

Disclosure Practices of Companies in India : A Comparative Study of Public and Private Sector

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Abstract

In today's globalised world, it is the responsibility of the business to make the public aware about the different activities undertaken during the period. Therefore, disclosure is of utmost importance in these days. Since disclosure represents transparency of company's activities, companies disclosing more information are always preferred. This paper empirically examines the disclosure practices of 19 public sector and 23 private sector companies in India for the period 2003-04 to 2010-11. The companies have been selected on the basis of their market capitalization from BSE-500 index. This paper analyses the company wise variation in the disclosure practices of public sector and private sector companies on the basis of disclosure index consisting of 101 items (99 items are applicable on private sector) representing the different areas of disclosure by the companies in their annual reports, with the help of statistical tools i.e. mean, percentage analysis, standard deviation, coefficient of variation and t-test.

Key Words

Disclosure, Public Sector, Private Sector, Variations, Annual Reports.

INTRODUCTION

In today's globalised world, it is the responsibility of the business to make the public aware about the different activities undertaken during the period. Therefore, disclosure is of utmost importance in these days. Since disclosure represents transparency of company's activities, companies disclosing more information are always preferred. Though there are several ways to disclose such information,

annual reports are more comprehensive in this regard. Corporate disclosure is the process of disseminating financial and non-financial information among the different users i.e. shareholders, creditors, bankers, employees, interested potential investors and general public. As every listed company is required to publish its annual report which discloses the results of accounting period (normally for a financial year), it becomes a regular source of information for the users. In India, disclosure practices of both public and private sector companies are governed by various laws such as Companies Act and regulatory bodies like Securities and Exchange Board of India, Bureau of Public Enterprises, Institute of Chartered Accountants of India etc. In addition to it, the management philosophy on disclosure differs from concern to concern. As a result, differences are found in the disclosure practices of various companies. This has been highlighted in many empirical, descriptive and qualitative studies carried out in the field of corporate disclosure by various research scholars. Some of these studies have been briefed below.

Gupta, J. L. (1983) analyzed the inventory valuation disclosure practices of 100 (consists of 80 private and 20 public sector) engineering companies for the year 1979-80. He studied the issues like composition of product cost, basis of valuation, cash flow assumptions, treatment of excise duty and overhead accounting policy. The study revealed that 60 per cent public and 10 per cent private sector companies were disclosing the accounting policy for inventory valuation. The study highlighted that public sector undertakings disclosed more information relating to accounting policies.

Chander, Subhash (1992) in his study examined and compared disclosure practices of public and private sector companies in India. The study was based on a sample of 50 public sector and 50 private sector companies for the period 1980-81 to 1984-85. The study showed that the quality of reporting analyzed on the basis of 'company-wise disclosure' was significantly better in case of public sector in comparison to private sector companies.

Behl, R.L. (2008) conducted a study to examine company-wise disclosure level of 92 Indian companies from BSE-500 index for the period of five years i.e. 2000-01 to 2004-05. The study highlighted that over the period of five years, 85 companies had shown positive compound growth rate and 7 companies had negative compound growth rate. It showed an improvement in the corporate voluntary disclosure scores from 2000-01 to 2004-05.

Singh, Prakash (2008) evaluated the social responsibility disclosure practices of 50 Indian companies (both public as well as private sector) for two years i.e. 2000 and 2004. The study revealed that the disclosure of social information was more in public sector as compared to private sector companies.

Shah, Pragnesh (2009) studied the voluntary disclosure practices of 28 companies in respect of human resources accounting information. It highlighted that Indian companies did not follow a uniform policy for its disclosure and very little attention was provided to the variables, more important for decision making.

Dangwal, R.C., Singh, Kashmir and Anand, Swati (2010) found large differences in the voluntary disclosure practices of large and mid-cap companies in their study conducted on the basis of index of disclosure consisting of 72 reporting items for the period 1999-2000 to 2004-05.

