CHAPTER-1

INTRODUCTION

1.1 GENERAL BACKGROUD

Since the introduction of a democratic system in 1990, a number of measures of have been undertaken to liberalize trade, investment and financial system with an object to invigorate economic growth through industrial growth and private sector development. The capital market has always played an important role in sustaining and speeding up the economic growth of nation. A strong capital market supported by active participation of national and foreign investors is imperative. One of the most serious impediments for the economic growth of capital market is the development of a system, which can provide assurance to investors that their investments are secure, productive and recoverable.

The development of an economy requires the productive activities, which in turn is the result of the investment venture in productive enterprises. The establishment of these enterprises needs a huge amount of funds. Existing enterprise and companies within the economy can be viewed as productive enterprises, which need long term and short term capital investment for their operation, growth and existence. The required long-term and short-term capital for the productive enterprises can be raised mainly from financial market. The financial market components are money market and capital market. Money market provides the short-term nature of funds for the productive business undertakings whereas the market provides long-term and intermediate-term capital.

The capital market experienced an impressive growth in the last two years. Improvement in the peace and security situation, the central bank policy to increase the paid-up capital of banks and financial institutions, market reform, institutional and infrastructural developments related to the capital market has contributed to this growth. The activities of both the primary and secondary markets have been explained in detail as follows:

In the FY 2007/08 the Security Board of Nepal (SEBON) granted permission to 71 companies for mobilization of Rs. 11.56 billion while 33 companies got approval to mobilize Rs. 2.75 billion in the preceding year. The number of capital mobilizing companies and amount of capital mobilization has risen by 132.25 percent and 320.36 percent respectively (NEPSE Annual Trading Report, 2007-08).

The present capital market structure of Nepal is in its primary stage. Despite this, it has able to gain recognition as an important player in the economic development of the country. The liberalization policy currently followed by the government can be effectuated by the development of an effective capital market in mobilizing the investment within and outside of Nepal.

Capital market is a market for long term funds having maturity greater than one year. They are vital to long term growth and prosperity of economy since they provide channel through which needed fund can be raised. It is the mechanism, through which public savings are channeled to industrial and business enterprises.

The key instruments used in capital market are debt, common stock, preferred stock, bonds and convertible issues. Demand for the capital in the capital market comes form agriculture, industry, trade and government while the sourced of supply is form individuals, corporate savings, institutional investors and surplus of government.

Capital market is an important intermediary of mobilization of inevitable resources through which effective bridging of the deficit units and surplus units can be ensured. Capital market institutions are engaged in mobilization of savings from surplus units funds into the deficits units for productive investment (Shrestha, 1999: p. 1).

Capital market can be decomposed into securities market and non-securities market. Stock market is a major component of securities market and a medium through which corporate sector mobilizes funds to finance productive projects by issuing shares in the market. Similarly, the stock market provides the best investment opportunity to the investors.

Thus, the effective collection of small amounts of savings and transferring funds into competitive and efficient uses requires a well functioning capital market to facilitate the process. Securities market refers to the market for securities where securities like government bonds, corporate bonds or debentures, ordinary shares, mutual funds and certificates are bought and sold as other commodity (Sharma, 1996: p.56).

The Security market is of two types i.e. primary and secondary market. Primary market is concerned with the floatation and distribution of first hand securities to the general public which is also known as issue market. The secondary market, or more popularly, stock market is concerned with the trading of second hand securities. The second hand securities also known as already issued securities are bought and sold in the secondary market for investment and speculative motives. The secondary market ensures the liquidity to the securities. This encourages the investors to invest in the long term ventures.

The liquid stock market helps to promote the primary issuance of new securities because the investors will have easy access to the liquid stock market, which makes their investment less risky and more attractive. So it can be observed that both primary and secondary markets are positively and highly interrelated.

The history of Nepalese capital market is not too long. The development of capital market is a recent phenomenon in Nepal. Securities market being major component of capital market also remained undeveloped for long time. The history of securities market began with the floatation of shares by Biratnagar Jute Mills Ltd. in 1937 (NEPSE Annual Trading Report, 2007-08). Introduction of Company Act in 1964, the first issuance of Government Bond in 1964, and the establishment of Security Exchange Center Ltd. in 1976 was other significant development resulting to capital markets. Initially the SEC limited its function for trading the government bonds and national saving certificates only.

Thus, the SEC served to promote the primary as well as secondary market for government and corporate securities from fiscal year 1984/85. The incorporation of Securities Board, Nepal (SEBO/N) under the Securities Exchange Act, 1983 and conversion of SEC into Nepal Stock Exchange (NEPSE) under the government of primary as well as Secondary market for the corporate securities (NEPSE Annual Trading Report, 2007-08).

Securities Board of Nepal (SEBON) was established by the Government of Nepal on June 7, 1993 as an apex regulator of Securities Markets in Nepal. It has been regulating the market under the Securities Exchange Act, 2006. The functions, duties and powers of SEBON as per the Act are as follows.

- To offer advice to Government on matters connected with the development of the capital market.
- To register the securities of corporate bodies established with the authority to make a public issue of its securities.
- To regulate and systematize the issue, transfer, sale and exchange of registered securities.
- To give permission to operate a stock exchange to any corporate body desirous of doing so, subject to this Act or the rules and bye-rules framed under this Act.
- To supervise and monitor the functions and activities of stock exchange.
- To inspect whether or not any stock exchange is executing its functions and activities in accordance with this Act or the rules and bye-rules framed under this Act, and to suspend or cancel the license of any stock exchange which is not found to be doing so.
- To issue licenses to conduct the business of dealing in securities, subject to this Act, or the rules and the bye-rules framed under this Act, to companies or institutions desirous of conducting the business of dealing in securities.
- To supervise and monitor the functions and activities of securities-dealers.
- To grant permission to operate collective investment schemes and investment fund programs, and to supervise and monitor them.
- To approve the bye-rules concerning transactions in securities framed by stock exchanges and institutions engaged in the business of dealing in securities, and, for the purpose of making necessary provisions concerning the development of the capital market and protecting the interests of investors investing in securities, issue orders to have necessary alterations made in such bye-rules of stock exchange and institutions engaged in the business of dealing in securities.
- To systematize the task of clearing accounts related to transactions in securities.
- To supervise whether or not security dealers are behaving in the manner prescribed in this Act, or the rules and the bye-rules framed under this Act, while conducting business of dealing in securities, and suspend the license to conduct the business of dealing in securities in case any securities dealer is not found to be behaving accordingly.

- To make or ensure necessary arrangements to regulate the volume of securities transacted and the procedure of conducting such transactions in order to ensure the promotion, development and clean operation of stock exchanges.
- To make necessary arrangements to prevent insider trading or any other offenses relating to transactions in securities in order to protect the interest of investors in securities.
- To review or make arrangement for reviewing the financial statements submitted by the corporate bodies issuing securities and security dealers, and issue directives deemed necessary in that connection to the concerned corporate body.
- To systematize and make transparent the act of acquiring the ownership of a company or gaining control over its management by purchasing its shares in a single lot or in different lots.
- To establish coordination and exchange cooperation with the appropriate agencies in order to supervise and regulate matters concerning securities or companies.
- To discharge or make arrangements for discharging such other functions as are necessary for the development of securities and the capital market.

The Governing Board of SEBON is composed of seven members including one full time chairman appointed by the Government for tenure of four years. Other members of the Board include joint secretary of Ministry of Finance, joint secretary of Ministry of Law, Justice and Parliamentary Affairs, representative from Nepal Rastra Bank, representative from Institute of Chartered Accountants of Nepal, representative from Federation of Nepalese Chambers of Commerce and Industries, and one member appointed by the Government from amongst the experts pertaining to management of securities market, development of capital market, financial or economic sector.

The major financial sources of SEBON are the government grant, transaction fee from the stock exchange and registration fee of corporate securities. Other financing sources include registration and renewal of stock exchange and market intermediaries and the income from mobilization of its revolving fund. SEC was established in 1976. The basic objective of the SEC was to promote and facilitate the growth of capital markets in Nepal. It was only one capital market institution which used to perform the job of brokering, underwriting, managing public issue, market making and other financial services.

His Majesty's Government in its capital market reformation program converted SEC into NEPSE in 1993. NEPSE is non-profit making organization operating under Securities Exchange Act, 1993. The basic objective of NEPSE is to impart free marketability and liquidity to the government and corporate securities by facilitating transactions in its trading floor through market intermediaries such as broker, market makers etc (Securities Board, Annual Report, Fiscal Year 2007-08, p. 1). It has been operating securities transaction in its trading floor since 13th January, 1994 through its licensed members. Presently it has 27 member brokers and 2 market makers to operate stock trading as per the Securities Exchange Act, 1983 and rules and by laws of the exchange. Besides, the NEPSE has 10 licensed primary market dealers and 2 secondary market dealers. The primary market dealer operates as an issue manager and underwriter where as secondary market dealer operates as portfolio manger. Presently 142 companies have listed their securities in NEPSE to make them eligible for trading.

After the short introduction to SEBO/N and NEPSE, an attempt is made to introduce the prevailing securities market acts, rules and regulations, Bye-laws and directives. To enhance, operate, systematize and regularize the securities market in Nepal, some acts, their rules and regulations, Bye-laws and directives are in effect at present. Company Act, 1997 is legislated for the establishment and effective operation and administration of corporate bodies.

Corporate bodies are registered in the office of registrar of the company, under company Act, 1997. Securities Exchange Act, 1983 has been in effect since 13th April, 1984 to systematize and regularize the securities market in Nepal. This act was first amended in 1993 that had restructured the securities market, established SEBO/N and converted SEC into NEPSE. The second amendment in this act took place in 1997. The second amendment upgraded the securities regulatory system by establishing SEBO/N as an apex regulator of capital market and recognizing NEPSE as a front line regulator. Using the authority provision in the security exchange Act 1983, the Government has made securities exchange regulation, 1993. It was also amended twice in 1995 and in 1998.

Using the provision made in the securities exchange Act, NEPSE makes by- laws and submits to SEBO/N for approval. SEBO/N approved the membership and trading By-laws, 1993. Later, it approved membership and trading By-Laws, 1998 that replaced the membership and trading By-laws, 1993. Similarly, securities listing By-laws, 1996 was also approved by SEBO/N with one subsequent amendment. This By-law prescribes document in particular to be submitted in an application for listing on the exchange and detail on-going disclosure requirements to be fulfilled by listed companies.

Commercial Bank Act, 1974, finance companies Act, 1986, foreign Exchange (Regulation) Act, 1962 and foreign investment and technology transfer act, 1992 are some other acts which are also in effect in the Nepalese capital market.

ICAN (The Institute of Chartered Accountants of Nepal) was established under the chartered accountants Act, 1997. One of the objectives of the institute is to establish national standards in accounting and auditing which helps in providing assurance to the users about the reliability of the information furnished by the annual financial reports of companies. ICAN, by Act, is also the regulatory body for the accountancy profession in Nepal. The growth of the institute as a strong regulating authority in profession will facilitate more to SEBO/N in the development of securities market in Nepal.

SEBO/N, as an additional efforts to generate confidence among investors and maintain a standard in disclosure to be made, sought the professional support of ICAN in setting a transparent and uniform format of financial statements with adequate disclosures in concurrence with internal accounting standards.

1.2 FINANCIAL INFORMATON DISCLOSURE

Financial information disclosure refers to any kind of information, which is disclosed to the users of information such as shareholders and other investors. Most of such information is generated from the accounting system of the company. Accounting is the process of identifying, measuring and communicating financial information to permit information judgments and decisions by the users of information. This concept of accounting has two aspects: first identifying and measuring information and second, communicating financial information to the users for decision-making purposes. The financial disclosure concept satisfies the second aspect of the definition of accounting (Dhakal, 1993: p. 85). The term "Disclosure" refers to the publication of economic information relating to a business.

In a free enterprise system variations in financial disclosure practices are likely to result since corporations are managed by groups, which have varying managerial philosophies and wide discretion in connection with disclosing information to the investing public. The quality of disclosure influences to a great extent the quality of investment decisions made by investors (Singhvi and Desai, 1974: p. 129). The significance of proper and adequate disclosure can not be overemphasized in a free economy. Lack of disclosure can create ignorance in the securities market and can result in misallocation of resources in the economy (Chandra, 1974: p. 733).

The Securities Exchange act and subsidiary regulation and By-laws have stressed for disclosure as required for listing and continuing to be listed. Listed corporate bodies have to submit periodic financial statements and other reports to the SEBO/N (besides NEPSE). Corporate information has to be transmitted immediately to the NEPSE that have influence in trading and prices of securities.

The number of listed companies in the FY 2007/08 reached 148 with the listing of 13 new companies compared to previous year. However, the number of listed companies at the end of the fiscal year came down to 142 with the delisting of five companies and merger of two. De-listed companies have been either already closed or have not held annual general meetings or have not audited their results for more than two years. Altogether 0.17 million unit shares amounting Rs.174.91 million have been de-listed during the year.

