers, business and industry journals, Published Corporate Annual Report is regarded as the most important source of information about the company's affairs *Chandra (1974)(Chang 1983), Vergoosen (1993), Abu-Nassar and Rutherford (1996) Al-Mubarak (1997), Al-Razeen & Karbhari(2004), Mirshekary & Saudagaran (2005), Stainbank & Peebles (2006), Zoysa (2010)*.

The annual reports are becoming longer and richer in terms of content and presentation. However with various standards and disclosure requirements, the reports are not congruent and often fail to communicate clearly. The Financial Reporting Council (FRC-2009) in the discussion paper “*Louder than words*” pointed out that “The financial reports no longer reflect the reality of the underlying business with key messages lost in the clutter of lengthy disclosures and regulatory jargon.

Hence, a pertinent question arises as to the utility of these annual reports.

The companies feel that the disclosures are full and fair but the stakeholders always feel that the information disclosed do not facilitate informed decision making. **Sinha (2014)** in his study concluded that “*the existing levels of disclosure made by the companies do not adequately cover the informational needs of stakeholders and this is an important matter leading to investor dissatisfaction. He suggested that in addition to the mandatory disclosures, the companies should focus also on voluntary disclosures to win the confidence of the stakeholders*”.

The disclosures fall into two categories- Mandatory which is to be disclosed as per the requirements of law and regulations and Voluntary- which is voluntarily disclosed by the companies. The utility of the annual report will also depend on the type of stakeholder and their information needs. It is possible that some stakeholders may find the annual reports more useful than the others Hence it is possible that different investors and financial analysts assign different weight age to the contents of Published Corporate Annual Reports depending on their requirements and level of understanding.

The study tries to examine the perception of the various stakeholders in context of utility of published corporate annual reports. It also aims at to find out the relative importance given by stakeholders to various components of annual reports. In other words, it aims at examining the components (from the annual reports) which are significant to stakeholders for their decision making.

## 2 LITERATURE REVIEW

Various studies have been undertaken to study the perception of the various stakeholders on the usefulness of information disclosed in the corporate annual reports. The study done by Baker & Haslem has been the pioneer in this subject area.

**Baker & Haslem (1973)** surveyed American individual investors to solicit their views about the importance of accounting information to their investment decision and the source of this information. With respect to the most important source of information for analysing the common stocks, they reported that majority of the individual investor’s relied heavily on the stock broker’s advice as the main source of information about the companies. Only minority of investors found the financial statements as an important source of information.

**Courtis (1982)** surveyed 4400 private shareholders to solicit their opinion regarding the use of annual reports of Australian public listed companies for making investment decisions. It was found that the stock broker’s advice was the most important source of information followed by newspapers and annual reports. In terms of readability, the chairman’s address was the most read section followed by profit and loss account and director’s report. However, for making investment decisions, profit and loss account was considered to be the most important section followed by the balance sheet and chairman’s address. The least read and least importance sections were the auditor’s report and notes to accounts.

**Judith Day (1986)** interviewed 15 financial analysts in UK to investigate the usefulness of information disclosed in the corporate annual reports and the process followed by the investment analysts for forecasting earnings so as to give their views as to whether the shares are under or overpriced.. The five items most frequently referred by the investment analysts were long term loans/debts, Balance Sheet, profits, dividends and Sales/turnover. The areas where analysts prefer enhanced disclosures are segment information, Chairman’s Speech and Half-yearly/Quarterly reports.

**Vergoosen (1993)** examined the use and perceived importance of annual reports by investment analysts in the Netherlands. From the ten sources of information, the most recent annual report was considered to be more important than any other source of information. Communications with management and interim reports were ranked second and third respectively. Reports of

other investment analysts, industry statistics and annual reports of former years have the lowest ratings, but are still considered important by many investment analysts. With regard to different parts of annual reports, out of 10 parts, the consolidated income statement was considered the most important part followed by consolidated balance sheet and the footnotes. The auditor's report and the report of the supervisory board have the lowest ratings by the analysts.

**Al-Mubarak (1997)** examined the perception of investment analysts about the usefulness of corporate annual reports in their investment activities in Saudi Arabia. The investment analysts considered corporate annual reports as the most important source of information. Income statement was perceived to be the most important section of the annual report followed by the balance sheet. The investment analysts perceived the information disclosed in the annual reports to be understandable and relevant for their investment decisions. They however, demanded more voluntary disclosures in the annual reports.

influence of various sections on the decision making, readability of annual reports and quality of information disclosed in the annual reports.

