Timeliness of Financial Reporting and Corporate Governance: A Study of Indian Pharmaceutical Industries

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Abstract
Companies that have followed the principles of corporate governance have consistently earned high returns, increased net worth and enhanced shareholders wealth. They achieve these, besides other, by means of being transparent, useful and relevant in providing information to a vast array of stakeholder. The primary sources of providing such information in a useful way is the financial reporting. The timeliness of such reporting is regarded as one of the important qualitative characteristics of corporate disclosures. But in practice a lot of variation in time line of publication of Corporate Financial reports are observed; that jeopardize the transparency, the usefulness and relevance of financial information - the important foundations of good corporate governance, thus, the present study aims to measure the timeliness in disclosures of corporate annual reports by the 50 sample pharmaceutical companies in India and is there any relationship and impact of corporate attributes like age, size, profitability, foreign shareholding, concentration of ownership and revenue from abroad on the timeliness of corporate disclosures. The study concludes that numbers of days taken by the sample companies are widely fluctuating and there is no consistency in between reporting companies. The minimum average number of days taken in last three year is 83.7 and the maximum average number of days taken is 211.7. The study also found that three variables i.e. Age, Foreign shareholding and Revenue from aboard appear to have strong and significant impact on the timelines of corporate annual report disclosures. The outcome of the study may be helpful for the policy makers and corporate managers to bring the corporate annual report in the shortest time possible for the benefit of wider group of corporate stakeholders.

Keywords: Timeliness, Corporate Governance, Financial Reporting, Annual Reports

JEL Classification: M4, M41, M42

Paper Classification: Research Paper
Introduction

Corporate Governance stands for commitment to well being and progress of all stakeholders and corporate governance codes provided by every listed companies’ in India, ensures the commitment in providing timely, consistent, credible, responsible and fairness in disclosure of information complying with legal and regulatory requirement and also includes voluntary disclosure of material information. Out of which timeliness is regarded as one of the important qualitative characteristics of corporate disclosures and it shows the transparency and accountability of the corporates to provide all the material information to various stakeholders. Timely disclosure of information is one of the most important opportunities for a company to communicate with its stakeholders and the quality of its annual report helps to shape a company’s reputation. It increases the ability of the stakeholders to make a judgement about the corporate performance in term of financial, governance and other societal aspects.

If one of the objectives of corporate financial reporting is to facilitate market process of capital allocation then the information must reach to all the users at the earliest. Sooner it reaches to the users better is the usefulness, FASB long back suggested that financial statements must be timely to be relevant (1980). Similarly ICAI (2000) in its suggested Framework for preparation and presentation of Financial Statement: If there is undue delay in reporting of information it may lose its relevance, IASB also suggested that delayed or older information is less useful to users. Timeliness means having information to the decision in time to be capable of influencing decision (2010).

Companies that have consistently put the best practices of corporate governance have enhanced their net worth maximizing the investors wealth and put ethical business practices with the various stakeholders, updated and advanced in their organization culture, process and achieved excellence.

In light of the above discussion, the study aims to explore the timeliness in issuance of corporate annual reports by sample companies and their relationship with various corporate attributes like age, size, profitability, foreign shareholding, revenue from abroad and concentration of ownership.

Code of Corporate Governance and SEBI

The analysis of corporate governance philosophy or codes as mandated under the listing agreement by SEBI of sample companies emphasizes broadly on five aspects. They are-

i. Transparency: Disclosure of all material information in a factual manner, regardless of the content.

ii. Timeliness: Disclosure of information promptly, without delay, following occurrences that warrant disclosure.

iii. Fairness: Disclosure of information fairly for the benefit of all stakeholders.

iv. Continuity: Disclosure of information in a steady and continuous manner.

v. Confidentiality: Disclosure of all material information does not provide to any third parties before information has officially been announced by the company.

Some of the codes of corporate governance were given in appendix for more clarity and direct evidence regarding how timeliness of financial reporting is shown by the Indian pharmaceutical companies as one of the code of best corporate governance practices.
Literature Review

Review of existing literature provides an overview of the prominent studies concerning the timeliness of financial reporting as well as corporate attributes that impact such timely disclosures by the corporates. Numbers of studies in this regard conducted by previous researchers are available in context to Indian as well as foreign companies. The review of literature has been divided into two sections. In the first part the importance of timeliness of financial reporting has been discussed and in the second part various corporate attributes that are considered to be having significant impact on the timeliness of financial disclosures are analyzed.