At the end of the FY 2006/07 there were 17 companies listed under the commercial bank group. Similarly, there were 23 companies in the development bank group, 17 companies in the insurance group, 55 companies in the finance group, 18 companies in the manufacturing and processing group, 4 each in the hotel and trading group, 1 in other group and 3 in the hydropower group. During the year, a total of 7.49 million units of ordinary shares amounting Rs. 749.40 million, 38.45 million units of rights shares amounting Rs. 384.56 million, 18.69 million units bonus shares amounting Rs. 1869.73 million were listed for trading. With the listing of these shares the number of listed securities other than corporate and government bonds reached 321.13 million units in the FY 2007/08. This is an increase of 31.9 per cent, from 243.50 million units in the previous year. The paid-up value of listed shares reached Rs. 29.46 billion during the FY 2007/08, which rose by 35.50 percent over the previous year. Likewise, for the first time 2 million units of convertible preference shares amounting Rs.200 million were listed during the review period (Securities Board, Annual Report, Fiscal Year 2007-08).

Provisions of information disclosure have been made on acts, its rules and regulations, bye-laws and directives related to securities market of Nepal. Fair and timely information disclosure is essential ingredients to function the securities market efficiently. The provision of disclosure of information, which is pertinent in the determination of the marketing, is stressed. In this section regulations regarding disclosure information, which significantly affect the price of securities, are presented.

Companies are required to carryout their first Annual General Meeting (AGM) within one year from its approval to start the operation and then after the regular AGM are to be conducted within six months after completion of each fiscal year. They are required to publish the notice stating place, date and agendas for discussion and resolution to carry out its AGM at least before 21 days. In the AGM, it has to submit the audited Annual Report inclusive of details of balance sheet and profit and loss accounts, Board of Director's Report, Auditor's reports, Distribution of income to the shareholders, appointments of Director, Auditor and their remuneration for solution. Corporate bodies are also required to provide the photocopies of all the reports to the shareholders if they request in written applications. Thus, among others, provision to hold AGM of corporation is important to disclose the information of their operation.

Corporate bodies have to inform the issuance of bonus shares prior to the Office of the Company's Registrar and the proposal should be approved through 'Special Proposal' in the annual general meeting.

Companies are required to make listing of the securities issued and allotted by them in the stock exchange before making transaction of such securities. The companies have to submit the Memorandum, Article of Association, prospectus, either audited or projected profit and loss account and balance sheet of three years along with application for listing. They have also to provide the progress report of the operation and plan and opinion on the future strategy. Further, corporate bodies are liable to conclude an agreement with the stock exchange to list their securities. In such agreement, the commitment of the corporate bodies needs to be clearly stated that the concerned organizations will forth-with give the notice or information that affect transaction prices of securities to the stock exchange so that information or notice could be disseminated in the market. The information received by the exchange is made available to the general investors through media or its intermediaries such as brokers. Thus, it helps investors acquiring necessary information easily to make transaction in fair prices.

The corporate bodies who have listed their securities have to give the notice of the following subjects to the stock exchange from time to time:

a) If it has to amend the Memorandum or Articles of Association,
b) If it has to distribute interim dividend, interim bonus shares or issue preference shares,
c) If the transfer of ownership, renewal, unification of division of the securities is to be stopped,
d) If the business of the corporate body is to be stopped due to natural calamities accidental events, lockout or any other causes,
e) If any act of agreements carried out by organizations that have direct impact on the share price,
f) If corporate body or its subsidiary has to or is planning to purchase or sell their fixed assets amounting more than 10% of their total capital fund, the details about the matters and its impact on their profits,
g) If the board of the corporate body or its subsidiary has made decision regarding the proposition to change in nature of operations of the firm or its subsidiary and purchasing or selling of partial or full ownership of subsidiary companies or purchasing of majority ownership of other company,
h) If the registration of the share holders' book to be closed, its duration and causes,
i) If firm has decided to change the composition of share capital through issuance of the bonus shares or preference shares, the details about the subjects,
j) If the ownership of the shares held by any one investors has been changed to 5% or more of the total,
k) If company has provided its shares to anybody instead of the cash payment to be made,
l) Alteration of the Directors, Chief Executive, Company Secretary, Auditors,
m) The Annual Reports, Balance Sheet, Profit and Loss Accounts, Agendas for discussions and solutions and other information which need to be submitted on the AGM or Special General Meeting,
n) If corporate body has appealed or has been appealed litigation on course or by any other organization, details about the subject,
o) If organization has to invest 20% or more of its capital funds for the modernization, capacity enhancement or improvement, and or agreement or understanding has been made with other foreign or

native company for the management and technology transfer or join-venture investment,

p) If firms have made revaluation of fixed assets, detail about the subjects,
q) If company is going to purchase any business or sell partially or fully its business, and
r) About liquidation of the firm etc.

1.3 ANNUAL REPROT AS A MEDIUM OF DISCLOSURE

Corporate information disclosure can take several forms among which annual reports to shareholders is the most important form. Besides, corporate bodies make their information disclosure continuously and on different time interval. Corporate bodies transmit their price sensitive information to stock exchange immediately. Immediate disclosure of such information is provisioned in the law and thus, it is also a regulatory requirement. This information is transmitted to the stock exchange first and then stock exchange makes that information publicity available through its notice board. The immediate disclosure of price sensitive information will help develop the transparent securities market and discourage the unfair practices at market such as insider trading. Provisions regarding the transmission and disclosure of such sensitive information to the NEPSE have been made in the Securities Exchange Act, 1983, Securities Exchange Regulation, 1993 and Securities Listening by Laws, 1996.

Similarly, corporate bodies usually disclose their information on half yearly basis. It is also required by the law. In Nepal, Securities Exchange Act, 1983 has provisioned that the corporate bodies must submit their half yearly report to the SEBO/N and NEPSE within sixty days after the expiry of each six months period.

The published corporate annual report has been a vital source of information in the investment market. Annual reports are the end product at accounting and non-accounting information process and set of accounting measures. It reflects the combination of recorded facts, accounting conventions and personal judgments of the preparer. The judgments and conventions applied, affect the annual report materially. The corporate annual reports are the main and very important form of financial disclosure and investor and their counselors are the major users of published corporate annual reports. This study has mainly focused on the corporate annual reports even if there are various kinds of information disseminated for different purposes. As the main focus of this study is on corporate annual reports, the various information items that are likely to appear in the annual reports and the quality of information are studied. The impact of information disclosure on share price is also evaluated.

1.4 STATEMENT OF PROBLEM

There is absence of a mechanism, which could win the confidence of investors and convince them regarding the price of the security. This situation can only be improved by providing the investors with timely and reliable information. The securities market plays a strong role in bringing into contact the firms and individuals. So, it can be said that the confidence of public depends heavily on the functioning and the implementation of regulations of SEBO/N.

It has been seen that some companies have not disclosed relevant information on financial matters despite legal provisions binding on them. Only 6-listed companies submitted their financial statements and reports in prescribed time period and 109 companies submitted the reports after four months and within a year period. Thus the total 115 companies out of 142 have submitted their annual reports/financial statements of fiscal year 2007/2008 to SEBO/N by end of fiscal year 2008/2009. It means 27 companies have not submitted their financial statements to SEBO/N. They have failed to make public aware of the provisions that allow them to inspect the documents of the issuing companies.

SEBO/N for the past few years has put its utmost effort to educate and motivate the investors. Despite the liberalization policy of the government and active role of a facilitator by SEBO/N, the desired growth of the securities market and the public participation has not reached to a satisfactory level. Of more than a hundred forty two listed companies, shares of not more than five dozen companies are traded in stock exchange. The entry of new companies in the stock market is haphazard and is not encouraging. Shareholders and investors are not confident and, as a result of the distance between securities market and investors is not bridging up. Investors are not much aware of securities market.

Recent effort of SEBO/N to publish newsletters and releasing CDs about stock market is praiseworthy but it is not sufficient. They have not made the public aware of their rights to information. They should realize that this could have a bad impression on the stock market as a whole. So the Securities Exchange Act and Company Act has failed to mention the ratio of Board Members to be represented from the public shareholders.

Different acts, rules, regulation and by-laws of both well developed and least developed securities market clearly specify the provisions regarding the need and extent of full and complete corporate financial disclosure. The acts, its rules and regulations; by-laws and directives related to securities market of Nepal have also specified the provisions of corporate information disclosure. The provisioning on disclosure of information, which is pertinent in the determination in the transaction price of securities, is a must. The share price is function of information. The flow of information is a pre-condition for the orderly function of the market. The listed companies are required to provide price sensitive information and other information immediately to their investors and to the NEPSE. After the second amendment in Securities Exchange Act, 1983 the listed companies are required to submit their annual as well as half yearly reports to SEBO/N in addition to NEPSE. The amendment made it mandatory that the listed companies should submit their annual reports along with financial statements to SEBO/N within 3 months after the expiry of each fiscal year. SEBO/N is continuously informing the listed companies those provisions and is following up the companies through regular correspondence and public notice. The state of disclosure of most of the companies is poor in shape.

In the four fiscal years 2003/04, 2004/05, 2005/06, and 2006/047, 71 out of 114, 86 out of 125, 95 out of 135 and 91 out of 135 listed companies have submitted their financial statements and annual reports to SEBO/N respectively. Thus, the corporate disclosure is really a poor one. Prof. Dr. M.K. Shrestha States that investors are losing their faith on performance of share market because companies are not providing timely and adequate information to shareholders (Shrestha, 1996: p.8). Delays in conducting annual general meeting has been a normal function of company management without taking seriously how much and to what extent company's shareholders are interested to know about what is happening in their companies both in operational and financial terms.

Reports made available are not useful and informative to educate the company's shareholders. It is also the rights of the shareholders to be provided with timely and prompt corporate information from the company's management. In this sense, it can be said that company's management is violating the shareholders' right and not providing the valuable information that would help interested shareholders to make sound decision regarding investment.

Financial disclosure practices in Nepal are in primary state. Regulatory bodies through various laws, rules and directives have sought some disclosures in financial statements. However, methods of preparation of financial statement and disclosure of material information are not comprehensively specified. National Accounting Standard (NAS) are not formulated. The body to regulate the formulation of NAS and practices of disclosure is some how not distinctly specified (K. K. Singh, 1999: pp. 26-27). The Business Manager in its one of the articles states that the shareholder friendliness or as it is called nowadays the shareholder value orientation of a company is another very important factor for finding the right shares (Business Manager, February 2000: pp. 50-51). Indicators for this are the distribution of a reasonable proportion of profits to shareholders, publishing annual reports in time and holding regular AGM.

> Unfortunately, we have quite a number of negative examples, as quite a few companies neither inform their shareholders regularly nor hold their AGM in time. We have only one answer for that. Stay out of these kinds of companies. The results of these companies are definitely disappointing, as any management is proud to show good results, if there are, financial literature, expert and professionals suggest that the present corporate disclosure practices are not satisfactory. Investors and prospective users of corporate information are dissatisfied with the present information, which are provided by companies. Lack of reliable financial information and adequate disclosures are the major factors for losing investors' faith on stock market and companies.

There seems to be no uniformity in the corporate information disclosure of many companies due to lack of National Accounting Standard. Most of companies disclose their annual reports and financial statements in quantitative nature rather than in qualitative nature. The annual reports and financial statements should contain qualitative and descriptive information regarding the business affairs and activities. Disclosing such information facilitates the users to make the judicious economic decision but such information seem to be lacking in annual reports of the Nepalese listed companies. In this respect, K. K. Singh states that the financial statement should also be supplemented with additional information in respect of highlights of financial position, operation result and performance of the enterprise through director's report and annual reports (Singh, p. 26). Many corporate annual reports also lack the transparency, which means the lack of full and clear disclosures of the various business activities in term of cost and revenue.

Under section 83 of the company Act, 1997 and section 15 if Securities Exchange Act, 1983, companies are required to produce annual financial reports statement in the form of balance sheet, profit and loss account and cash flow. While the form has been given some importance, the substance has not been taken proper care of minimum disclosures required in the financial statements is not expressed satisfactorily. As a result companies adopt different accounting policies and way of producing statements that are not clearly understandable and comparable.

After the general statement of problem, some research problems are identified which are as follows;

- Do all the listed companies disclose the information on their affair regularly in the form of annual report?
- Do listed companies have qualitative financial disclosures?
- Does corporate financial information disclosure affect the share price?

1.5 OBJECTIVES OF THE STUDY

The main objective of this study is to obtain in depth knowledge about the financial information disclosure of listed companies in Nepalese capital market. The objectives of the study are as follows;

- To examine the corporate disclosure in the form of an annual reports of listed companies in Nepal.
- To know the quality of corporate disclosure of Nepalese listed companies.
- To examine whether corporate information disclosure affects stock prices.
- To draw conclusion and provide necessary recommendations.