**Mirshekary (1999)** studied the level of disclosure in the corporate annual reports of the companies listed on the Tehran stock exchange. The study attempted to study the perceptions of seven groups of users and whether there is significant differences in their perception. The findings pointed out that there is significant differences in the rankings by two user groups (auditors and tax officers) and the actual disclosure of information. There is not significant difference in the perception of users on the usefulness of Balance sheet, income statement and cash flow statement.

**Mirshekary and Saudagaran (2005)** findings indicated that the annual reports were the most important source of financial information. This followed by oral information, published daily share price, communication with managers, tips and rumours, stockbrokers' advice and advice of friends and acquaintances respectively. With respect to the relative importance of various items in the annual report, income statement and balance sheet were most important balance sheet. The qualitative characteristics considered important by the preparers were fair representation; understand ability and relevance whereas the qualitative characteristics considered important by the users were comparability, faithful representation and relevance.

**Alzarouni (2008)** studied the annual reports of 113 companies in UAE to investigate the level of disclosure in the annual reports. A disclosure index of 317 items was constructed and applied to the annual reports. The results revealed an overall average disclosure of 57% by the UAE companies. It was found that no company under the study complied 100% with mandatory disclosures. A survey of eight users groups was also conducted to study their perception on the disclosure in the annual reports. The user groups perceived annual report as the most important source of information. Almost 50% respondents perceived the disclosure in the annual reports to be inadequate. The disclosure on long term performance and the future forecasts was not adequate enough in the annual reports.

**Naser, Yasser and Byan(2009)** attempted to study the perception of users regarding the availability, adequacy and usefulness of information disclosed in the financial reports of the companies listed on the Palestine Securities Exchange. They conducted a survey of 250 respondents consisting of individual investors, institutional investors, bank officers, stock brokers and academics. The three sections perceived to be most important by the users are the income statement, balance sheet and the cash flow statement and the auditor's report and accounting policies were perceived to be least useful. However the users perceived the reported information as neither adequate nor relevant for decision making. In particular, reported information was insufficient as listed companies did not comply with the minimum disclosure requirements of international standards. Annual reports appeared to represent the most important source of information for all the groups except individual shareholders. Fund managers are the largest users of annual reports followed by bank officers.

**Zoysa & Rudkin (2010)** investigated the perceptions of the users of Annual reports in Sri Lanka. They surveyed 264 respondents consisting of seven user groups – accountants, executives, bankers, tax officers, academics, financial analysts and

investors. The results indicated that the primary purpose of using the annual report is for obtaining information for taking decisions with respect to buy/sell/hold shares. Although the respondents perceived information in the annual reports to be inadequate, they considered annual reports to be the primary source of information and used it frequently. The two sections perceived to be most important are the Balance Sheet and Profit & Loss account. The delay in the publishing the annual reports is perceived to be a main hindrance that limits their use in Sri Lanka. There were significant differences in the perception of different users on the usefulness of annual reports.

**Abdulkareem, Khaled and Mohammad Iqbal (2011)** examined the usefulness of financial reports to the users in United Arab Emirates. They attempted to find out whether current practices satisfy the needs of information and the extent to which these needs have been satisfied by the current disclosure practices of UAE companies. It was found that corporate annual reports were the most important source of information followed by stock market publications and contact with the company's management. The income statement and balance sheet are the widely read sections while the cash flow was ranked third most read statement.

**Nayak (2012)** investigated the perception of the investors regarding the availability, adequacy and usefulness of information disclosed by the companies listed on the stock exchange. A survey of 250 investors was carried out and the results indicate that the investors considered the profit and loss statement, balance sheet and cash flow statement sections as adequate whereas the investors perceived the disclosure in Director's Report, Auditor's report, Management Discussion and Analysis and corporate governance report as inadequate. Disclosure with respect to various types of risks – political risk, business risk, financial risk, foreign exchange risk is vague and does not satisfy the investors.

**Chen, Hsu & Etheridge (2013)** conducted a mail survey of 88 individual investors in Hong Kong to analyse their perceptions of the usefulness of the annual reports and other information. The results indicated that the respondents rank the usefulness of the share price history, prior year earnings, dividend history, company news and advice from analysts more than the annual reports for their decision making. The two qualitative characteristics perceived as important for decision making by the investors are Relevance and Reliability. The perception on the usefulness of annual reports is also affected by the company type besides the type of investors. The investors are not satisfied with the current disclosure practices. They want more disclosure of relevant financial & non-financial information to improve their decision making. More emphasis is laid on the non-financial information like the quality of management and forward looking information.