As discussed earlier, timely disclosure of corporate information provides the stakeholders an opportunity to take the investment decision in an informed manner, it has been stated that timely disclosure and presentation of information reflects managerial efficiency and effectiveness and that helps in improving image of corporate bodies (Joshi, 2005). One of the phenomenal study conducted by Singhvi and Desai (1971), suggested that the quality of the reporting requires a complete, accurate and reliable reporting prepared in timely manner, helps the users in informed decision making. The shorter the times lag between financial year end date and the actual date of publication the more it will be helpful for investors (Abdulla, 1996). In one of the recent studies conducted by Charumathi and Murali Krishnan (2011) on corporate governance and timeliness of financial reporting by Indian Sensex based companies concluded that there is wide lag in the time period taken by the companies in disclosing their annual report to the users. The delay in issuing of annual reports is also reported by McGee & Yuan (2008) while studying the corporate governance and the timeliness of financial reporting of Chinese companies concluded that Chinese companies take significantly longer to issue their financial statements than non-Chinese companies.

So it is evident that there is substantial time lag in financial reporting by the corporates as found to be reported by the previous studies, the subsequent review has been done to see the corporate attributes that are having significant impact on such timeliness of disclosure in corporate annual reports. In one of the most recent studies conducted by Mouna & Anis (2013), they examined the relationship between the timeliness of the financial reporting and the corporate governance proxies for companies listed on the Tunisian stock exchanges and concluded that CEO’s duality function, ownership concentration and good news have significant impact on the timeliness of corporate reporting. Similarly, Moradi, Salehi and Mareshk (2013) conducted a survey on timeliness in financial reporting and corporate governance practices of Iranian companies. While analyzing the impact of various corporate governance attributes like ratio of institutional shareholder ownership, the ratio of non-executive members, ratio of shares held by the CEO’s and the quantity of the majority shareholders and big auditors, concluded that, the effect of majority shareholders and ROE were meaningful on the timeliness of the financial reporting by Tunisian companies. Khasharmehe & Aljifri (2010) made a comparative study of the timeliness of disclosure of annual reports by Bahrain and UAE companies. They examined the impact of corporate attributes on the timeliness and concluded that profitability, debt ratio, sector type and dividend payout ratio had a strong influence on the timeliness of corporate annual reports. Similarly, auditor reports and board size have significant impact on the timeliness of reporting, the companies having clear auditors report are faster in disclosure of corporate annual reports than the companies having conditional auditors report and corporate with board size of small numbers are faster in disclosure of annual report than the larger boards (Al Daoud, Ismail & Lode, 2014). In another study conducted by Aubert (2009) on French companies reported that firms profitability, good news versus bad news, stock price volatility, fluctuating trading volumes, past economic performance, market pressure are having significant influence over delay in
reporting lag of companies in France. Similar studies conducted in Nigeria (Adebayo and Adebiyi, 2016) found that bank size, profitability; audit firm size had significant impact on the timeliness of financial statement except for leverage and Iyoha (2012) examined the impact of company attributes on the timeliness of financial reports in Nigeria based on a sample of 61 companies annual reports for the years 1999-2008. He concluded that there is a significant difference in the timeliness of financial reports in Nigeria and age of company is the major company attribute that influences the overall quality of timeliness of financial reports in Nigeria. Similarly, Karim, Ahmed and Islam (2006) examined whether timeliness of corporate financial reporting has improved in Bangladesh following the creation of Bangladesh Security Exchange Commission. They were using more than 1200 firm-year observations over a period of 10 years found that regulatory changes have not improved timeliness in reporting, as measured by audit lag, issue and total lag. However, they found large firms take shorter time to publish their annual reports compared to small firms. In another study, Vuran and Adiloglu (2013) examined the relationship between accounting variables and timeliness of corporate financial reporting of corporate listed with Istanbul Stock Exchange and found significant association of total assets, total equity, cash flow from operation and interest expenses with timeliness of the financial statements.