1.6 SIGNIFICANCE OF THE STUDY

This study focuses on corporate information disclosure, which helps to identify the disclosure practices, problems and weaknesses in the Nepalese stock market. It will help the regulatory bodies, especially Securities Board of Nepal, corporate bodies and others to make further improvement in the disclosure system. This study will tell to what extent share price is affected by the information disclosure. The results and the conclusion drawn from the study will help the related stock market bodies and SEBO/N to formulate their plans and policy regarding the corporate financial information disclosure issues. This study can be useful for the researchers, who make further study on this field, the readers, such as students, shareholders, potential investors, financial analysts, members of stock market and members of the SEBO/N will also be benefited from this study.

1.7 PLAN OF THE STUDY

The study contains five chapters. The introduction, literature review, research methodology, presentation and analysis and summary, conclusion and recommendation are the major chapters.

- The first chapter, INTRODUCTION, deals with general introduction, problem statement, objectives of the study, importance of the study and chapter's organization.

- The second chapter, LITERATURE REVIEW, deals with the review of different literatures, which are closely related to this study. The disclosure practices in the Nepalese stock market and the provisions made in the legislation are also reviewed in this chapter.

- The third chapter, RESEARCH METHODOLOGY, deals with the detail research methods that are planned for conducting this study.

- The fourth chapter, PRESENTATION AND ANALYSIS, is concerned with the application of defined research method on the collected data and information. The generated results after the application of research method on data are analyzed and interpreted in this chapter.

- The fifth chapter, SUMMARY, CONCLUSIONS AND RECOMMENDATIONS, deals with summary and the conclusions of the analysis. Brief conclusions from the analysis are drawn and necessary recommendations are made the study.

CHAPTER- 2

LITERATURE REVIEW

2.1 THEORETICAL CONCEPT OF FINANCIAL DICLOSURE

Financial disclosure plays an important role in allocation of resources through sound economic decision. There are abundant of interest in corporate bodies among lenders, shareholders, creditors, customers, government authorities and general public. This has caused the corporate bodies to accept economic, financial, social and legal responsibilities of growing the information about them.

There are three concept of disclosure generally given emphasized, viz. adequate, fair and full disclosure. These terms are relative. Adequate disclosure of the information item, adequacy of disclosure cannot be tested accurately. Fair disclosure means ethical objectives of providing equal treatment for all potential information users. Full disclosure means the presentation of all relevant information about itself.

The uses, purposes, quantity, quality, methods and timing of disclosures are generally identified to make it an adequate one. The financial information disclosures are used by a variety of groups for different purpose. Professionals and non-professional, individual investors, creditors, bankers, employees , customers, suppliers, potential investors, tax authorities, governments, trade association and the general public are the users of the corporate disclosure. The concept of adequate disclosure involves identifying the purpose of information disclosure. The user purpose in using financial information can result from the identification of target user groups. The quality and quantity of information depend on need of users and degree of uncertainty prevails in the investment market.

The method of preparation of information disclosure is another question in the corporate and detailed presentation, parenthetical information, footnotes, supplementary statements and schedule, comments of auditors, certificate, chairman's report or letter and the report of the board of directors, etc. Timing of disclosure is another essential component in adequate disclosure. Proper timing information and financial report are recognized both by the legislator and accounting professional.

2.2 REVIEW OF BOOKS & ARTICLES

Jawaharlal has identified the some of the characteristic of information disclosure. The information that facilitates economic decision should possess certain characteristics, which makes financial information more reliable. These characteristics show the quality of information and satisfy the users' need (Jawaharala, 1985: pp. 120-140).

These characteristics are relevancy, materiality, understandability, comparability, and freedom from bias. Relevancy is closely and directly related to the concept of useful information. Relevance means all those information, which may aid the users in making prediction or decision. In general, Information that is given is given greater weight in decision making.

Materiality permits the entire field of accounting and audition. The materiality concept implies that not all the information need or should be communicated in accounting reports-only material information should be reported. Information should be disclosed in annual report, which is likely to influence economic decisions of the users.

Information in annual reports should be presented in a way, which can be understood by reasonably well informed as well as by sophisticated users. Presenting information, which can be understood only by sophisticated users and not by others, create bias, which is not consistent with the standard of adequate disclosure, presentation of information of financial statements.

The decision-maker will make comparisons using various alternative information in decision making. Comparison makes the decision-maker to determine relative financial strength, weakness and the prospects for future, between two or more firms or between periods in a single firm. The primary objective of comparability should be to facilitate of making prediction and financial decisions by users of information.

In accounting "consistency has been used to refer to the use of same accounting procedures and methods by a firm or accounting entity from period to period, the use of similar measurement concept and procedure for related items within the statement of a firm for a single period and the use of same procedures by different firms.

Reliable information requires forming judgment about the earning potential and financial position of a firm. Reliability of information is crucial to users because it influences their economic decision. But it should be noted that most reliable information might not be significant for users in making economic decisions.

Freedom from bias: information, free from bias would enhance the relevance of information. Freedom from bias means the facts that have been impartially determined and reported.

These above mentioned characteristics, viz. relevancy, materiality, understandability, comparability, consistency, reliability and free from bias make reportable information useful and adequate, but conflicting objectives, environmental influence and lack of understandability of objectives limits this criterion of adequate disclosure of some of the information.

The benefits of the adequate disclosure encourage many companies to disclose relevant information in their annual reports. The adequate information will help in decision making of investors, management, employees, customers and others and it helps to reduce the firm's cost of capital. The adequate disclosure will also reduce the investment uncertainly to investors which may minimize the fluctuation in company's price.

I. M. Pandey has highlighted the source of financial information and users of financial information. In his book, he has stated that the firm communicates its financial information to the users through financial statements and reports, which contain the summarized information of firm's financial affairs, organized systematically. He states that since the financial information are used by investors and financial analysts to examine the firm's performance in order to make investment decision, they should be prepared very carefully and contain as much information as possible. These information and statements are contained in firm's annual report (I. M. Pandey, 1999: pp. 110-120).

2.3 REVIEW OF RESEARCHES AND ARTICLES

A study about "Disclosure requirements in prospectus of Nepalese Public Limited Companies," has been prepared by Dr. Manohar K. Shrestha. He found a great gap between disclosure made in prospectus and actual results, which were reported in various annual general meeting. In this study, a sample study of the 16 public limited companies showed that the only four companies were not sound enough. This has put the investor into a sense of repent in investment.

Thus it is necessary to develop a new legislation which encourages professional norm in the company directors and promoters to disclose only the true information in the prospectus. It tends to save the investor from fraudulent practices. Since the end and the design of public limited companies depend upon the principle of compulsory disclosure requirements in prospectus. Investors must be given opportunity to make independent inquiry to which government must response to help them in making safe investment as this is the basis of reviving the capital market.

He has opined that the growing dimension of capital market needs proper linkage with the regaining of the investor's confidence. This can be accomplished if the public limited companies provide adequate disclosure in prospectus, which must be true enough to include various changes so that fraud in the prospectus does not arrive, This is important to gain the popular goodwill.

In his another work of "comparative highlights: prospectus vs. fourth annual report" of Butwal Dhago Udhyog, Dr. Shrestha said that despite better promise and commitments in prospectus, the results shown in that annual report had very little consistency. The estimated sales figure and profit shown in prospectus seen to be misleading. The commitment made to the investors as can be misrepresented if they find no timely return to their investment.

Singhvi and Desai have attempted to identify some of the characteristics of corporations in the United States which are associated with, and probable implication of the quality of corporate disclosure (pp.129-138).

Their study covers the annual reports of 100 listed and 50-unlisted Corporation for the fiscal year 1965-66. In order to measure the extent of annual report disclosure of corporations in their sample, they have constructed a disclosure index containing 34 item of information those item of information are regarded as required by the financial analysis for taking investment decision.

According to the information relevancy to appear in the corporate annual reports, weights have been assigned to each of the items to determine their relative importance. Disclosure scores have been calculated for sample companies based upon the number of items appearing in the indexes that have been disclosed in their annual reports. The writers in this study have made statistical analysis between the disclosure score and 6 company characteristics. The 6-company characteristics are asset size, number of stockholder, listing status, rate of return, earning and CPA of firm. In order to test the significance of the relationship between disclosure and the company characteristics, multivariate analysis have been made. A multiple linear regression has been made to examine the combined effect of 6 company characteristics (independent variables) in explaining the disclosure. In the study, writers have concluded that the corporations that disclose inadequate information are likely to be: (a) small in size as measured by total assets, (b) small in size as measured in stockholders, (c) free from listing requirements, (d) audited by small CPA firm, (e) less profitable as measured by the rate of return and (f) less profitable as measured by earning margin. Their study also provides empirical evidence regarding influence of corporate disclosure of information on security price fluctuation. In the work, they stated that inadequate corporate disclosure in annual reports was likely to widen fluctuation in the market price of security since investment decision in the absence of adequate information are made on less objective measures.

A study by Stephen L. Buzby, has attempted to measure the extent to which selected item of information are presented in corporate annual reports. The writer has constructed a list of containing 39 items of financial and non-financial information, which might appear in annual reports. The relative importance of each of the items to a prime user group and for a scientific purpose (Investment in financial analysts were asked to assign weight to each item on '0' to '4' scale, '0' being not necessary for the item to appear in annual reports and 4 being very essential to appearing annual reports. He has calculated the mean weight for each individual items of information with the help of responses received. He also attempted to test the non-response bias. In the study sample annual report of 1970/1971 of 88 medium and small size companies has been taken for analysis purpose. His study showed that many of the items are inadequately disclosed in the sample and that the correlation between relative importance of the item and extent of disclosure was small. The writer concluded that an opportunity existed for an expansion of the extent of disclosure in the annual report of small and medium sized companies (Buzby, 1974: pp.423-435).

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Gyan Chandra has developed empirical concerning the adequacy of disclosure in published corporate annual reports. He examines that whether the public accountants and security analysts have any consensus about the value of information, which is included in published corporate annual report for equity investment decision. In the study, the extent of consensus between companies and the user group of information were measured on the basis of comparison values consigned to information items by the two groups.

The Writer has assumed that accountants have an understanding of information requirement by the users and attempt to provide the desired information in annual reports. For the study, writer developed set of questionnaire containing 58 items of information, which was mailed to public accountants and security analysts requesting to rate each item of information on the basis of their significance in investment decision. He has developed three hypotheses are:

H1: There is no significant difference between the value of information to security analysts as perceived by accounts and the value of information of security analysts for equity investment decision.

H2: There is no significant difference between the accountants and the security analysts on the value of information for equity investment decisions.

H3: There is no significant difference between the value of information to security analysts as perceived by accountants and the value of information to accountants for equity investments decision.

The first hypothesis was rejected for 35 of the 58 information item, the second hypothesis was rejected for 40 of the 58 information items and third hypothesis was rejected for only 2 information items.

Concluding the study, the writer stated that accountants generally did not value information for equity investment decision as the security analysts did, although they tended to have equivalent value preferences in the dual rules as prepares and users of information. He further stated that lack of consensus could be the lack of communication between prepare and users group, time lag which may exists between what user group needs and what companies are ready to give and due to tendency by accountants to adhere to the established order rather than experiment with new ideas and approaches. The study showed that the users, namely security analysts, did not agree with the accountants on the usefulness of information developed under generally accepted accounting principle (GAAP).

Gyan Chandra in his another article has tried to examine the information needs of professional security analysts, the principle user of annual reports. For the study purpose he collected the data by means of questionnaire distribution to randomly selected sample of 400-chartered financial analysts.

The questionnaire contained 39 information items. The respondents were asked to rate each of the item of information which they think to be important in equity investment decision, on 5 points scales, '5' being very important '4' being important, '3' being moderately important, '2' being unimportant and '1' being Very unimportant.

The mean weight for each of the individual items was calculated on the basis of responses received and ranked all information items in order of their importance to chartered financial analysts. The Writer has categorized all the items into item of high value, item of moderate value, item of low value and item of neutral value and unimportant items.

In conclusion, the writer has outlined that security analysts are more interested in information items that concern income statement and affect the amount of income earned by corporation than in the disclosure of budgetary projections and forecasts. Price level adjusted annual reports; even as supplementary statements did not have much appeal for security analysts and user information requirements may differ depending on the level of sophistication the user groups are (Chandra, 1975: pp.65-70).

Kenneth S. Axelson, in his article highlights how the financial information disclosure can be made more useful for user-investors (Axelson, 1975: pp.42-46). In this regard he has stated that it is responsibility of both management and its auditors to make financial statement disclosure more useful to investors. He concludes that management needs to provide stronger leadership in identifying the disclosure required by the intelligent decision by investors and auditors should add credibility and objectivity by attesting to the fairness of the resulting presentations.