**Grace & Ambrose (2013)** tried to investigate the type of information in the financial statement that is regarded as very useful by the institutional investors in Kenya. The researcher concluded that the type of information in the financial reports that is regarded as very useful by the institutional investors in Kenya was total assets, non-current assets, non-current liabilities, retained earnings, cash flows from investing activities and dividend per share. The institutional investors also perceived financial reports in terms of completeness, comparability and consistency as good while in terms of understandability, relevance, faithful representation, neutrality, predictive ability and timeliness it was regarded as fair. The annual reports are complex and technical in nature; also they are very lengthy which impairs its utility. Investors preferred summarized reports user friendly reports.

**Alfraih & Almutawa (2014)** studied the perceptions users on the utility of the annual reports and the relative importance they assign to the various components of annual reports and also to the voluntary items of information. They also tried to assess the qualitative characteristics of the information disclosed in the annual reports. Statement of financial position, Income statement and Statement of Cash flow were considered to be most important by the respondents. The Chairman's letter, MD & A and non-financial sections were rated as less important. The disclosure with respect to Corporate Governance, Company's products/services, corporate environmental & social responsibility was not adequate. The respondents were neutral about the reliability of the contents of the annual reports but were concerned about the delay in the publication and availability of the annual reports. The respondents considered annual reports as the most important source of information but also pointed there

was information gap between the requirements of users and disclosure in the annual reports.

**Maliki, Hammami & Mardini (2015)** investigated the perception of individual investors towards the usefulness of the annual reports in Qatar. Financial Analysts are the most important source of information followed by Annual reports and Companies' announcement. Out of ten sections of the annual reports, Balance Sheet was rated as the most useful section followed by Cash Flow Statement, Income Statement and Auditor's Report. MD & A, Accounting policies and letter of President are the least useful sections. The investors used annual reports mainly for studying company's liquidity, performance and current profit and return per share.

**Sinha** investigated the investor's perception about the utility, adequacy and availability of information disclosed by the companies listed on the Stock exchange. The study divided the investors into two categories – active and ordinary investors. The investors were asked to rate 9 voluntary disclosure information items important for their decision making. The three highly rated information items were information about the new products & services, brand value and financial ratios. The investors were also asked to rate the level of satisfaction with regard to the disclosure practices of companies. The highest level of satisfaction was towards the disclosure in the Director's Report followed by disclosure of additional information in the financial statements, disclosure of risk exposure and disclosure of information required for quoting a price tag in the book building process. There were differences in the satisfaction level of two types of investors with respect to each of the above disclosure items.

**Biswas & Bala (2015)** surveyed 500 individual investors in the city of Dhaka, Bangladesh to study the investor's perception regarding the information disclosed in the Annual reports and their perception about the different sections of an annual report. The income statement was rated as the most important section followed by Balance Sheet, Cash Flow Statement, and Statement of changes in Equity and Audit committee report. The sections rated as the least important were Value Added Statement, the Environmental Report and Essays and Pictorial on operations. The readership of the various sections of the annual report was also tested and the results indicated that Income Statement, Balance Sheet, Cash Flow Statement and the Auditor's report are the widely read sections while the least read sections were the Director's report, Chairman's Statement, Environmental Report and pictorial presentation of the operations of the company.

**Joshi (2015)** studied the views of various stakeholders on utility and importance of voluntary disclosures in the corporate annual report. 300 respondents from 10 user groups were surveyed. A list of 50 voluntary disclosure items were identified and the stakeholders were asked to rate the usefulness of voluntary disclosure items on a scale of 1-5. The mean scores calculated revealed that the stakeholders perceived Financial information as most important followed by forward looking information, general and strategic company information and non-financial information. The stakeholders considered annual reports and direct information from company as the most important sources of company information.

### **3 RESEARCH METHODOLOGY**

#### ***Objectives of the Study***

1. To investigate degree of dependency of stakeholders on Corporate Annual Reports for their decisions.
2. To recognize other sources of information which are being used by the stakeholders for decision making
3. To find out the relative importance given by the stakeholders to various items of Corporate Annual Reports.
4. To investigate degree of dependency of stakeholders on Corporate Annual Reports for their decisions.
5. To study the relationship between the type of the stakeholders and their perception about the utility of the Corporate Annual Reports.
6. To examine stakeholders' perception on sufficiency of disclosure in Corporate Annual Reports

### ***Research Questions & Hypothesis Development***

The study is undertaken to examine the following questions:

- To what extent do stakeholders depend on Corporate Annual Reports for their decisions?
- Which sources of information are perceived as important by the stakeholders?
- What are the stakeholders' perception on the usefulness of various sections and various information items disclosed in the Corporate Annual Reports?
- Is there any difference in the perception of various stakeholders on the utility of the published Corporate Annual Reports?
- Do stakeholders feel the disclosure in Corporate Annual Reports as sufficient?