Research Gap and Contribution of the Study

The review of available literature shows most of the studies are done in context to foreign countries and there is dearth of number of studies available in Indian context studying the timeliness of corporate disclosure practice. Apart from that most of the studies are based on companies from various industries groups or Sensex based companies in India as well as foreign context. However, there is absence of any sector specific study on the timeliness of financial reporting, particularly in Indian context. The present study tries to experience the timeliness of financial reporting by taking 50 listed companies from Pharmaceutical Sector. The Indian pharmaceutical sector is making spectacular growth, particularly in last decade and it is placed on 3rd position in terms of volume and 13th position in terms of value worldwide. The sectoral growth could be attributed to 100 percent Foreign Direct Investment allowed by Government of India in the green field Pharma and 74 Percent of Foreign Direct Investment in the brown field pharma companies. Apart from that Pharmaceutical industry is one of the prominent sectors of Indian manufacturing sector and ‘Pharma Vision 2020’ by the Central Government’s Department of Pharmaceuticals aims to make India a major hub of newer drug research and development by the year 2020. In light of this the study particularly chosen the sector to see, how the stakeholders of this sector are provided with timely disclosure of annual reports and financial information to attract more foreign investment as allowed by the Government of India. While studying the impact of various corporate attributes on timeliness of disclosure, most of the previous studies ignored important attributes like Revenue from Abroad, Foreign shareholding and Concentration of ownership in the hands of promoter, and these variables are taken in to account to see its impact on the timeliness of corporate disclosure by the reporting companies.

Objectives of the Study

1. To study the timeliness in corporate financial reporting by the pharmaceutical companies in India.

2. To study the impact of various corporate attributes on timeliness in corporate financial reporting.
Research Methodology

Methodology is an important aspect of conducting any research work. It provides framework within which the whole process of data collection to data analysis will be carried out. It determines the identification of sample size, instrument developed for data collection, sources and process of data collection and application of appropriate statistical tools for analysis and drawing inferences. The research methodology adopted for the present study includes type of study, sample, period of study, method of data collection, variable used for study and their detailed description and statistical tools used.

Type of the Study

In line of research objective an exploratory study was carried out to measure the timeliness of corporate financial reporting and its relationship with various selected corporate attributes.

Sample

The sample company for the study has been selected from the pharmaceutical industry. There are 169 pharmaceutical companies listed with the Bombay Stock Exchange as on 31st March, 2014. This constitutes the universe of the study, out of which 35 companies opted out because of insufficient data or non-availability of annual report. The remaining 134 companies are ranked in terms of their age, annual turnover, and profit after tax, total asset and market capitalization and composite ranks have been calculated, out of which top 50 companies in terms of composite ranks selected as sample for the present study.

Period of Study

The annual report of Indian pharmaceutical companies for three financial years 2011-2012, 2012-2013, and 2013-2014 form the basic framework of analysis. The period for the study chosen deliberately, as most of the regulatory amendments were attributed to this period includes, revamp of Companies Act, 1956 and introduction of New Companies Act, 2013, Major amendments in SEBI listing agreements and timely disclosure requirements proposed by the Security and Exchange Board of India, during this period.

Methods of Data Collection

In light of the research objectives the data were collected from secondary sources, including corporate annual reports of sample companies, sample company websites and periodicals from SEBI, BSE, NSE, and web published documents from Ministry of corporate affairs have been referred as per the requirements.

Variables Used for Study and their Detailed Description

The study aims to review the timeliness of financial reporting by the sample companies and their association with various corporate attributes. The Timeliness in disclosure is the dependent variables and corporate attributes like age, size, profitability, revenue from abroad, foreign shareholding, concentration of ownership are taken as independent variables on the basis of detailed review of literature. The measurement and rational of selection of dependent and independent variables are discussed below.
Measurement of Timeliness

Timeliness generally viewed as the number of days taken by the corporates from the last date of the reporting period and the date of issue of financial statement for the use of various stakeholders.