Ragini (2012) examined and compared the various disclosure practices of intangibles of the top 100 Indian, US and Japanese companies for a period of five years i.e.2001-2005. It showed that all the countries under study had a significant improvement over the period. It further revealed that the Indian companies disclosed more information on research and development and human resources than the companies from US and Japan. Japanese companies showed maximum improvement in the overall disclosure score over the period of five years.

OBJECTIVES OF THE STUDY

The present paper is an attempt to make company-wise analysis of disclosure practices of public and private sector companies in India and to find out the differences in disclosure practices of selected public and private sector companies.

RESEARCH METHODOLOGY

The study is based on 42 Indian companies included in BSE 500 index (19 from public sector and 23 from private sector) from five industries namely Oil Drilling & Exploration and Refineries, Power Generation and Distribution, Metals & Minerals, Chemicals & Fertilizers and Heavy Engineering. It covers the period of eight years i.e. from 2003-04 to 2010-11 and is based on the secondary data collected from the annual reports of the respective companies. Company-wise a disclosure score sheet has been prepared on the basis of disclosure index consisting of 101 items (99 items are applicable on private sector). For scoring, both unweighted scoring method (which assigns equal weightage to all the items of disclosure index) and weighted scoring methods have been used. Unweighted scoring method assigns score one for the items disclosed in annual reports and zero for the items not disclosed in annual reports, for all the items of disclosure index except for eight items namely schedules, notes to accounts, accounting policies, use of charts/graphs, past year dividend statistics, financial ratios, financial highlights regarding past and production statistics. These items have been assigned weights as under :

(a)	No. of Schedule	Weight
	Upto 20	1
	More than 20	2
(b)	Notes to accounts	
	Upto 20	1
	From 21 - 30	2
	Above 30	3
(c)	Accounting policies	
	Upto 10	1
	More than 10	2
(d)	Use of charts/graphs	
	Upto 10	1
	More than 10	2
(e)	Past year dividend statistics	
	Upto 5 years	1
	More than 5 years	2
(f)	Financial ratios	
	Upto 10	1
	More than 10	2
(g)	Financial highlights regarding past	
	Upto 10 years	1
	More than 10 years	2
(h)	Production statistics	
	Upto 5 years	1
	More than 5 years	2

The maximum score applicable to the public sector companies and private sector companies is 110 and 108 respectively because two items (Comments of Comptroller and Auditor General of India and Guidelines of Bureau of Public Enterprises) in the disclosure index are not applicable on private sector. For the analysis, statistical tools namely mean, percentage analysis, standard deviation, coefficient of variation and t-test have been applied. Disclosure score for all the years of the study for each company in public and private has been calculated by applying the following formula :

$$1. \quad \text{Disclosure score} = \frac{\text{Total scores obtained by a company}}{\text{Total scores applicable to that company}} * 100$$

2. Mean disclosure score = $\Sigma X/N$

Where, ΣX = Sum of all the values of variable x (i.e. disclosure score from 2003-04 to 2010-11)

N = Total number of observations

For the study of disclosure of companies in the public and private sector, the following null hypothesis has been formulated, which has been tested by applying t-test at 5 per cent level of significance.

H₀ : There is no significant difference in the company wise disclosure practices of public and private sector companies in India.

ANALYSIS

Table 1 presents disclosure score of 19 public sector companies from 2003-04 to 2010-11 and shows ranks of the companies on the basis of disclosure score in the descending order. The table also depicts the increase/decrease in the disclosure score in 2010-11 over 2003-04. The analysis of the table reveals that out of total 19 companies, 18 companies have shown increase in disclosure score in 2010-11 over the year 2003-04 whereas one company has shown decrease in disclosure score in 2010-11 in comparison to 2003-04.