### ***Hypothesis Testing***

1. Null Hypothesis ( $H_0$ ): *There is no significant difference between the type of stakeholder and their degree of usage of annual reports for their decision making*
2. Null Hypothesis ( $H_0$ ): *There is no significant difference between the type of stakeholder and the level of importance attached to various sources of information*
3. Null Hypothesis ( $H_0$ ): *There is no significant difference in the perception of the stakeholders on the usefulness of various sections of published corporate annual reports.*
4. Null Hypothesis ( $H_0$ ): *There is no significant difference between the type of stakeholder and their perception on the usefulness of other disclosures in annual reports*
5. Null Hypothesis ( $H_0$ ): *The type of the stakeholders has no relation with their perception about the usefulness of published corporate annual reports.*
6. Null Hypothesis ( $H_0$ ): *There is no significant difference between the type of stakeholder and their perception on the sufficiency of disclosures in annual reports*

### ***Research Design***

A research design is a plan, structure and strategy of investigation so conceived as to obtain answers to research questions or problems. It includes an outline of what the investigator will do from writing the hypothesis and their final operational implications to the final analysis of the data. Descriptive research design has been adopted for the present study.

### ***Questionnaire Design***

The Questionnaire has been designed after thoroughly going through the literature. The questions in the Questionnaire has been designed on the basis of the studies undertaken by Ubha (2002) (Mirshekary & Saudagaran (2005), Abdelkarim,Shahin, Arqawi (2009),Khurana & Goyal ( 2010) Alzarouni(2011) with modifications as required for the present study and also the annual report of the companies. The questions asked in the survey cover the following areas:

### ***Reliability Testing***

A reliability test has been carried out to measuring the consistency of the questions using the Cronbach's Alpha. Cronbach's Alpha is a test reliability technique that requires only a single test administration to provide a unique estimate of the reliability for a given test. (Gliem& Gliem, 2003). The result of the Cronbach's Alpha shows the value of 0.86 which is satisfactory. A value of more than 0.75 is considered satisfactory.

### *Sample selection of stakeholders for Questionnaire*

The various stakeholder groups that are derived from the literature review are individual investors, institutional investors, financial analysts, bank officials engaged in granting loans, investment advisors/consultants, academicians/researchers. The sample of the stakeholders are selected from the city of Ahmedabad.

### *Administering the Questionnaire*

A total of 425 questionnaires were administered either through personal interaction or through online Google form. The researcher followed the two methods for administering the questionnaire for the collection of the data. i) The questionnaires were personally handed over to the stakeholders by the researchers. ii) Online Google forms were prepared and shared with the stakeholders through email. Out of total 425 Questionnaires, 325 questionnaires were administered through online Google forms and 100 questionnaires were administered through personal interaction. It was observed that due to the adoption of the online Google form mechanism, there were no incomplete questionnaires and therefore all the responses received through this mechanism were the usable responses. The response rate of each stakeholder of the total response sample is presented below:

**Table No. 1**  
**Questionnaire Responses by type of stakeholders**

Stakeholder Group	Sample	Response	% of Response	% of Sample
Individual Investor	165	111	67.27	42.53
Institutional Investor	60	23	38.33	8.82
Financial Analysts	50	39	78.00	14.94
Bank Officials	45	26	57.77	9.96
Investment Advisor/ Consultant	70	35	50.00	13.41
Academician/ Researcher	35	27	77.14	10.34
	425	261	61.41	100.00

### *Tools of Data Analysis:*

The collected data has been analyzed by using the MS- Excel and IBM SPSS 20 for Windows statistical software. Various statistical techniques have been used in the study. In order to analyze the stakeholders' perception on the usefulness of corporate annual reports, mean scores have been calculated. Further, in order to examine whether there is significant relationship between the profile of the investors and their perception on the usefulness of annual reports, Kruskal Wallis test has been applied. For all statistical analysis, probability levels of  $p < 0.05$  will be considered statistically significant.