In the Annual General Meeting the board of directors will present the corporate annual report and subsequent to its approval, the same will be issued to the all the company stakeholders and uploading in corporate websites for the public in general. So, the total lag period between the balance sheet dates and the date of annual general meeting is considered in this study as a measurement of timeliness by the reporting companies. The companies Act is silent about the maximum time period that can be taken by the company in issuing the financial statement, however the Act, only guides that there cannot be gap of more than 9 months period between two consecutive AGM’s by the Indian companies.

The measurement of timeliness in literature also varies and most of the studies considered either audit lag or total lag for counting the number of days delay in reporting of corporate information. Charumurthi and Murali Krishnan(2011) in their studies on timeliness of corporate reporting of BSE Sensex companies considered the number of days that has been lapsed between year-end and the date of the auditor’s report of the concerned companies. Similarly, Mouna and Anis(2013) measured timeliness in terms of the lapse of time between a balance sheet date and the date when the financial information is released to the public, Khasharmeh and Alijifri(2010) considered audit lag while studying the timeliness in disclosure by 83 firms from UAE and Bahrain, similarly, Al Daoud, Ismail & Lode(2014); Iyoha(2012 ) also considered interval of days between the Balance Sheet closing date and the signed date of the auditor’s report. Some other studies considered multiple time lag while studying the timeliness in disclosure of annual report like Karim et,al.(2006) used all three lag of audit lag, Issue lag and Total lag and Al-Ajmi (2008) considered audit signature date, the interim period and the number of days between balance sheet date to date of publication in newspaper and company website.

Although most of the studies undertook the audit lag i.e. the date of balance sheet to the date of submission of auditor report as the delay period in disclosure of corporate annual report, however the auditor report is accessible to only the top level of company management until the annual report represented by the directors in the company annual general meeting and subsequent publication through company websites and other modes. This is the rational of considering the total lag as the delay in disclosure of corporate annual report and annual reports of 50 sample Pharmaceutical companies for three year period i.e. 2011-12, 2012-13 and 2013-14 studied to calculate the total time lag between balance sheet date to date of Annual General Meeting of the reporting companies, subsequently. The following section is devoted to study whether there is any association between selected corporate attributes and the timeliness of corporate financial reporting.

Selection of Corporate Attributes

The prior literature on the study of relationship between corporate attributes and timeliness of corporate reporting has considered many aspects of corporate characteristics like, age, size, turnover, market capitalization, profitability, concentration of ownership, engagement of audit firm, listing status, or financial variables like leverage, debt equity ratio, return on investment etc. Some studies have also taken in to consideration various corporate governance characteristics like board size, percentage of independent directors, CEO duality, female board members, director’s shareholding etc.
In the present study, we have taken prominently 6 corporate attributes as independent variable to measure its impact on dependent variable, i.e. the time lag in corporate reporting.

**Age of the Company**

Age has been calculated as the number of years the company is in operation since its incorporation to the period under study, i.e. 2011-12, 2012-13 and 2013-14. It can be generally argued that older companies are having more structured process in quick delivery of annual report as compared to the newer companies. However, the existing literature gives more mixed result on the study of relationship between age and timeliness in disclosure of corporate annual report. Iyoha (2012) in his study on the 61 Nigerian companies timeliness in disclosure of corporate annual report found that age having significant and positive relationship. Similarly, Owusu-Ansah (2000) in his study on 47 non-financial companies listed on the Zimbabwe Stock Exchange reports positive and significant relationship between age and timeliness in disclosure in corporate annual report. In contrast, Courties (1976) in his study found no significant relationship between the two variables. However, most of these studies in this area are in context to foreign countries and to see whether age of the Indian companies have any significant relationship with timeliness of annual report disclosure, age of the reporting companies has been considered as one of the variable and the following hypothesis has been formed.

\[ H_0 \]: There is no significant relationship between age of the company and timeliness of annual corporate reporting.

**Size of the Company**

Size of the company considered as one of the important variable in literature and almost all the literature reviewed in this study took size of the company to study the relationship with the timeliness of disclosure. The larger the size of the company the more resources the company is able to engage in preparing the annual report and get it published at the earliest as compared to the companies of small size. Size of the company is measured in most of the research as total asset, turnover, market capitalization or aggregate of these variables. There can be general argument that companies larger in size will have larger stakeholders and scrutiny of their performance and are supposed to provide timely disclosure of information.