Richard D. Bradish has highlighted some essential disclosure items by conducting interview method to financial analysts- the major users group of corporate annual reports (Richard D. Brandish, 1965, pp.757-766). Various disclosure of information have been put to the financial analysts to criticism made by financial analysts, who are extensive users of financial information published in corporate annual reports, may prove helpful to accountants. He states that disclosure should be adequate to fill the need for which is intended. To disclose less may mislead the decision.

Alvin Martin has empirically tested the decision relevance or utility of accounting information reported to holders (or prospective holders) of common stock equities through published financial statements (annual Reports) (Alvin Martin, 1971: pp.1-31). The regression model, the accounting model has been used to test the decision relevance of annual report accounting variables. The study has represented empirical evidence in support of decision relevance of accounting annual report data for investment decision. Based on the result, writer concludes that a real and definite relationship exists between annual report data and market rate of return.

Sohel Kasem has outlined the disclosure requirement of the companies Act, 1994 of Bangladesh. He has highlighted the disclosure requirements relating to the balance sheet and profit and loss account of the Act (Kasem, 1998: pp.128-131).

K. K. Singh in his article has dealt with the state of capital market and financial reporting in Nepal. In the article, he has highlighted on securities market and financial reporting (K. K. Singh, 1999: pp.56-60). He has also dealt with Nepalese reporting issues with international Accounting standard (IAS) and highlighted the need for NAS (National Accounting Standard).

Ajay P. Dhakal has conducted the study of corporate annual report of 14 sample-listed companies of Securities Exchange Center for the fiscal year 2046/47. The objective of his study was to identify the extent of disclosure for each of the item of information and develop disclosure index and to identify some characteristic of Nepalese companies, which are associated with probable implication of quality of corporate disclosure. The company characteristics selected for the study were asset side and earning margin. He has used questionnaire survey method for constructing the disclosure that contains 38 items of information. Disclosure score has been calculated for each sample annual reports with the help of disclosure index. Simple as well as multiple regression analysis have been applied by the writer to examine to and test the significance of relationship between disclosure score and two company characteristic (independent variables) asset size and darning margin. His study has also demonstrated the disclosure impact on share price fluctuation. His study concludes that association between disclosure score and earning margin and asset size is positive and statistically significant. The individual association between disclosure and asset size is insignificant. He also concludes that the company, which discloses adequate information, is greater in size as measured by total asset and profitable as measured by the earning margin.

K .K. Singh in his article has discussed on the investor confidence and disclosure practice in Nepal (pp25-28). This article has stated the problem of confidence on stock market, generating the confidence, and financial disclosure practices in Nepal and other relevant issue. In the conclusion he has suggested the regulatory bodies to come up with suitable laws for stricter compliance and disclosure of material information in respect of financial policies and accounting standard to make investor well informed and protect their interest.

Ramesh kumar Garg has dealt with the transparency in corporate reporting practices in India. In his article, he has outlined those corporate reporting provision, which are provisioned in the Indian companies scarcely report any information other than what is statutorily required and statutorily requirements are generally confined to financial information only (Garg, 2000: pp. 1-14).

A study conducted by Babu Ram Panthi on the prospectus verses financial statements of Nepalese listed companies has made the dealing with the prospectus only. He has examined the prospectus of some companies, their financial results and variables, and also the information items of prospectus. His study lacks the dealing of corporate annual reports and their information contents.

2.4 REVIEW OF LEGAL FRAME WORK FOR FINANCIAL DISCLOSURE

There are some regulatory provisions in the company Act, 1997, Security Exchange Act, 1983, and Securities Exchange Regulation, 1993 regarding the preparation of the annual reports, submission reports to regulatory bodies and holding annual general meeting on time.

The company Act, 1997 has made some provisions on the financial reporting issues and holding annual general meeting of the company (The companies Act, 2053 (1997), Ministry of Law, Justice and parliamentary Affairs, Law Books Management Committee). The Sections 62, 63, 82, 83 and 84 of the company Act, 1997 and their sub-sections deal with the regulatory requirements of corporate reporting and holding AGM. The sub section-1 of this act requires the company to hold its first annual general meeting within one year from the date of license issued to company for operation and thereafter within six month from the expiry of each fiscal year. The sub section-1 of section 82 requires that the books of account be kept in Nepali language as prescribed. The company can use other language for the sake of its simplicity. The books of accounts kept in Nepali language are regarded as the standard to the double entry system of accounting so as to clearly reflect the true state of transaction of the company. The section 83 of the Act deals with the preparation of annual accounts and reports. The sub section-1 of section 83 requires the Board of Directors of Public Limited Company to prepare the following annual accounts at least 30 days before conducting annual general meeting.

(A) Balance sheet till the end of year.
(B) Profit and loss account of the fiscal year.
(C) Cash flow statement of the fiscal year.

The annual accounts prepared under sub-section-1 have to be under sub-2, approved by the Board of Directors and audited by auditors. The accounts of Board of Directors report at the minimum are laid down in the sub section-3 of the same section.

The Board of Directors report should cover:

(A) State of company's past year's transactions.
(B) State of National and international influence on business.
(C) The Board of Director's statement on current year's achievement and future plan.
(D) Industrial and Business Relation.
(E) Changes in Board of Directors and the reasons.
(F) Major factors affecting the business transaction.
(G) Board of Directors Comment, if any remarks in the auditors report and.
(H) The percentage of profit proposed for distribution.

The annual account prepared under the section 83 must be, under sub-section 5, made available to shareholders willing to see it. The section 83 of the

Act deals with the Balance Sheet and Profit and Loss Accounts if prepared showing true and fair state of income, expenditure and transaction. The Balance Sheet, Profit and loss Account is to be prepared in accordance with the format set out. The recent Nepal Gazette part 3 has prescribed the formats of Balance Sheet, Profit and Loss Accounts, cash flow statement and other relevant schedules which relates to the section 84 of the company Act, 1997. It has also provided guidance concepts for the preparation of financial statements.

The review of Securities Exchange Act, 1983, Securities Exchange Regulation, 1993 and securities listing by laws, 1996 have also been made in this study. Under the section 15(A) 1 of Securities Exchange Act, 1983 the provision of submission of corporate profit and loss account, balance sheet and annual report to SEBO/N and NEPSE have been specified. The section 15(A) 1 of the securities Exchange Act, 1983, states that a corporate body which has listed its securities under this Act shall, every year, submit the balance sheet, profit and loss account, financial reports as prescribed and annual report of the year within four months from the date of closing of its annual accounts, to the Board and Stock Exchange.

Sub-section A (2) states a corporate body which has listed its securities under this Act shall submit the bi-annual progress report to the Board and Stock Exchange. Sub-section A (3) states in case any statements or documents submitted by a corporate body which has listed its securities under this Act while getting the securities enlisted or submitted sub-section (1) are to be altered or amended of any property or assets so that it affects the securities transaction of such corporate body, or an agreement is concluded with any person or association so that it affect the management of such corporate body, the concern corporate body shall as soon as possible give the information there of to the Board or Stock Exchange. As per the section 22 (3), the corporate bodies must disclose information data and statements as demanded by the Board to systematize and regularize the securities transaction.

Similarly, Securities Exchange regulation, 1993 has provisioned the requirements of corporate information reporting by corporate bodies to SEBO/N and NEPSE on periodic and non-periodic basis. The section 19, 23 and 24 and their sub-sections of the regulation have provisioned the various informational items, which are required to be disclosed to SEBO/N and NESPE.

Sections 19 (3) and 23 (3) have laid down the other provision of informational items to be provided to NEPSE. The Section 24 (1) of the

Securities Exchange Regulation, 1993, has also provisioned some additional information disclosure in addition to profit and Loss Account, Balance Sheet and annual report of the year. That information shall be submitted to SEBO/N and NEPSE within 4 months from the expiry of fiscal year.

The companies are required to list their issued and allotted in the stock exchange before making transaction of such securities. The companies have to submit the Memorandum, Articles of Association, and Prospectus, either audited or projected profit and loss account or balance sheet of three years along with application for listing. They have to provide the progress report of the operation, plan and opinion about future strategy. Section-15 and its sub-section of securities listing by laws, 1996 have provisioned various information items which are required to be provided by corporate bodies to NEPSE immediately.

The prospectus of the company is also one of the major means of financial disclosure, but it is usually made at the time of company establishment and new issue of securities. The contents of prospectus, for each item of information, are compulsorily required to disclose according to company Act, 1997. The sections 20, 21, 22, 23, and 24 of the Act have laid down the provision regarding prospectus of company. Section 20 (1) requires the limited company to publish prospectus of the company. Section 21 (1) has included 26 items of the information, which are required to contain in the prospectus. A prospectus of company is also required to prepare as per the format prescribed by the Act. The format of the prospectus is provided in the schedules of the Act which is related with the section 21(1) and (2).

CHAPTER -3

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The main objectives of this study is to examine the financial disclosure and their effect on market price by measuring the extent of disclosure in published corporate annual reports and to determine influence of three company characteristics such as earning pre share, asset size and number of outstanding shares on the extent of disclosure in annual reports. Research methodology is a way to systematically solve the research problem. It is the methods or process applied to solve defined research problem (1990: p. 10). This chapter focuses on research design, sources of data, data gathering instruments and procedures and methods of empirical analysis.

3.2 RESEARCH DESIGN

The research design is the task of defining the research problem. The research design is the conceptual structure in which research is conducted. Research design is the plan structure and strategy of investigation conceived so as to obtain answers to research questions (Kothari, second edition, p. 39). In this study, descriptive and analytical designs are applied to achieve the objectives.

The data, which are required for the study, have been obtained both from primary and secondary sources. The data recorded by SEBO/N and NEPSE are used to see annual reports submission of all the listed companies in Nepal. The data of annual reports submitted for the last five fiscal years from 2003/034 to 2007/08 have been taken for this study. The first task of collecting primary data is the construction of a set of questionnaire and distributing them to the different users group of corporate annual reports. The disclosure index is developed with the help of primary data.

The sample corporate annual reports of 10 listed companies and information there in have been the secondary sources of data. Disclosure of each sample company has been calculated with the help of disclosure index. The calculated disclosure score has been taken as dependent variable and company characteristics such as earning per share, asset size and outstanding numbers of shares have been taken as the independent variable to see the impact of independent variables on disclosure score.

In order to see the relationship between market price per share and disclosure score, market price per share has been taken as dependent variable and disclosure score as an independent variable. The statistical methods have been use of empirical analysis. The details regarding methodological design have been made through this chapter._

3.3 TYPES AND SOURCES OF DATA

The required data is published in different reports and that reports and publications are called sources of data. Data can be obtained either from primary sources or secondary sources. They are of two types a) Primary data b) Secondary data. This study has been used both source of data for its purposes.

3.3.1 PRIMARY SOURCES OF DATA

3.3.1.1 DESIGNING QUESTIONNAIRE AND DEVELOPING DISCLOSURE INDEX

The designing a set of questionnaire and constructing the disclosure index are necessary to accomplish the objectives of this study. The first and foremost step is to select the item of information to measure the disclosure index in annual reports in developing a questionnaire and disclosure index. This approach has been applied by various researchers such as Singvi and Desai (1971), Gyan Chandra (1975), Buzby (1974) and Jawahar Lal (1985) to construct a questionnaire and disclosure index. This study consists of 50 items of information, which contain 2 sub-items each in item 1&2 and 3 sub-item in item 22. The items of information in questionnaire have been chosen from the above researchers that are assumed to be applicable in Nepalese listed companies. The review of important accounting and financial literature and company's annual reports have been made in order to select item of information. The final form of questionnaire is presented in Appendix-1

The respondents have been asked to assign weight to each of the items of information on a 0 to 3 scale basis with 3 being very important, 2 being important, 1 being neither important nor unimportant and 0 being unimportant for the item to appear in annual report of the listed companies in Nepal. The respondents were asked to judge the importance of information items and cost factors, which could limit the amount of information that the company could disclose.

The final form of questionnaire was distributed to 50 people on the basis of the information users. The sample group was divided into a) investors b) executives c) stock brokers d) chartered accountants. The sample groups were chosen on the basis of their knowledge on the items of information that included in the annual reports of the listed companies of Nepal. The equal priority was given to all the groups and the questionnaire was distributed evenly. Personal and office visits were made during the distribution and collection of the questionnaire.

40 completed questionnaires were returned by the respondents out of 50 distributed questionnaires. It represents an average response rate of 80% within the set time frame. The mean weight for each of the items of information was calculated to construct disclosure index after receiving the questionnaire from the respondents. The weight to the particular item was summed up and divided by total number of respondents who respondents to them to calculate the mean weight. A mean weight was used to summarize the response scores because it gave the equal weight to each of the responses. The items that were left blank by the respondents were coded as 0.