## **4 DATA ANALYSIS**

This section analyses the results of the survey conducted to study the perception of the users on the usefulness of published annual corporate reports. The questionnaire was designed to study the degree of usage of annual reports, purpose of usage of annual reports, degree of understanding of the various sections of annual report, the importance of various sections of annual reports to the stakeholders and the utility of information items disclosed in the various sections of the annual reports. It also investigated the stakeholders' perception on the sufficiency of disclosure in the annual reports and also the stakeholders' views on the electronic copy of annual reports. The questionnaire ended with the examining the problems faced by the stakeholders

while using the annual reports and also sought the suggestions from the stakeholders for enhancing the utility of the annual reports.

### ***Type of Stakeholder & their perception on the usefulness of Corporate Annual reports***

There are various types of stakeholders who are interested in the annual reports of the company. The study selected six stakeholders – individual investors, institutional investors, financial analysts, bank officials, investment advisors/consultants and academician/ researcher. The perception on the usefulness of the annual reports will differ across stakeholders depending on their needs and requirements. The study tries to examine whether the type of stakeholder affect their perception on the various aspects of usefulness of annual reports. These aspects are degree of usage of annual reports, level of importance given to various sources of information, level of understanding of various sections of annual report, usefulness of various sections of annual reports, usefulness of other disclosure items, usefulness of information items disclosed in Statement of Profit & Loss, Balance Sheet and Cash Flow statement, usefulness of key accounting ratios.

The objective of the study is to test whether there is statistically significant difference between the perceptions of various stakeholders on the usefulness of corporate annual reports. The stakeholders are independent of each other and their perception was measured on an ordinal scale. Since the number of stakeholders considered in the study are six, the appropriate non-parametric test applicable would be *Kruskal Wallis test*. The rejection of Null Hypothesis means that there is a significant difference between at least one pair of stakeholders considered in the test. Many researchers in the past have applied this test - Mirshekary (1999), Abdelkarim, Shahin& Arqawi (2009), Shaheen (2010), Alfraih & Almutawa (2014). In addition to Kruskal Wallis test, overall mean of all the stakeholders and individual means of various stakeholders for various aspects of usefulness of corporate annual reports are also found.

There are six categories of stakeholders considered in the study

- Individual investors (INDINV)
- Institutional investors (INSINV)
- Financial Analysts(FINANAL)
- Bank Officials (BANKOF)
- Investment advisor/consultant (INVADV)
- Academician/ Researcher (ACARES)

### ***Type of stakeholder and degree of usage of annual reports***

**Table No. 2**

**Type of stakeholder and the mean value of degree of usage of annual report and KW Sig.**

	INDINV	INSINV	FINANAL	BANKOF	INVADV	ACARES	Overall	KW (Sig)
Degree of usage	2.06	2.61	2.56	2.26	2.11	2.26	2.26	0.00*

\*- significant @ 5%

The p-value suggests a statistically significant difference in the degree of usage of annual reports by various stakeholders groups. The institutional investors use the annual report to a larger extent than the other stakeholders followed by financial analysts. The least use of annual reports is made by the individual investors.



*Type of stakeholder and level of importance attached to various sources of information***Table No. 3****Type of stakeholder and their mean value of sources of information & KW Sig.**

	INDINV	INSINV	FINANAL	BANKOF	INVADV	ACARES	Overall	KW	Sig)
Annual Report	4.52	4.96	4.64	4.56	4.40	4.55	4.58	0.16	
Interim Reports	2.27	2.52	2.26	2.28	2.49	2.30	2.32	0.24	
Fin-Media-Print	3.76	3.91	3.85	3.84	3.83	3.83	3.82	0.77	
Fin- Media- Electronic	3.83	3.83	3.62	3.70	3.54	3.69	3.74	0.19	
Journals	3.69	3.87	3.74	3.65	3.63	3.66	3.73	0.55	
Press Release	3.91	3.91	4.10	3.87	3.80	3.85	3.90	0.42	
Company website	3.98	4.00	4.03	3.89	3.80	3.88	3.93	0.29	
Analysts' Advice	3.67	3.39	3.54	3.64	3.63	3.64	3.64	0.21	
Tips & Rumour	2.50	2.48	2.51	2.40	2.03	2.40	2.45	0.14	

The p-value for all the sources of information is more than 0.05. Hence we can conclude that there is no statistically significant difference between the type of stakeholder and the level of importance attached to the various sources of information. The mean value suggest that all the stakeholders have rated the annual report as the most important source of information.