The previous literature on studying the significant relationship between size and timelines of disclosure found both positive and negative relationship. Adebayo and Adebijyi (2016) in one of the most recent study of Nigerian commercial banks timeliness in disclosure of annual report found size of the banks have positive and significant relationship. Similarly, in one another study conducted by Ismail & Chandler (2004) on the timeliness of annual reporting by companies listed on the Kuala Lumpur Stock Exchange (KLSE) found size of the company is one of the significant variable influencing the time delay in publishing corporate annual report. The results of an empirical investigation of the timeliness of annual reporting by Owusu-Ansah (2000) on 47 non-financial companies listed on the Zimbabwe Stock Exchange found size of the company having positive and significant relationship.

In contrast, the studies conducted by Mouna and Anis (2013) investigating the relationship between the timeliness of the financial reporting and the size of the companies listed on the Tunisian stock exchange during 2009 found non-significant relationship. Similarly in other two studies conducted for UAE and Bahrain companies by Khasharmeh and Aljifri (2010) and Abdulla (1996) found negative relationship of size of the company with timeliness of corporate disclosure. On account of this mixed result and to see whether in context of Indian companies size is having...
any influence over timeliness of disclosure, size of the company is considered as one the variable and hypothesis has been constructed to test spastically.

H₀: There is no significant relationship between the size of the company and the timeliness of annual corporate reporting.

**Profitability**

Profitability refers to operational result of the firm in term of profit or loss earned during a financial year. Profitability is one of the fundamental or basic measurement instruments to judge the firm’s present efficiency or expectation for future growth. It can be generally argued that companies having good profit in particular financial year will be more enthusi to release the annual report to the corporate stakeholders as compared to company having decreased profit in comparison to the previous year or loss for the current year. The literature on investigating the relationship between profitability and timeliness of corporate disclosure is divided on the outcomes. The studies conducted by Adebayo and Adebiyi(2016); Ismail & Chandler (2004); Owusu-Ansah (2000); Al Daoud, Ismail & Lode(2014) find that firms with increased profit in comparison to the previous year are faster in publishing their financial reports than firms with declining performance. In contrast, the studies conducted by Abdulla (1996); Khasharmeh and Aljifri(2010); Mouna and Anis(2013) found profitability having no significant impact on the timeliness of corporate disclosure. This make the rational of the study to see whether profitability of Indian companies having any significant relationship with timeliness, this has been considered as one of the variable and the following hypothesis has been formed to test statistically.

H₀: There is no significant relationship between profitability of the company and the timeliness of annual corporate reporting.

**Foreign Shareholding**

Foreign shareholding represents percentage of shares out of total shares held by foreign individual, foreign institutional investors and overseas corporate bodies. Corporates having more foreign participation in capital structure or aspires to raise foreign funds may be more active and quick in declaring the annual results. This is one of the important variable not been found to be taken by the previous researchers while studying the impact of corporate attributes on timeliness of disclosure. So, foreign shareholding has been considered here as one the variable and following hypothesis has been formed to test the relationship statistically.

H₀: There is no significant relationship between the percentage of foreign shareholding and the timeliness of annual corporate reporting.

**Revenue from Abroad**

Revenue from abroad measured as the absolute amount of revenue earned by the reporting companies in foreign currency from the export of their products. Revenue from abroad emphasizes the presence of company and its products beyond the national boundary, and wide number of stakeholders. The corporates having multinational presence will be more likely to declare their annual results and vice versa. So, in this study revenue from abroad has been considered as one of the variable to study the relationship with timeliness of corporate reporting. The following hypothesis has been formed and tested statistically.