In terms of disclosure score, most of the companies have fluctuating trend over the period. There are only two companies which have shown continuous increase in the disclosure score over the period i.e. NTPC (41.81 per cent in 2003-04 to 70.91 per cent in 2010-11) and BHEL (59.09 per cent in 2003-04 to 77.27 per cent in 2010-11). Further, 16 companies have increase in disclosure score over the period but with fluctuations during the period. Rashtriya Chemicals & Fertilizers Limited has the maximum increase in disclosure score i.e. 77.81 per cent. Bharat Earth Movers Ltd. is the only public sector company which has shown decline in the disclosure score i.e. 50.91 per cent in 2003-04 to 46.36 per cent in 2010-11.

As the study reflects the fluctuations in the disclosure score obtained in the different years by different companies, therefore major changes can be observed in the ranks obtained by the different companies in the different years. Some company's show improvement whereas others show either decline or constant ranks in the year 2010-11 over 2003-04. BHEL has obtained the first rank in most of the years of the study except 2003-04, 2005-06 and 2006-07. In these years, it is on the second rank. There is a remarkable improvement in the ranks of ONGC (from 7th to 3rd), GAIL (from 10th to 2nd), Indian Oil (from 5th to 3rd), Power Grid Corporation (from 8th to 4th), SAIL (from 9th to 6th), NMDC (from 9th to 4th), NALCO (from 13th to 7th), Rashtriya Chemicals and Fertilizers Ltd. (from 15th to

Table 1
Company-wise Disclosure scores of Public Sector (in percentage)

S. No.	Name of the Company	Disclosure Score											% Increase or decrease in 2010-11 over 2003-04
		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	Increase or decrease in 2010-11 over 2003-04			
1.	ONGC	51.81 (7)	55.45 (4)	54.55 (7)	63.64 (5)	65.45 (4)	60.91 (7)	63.64 (4)	69.1 (3)	17.29	33.37		
2.	GAIL	47.27 (10)	49.09 (8)	63.64 (3)	65.45 (3)	68.18 (2)	71.81 (2)	71.81 (2)	70.91 (2)	23.64	50.01		
3.	Oil India	57.27 (3)	58.18 (2)	56.36 (6)	47.27 (11)	50 (12)	51.81 (14)	60 (7)	61.81 (5)	4.54	7.93		
4.	Indian Oil	55.45 (5)	55.45 (4)	62.73 (4)	62.73 (6)	66.36 (3)	65.45 (4)	67.27 (3)	69.1 (3)	13.65	24.62		
5.	BPCL	56.36 (4)	54.55 (5)	66.36 (1)	68.18 (2)	62.73 (6)	60 (8)	61.81 (5)	62.73 (4)	6.37	11.3		
6.	NTPC	60 (1)	61.81 (1)	63.64 (3)	64.54 (4)	64.54 (5)	67.27 (3)	67.27 (3)	70.91 (2)	10.91	18.18		
7.	Power Grid Corporation	50.91 (8)	50 (7)	41.81 (13)	49.09 (9)	50.91 (11)	62.73 (5)	61.81 (5)	62.73 (4)	11.82	23.22		
8.	NHPC	41.81 (14)	40.91 (11)	41.82 (13)	45.45 (12)	50 (12)	53.66 (13)	58.18 (9)	56.36 (11)	14.55	34.8		