*Type of stakeholder perception on usefulness of various sections of annual reports***Table No. 4****Type of stakeholder and their mean value of perception on usefulness of various sections of annual report and KW Sig**

	INDINV	INSINV	FINANAL	BANKOF	INVADV	ACARES	Overall	KW (Sig)
Income Statement	4.68	4.83	4.69	4.64	4.57	4.64	4.66	.29
Balance Sheet	4.75	4.87	4.82	4.75	4.60	4.75	4.75	.18
Cash flow Statement	5.15	4.83	4.64	4.84	4.46	4.83	4.80	.22
Director's Report	4.10	4.17	3.72	3.94	3.86	3.95	4.01	.00*
MDA	4.28	4.43	4.03	4.09	4.00	4.10	4.18	.06*
Auditor's Report	4.31	4.48	3.92	4.22	3.94	4.23	4.25	.00*
Chairman's Speech	2.22	2.22	2.74	2.40	2.09	2.38	2.31	.04*
Schedules & Notes	3.84	4.39	4.26	3.98	3.80	3.99	4.07	.02*
Accounting Policies	4.18	4.74	3.82	4.10	3.74	4.11	4.11	.000*

\*- significant @ 5%

The above table presents the mean values of the various stakeholders with respect to their perception on the usefulness of various sections of annual reports. The p- value suggest statistically significant difference in the perception of various stakeholders with respect usefulness of Director's Report, Auditor's Report, Chairman's Speech, Chairman's speech, Schedules & Notes and Accounting policies. With respect to the other sections of annual report there is no statistically significant difference between the perceptions of various stakeholders. With respect to Director's report, the institutional investor's perceive it as more important than the other stakeholders and the financial analysts' perception on the usefulness of director's report is the lowest. We can say that the financial analyst do no perceive the director's report as important for decision making. Institutional investors perceive the auditor's report as more important than any other stakeholder whereas the financial analysts perceive it to be less important for their decision making. The financial analysts perceive the Chairman's speech as more important than the other stakeholders whereas the investment advisor perceive it as less useful for their decision

making. Institutional investors perceive the usefulness of accounting policies and notes higher than the other stakeholders whereas the investment advisors perceive it to be less important. With respect to perception on usefulness of accounting policies, the perception of institutional investor is highest whereas that of the investment advisor is the lowest. It is surprising to note that the investment advisor's perception on the usefulness of majority of the items is lowest.

*Type of stakeholder and perception on usefulness of other disclosures in annual reports*

**Table No. 5**

**Type of stakeholder and their mean value of perception on usefulness of other disclosures in of annual report and KW**

**Sig**

	INDIN V	INSIN V	FINANA L	BANKO F	INVAD V	AC AR ES	Overall	KW (Sig)
Company Profile	4.17	4.22	4.18	4.16	4.06	4.16	4.17	.73
Vision & Mission	3.90	3.78	3.62	3.74	3.80	3.76	3.79	.16
Awards	2.43	2.74	2.90	2.67	2.49	2.66	2.61	.02
Year at a glance	4.14	3.78	3.77	3.83	3.66	3.83	3.89	.09
5/10 Yr. Fin. Highlights	4.50	4.13	4.18	4.33	4.31	4.34	4.36	.19
Director's Resume	3.83	3.65	3.59	3.68	3.83	3.68	3.74	.40
Shareholding Pattern	4.32	4.13	4.18	4.16	4.09	4.16	4.20	.62
Statement relating to subsidiary company	4.19	4.30	4.15	4.05	3.89	4.06	4.11	.01*
Related Party Disclosures	4.13	4.52	3.97	4.06	4.03	4.07	4.12	.12
Segment Reporting	4.11	4.48	4.21	4.04	3.97	4.04	4.11	.00*
Human Resource Accounting	3.45	3.52	3.10	3.34	3.34	3.36	3.41	.12
Current Cost Adjusted Accounts	3.66	3.65	3.51	3.58	3.63	3.59	3.65	.44
Corporate Social Responsibility Report	3.40	3.26	3.15	3.29	3.31	3.32	3.36	.03*
Report on Corporate Governance	3.83	3.70	3.26	3.68	3.71	3.70	3.74	.00*
CEO/ CFO Certification	3.66	3.74	3.18	3.53	3.31	3.54	3.59	.01*
Economic Value Added	3.82	3.70	3.44	3.67	3.77	3.68	3.74	.38
Value Added Statement	3.84	3.52	3.54	3.65	3.77	3.65	3.72	.05*
Code of Business Conduct	2.28	2.57	2.59	2.40	2.20	2.39	2.34	.11
Major Accounting Ratios	4.41	4.26	4.33	4.32	4.26	4.33	4.37	.45
Graphical Presentation/ Pictures	3.99	3.78	3.90	3.86	3.83	3.86	3.92	.11
Report on Environment, Health & Safety	3.51	3.30	3.15	3.37	3.43	3.39	3.43	.00*
Product details with picture	3.77	3.39	3.67	3.66	3.60	3.64	3.66	.17
Brand Value Statement	3.95	3.26	3.44	3.67	3.69	3.69	3.73	.00*
Share price movement chart	4.19	3.48	3.77	3.89	3.51	3.90	3.94	.00*
Future projections of sales/ profit/dividend	4.32	4.13	4.13	4.19	4.17	4.19	4.21	.81
Key Customers	1.82	1.91	1.46	1.79	1.91	1.80	1.77	.04*
Order Book	3.88	4.13	3.82	3.88	4.14	3.89	3.97	.01
Key Markets	4.26	4.17	4.33	4.20	4.29	4.20	4.24	.21
Drivers of Revenue & Profitability	4.45	4.48	4.62	4.40	4.31	4.39	4.43	.01*
Dividends declared in last 3/5 years	3.95	4.17	4.00	4.19	4.11	4.21	4.04	.06