H₀: There is no significant relationship between revenue from abroad and the timeliness of annual corporate reporting.
Concentration of Ownership

Larger volume of shares in the hands of fewer investors shows the concentration of ownership with a group of people. The more diversified the ownership of the company the more will be on the company to come up with the annual reporting at the earliest possible as compared to the companies where ownership is concentrated in the hands of few shareholders, including promoters. The study conducted by Mouna and Anis (2013) considered concentration of ownership as one the independent variable to study the relationship with the timeliness and found positive significant relationship. However, in contrast in another study conducted by Moradi et al (2013) on the companies listed in Tehran Stock Exchange found concentration of ownership as non-significant variables having negative relationship with the timeliness of annual reporting. That’s for having this diverse views, concentration of ownership has been considered as one of the variable and following hypothesis has been formed to test the relationship with timeliness of disclosure statistically.

H₀: There is no significant relationship between concentration of ownership and the timeliness of annual corporate reporting.

Analysis & Interpretation

Analysis of total lag period of sample companies

Total time lag period represents the time gap between financial year-ends to the date of AGM. The total lag period calculated from the balance sheet dates for the year 2011-12, 2012-13 and 2013-14 to the date of Annual general meeting held by the companies in post balance sheet period. The information was collected through the company annual reports and presented in the table as below.

<table>
<thead>
<tr>
<th>SL.No</th>
<th>Name of the Company</th>
<th>2011-12</th>
<th>2012-13</th>
<th>2013-14</th>
<th>Avg. of Total Lag</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total Lag</td>
<td>Total Lag</td>
<td>Total Lag</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Cipla Ltd.</td>
<td>137</td>
<td>142</td>
<td>153</td>
<td>144.0</td>
</tr>
<tr>
<td>2</td>
<td>GlaxoSmithKline Pharmaceuticals Limited</td>
<td>106</td>
<td>107</td>
<td>92</td>
<td>101.7</td>
</tr>
<tr>
<td>3</td>
<td>Dr. Reddy’s Laboratories Limited</td>
<td>132</td>
<td>127</td>
<td>121</td>
<td>126.7</td>
</tr>
<tr>
<td>4</td>
<td>Lupin Limited</td>
<td>114</td>
<td>127</td>
<td>120</td>
<td>120.3</td>
</tr>
<tr>
<td>5</td>
<td>Ipca Laboratories Limited</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120.0</td>
</tr>
<tr>
<td>6</td>
<td>Aurobindo Pharma Limited</td>
<td>127</td>
<td>127</td>
<td>147</td>
<td>133.7</td>
</tr>
<tr>
<td>7</td>
<td>Cadila Healthcare Limited</td>
<td>126</td>
<td>170</td>
<td>121</td>
<td>139.0</td>
</tr>
<tr>
<td>8</td>
<td>Glenmark Pharmaceuticals Limited</td>
<td>123</td>
<td>122</td>
<td>115</td>
<td>120.0</td>
</tr>
<tr>
<td>9</td>
<td>Torrent Pharmaceuticals Limited</td>
<td>142</td>
<td>116</td>
<td>77</td>
<td>111.7</td>
</tr>
<tr>
<td>10</td>
<td>Wockhardt Limited</td>
<td>163</td>
<td>152</td>
<td>165</td>
<td>160.0</td>
</tr>
<tr>
<td>11</td>
<td>Divis Laboratories</td>
<td>126</td>
<td>125</td>
<td>145</td>
<td>132.0</td>
</tr>
<tr>
<td>12</td>
<td>Biocon Limited</td>
<td>116</td>
<td>116</td>
<td>115</td>
<td>115.7</td>
</tr>
<tr>
<td>13</td>
<td>Abbott India Limited</td>
<td>115</td>
<td>110</td>
<td>121</td>
<td>115.3</td>
</tr>
<tr>
<td>14</td>
<td>Sanofi India Limited</td>
<td>120</td>
<td>119</td>
<td>119</td>
<td>119.3</td>
</tr>
<tr>
<td>15</td>
<td>Pfizer Limited</td>
<td>185</td>
<td>230</td>
<td>220</td>
<td>211.7</td>
</tr>
<tr>
<td>16</td>
<td>Emami Limited</td>
<td>128</td>
<td>126</td>
<td>130</td>
<td>128.0</td>
</tr>
<tr>
<td>17</td>
<td>Strides Arcolab Limited</td>
<td>160</td>
<td>168</td>
<td>165</td>
<td>164.3</td>
</tr>
</tbody>
</table>
The Table 1 represents the total lag of reporting companies in final disclosures of corporate annual report. The numbers of days taken by the companies are widely fluctuating and there is no consistency between reporting companies. The minimum average number of days taken in last three year is 83.7 by Merck Ltd and the maximum average number of days taken is 211.7 by Pfizer Limited. There are only 3 companies Ipca laboratories Ltd (120 days), Novartis Ltd(115 days) and Indoco Remedies Ltd(120 days) which shows consistency in total lag between date of balance sheet to date of holding the AGM and presentation of the corporate annual report to the various stakeholders.
Table 2: Table showing Descriptive Statistics of Total Time Lag by Reporting Companies