Contd. Table 1

9.	Neyveli Lignite	46.36 (11)	56.36 (3)	55.45 (7)	52.73 (7)	53.66 (10)	56.36 (12)	58.18 (9)	58.18 (9)	58.18 (9)	11.82	25.5
10.	SJVN	32.72 (15)	32.72 (13)	34.54 (15)	34.54 (14)	37.27 (14)	37.27 (17)	37.27 (14)	37.27 (14)	36.36 (14)	3.64	11.12
11.	SAIL	49.09 (9)	55.45 (4)	58.18 (5)	69.09 (1)	62.73 (6)	61.81 (6)	60.91 (6)	60.91 (6)	60.91 (6)	11.82	24.08
13.	NMDC	49.09 (9)	49.09 (8)	50 (11)	54.55 (6)	58.18 (7)	53.66 (13)	60.91 (6)	60.91 (6)	62.73 (4)	13.64	27.79
14.	NALCO	43.64 (13)	42.72 (10)	42.72 (12)	52.73 (7)	56.36 (9)	58.18 (9)	59.09 (8)	59.09 (8)	60 (7)	16.36	37.49
15.	NFL	45.45 (12)	46.36 (9)	51.81 (10)	51.81 (8)	57.27 (8)	57.27 (10)	55.45 (10)	59.09 (8)	59.09 (8)	13.64	30.01
16.	Rashtriya Chemical & Fertilizers Ltd.	32.72 (15)	42.72 (10)	41.81 (13)	48.18 (10)	50 (12)	55.45 (11)	55.45 (10)	55.45 (10)	58.18 (9)	25.46	77.81
17.	BEMIL	50.91 (8)	52.73 (6)	52.73 (9)	48.18 (10)	49.09 (13)	46.36 (15)	46.36 (12)	46.36 (12)	46.36 (12)	-4.55	-8.94
18.	Engineers India Ltd.	54.55 (6)	55.45 (4)	54.55 (8)	54.55 (6)	58.18 (7)	57.27 (10)	49.09 (11)	49.09 (11)	57.27 (10)	2.72	4.99
19.	BHEL	59.09 (2)	61.81 (1)	65.45 (2)	68.18 (2)	69.09 (1)	76.36 (1)	76.36 (1)	76.36 (1)	77.27 (1)	18.18	30.77

Note : Figures in parenthesis show the ranks

9th) and NFL (from 12th to 8th) during the period 2003-04 to 2010-11. There is a decline in the disclosure score of BEML in the year 2010-11 over 2003-04 (i.e. from 50.91 per cent to 46.36 per cent). Therefore ranking of the company has declined from 8th to 12th in the year 2010-11.

Disclosure scores of Oil India, NTPC and Engineers India Ltd. show improvement over the period but ranks of the companies have declined during the study period i.e. Oil India (from 3rd to 5th), NTPC (from 1st to 2nd) and Engineers India Ltd. (from 6th to 10th). There is no change in rank of BPCL in 2010-11 over 2003-04 i.e. 4th rank in terms of disclosure score.

Tables 2 indicates disclosure scores of 23 private sector companies from 2003-04 to 2010-11. It also shows ranks of the companies on the basis of disclosure score in the descending order. The table highlights the increase/decrease in the disclosure score in 2010-11 over 2003-04. After an analysis of the table, it is evident that out of total 23 companies, 21 have shown improvement in disclosure score in 2010-11 over the year 2003-04. whereas two companies have shown no improvement in the disclosure score in 2010-11 over 2003-04.

Analysis of the table reveals that majority of the private sector companies have shown fluctuating trend during the period of eight years. Major percentage increase in disclosure score been observed in case of Petronet LNG by 105.28 per cent, GVK Power and Infrastructure Ltd. by 86.99 per cent, Jai Prakash Power by 46.16 per cent, Sesa Goa by 43.48 per cent, Tata Power by 51.09 per cent. There are only two companies i.e. Tata Steel Ltd. and Larsen & Toubro Ltd. which have not shown improvement in disclosure scores in 2010-11 over 2003-04 but rank-wise these companies have good standing in comparison to other private sector companies with improvement in disclosure score.

Rank of Tata Power Co. Ltd. has shown remarkable improvement (from 10th to 4th) over the period. Other companies whose ranks have shown improvement are Hindalco (3rd to 1st), Reliance Industries Ltd. (4th to 3rd), Petronet LNG (17th to 13th), Jindal Steel (9th to 6th) and Sesa Goa (9th to 5th). There is no change in the ranks of Jai Prakash Power (14th), Sterlite Industries (5th), Tata Chemicals (7th) and Sanghvi Movers (15th) in 2010-11 over 2003-04 but during the period of eight years, wide fluctuations have been observed in the ranks of these companies.