\*- significant @ 5%

In addition to the financial statements, there are a number of items that are disclosed by the companies in the annual report which are useful to the stakeholders for their decision making. The utility of these disclosures may vary from stakeholder to stakeholder depending upon their needs. The study tried to examine whether there is any statistically significant difference in the perceptions of various stakeholders on the usefulness of various information items disclosed in the annual reports. The table above depicts the mean values of the perception of the various stakeholders on the usefulness of 30 information items. The p-value of these 30 items suggest that there is no statistically significant difference in the perception of various stakeholders on the usefulness of 17 information items. While there is statistically significant difference in the perception of stakeholders on the usefulness of 13 information items. These are awards & achievements, Statement relating to subsidiary company, Segment Reporting, Corporate Social Responsibility report, Report on Corporate Governance, CEO/CFO certification, Value Added Statement, Report on Environment, health and safety, Brand value statement, share price movement chart, Key customers, Order book and drivers of revenue & profitability.

***Type of stakeholder and perception on degree of disclosure in annual reports***

**Table No. 6**

**Type of stakeholder and their perception on degree of disclosure (%) and KW Sig**

	INDINV	INSINV	FINANAL	BANKOF	INVADV	ACARES	KW (Sig)
Sufficient	52	65	44	73	74	74	<b>.02</b>
Insufficient	38	35	38	23	17	15	
More Than Required	10	0	18	4	9	11	
	100	100	100	100	100	100	

\*- significant @ 5%

The table presents the p-value at 5% level of significance and the mean value of the various stakeholders on the degree of disclosure. The p-value is 0.02 which is less than 0.05. Therefore we fail to accept the null hypothesis and conclude that there is significant difference in the perception of the stakeholders on the degree of disclosure in the annual reports.

The above table shows that with respect to degree of disclosure, the opinion of bank officials, investment advisor/consultants and academicians/ researchers is almost same. 74% of all these three types of stakeholders feel that the information disclosed is sufficient, 65% of institutional investors, 52% of individual investors and 44% of financial analysts perceive information disclosed in the annual reports to be sufficient. 38% of individual investors, 35% of institutional investors, 38% of financial analysts feel that the information disclosed in the annual report is insufficient, while the proportion of other stakeholders who feel disclosure to be insufficient are relatively less. 23% of bank officials, 17% of investment advisor/consultants and 15% of academician/researchers feel that the information disclosed is insufficient. 18% of financial analysts, 11% of academician/researchers and 10% of individual investors, 9% of investment advisors/consultants and only 4% of bank officials feel that the disclosure in the annual reports is more than required. The institutional investors do not feel that the information disclosed is more than required. The reason for this opinion can be that they have the required expertise and skills to analyze both the quantitative and qualitative data and therefore there are able to use the information disclosed most effectively as compared to the other stakeholders.

## 5 Findings:

- The institutional investors, bank officials and financial analysts use the annual reports extensively for their decision making while the investment consultants/ advisors, academician/researchers and individual investors use the annual reports comparatively less for their decision making.
- The three most preferred source of information for the stakeholders are Corporate Annual Reports, Company Website and Interim reports while the three least preferred source of information are Tips & Rumours, Analyst's advice and Electronic Financial Media.
- The stakeholders have rated the three most useful sections as Balance Sheet, Income Statement and Cash Flow Statement while they have rated the three least useful sections as Chairman's Speech, Director's Report and Accounting policies.
- The five most useful information items to the stakeholders are drivers of revenue & profitability, five/ ten year highlights, key accounting ratios, dividend of 3-5 years, and key customers, while the five least useful items are corporate social responsibility, human resource accounting, awards, report on environment & safety and CEO/CFO certification.
- 60% of the stakeholders feel that the information disclosed in the annual reports is sufficient, 30% feel it to be insufficient and 10% feel it to be more than required.