The number appearing in weight column of the disclosure index (Appendix-2) represents the mean response score for each of the items. Response score in the disclosure index indicates the importance of the items to be appeared in annual reports. The study has evaluated the disclosure practice of sample companies' annual reports after developing disclosure index as mentioned previously. The calculation of disclosure of each of the sample annual reports with the help of index has been made in the next step.

3.3.1.2 SAMPLING OF THE ANNUAL REPORTS

Sampling is the process of learning about the population on the basis of sample drawn (S. C. Gupta, Statistical Methods, Sultan Chand and Sons Publishers, 1999, p.4.3). Financial disclosure of information can take several forms and the annual reports to stockholders are a very important periodical financial disclosure. A sampling of corporate annual reports was made to measure the extent of disclosure of each item of information. The empirical worked in this study is limited to stockholder's annual reports of 10 listed companies. The name of the companies and their annual report selected for the study of different fiscal year are presented in (Appendix-3). Among 142 listed companies at NEPSE, the study has been confined to only the 10 listed companies. This listed companies selected for the studies are representative of banks, finance companies, development banks and manufacturing and processing companies.

Table No. 1

No. of listed Companies at NEPSE Selected for the Study

S.N.	Sectors	N	N	n/N (%)
1	Banks	17	4	23.53
2	Development Bank	22	3	13.63
3	Finance Company	55	2	3.63
4	Manufacturing & Processing Company	21	1	4.76
	Total	115	10	8.7

Source: Securities Board, Nepal, Thapathali, Kathmandu.

The table "status of disclosure made by the listed companies" published in SEBO/N's annual report (Securities Board, Nepal, Annual Report, 2007/2008) for the year 2007/08 was used for the judgment sampling, which selected 10 companies out of 115 representing 8.7% of the population. This table was used for sampling as it has shown the names of the companies, discloses their annual reports of 2007/08 to securities board. The companies, which do not have their latest annual report i.e. of fiscal year 2007/08, their annual reports of pervious years i.e.2006/07 were taken for the study. The other data of the sample companies were taken for the study from the annual report of respective fiscal year.

3.3.1.3 MEASURE OF DISCLOSURE SCORE

The extent of 50 items of information in the sample annual reports were measured after evaluating sampling annual reports of 10 listed companies with the help of disclosure index (Appendix-2). Disclosure score of each and every annual report was calculated based upon the number of items appearing in the disclosure index that have disclosed in their annual reports. Securities Board's library was used to examine the annual reports of the selected companies for the study purpose. Each and every annual report of the sampling listed companies was checked in order to calculate the disclosure score of the particular annual reports. Equal scores have been given to the items of information, which are statutorily required to disclose in the annual reports of the listed companies. The equal score means calculated mean weight of the respective information. Information on comparative balance sheet, comparative income statement and cash flow statement, which are statutorily required to disclose in the annual reports of the listed companies for which they get score equal to 3.45 for comparative balance sheet, 3.42 for comparative income statement and 3.45 for cash flow statement. Similarly, partially disclose information is provided only the half of the scores. E.g. an annual which has disclose the information long number of shareholder only, but not type, are provided half score, i.e. 1.1, the half of -2.2, disclose by the disclosure index. Disclosure of information items by annual reports other than information items included in disclosure index has been ignored while calculating disclosure scores. The item-wise given score to annual reports are summed up to get the total disclosure score for an annual report. In the same way, disclosure for all annual reports is calculated with the help of given item of information score.

3.3.2 SECONDARY SOURCES OF DATA

The data prepared by highly skilled manpower is called secondary data. The secondary sources of data are corporate annual report of Nepal Stock Exchange. The data for the study are collected from records available with Nepal Stock Exchange, Securities Board and annual reports of concerned firms. The various supplementary data and information have been collected from the authoritative source such as Nepal Rastra Bank, different journals, Magazines, published and unpublished reports and unpublished theses. Data is the collected form of information taken in statistical manner. The data are the prerequisites of any research study. The data collection consumes labor and time. It is the most necessary steps in research study without which the research study cannot be completed.

3.3.2.1 DATA OF COMPANY CHARACTERISTICS AND SHARE PRICES

Three company characteristics such as a) asset sized, b) earning per share and c) number of outstanding shares have been selected in this study to examine their influence on the extent of disclosure in corporate annual reports. The data of company characteristics are derived from the respective sample annual reports or the companies. This study examines the relationship between disclosure scores and market price of sample companies. The data on market price of shares are needed for this purpose. Various Annual Trading Reports of Nepal Stock Exchange have been taken as the sources of market price data. The yearly closing market price of shares has been used for the analysis. The disclosure score, total asset size, earning per share, outstanding number of shares and market price data of 10 annual reports of fiscal years 2007/08 are presented in (Appendix-4). Statistical methods are applied for analysis after getting the needed data.

3.4 STATISTICAL ANALYSIS

Statistical analyses have been applied to examine the influence of independent variables on dependent variables by many researchers. Certain company characteristics associated with quality of corporate information disclosure is examined. In order to test the significance of the relationship between the quality of information disclosure and various company characteristics, a multivariate analysis are used. Multivariate analysis is a general term used to describe a group of mathematical and statistical method such as multiple regression analysis. Multivariate methods are the ways of studying influence of several independent variables on dependent variables.

3.4.1 CORRELATION ANALYSIS

Correlation analysis is the essential tools that can be used to describe the degree to which one variable is linearly related to another (Levin, Richard I. and Rubin, Devid S., 1995: pp. 45-50).

In this study, Coefficient of correlation (r) is calculated between disclosure score and yearly closing market price of the shares as stated in the objective. The model formula for Karl Pearson's coefficient of correlation (r) is:

Where, r = coefficient of correlation
x=(X-X)
y=(Y-Y)

For our purpose, X is disclosure score and Y is yearly closing price of share.

The correlation analysis between disclosure score and company characteristics are also made.

Coefficient of Correlation (r)

The coefficient of correlation measures the direction of relation ship between two sets of variables. It is the square root of coefficient of determination. Correlation can be positive or negative. If both variables are changing in the same direction, correlation is said to be positive correlation or vice versa. Thus, correlation coefficient lie in between+ 1 to -1.Due care should be provided as it mislead the results and decision while interpreting correlation coefficient.

Coefficient of multiple determinations (R^2)

The coefficient of multiple determination is a measure of the degree (extent or strength) of linear association or correlation between two variables, one of which happens to be independent and other being dependent variable. In order words, r^2 measures the percentage total variation in dependent variables explained by explanatory variables. The coefficient of determination can have value ranging form 0 to 1 (i.e. $0 > r^2 < 1$). If r^2 is equal to 0.90, which indicates that the independent variables used in regression model, explain 90% of the total variation in the dependent variable. In this study, r^2 is calculated for all model prescribed above.

3.4.2 REGRESSION ANALYSIS

Regression analysis both simple and multiple have been used to study the influence of independent variables on dependent variables. The simple regression analysis has help in studying the effect and magnitude of the effect of a single independent variable on the dependent variable. The general form of simple regression is:

$$y=a+bx$$

Where,

y=dependent variable
a=intercept
b=coefficient of independent variable

In this study, y indicates the disclosure score and x indicates the company characteristic.

To determine the combined effect of the three independent variables on disclosure score, the multiple regression models have been applied. The multiple regression analysis is a method for studying the effect of one or more than one independent variables on one dependent variable using principle of regression and correlation. The general form of multiple regressions is:

$$y=a+b_1x_1+b_2x_2+b_3x_3$$

Where
y= Dependent variable
a= Intercept
x_1, x_2 & x_3=Independent variables
b_1, b2 &b_3= Coefficient of independent variables.

In this study, y is a disclosure score and x_1, x_2 and x_3 are company characteristics such as earning per share, assets size and number of outstanding shares respectively.

Regression constant (a)

It is also known that the numerical constant which determines the distance of the fitted line directly above or below the origin (i.e.-intercept). The value of the constant, which is the intercept of the model, indicates the average level of dependent variables when independent variable(s) is (are) 0. In other word, it is better to understand that a (constant indicates mean or average effects on dependent variable if all the variables omitted form the model.

Regression Coefficient (b_1, b_2, b_3)

The regression coefficient of each independent variable indicates the marginal relationship between variable and value of dependent variable, holding constant the effect of all other independent variables in the regression model. In other words, the coefficients describe how changes in independent variables affect the value of dependent variable's estimate. It is also known that numerical constant which determines the changes in dependent variable per unit change in the independent variables (i.e., slope of the line).

Standard Error of Estimates (SSE)

With the help of regression equations as perfect prediction is practically impossible. Standard error of estimate is a measure of the reliability of the estimating equations, indicating the variability of the observed points around the regression line, i.e., the extent to which observed value differ from their predicted values on the regression line. The smaller the value of SSE, the closer will be the dots to the regression line and better the estimates best on the equation for this line. If SSE is zero, correlation will be prefect. Thus, with the help of SSE, it is possible for us to ascertain how good and representative regression line is as a description of the average relationship between two series.

t- Statistics

For applying t-statistics, the t value is calculated first and than compared with the table value at certain level of significance for given degree of freedom. If calculated value of t exceeds the table value (say at 10%) level of significance, we infer that the difference is significant at 10% level but if t value is less than the concerning table value of the t, the differenced is not treated as significance.

Application of SPSS computer programming

The statistical programming for social science (SPSS) has been used to calculate the regression, correlation and other statistics. Statistical programming for social science is a useful package to calculate descriptive statistics such as mean, standard deviation, correlation, t-test, the ANOVA, Multiple regressions and their analysis. The results of their programming are presented in the appendices.

3.5 LIMITATION OF THE STUDY

This study has been conducted with certain limitations as other study, which may to some extent affect the results and conclusions drawn form the study.

- Time and research factors have been the major limitations of this study.
- The questionnaire consists of 50 items of information, which are in general form for the companies of all sectors. The separate and sector-wise questionnaire has not been developed, which may late miss calculation of the weight of the information items and scores of annual reports.
- Lack of time and research factors caused the limited number of questionnaire distribution to the limited number of respondents. The study has confined to only ten listed companies and their annual reports, which are selected by judgment sampling from 142 listed companies.
- The analysis of annual reports submitted to Securities Board included the annul reports of only 5 fiscal years. The latest annual reports of the company were used to calculate disclosure score of the companies.

CHAPTER-4

PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

The defined research methodology used on the gathered data in order to achieve the defined objective is dealt in this chapter i.e. presentation and analysis. This chapter of thesis helps to draw the results and helps to make conclusions and recommendations. This chapter of thesis provides the description analysis of submission system of annual reports of listed companies in Nepal.

4.2 ANNUAL REPROT SUBMISSION SYSTEM IN NEPAL

As prescribed by the existing securities legislation, listed company should submit their annual reports including profit and loss statements, balance sheet and cash flow statements within four month after the expiry of fiscal year and half yearly report within two month after the expiry of that period to SEBO/N and NEPSE. The annual report submission data provided by the securities board for the last five fiscal years are used for the analysis and study purpose. The total and sector wise annual reports submission by corporate bodies to securities board within different time interval is shown as analyzed below.

Table No. 2
Status of Annual Reports and Financial Statements Disclosure by Total Listed Companies:

Duration	Fiscal Year				
	2003/04	2004/05	2005/06	2006/07	2007/08
Within four months (Mid Jul-Mid Nov)	3	8	10	9	6
After four months to within one year or above	68	78	85	82	109
Total No. of submitting companies	71	86	95	91	115
Total No. of listed companies	114	125	135	135	142

Source: Securities Board, Nepal, Thapathali, Kathmandu

This table shows the trend of annual report submission practice by total listed companies for the last five fiscal years i.e. from 2003/04 to 2007/08. According to existing securities legislation, listed companies must submit their annual reports and financial statements to SEBO/N within four months from the expiry of each fiscal year. In this case, mid July is the expiry date of each fiscal year. In the fiscal year 2003/04, only 3 listed companies have submitted their annual reports and financial statements to SEBO/N within the prescribed time.

Most of the listed companies have submitted their annual reports and financial statements to SEBO/N after the expiry of prescribed time i.e. after four months (after mid November of each fiscal year). Up to mid July 2008, only 115 listed companies have submitted their annual reports and financial statements to SEBO/N, which represents 81 percent. In brief, it can be said that the overall annual report submission practices are not satisfactory.

Table No. 3
Status of Annual Reports and Financial Statements Disclosure by Listed Commercial Banks:

Duration	Fiscal Year				
	2003/04	2004/05	2005/06	2006/07	2007/08
Within four months (Mid Jul-Mid Nov)	-	1	1	3	2
After four months to within one year or above	11	12	13	11	14
Total No. of submitting companies	11	13	14	14	16
Total No. of listed companies	11	14	15	15	17

Source: Securities Board, Nepal, Thapathali, Kathmandu

This table represents the status of annual reports and financial statements disclosure of listed commercial banks for last five fiscal years i.e. 2003/04 to 2007/08.