On the other hand, ranks of Tata Steel (2nd to 3rd), Larsen and Toubro (1st to 2nd), United Phosphorus (8th to 9th), Coromendal International (7th to 8th), Bayer Crop Science (6th to 8th), Chambal Fertilizers (6th to 10th) reflect the decline in ranks obtained in spite of increase in the disclosure score over the period.

Table 2
Company-wise Disclosure Scores of Private Sector (in percentage)

S. No.	Name of the Company	Disclosure Score											Increase or decrease in 2010-11 over 2003-04	% Increase or decrease in 2010-11 over 2003-04
		2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11					
1.	Reliance Industries Ltd.	55.55 (4)	59.26 (3)	71.29 (1)	68.52 (1)	69.44 (1)	62.96 (3)	61.11 (4)	63.89 (3)	8.34	15.01			
2.	Essar Oil	37.96 (11)	39.81 (12)	41.67 (12)	40.74 (10)	42.59 (12)	41.67 (13)	41.67 (14)	46.29 (10)	8.33	21.94			
3.	Petronet LNG	17.59 (17)	27.77 (16)	28.7 (16)	29.63 (15)	30.55 (16)	32.41 (16)	31.48 (17)	36.11 (13)	18.52	105.28			
4.	Aban Offshore	37.96 (11)	40.74 (11)	51.85 (5)	50 (7)	49.07 (9)	49.07 (10)	50 (11)	50 (10)	12.04	31.72			
5.	Indraprastha Gas	34.26 (13)	34.26 (15)	34.26 (15)	35.18 (12)	33.33 (15)	33.33 (15)	39.81 (15)	41.67 (11)	7.41	21.63			
6.	GVK Power & Infrastructure Ltd.	21.29 (16)	22.22 (18)	22.22 (17)	31.48 (14)	33.33 (15)	33.33 (15)	35.18 (16)	39.81 (12)	8.52	86.99			
7.	CESC	36.11 (12)	38.89 (13)	38.89 (13)	38.89 (11)	38.89 (14)	42.59 (12)	43.52 (13)	50 (10)	13.89	38.46			
8.	Jai Prakash Power	24.07 (14)	25 (17)	28.7 (16)	30.55 (13)	33.33 (15)	35.18 (14)	35.18 (16)	35.18 (14)	11.11	46.16			
9.	Gujarat Ind. Power Co.	10.18 (18)	10.18 (19)	10.18 (18)	10.18 (17)	11.11 (18)	12.04 (18)	12.04 (19)	12.04 (16)	1.86	18.27			
10.	Tata Power	41.67 (10)	42.59 (10)	50.93 (6)	50.93 (6)	51.85 (7)	50.93 (9)	51.85 (9)	62.96 (4)	21.29	51.09			
11.	Tata Steel	63.89 (2)	61.11 (2)	60.18 (4)	68.52 (1)	68.52 (2)	63.89 (2)	69.44 (1)	63.89 (3)	0	0			