The results of **Kruskal Wallis** suggest the following:

- **Importance of various sources of information:** There is **no** significant difference in the perception of the various types of stakeholders on the importance of various sources of information.
- **Stakeholders' perception on Usefulness of various sections of annual reports:** The results suggest that there is significant difference in the perception of various stakeholders with respect usefulness of *Director's Report, Auditor's Report, Chairman's Speech, Chairman's speech, Schedules & Notes and Accounting policies*.
- **Stakeholders' perception on Usefulness of other disclosures in annual reports:** The p-value of these 30 items suggest that there is no statistically significant difference in the perception of various stakeholders on the usefulness of 17 information items. While there is statistically significant difference in the perception of stakeholders on the usefulness of 13 information items. These are awards & achievements, Statement relating to subsidiary company, Segment Reporting, Corporate Social Responsibility report, Report on Corporate Governance, CEO/CFO certification, Value Added Statement, Report on Environment, health and safety, Brand value statement, share price movement chart, Key customers, Order book and drivers of revenue & profitability.
- **Stakeholders' perception on degree of disclosure:** Considering the type of stakeholders, there is **significant difference in** the perception of the stakeholders on the degree of disclosure in the annual reports. The results shows that with respect to degree of sufficiency of disclosure, the opinion of bank officials, investment advisor/ consultants and academicians/ researchers is almost same. With respect to insufficiency of disclosure, the perception of individual investors, institutional investors and financial analysts is same. No institutional investors feel that the information disclosed is more than required.

## 6 Recommendations /Suggestions

The following are the suggestions or recommendations based on the researcher's observation and the suggestions of the stakeholders to enhance the usefulness of the corporate annual reports.

- In order to enhance the utility of published corporate annual reports, the companies need to speed up the availability of the annual reports to the stakeholders to sustain its importance.
- The annual reports mostly present the historical data. The users are also interested in futuristic data for decision making. Hence the companies should also focus on future plans, progress and targets for next full year with respect to products, strategies and expansion.
- The companies should be open and honest in their corporate communication. They should provide information both on the good and bad results. Realistic situations should be presented rather than painting a rosy picture for the future which will be highly appreciated by stakeholders
- Lack of uniformity across companies is one of the biggest issues as there is no standard format of presentation of voluntary information items in the annual reports for all the information items. This reduces its utility as the annual reports are not comparable. Hence standard formats should be prescribed for the presentation of voluntary information items also.
- There may be summary report presented for various types of stakeholders separately as per their needs and requirements.
- The reports should be presented in a simple and lucid manner without using much technical jargons. The companies should focus on user-friendly presentation of information in the form of text, tables and graphics so as to give the readers of the annual reports a quick, precise and clear grasp of the fundamental information.
- The annual report should also include the company's performance in wake of the benchmark index as well as the major competitors.

## 7 *Limitations of the Study*

- A sample size of 261 is small and it may not be representative of the entire population.
- The scope of the study is only limited to the city of Ahmedabad.
- The study considers only the few stakeholders of the company. Other stakeholders like the creditors, employees, government, auditors are excluded.
- It is assumed that the responses given by the respondents are true and unbiased. However it may not be 100 % reliable.
- The research instrument used in this study relies on disclosure in corporate annual report. Disclosures made by the companies through other mediums like the magazines, press releases and company websites are not taken considered. The exclusion of information disclosed through the other mediums may limit the findings to somewhat extent.

## 8 *Scope for further Study*

The present study examined the perceptions of the stakeholders on the usefulness of the published corporate annual reports. The study considered the six types of stakeholders – individual investors, institutional investors, financial analysts, bank officials, investment advisor/consultant and academician/ researcher. Further studies can be carried out to investigate the perceptions of the auditors, preparers of financial accounts and government and representatives of regulatory authorities. There are other categories of disclosure which are not covered in the present study- Corporate Governance Report, Chairman's Speech, Corporate Social Responsibility, Management Discussion Analysis. Further research can be undertaken to study the

users' perception on the usefulness of the above categories of disclosure. Studies can also be undertaken to study the users' perception on the usefulness of Internet financial reporting.

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