During the fiscal year 2003/04, none of the commercial banks have submitted their annual reports and financial statements to SEBO/N within four months i.e. within mid July to mid November. In the year 2004/05 and 2005/06 only one commercial bank has submitted its annual report within prescribed time i.e. within four months. This table shows that most of the commercial banks have submitted their annual reports after four months to one year or above time. It shows the poor state of disclosure practice by listed commercial banks.

Table No. 4

Status of Annual Reports and Financial Statements Disclosure by Listed Development Banks:

Duration	Fiscal Year				
	2003/04	2004/05	2005/06	2006/07	2007/08
Within four months (Mid Jul-Mid Nov)	-	-	1	-	2
After four months to within one year or above	3	5	4	8	18
Total No. of submitting companies	3	5	5	8	20
Total No. of listed companies	4	7	8	16	23

Source: Securities Board, Nepal, Thapathali, Kathmandu

This table shows the trend of annual report/financial statements disclosure by total listed development banks for the last five fiscal years i.e. from 2003/04 to 2007/08. The above table shows that none of listed development banks has submitted the annual reports to SEBO/N within four months i.e. mid July to November in fiscal years 2003/04, 2004/05 and 2006/07. This table shows that most of listed development banks have submitted their annual reports and financial statements to SEBO/N after the expiry of prescribed time. In short, overall annual report submission practices of listed development banks are poor.

Table No. 5

Status of Annual Reports and Financial Statements Disclosure by Listed Finance Companies:

Duration	Fiscal Year				
	2003/04	2004/05	2005/06	2006/07	2007/08
Within four months (Mid Jul-Mid Nov)	3	4	4	4	-
After four months to within one year or above	30	37	39	37	48
Total No. of submitting companies	33	41	43	41	48
Total No. of listed companies	41	44	50	53	55

Source: Securities Board, Nepal, Thapathali, Kathmandu

This table shows the disclosure of listed finance companies for the last five fiscal years i.e. from 2003/04 to 2007/08. The disclosure of annual reports and financial statements by financial companies look better than other listed companies. Some finance companies have disclosed annual reports and financial statements within four months as per the rules and regulations of the SEBO/N. Majority of the finance companies have not submitted annual reports and financial statements in prescribed time. The annual report submission of listed finance companies looks better than other listed companies.

Table No. 6
Status of Annual Reports and Financial Statements Disclosure by Listed Manufacturing & processing Companies:

Duration	Fiscal Year				
	2003/04	2004/05	2005/06	2006/07	2007/08
Within four months (Mid Jul-Mid Nov)	-	-	2	1	1
After four months to within one year or above	8	9	10	7	10
Total No. of submitting companies	8	9	12	8	11
Total No. of listed companies	29	29	29	21	18

Source: Securities Board, Nepal, Thapathali, Kathmandu

This table shows the annual report submission practice of listed Manufacturing & processing Companies for the last five fiscal years i.e. from 2003/04 to 2007/08. In above table, in fiscal years 2003/04 and 2004/05, none of the companies has submitted financial information to SEBNO/N in prescribed time. In 2007/08 only 11 companies have submitted their annual reports and financial statements to SEBO/N out of 18 listed manufacturing and processing companies. After observing above table, it can be said that disclosure practice of manufacturing and processing companies is not in fair position.

The first objective of this study is to examine the annual report submission practices of all listed companies. After analyzing above tables, it has seen that many listed companies have failed to submit their annual reports and financial statements in prescribed time i.e. within the period of mid July to mid November of each fiscal year. Most of the listed companies submit their annual reports after the expiry of prescribed time to SEBO/N. After analyzing the above tables, delayed disclosure of information is not useful to users group of information because it may influence the investment decision of the user groups. Therefore, annual report submission practice of listed companies in Nepal is very poor. After analyzing the above situation, it can be concluded that most of the listed companies in Nepal have not followed the regulatory provisions of Securities Board, Nepal.

4.3 EMPIRICAL ANALYSIS

The disclosure of information in annual reports may vary from company to company due to change of quality of information contained in annual reports. This was proved by calculated disclosure score of various sample-listed companies. The present chapter has made an attempt to examine the quality of financial disclosure of listed companies measured by company characteristics such as asset size, earning per share and outstanding number of shares. The calculated disclosure from selected sampled annual reports is assumed to be dependent variable in this study. It is likely to be influenced by the above variables. Asset size, earning per share and outstanding number of shares are taken as independent variable as they are assumed to be truly influenced by the quality of disclosure in annual reports. The asset size and the earning per share are assumed to be independent variable because they are recognized as firm's size and profitability measure. The number of outstanding shares has been taken as an independent variable assuming that the greater number of share represents larger number of stockholders and lesser number of shares represents lesser number stockholders. Asset size, earning per share and outstanding number of shares are assumed to be true and key variables associated with quality of financial information.

4.3.1. EARNING PER SHARE & DISCLOSURE SCORE

Earning per share is the per share profit after tax and preferred stock dividend available to stockholders. It can be calculated quarterly or yearly. Generally the higher earning per share shows the higher stock price and vice versa. The position of the company would be stable and strong to face competition in the market due to higher earning per share. If earning per share is high, the investor will have greater confidence in the company if earning per share is low, its competitors may wipe out its product from the market by reducing their products price. The company having higher earning per share discloses more information than that of low earning per share because of higher profit after tax and preferred stock dividend.

The disclosure scores of the sample listed companies and their respective earning per share are shown in the following table:

Table No. 7
Disclosure Score (DS): Earning Per Share (EPS)

S.N.	Name of Sample listed Companies	Disclosure Score	Earning per Share (EPS), Rs.
1	SCBNL	47.45	131.92
2	HBL	46.10	62.74
3	EBL	46.55	91.82
4	NBBL	36.10	80.16
5	SDBL	40.55	15.79
6	NDBL	38.65	(74.38)
7	NUBL	36.75	24.04
8	UFCL	38.65	63.14
9	NIDC	39.10	43.09
10	ULL	41.20	286.0

To check the relationship between earning per share with disclosure, the following simple regression model is applied for the above data

y=a+bx
Where
y= disclosure score
a =Intercept of regression
x = Earning per share

After applying the software programming for social science (SPSS), the regression result has been derived, which is presented in Appendix-5

The summary result of simple regression analysis between disclosure score and earning per shares are as follows

Regression Results: Earning Per Share

Dependent variables	Constant	Regression Coefficient	R	R^2	Adjusted R^2	SSE	T-value	sig.
DS	40.085	0.014	.317	.100	.012	4.17858	.945	.373

Regression line: DS = 40.085+0.014 EPS

The above result shows the relationship between disclosure score and earning per share. The regression coefficient of ESP is positive i.e. 1.4, which indicates that 1% change in EPS leads to an average 1.4 % change in disclosure score, assuming other variables held constant. The coefficient determination (R2) is 0.100, which indicates that only 10 % of the variation in disclosure score is explained by earning per share. The calculated t-value for the regression coefficient is 0.945, which is significant at 0% level of significance.

The intercept (Constant) of this equation indicates that the average disclosure will not fall below 40.085 even if earning per share assumed to be zero. Standard error in disclosure score equal to 4.17858 may arise if the regression line is used to estimate the disclosure by the given earning per share.

4.3.2. ASSET SIZE AND DISCLOSURE SCORE

Asset size is the total asset of the company. Asset size of the company generally determines the size of the company. The association between size of company and disclosure score has been taken to examine the relationship between asset size and disclosure in an annual report. The total, asset size has been used by other researcher such as, Singhvi and Desai, Jawaharlal to examine its influence on disclosure.

There are several reasons for expecting the positive relationship between asset size of company and quality of disclosure in annual report. Firstly, the management of the larger companies is likely to realize the possible benefits of better disclosure, such as easier marketability of securities and greater ease in obtaining finance. Smaller companies usually may not raise funds in the securities market and therefore, can't realize the benefit of better disclosure in annual report. Secondly the accumulation and dissemination of information is a costly affair for most of the companies in the market. Larger companies can collect for internal reporting and management decision from various sources because of its size in the market. Reporting such data is not costly affairs for management. Smaller companies may not possess required resources to acquire and disseminate it to public. Thirdly, the smaller companies may feel that full disclosure of information can endanger their competitive position whereas larger companies are less fearful in supplying information to their competitors. This may create positive relationship between asset size and disclosure. Fourthly, public and government watch larger companies, which make larger companies to full disclosure to general public. Full disclosure of their affairs can create confidence among the general public and government. Finally, due to regular interaction with the financial community, larger companies are more aware of information needs.

The disclosure scores of companies and their asset size are presented in the following table.

Table No. 8

Disclosure Score (DS): Asset Size Rs. In million (AS)

S.N.	Name of Sample Listed Companies	Disclosure Score	Assets (RS Million)
1	SCBNL	47.45	33335.78
2	HBL	46.10	36175.53
3	EBL	46.55	27149.34
4	NBBL	36.10	93910.26
5	SDBL	40.55	1150.5
6	NDBL	38.65	1002.32
7	NUBL	36.75	1164.61
8	UFCL	38.65	926.66
9	NIDC	39.10	2597.27
10	ULL	41.20	622.67

The simple regression model is applied for above data. The model is:

y=a+bx

Where

y= disclosure score
a =Intercept of regression
x = Asset size (Rupees in Million)

The regression result, after applying SPSS Computer programming is shown in Appendix-6.

The summary results of the simple regression analysis in between disclosure score and asset size as follows:

Regression results: Asset size (Rupees in million)

Dependent variables	Constant	Regression Coefficient	R	R^2	Adjusted R^2	SSE	T-value	sig.
DS	40.979	0.00000662	.048	.002	.122	4.40043	.135	0.896

Regression line: DS=40.979+0.00000662 AS

The result shows the relationship between disclosure score and asset size is positive. The regression coefficient 0.00000662 and the constant are 40.979. The coefficient of determination R^2 is 0.002, which represents 0.2 % variation in disclosure score is explained by asset size. The t-value for the regression coefficient is 0.135, which is significant at .896 % level of significance. Thus, the relationship between disclosure score and asset size is positive. It is statistically significant. Therefore, the relationship between disclosure in annual report and asset size is accepted at 1% level of significance. The SSE is a 4.40043, which shows the error in using this regression line.

4.3.3. OUTSTANDING NO. OF SHARES AND DISCLOSURE SCORE

The number of shares, which the shareholders are presently holding is the number of outstanding shares. It is assumed that larger companies have larger number of outstanding shares and that represent the company's larger number of stockholders. The relationship between number of outstanding shares and quality of disclosure in annual report is argued on the above assumption that number of outstanding shares reflects the number of shareholders. The ownership distribution of shares has significant influence on the quality of disclosure in annual reports. A positive relationship between the number of stockholder and quality of disclosure can result for many reasons. Firstly, companies with large number of stockholders seem to be more in the general public's eye and are subject to investors and analyst's pressure for better disclosure of information. Secondly, in order to promote marketability of the corporate securities, companies with larger number of shareholders can disclose more information. Thirdly, companies with larger number of stockholder can disclose more information to minimize the pressure of regulatory bodies. Lastly, as the number of stockholders increases, the companies with larger stockholders are likely to disclose more information because of their social responsibility.

Because of above reasons and the above-mentioned assumption, there is a positive relationship between disclosure score and number of outstanding shares. The data on disclosure and outstanding share are presented below:

Table No. 9

Disclosure Score (DS): Outstanding Shares (OS) in '000'

S.N.	Name of Sample Listed Companies	Disclosure Score (DS)	Outstanding Shares (000)
1	SCBNL	47.45	6207.84
2	HBL	46.10	10135.1
3	EBL	46.55	4914.0
4	NBBL	36.10	7441.0
5	SDBL	40.55	1075.72
6	NDBL	38.65	2461.99
7	NUBL	36.75	789.28
8	UFCL	38.65	725.15
9	NIDC	39.10	1011.7
10	ULL	41.20	920.7

Simple regression model is applied for above data. The model is:

y=a+bx

Where
y= disclosure score
a =Intercept of regression
x = Number of outstanding Shares in '000'

The regression result, after applying SPSS Computer programming is shown in Appendix-7.

The summary results of the simple regression model of disclosure score and number of outstanding share are as follows:

Regression Results: Outstanding number of shares in '000'

Dependent variables	Constant	Regression Coefficient	R	R^2	Adjusted R^2	SSE	T-value	sig.
DS	38.854	0.001	.517	.267	0.175	3.77201	1.707	1.26

Regression line: DS=38.854+0.001 AS

The result shows the relationship between disclosure score and outstanding number of shares. The coefficient of determination R2 is 0.267, which indicates that 26.7 % variation in disclosure score is explained by outstanding shares. The t-value for the regression coefficient is 1.707, which is not statistically significant.