Contd. Table 2

12.	Jindal Steel	42.59 (9)	42.59 (10)	48.15 (10)	47.22 (9)	48.15 (10)	47.22 (9)	48.15 (10)	60.18 (4)	61.11 (4)	59.26 (6)	16.67	39.14
13.	SESA Goa	42.59 (9)	42.59 (10)	42.59 (11)	49.07 (8)	50 (8)	56.48 (6)	61.11 (4)	61.11 (4)	61.11 (4)	61.11 (5)	18.52	43.48
14.	Sterilite Ind. (India) Ltd.	48.15 (5)	48.15 (6)	50 (7)	53.7 (4)	53.7 (6)	56.48 (6)	61.11 (5)	61.11 (5)	61.11 (5)	61.11 (5)	12.96	26.91
15.	HINDALCO	56.48 (3)	58.33 (4)	64.81 (2)	65.74 (2)	65.74 (3)	66.67 (1)	66.67 (2)	66.67 (1)	66.67 (2)	66.67 (1)	10.19	18.04
16.	Tata Chemicals	44.44 (7)	41.67 (10)	41.67 (12)	47.22 (9)	47.22 (11)	53.7 (7)	54.63 (6)	54.63 (6)	55.55 (7)	55.55 (7)	11.11	25
17.	United Phosphorus Ltd.	43.52 (8)	44.44 (9)	50 (7)	50.93 (6)	51.85 (7)	52.78 (8)	52.78 (8)	52.78 (8)	52.78 (8)	50.93 (9)	7.41	17.03
18.	Coromendal Fertilizers	44.44 (7)	45.37 (8)	50 (7)	52.78 (5)	51.85 (6)	50.93 (9)	50.93 (10)	50.93 (9)	50.93 (10)	53.7 (8)	9.26	20.84
19.	Bayer Crop Science	47.22 (6)	49.07 (5)	49.07 (8)	49.07 (8)	53.7 (6)	53.7 (7)	53.7 (7)	53.7 (7)	53.7 (7)	53.7 (8)	6.48	13.72
20.	Chambal Fertilizers	47.22 (6)	46.29 (7)	46.29 (9)	50.93 (6)	56.48 (5)	57.41 (5)	50 (11)	50 (11)	50 (10)	50 (10)	2.78	5.89
21.	Larsen & Toubro	64.81 (1)	62.96 (1)	62.96 (3)	62.04 (3)	62.04 (4)	60.18 (4)	62.96 (3)	62.96 (3)	64.81 (2)	64.81 (2)	0	0
22.	Sanghvi Movers	22.22 (15)	22.22 (8)	22.22 (17)	28.7 (16)	29.63 (17)	28.7 (17)	28.7 (18)	28.7 (17)	28.7 (18)	27.78 (15)	5.56	25.02
23.	Alfa Laval	37.96 (11)	37.04 (14)	37.96 (14)	38.89 (11)	40.74 (13)	44.44 (11)	44.44 (12)	44.44 (11)	44.44 (12)	46.09 (10)	8.33	21.94

Note : Figures in parenthesis show the ranks

Table 3
Mean Disclosure Score for Public and Private Sector Companies

Years	Public Sector			Private Sector			t-value
	Mean	S.D.	C.V.	Mean	S.D.	C.V.	
2003-04	48.23	8.66	17.96	40.09	13.99	34.89	2.205*
2004-05	50.38	8.23	16.33	40.98	13.24	32.31	2.691*
2005-06	52.44	9.86	18.80	43.68	14.76	33.79	2.209*
2006-07	54.59	10.39	19.03	45.69	14.18	31.04	2.276*
2007-08	56.36	8.98	15.95	46.56	14.06	30.13	2.598*
2008-09	57.7	9.43	16.35	47.78	13.56	28.38	2.692*
2009-10	58.47	9.89	16.91	48.47	13.74	28.35	2.653*
2010-11	60.19	9.91	16.47	50.11	13.47	26.88	2.709*

*t - Value is significant at 5% level of significance

Table 3 depicts the mean disclosure scores of public and private sector for the eight years of study along with the values of standard deviation, co-efficient of variation and t-value. The mean disclosure scores of both public and private sector show continuous increase in disclosure but disclosure is more in public sector companies for all the years. The higher values of standard deviation in case of private sector reveal wide variations in the disclosure of private sector companies corresponding to public sector. The t-value depicts that there are significant difference in disclosure practices of public sector and private sector companies for all the years as calculated t-values are more than table value at 5 per cent level of significance.

CONCLUSION

The study reveals that in the public sector BHEL, NTPC and GAIL have better disclosure scores in comparison to other public sector companies. However in the private sector Tata Power, Tata Steel, Reliance Industries and Hindalco have higher disclosure scores in most of the years of the period of study. Further, significant differences have been found in disclosure practices of public sector and private sector companies in India. The study shows continuous increase in the disclosure by both the sectors over the period of study but comparative analysis reveals that disclosure is more in public sector companies than private sector companies.

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