4.3.4 MULTIPLE REGRESSION ANALYSIS

Multiple regression analysis has been applied to examine the combine effect of three independent variables on disclosure score. The three independent variables such as earning per share, asset size and number of outstanding shares are taken to examine their influence on a dependent variable, disclosure score. The form of multiple regression models is:

$y=a+b_1x_1+b_2x_2+b_3x_3$

Where,
y= disclosure score
a= intercept of regression
x_1= earning per share
x_2= asset size in Million
x_3= Number of Outstanding Shares in '000'
b_1,b_2&b_3= Coefficient of Regression.

The disclosure scores of sample listed companies and their respective earning per share, asset size and number of outstanding share data are presented in following table:

Table No. 10
Disclosure Score (DS): Earning Per Share, Asset Size in Million, Outstanding Shares in '000'

S.N.	Name of Sample listed Companies	Disclosure Score (DS)	EPS, Rs.	Assets (AS)(Rs. Million)	Outstanding Shares (000)
1	SCBNL	47.45	131.92	33335.78	6207.84
2	HBL	46.10	62.74	36175.53	10135.1
3	EBL	46.55	91.82	27149.34	4914.0
4	NBBL	36.10	80.16	93910.26	7441.0
5	SDBL	40.55	15.79	1150.5	1075.72
6	NDBL	38.65	(74.38)	1002.32	2461.99
7	NUBL	36.75	24.04	1164.61	789.28
8	UFCL	38.65	63.14	926.66	725.15
9	NIDC	39.10	43.09	2597.27	1011.7
10	ULL	41.20	286.0	622.67	920.7

The results of multiple regression model, which has been applied on above data are presented in Table No. 10. The SPSS computer programming has been applied, the results of which is presented in Appendix-8.

The summary result of the multiple regression models is presented below:

Regression results: EPS, As in Million and OS in '000'

Dependent variables	Constant	Regression Coefficient	R	R^2	Adjusted R^2	SSE	t-value	sig.
DS	37.151	AS=0.000 OS=.002 EPS=0.016	0.840	.706	.559	2.75871	-2.681 3.514 1.630	.037 .013 .154

Regression line: =37.151+0.000AS+.002 OS+0.016 EPS

After applying the above mentioned model of multiple regression, the coefficient of determination(R_2) has been found to be .553, which shows that 53.3% of change in disclosure is explained by earning per share, asset size and outstanding number of share altogether. The individual (R^2) of outstanding no. of shares being 0.267 is the highest among all other variables. This means that outstanding no. of shares accounts most of the explained variations in disclosure score. The value R is 0.804 shows the better degree of positive relationship between quality of disclosure and three independent variables. The t-value for asset size and outstanding number of shares are found to be statically insignificant at 1% level of significance and the t-values are found to be statistically insignificant at 1% level of significance. Here, the information disclosures is explained by all three variables namely earning per share, asset size and outstanding shares when taken together is accepted at this level of significance. The standard error of estimates is 2.75871, which indicates error in using this multiple regression line.

4.3.5 MARKET PRICE OF SHARE AND DISCLOSURE SCORE

It is assumed that there is positive relationship between the disclosure score and market price of shares regarding this study. The yearly closing price of each sample listed companies has been taken for the regression and correlation analysis. The positive relationship between them can result for following reasons. Financial information disclosure is very important for the development of fair and transparent securities market. Corporate information disclosure may motivate the investors to take rational investment decision. Full disclosure in annual report will help to establish a good relationship between the company and the potential investor. Lack of adequate disclosure may create misallocation of resources in the economy, full disclosure in annual report can enhance market price of the company's share in the securities market. Investors prefer to invest in those companies, which disclose adequate information in the market. This situation can raise the market price of the share if other things remain unchanged. Full disclosure may have a favorable impact on the cost of capital due to higher price of shares. Adequate disclosure can bring confidence among the publics in the securities market. This confidence will result increased participation of investors in stock market which may have a favorable impact on price of stock.

The important implication of inadequate corporate disclosure is the greater price variation in the securities market. Inadequate disclosure in annual report can widen the fluctuation of market price of the securities. Adequate disclosure of information can reduce ignorance in the market can reflect the true value of securities. If securities market are in full disclosure of information then ignorance and uncertainty is reduced and they will be priced in equilibrium position. The equilibrium price of securities usually tends to be stable at time of full disclosure and tend to be high for the better disclosing companies. In brief it can be assumed that the quality of disclosure is one of the variables which affect the price of the securities.

The empirical study of Singhvi & Desai, 1971, has shown that full disclosure tend to narrow down the securities price fluctuation and reduce excessive speculation and gambling in the securities market. This study gives evidence in connection with the likely relationship between corporate disclosure and share price of the listed companies.

The disclosure scores of sample listed companies and their yearly closing price of shares are given in the following table:

Table No. 11

Disclosure Score (DS): Yearly Closing MPS

S.N.	Name of Sample listed Companies	Disclosure Score	Yearly Closing MPS in Rs.
1	SCBNL	47.45	6830.0
2	HBL	46.10	1980.0
3	EBL	46.55	3132.0
4	NBBL	36.10	1001.0
5	SDBL	40.55	1525.0
6	NDBL	38.65	302.0
7	NUBL	36.75	134.0
8	UFCL	38.65	805.0
9	NIDC	39.10	600.0
10	ULL	41.20	4100.0

Simple regression analysis is made in between market price of shares and disclosure scores of sample listed companies in order to check the relationship between them.

The regression model applied for this is:

y=a+bx

Where
y= Market price of shares (MPS)
a= Intercept of regression
x= Disclosure Score

SPSS Compute programming has been applied to calculate both regression analysis for result of which is presented in appendix-9

The summary of results of the regression is as follows:

Regression results: Yearly closing MPS

Dependent variables	Constant	Regression Coefficient	R	R^2	Adjusted R^2	SSE	T-value	sig.
MPS	-13900.4	387.772	.764	.584	.532	1441.97012	3.351	.010

Regression line: MPS=-1900.4+387.772 DS.

The result shows positive relationship between yearly closing MPS and disclosure score which is 0.764. The coefficient of determination (R2) is 0.584, which indicates 58.4 % of variation in yearly closing MPS is explained by disclosure score. The regression coefficient of disclosure score is 387.772, which shows that each score increment in disclosure score of information will result Rs. 3872.772 increment in the yearly closing MPS. The regression equation indicates that the zero disclosure will result negative MPS which is unrealistic. As negative MPS is unrealistic, it can be said that zero MPS can result when no information is provided. The t-value for regression coefficient is 3.351, which is statistically significant at 1% level of significance. Thus, it can be said that the share price is explained by disclosure score at 1% level of significance.

From the analysis, it is seen that all independent variables have positive relationship with disclosure. The relationship of earning per share and asset size with disclosure score is found both positive and statistically significant at 1% level. The relationship between outstanding numbers of share with disclosure score is also seen positive. When all there independent variable such as earning per share, asset size and outstanding number of share are taken together to see the combine effect on disclosure score, it is found positive relationship between them. The relationship between yearly closing MPS and disclosure score is found positive and statistically significant at 1% level of significance, which means the companies having better disclosure of information can have higher share prices.

CHAPTER 5

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

Corporate disclosure refers to the publication of economic information relating to a business enterprise, qualitative or otherwise, which facilitates the information. Full disclosure helps to develop the securities market by allocation the economic resources effectively and by increasing investor's confidence. The adequate disclosure of information maintains equilibrium in the security prices in the stock market, which helps the investors to make rational investment decision. Annual reports, prospects, financial press releases, interim reports are the major means through which the company discloses its information to the prospective users. The annual report is the main form of periodical corporate disclosure.

Under the provisions of present securities legislation, the listed companies should submit their annual reports along with financial statements to SEBO/N Nepal within 4 months after the expiry of the fiscal year and half yearly report to SEBO/N Nepal within 60 days after the expiry of each 6 months period. The annual reports submission practices of listed companies are observed in order to analyze disclosure of their annual reports and financial statements on prescribed time or not. The annual reports submission to SEBO/Nepal's by listed companies show the present disclosure of information practices of listed companies in Nepal. The data needed to analyze the annual reports submission practices of listed companies are obtained from SEBO/N library. This study has attempted to identify the some characteristics of company, which influence the corporate disclosure. In order to evaluate the quality of information disclosed in annual report, an index has been calculated with the help of questionnaire survey of various user groups of corporate annual reports. The disclosure of all sample listed companies has been calculated with the help of disclosure index. In order to examine the relationship between the quality of disclosure and company characteristics, multivariate analysis has been used. The regression analysis has been used to examine the relationship between disclosure score and market price of shares.

5.2 FINDINGS & CONCLUSION

Findings and conclusion of the study are summarizing in following key points:

1. No uniformity in the timing of submission of the annual reports and financial statements.
2. The status of annual reports in financial statements of total listed companies for last five fiscal are in poor state. According to sector-wise disclosure status of finance companies is in the best position comparing with other sectors. The manufacturing and processing sector is in second position in disclosing annual reports followed by banks, insurance, trading, hotels and other companies.
3. The most of the listed companies have really disclosed other information other than statutorily required during the annual reports study. The statutory requirements are generally confined to financial information only.
4. The adequate item of information is not included in the most of the annual reports of the listed companies during the study of annual reports and at the time of calculation of disclosure score.
5. The regulatory bodies have not followed the strict steps in disclosure of annual reports and financial statements submission practices.
6. No provisions regarding legal charges and punishments against non disclosing listed companies have been laid down in any legal frame work.
7. No accountability of Company directions to submit Finance statements within period specified by related laws.
8. No significant information is explained in the annual reports regarding the activities of the company as per the need of the users and investors.
9. Corporate firms with a long history have a relatively a stable disclosure of information than the firms established after the economic liberalization of 1990.
10. As it is everywhere argued that it is the right of investors and shareholders to have the access to the corporate information disclosure, it is found that large number of Nepalese listed companies have violated and disregarded the right of the shareholders and investors.

11. The relationship between earning per share and disclosure score have been found positive and statistically significant.
12. The association between asset size of the company (Total assets) and disclosure score has been found positive and statistically significant.
13. The relationship between disclosure score and outstanding number of share has been found positive but statistically insignificant.
14. The combine effect of the company characteristics such as earning per share, asset size and outstanding number of shares on disclosure score are summarized here. The relationship between asset sized and outstanding number of shares on disclosure scores have been positive, but statistically insignificant. The relationship of earning per share and disclosure score has been positive and statistically significant in this study.
15. In international level, 90% of listed companies are disclosing their annual reports and financial statements to the concerned authorities and to the public but in Nepal 5-10% listed companies are disclosing their annual reports and financial statements to the regulatory bodies to the public.

Singhvi and Desai (71) have empirically demonstrated in their study that inadequate corporate disclosure in annual report is likely to widen fluctuation in the market price of security since investment decision, in the absence of adequate disclosure, are based on less objective measures. In brief, it can be said that the quality of disclosure is one of the variables that has effect on the price of the security.

5.3 RECOMMENDATIONS

1. The regulatory bodies should enforced suitable laws, penalties and punishment in case of failure of disclosure of information to the investors and shareholders in order to make corporate bodies to submit their annual reports promptly.
2. In order to make prompt annual report submission within prescribed time, the regulatory bodies should encourage the corporate bodies by giving rewards.
3. The regulatory bodies should make mandatory to corporate bodies to include non-financial information in annual reports to make investment decision.
4. The regulatory bodies should educate the corporate bodies about the concept, objectives and importance of corporate disclosure reporting.

5. The corporate bodies should include maximum information in annual report as it increases the firm's profitability. This can be supported by seeing the positive relationship between disclosure score and earning per share.
6. The corporate bodies should publish their annual reports as per the international standard to make the investors and stockholders rational in the security market.
7. The regulatory bodies must take proper action to hold annual general meeting time and published their provisional balance sheet, profit and loss account in order to increase the public confidence in the market.
8. Investor should make their investment decision on financial parameters of the company they should not rush over the rumors.
9. The regulatory bodies should conduct further researchers in this direction to help in improving disclosure practices of listed Nepalese companies.
10. I strongly suggest to the prospective researcher on this ground to take more samples, if possible the whole population, for generalizing the fact about the market price of the shares on disclosure score.

Last but not least, all the stockholders of the Nepalese stock market should realize that our stock market is in infant stage. If someone tires to take undue advantage of this infancy and if our stock market vanishes, none of us will survive on this ground. It should never be forgotten.

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APPENDIX-1

Respected sir,

This questionnaire is designed for the purpose of thesis writing for Master of Business Studies (MBS) in Nepal Commerce Campus, Minbhavan. You are kindly requested to fill up this questionnaire as given below.

QUESTIONNAIRE

Name:…………………………………………………………………..
Profession:………………………………………………………………..
Office:………………………………………………………………….
Address:………………………………………………………………..

<u>Instructions:</u>

This questionnaire represents a list of many items of information, which could be presented in the annual reports of the listed companies. You are requested to assign weights to the items of information in the accompanying brackets according to their varying importance that you think the item of information is essential and should appear in corporate annual report.

<u>Scale</u>

weight

Very important	[3]
Important	[2]
Neither important nor unimportant	[1]
Unimportant	[0]

For Example

Items of information:

1) Advertising expenses for the current year	[2]
2) Number of employees	[1]

The weight assigned above to number 1 item of information indicates that the item of information is important to appear in corporate annual report. The weight assigned to number 2 item of information indicates that the item is neither important nor unimportant to appear in corporate annual report.

Items of Information		**weight**
1. Information on comparative balance sheet	-for two years	[ ]
	-for one years	[ ]
2. Information on comparative income statements	-for two years	[ ]
	-for one years	[ ]
3. Information on funds flow/cash flow statements		[ ]
4. Schedule of interest and principal dues on long term debt in future years		[ ]
5. Breakdown of sales revenue to measure product lines and customer classes		[ ]
6. Breakdown of operating income to major product lines and customer classes.		[ ]
7. Breakdown of inventories into raw material, work in progress and finished goods.		[ ]
8. Breakdown of tangible assets into a form as land, equipment, building		[ ]
9. Indication of accumulated depreciation and correct depreciation amount charged to income for tangible assets.		[ ]
10. Allowance of doubtful debts/accounts and other reserves		[ ]
11. Forecast of next year's earning per share		[ ]
12. Forecast of next year's dividend per share		[ ]
13. Amount of income tax expenses		[ ]
14. Information on number and types of shareholders		[ ]
15. Information on number and types of employees		[ ]
16. Amount of firm's capital expenditure		[ ]
17. Budgeted capital expenditure for coming year		[ ]
18. Amount of firm's order back logs and projections		[ ]
19. Amount of expended and budgeted research and development expenditure		[ ]
20. Amount of expended and budgeted repair and maintenance expenditure		[ ]

21. Amount of expended and budgeted advertising and
    publicity expenditure [ ]
22. Historical summary of important financial statistics
    -for last 3 years or above [ ]
    -for last 2 years [ ]
23. Amount of expended and budgeted human resource expenditure
    (On hiring and development) [ ]
24. Statement of reconciliation of earned surplus [ ]
25. Index of raw material and selling price index [ ]
26. Amount of advances and loan made to employees [ ]
27. Current market value for marketable securities [ ]
28. Cash flow projection for 2-5 years [ ]
29. Amount of goodwill and other intangible assets [ ]
30. Amount of non recurring gains and losses [ ]
31. Information on company's chairman, directors, such as their names,
    functional responsibilities and emoluments [ ]
32. Information on company's executives/management such as their
    names, responsibilities and emoluments [ ]
33. Information about chairman of board of directors, board of directors
    Statements and reports [ ]
34. Information about Auditor's Statements and report [ ]
35. Information about adopted accounting policies [ ]
36. Information on major economic factors affecting future business
    Operation such as sales and performance [ ]
37. Information about the company's objectives and its dividend polices
    [ ]
38. Information about leased assets and accounting method
    followed for this [ ]
39. Information about Research & development and
    Advertising activities [ ]
40. Specification of method used to compute depreciation [ ]
41. Methods used to determine the cost of inventory and
    to value inventory [ ]
42. Information on new product development [ ]
43. Information on major plants/warehouse including location,
    function and size [ ]
44. Information on the plant capacity utilized [ ]
45. Information about the labor contracts and industrial relation [ ]
46. Information on the other source of income [ ]
47. Information about the taxes and tax policy [ ]

48. Information about social responsibility activities [ ]
49. Information on major product and operation [ ]
50. Information on future and present competitive position of the company [ ]

APPENDIX-2

DISCLOSURE INDEX

Items of Information		weight
1. Information on comparative balance sheet	-for two years	[2.45]
	-for one years	[2.55]
2. Information on comparative income statements	-for two years	[2.45]
	-for one years	[3.00]
3. Information on funds flow/cash flow statements		[2.00]
4. Schedule of interest and principal dues on long term debt in future years		[2.00]
5. Breakdown of sales revenue to measure product lines and customer classes		[2.00]
6. Breakdown of operating income to major product lines and customer classes.		[2.45]
7. Breakdown of inventories into raw material, work in progress and finished goods.		[2.00]
8. Breakdown of tangible assets into a form as land, equipment, building etc.		[1.45]
9. Indication of accumulated depreciation and correct depreciation amount charged to income for tangible assets.		[1.45]
10. Allowance of doubtful debts/accounts and other reserves		[1.00]
11. Forecast of next year's earning per share		[0.45]
12. Forecast of next year's dividend pre share		[0.45]
13. Amount of income tax expenses		[1.45]
14. Information on number and types of shareholders		[1.00]
15. Information on number and types of employees		[0.45]
16. Amount of firm's capital expenditure		[1.45]
17. Budgeted capital expenditure for coming year		[1.45]
18. Amount of firm's order back longs and projections		[0.55]
19. Amount of expended and budgeted research and development		

expenditure [0.45]

20. Amount of expended and budgeted repair and maintenance expenditure [1.45]
21. Amount of expended and budgeted advertising and publicity expenditure [1.45]
22. Historical summary of important financial statistics
    - for last 3 years or above [0.45]
    - for last 2 years [0.45]
23. Amount of expended and budgeted human resource expenditure (On hiring and development) [0.45]
24. Statement of reconciliation of earned surplus [1.45]
25. Index of raw material and selling price index [0.45]
26. Amount of advances and loan made to employees [0.55]
27. Current market value for marketable securities [1.00]
28. Cash flow projection for 2-5 years [1.00]
29. Amount of goodwill and other intangible assets [1.00]
30. Amount of non recurring gains and losses [0.90]
31. Information on company's chairman, directors, such as their names, Functional responsibilities and emoluments [0.90]]
32. Information on company's executives/management such as their Names, responsibilities and emoluments [0.45]
33. Information about chairman of board of directors, board of directors Statements and reports [1.00]
34. Information about Auditor's Statements and report [1.45]
35. Information about adopted accounting policies [0.45]
36. Information on major economic factors affecting future business Operation such as sales and performance [1.45]
37. Information about the company's objectives and its dividend polices [1.45]
38. Information about leased assets and accounting method followed for this [0.45]
39. Information about Research & development and Advertising activities [1.45]

4o. Specification of method used to compute depreciation [0.45]

41. Methods used to determine the cost of inventory and to value inventory [0.45]
42. Information on new product development [1.55]
43. Information on major plants/warehouse including location, function and size [0.55]
44. Information on the plant capacity utilized [1.00]
45. Information about the labor contracts and industrial relation [0.45]
46. Information on the other source of income [1.45]
47. Information about the taxes and tax policy [1.45]
48. Information about social responsibility activities [1.45]
49. Information on major product and operation [1.00]
50. Information on future and present competitive position of the company [1.55]

APPENDIX- 3

List of listed companies included in the study

Name of Listed companies	Abbreviation	Fiscal Year
1. Standard Chartered Bank Nepal Ltd.	SCBNL	2007/08
2. Himalayan Bank Ltd.	HBL	2007/08
3. Everest Bank Limited	EBL	2007/08
4. Nepal Bangladesh Bank Ltd.	NBBL	2007/08
5. Siddhartha Development Bank Ltd.	SDBL	2007/08
6. Nepal Development Bank Ltd.	NDBL	2007/08
7. Nirdhan Utthan Bank Ltd.	NUBL	2007/08
8. Union Finance Co. Ltd.	UFCL	2007/08
9. NIDC Capital Market Ltd.	NIDC	2007/08
10. Uni Lever Ltd.	ULL	2007/08

APPENDIX- 4

Disclosure Score, Earning Per Share, Asset Size, Outstanding Number of Shares and Market Price of Companies:

S.N.	Name of listed Company	Fiscal Year (F/Y)	Disclosure Score (DS)	EPS, (Rs.)	Assets (RS Million)	Outstanding Shares (000)	Yearly Closing MPS in (Rs.)
1	SCBNL	2007/08	47.45	131.92	33335.78	6207.84	6830.0
2	HBL	2007/08	46.10	62.74	36175.53	10135.1	1980.0
3	EBL	2007/08	46.55	91.82	27149.34	4914.0	3132.0
4	NBBL	2007/08	36.10	80.16	93910.26	7441.0	1001.0
5	SDBL	2007/08	40.55	15.79	1150.5	1075.72	1525.0
6	NDBL	2007/08	38.65	(74.38)	1002.32	2461.99	302.0
7	NUBL	2007/08	36.75	24.04	1164.61	789.28	134.0
8	UFCL	2007/08	38.65	63.14	926.66	725.15	805.0
9	NIDC	2007/08	39.10	43.09	2597.27	1011.7	600.0
10	ULL	2007/08	41.20	286.0	622.67	920.7	4100.0

APPENDIX-5

Regression

Variables Entered/ Removed[b]

Model	Variables Entered	Variables Removed	Method
1	EPS[a]		Enter

a. All requested variables entered.
b. Dependent Variables: Disclosure Score

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.317[a]	.100	.012	4.17858

a. Predictor: Constant, EPS

ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	15.580	1	15.580	.892	.373[a]
Residual	139.684	8	17.461		
Total	155.264	9			

a. Predictors: (Constant), EPS
b. Dependent Variable: Disclosure Score

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients		t	Sig.
	B	Std. Error	Beta		
(Constant)	40.085	1.710		23.439	.000
EPS	.014	.015	.317	.945	.373

a. Dependent Variable: Disclosure Score

APPENDIX-6

Regression

Variables Entered/ Removed[b]

Model	Variables Entered	Variables Removed	Method
1	AS[a]		Enter

a. All requested variables entered.
b. Dependent Variables: Disclosure Score

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.048[a]	.002	.122	4.40043

a. Predictor: Constant, AS

ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.354	1	.354	.018	.8968[a]
Residual	154.910	8	19.364		
Total	155.264	9			

a. Predictors: (Constant), AS
b. Dependent Variable: Disclosure Score

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients		t	Sig.
	B	Std. Error	Beta		
(Constant)	40.979	1.696		24.156	.000
AS	6.62E-006	.000	.048	.135	.896

a. Dependent Variable: Disclosure Score

APPENDIX-7

Regression

Variables Entered/ Removed[b]

Model	Variables Entered	Variables Removed	Method
1	OS[a]		Enter

a. All requested variables entered.
b. Dependent Variables: Disclosure Score

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.517[a]	.267	.175	3.77201

a. Predictor: Constant, OS

ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	41.440	1	41.440	2.913	.126[a]
Residual	113.824	8	14.228		
Total	155.264	9			

a. Predictors: (Constant), OS
b. Dependent Variable: Disclosure Score

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients		t	Sig.
	B	Std. Error	Beta		
(Constant)	8.8534	1.780		21.823	.000
OS	.001	.000	.517	1.707	.126

a. Dependent Variable: Disclosure Score

APPENDIX-8

Regression

Variables Entered/ Removed[b]

Model	Variables Entered	Variables Removed	Method
1	EPS,OS, AS[a]		Enter

a. All requested variables entered.
b. Dependent Variables: Disclosure Score

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.840[a]	.706	.559	2.75871

a. Predictor: Constant, EPS, OS, AS

ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	109.601	3	36.534	4.800	.049[a]
Residual	45.663	6	7.610		
Total	155.264	9			

a. Predictors: (Constant), EPS, OS, AS
b. Dependent Variable: Disclosure Score

Coefficients[a]

Model	Unstandardized Coefficients	Standardized Coefficients		t	Sig.
	B	Std. Error	Beta		
(Constant)	37.151	1.497		24.813	.000
AS	.000	.000	-.943	-2.681	.037
OS	.016	.010	.364	1.630	.154
EPS	.002	.000	1.231	3.514	.013

a. Dependent Variable: Disclosure Score

APPENDIX-9

Regression

Variables Entered/ Removed[b]

Model	Variables Entered	Variables Removed	Method
1	Disclosure Score[a]		Enter

a. All requested variables entered.
b. Dependent Variables: Disclosure Score

Model Summary

Model	R	R^2	Adjusted R^2	Std. Error of the Estimate
1	.764[a]	.584	.532	1441.97012

a. Predictor: Constant, Disclosure Score

ANOVA[b]

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	23346584	1	23346584.23	11.228	.010[a]
Residual	16634223	8	234757.953		
Total	39980807	9			

a. Predictors: (Constant), Disclosure Score
b. Dependent Variable: MPS

Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std.Error	Beta		
(Constant)	-13900.4	4779.189		-2.909	.020
Disclosure Score	387.772	115.723	.764	3.351	.010

a. Dependent Variable: MPS