<table>
<thead>
<tr>
<th>Period</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Variance</th>
<th>Skewness</th>
<th>Kurtosis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
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<td>----------</td>
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<td>--------</td>
<td>----------------</td>
<td>----------</td>
<td>----------</td>
<td>----------</td>
</tr>
<tr>
<td>2011-12</td>
<td>50</td>
<td>75.0</td>
<td>218.0</td>
<td>141.020</td>
<td>29.7167</td>
<td>883.081</td>
<td>.278</td>
<td>.337</td>
</tr>
<tr>
<td>2012-13</td>
<td>50</td>
<td>78.0</td>
<td>230.0</td>
<td>139.620</td>
<td>28.6733</td>
<td>822.159</td>
<td>.769</td>
<td>.578</td>
</tr>
<tr>
<td>2013-14</td>
<td>50</td>
<td>77.0</td>
<td>264.0</td>
<td>142.760</td>
<td>37.4648</td>
<td>1403.615</td>
<td>1.081</td>
<td>1.848</td>
</tr>
</tbody>
</table>

Descriptive statistics for total time lag by reporting companies as presented in the Table 2 shows minimum period of 75, 78 and 77 for the year 2011-12, 2012-13 and 2013-14 and maximum period of 218, 230 and 246 days respectively. The mean of total time lag is of 141, 139 and 142 for three consecutive years shows some consistency, however the standard deviation for the year 2013-14 is highest of 37 days as compared to the previous two years. The skewness and kurtosis of total time lag is shows normal distribution of total lag period and under the allowable limit of + or – 3.

Table 3: Table Showing Different Slab of Total Time Lag by Reporting Companies

<table>
<thead>
<tr>
<th>No. of Days</th>
<th>2011-2012</th>
<th>2012-2013</th>
<th>2013-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>N  % Cum%</td>
<td>N  % Cum%</td>
<td>N  % Cum%</td>
</tr>
<tr>
<td>Less than 90</td>
<td>1  2  2</td>
<td>1  2  2</td>
<td>2  4  4</td>
</tr>
<tr>
<td>90 to 120</td>
<td>9 18 20</td>
<td>11 22 24</td>
<td>10 20 24</td>
</tr>
<tr>
<td>120 to 150</td>
<td>23 46 66</td>
<td>21 42 66</td>
<td>19 38 62</td>
</tr>
<tr>
<td>150 to 180</td>
<td>13 26 92</td>
<td>11 22 88</td>
<td>14 28 90</td>
</tr>
<tr>
<td>180 to 210</td>
<td>3 6 98</td>
<td>5 10 98</td>
<td>2 4 94</td>
</tr>
<tr>
<td>Above 210</td>
<td>1 2 100</td>
<td>1 2 100</td>
<td>3 6 100</td>
</tr>
<tr>
<td></td>
<td>50 100</td>
<td>50 100</td>
<td>50 100</td>
</tr>
</tbody>
</table>

Table 3 given in appendix shows that the modal number of days of the total time lag in issue of corporate annual report is around 120 to 150 days i.e. in between 3 to 5 months period from post balance sheet dates. Number of companies taking more than 5 month period in publishing their annual report is 17(34%) for the year 2011-12, 17(34%) for the year 2012-13 and 19(38%) for the year 2013-14. Similarly, 10(20%), 12(24%), 12(24%) number of companies being having total time lag for disclosure of corporate annual report for the respective years.

The analysis of total time lag from date of financial year end i.e. balance sheet date to the date of AGM i.e. considered as the date of disclosure of corporate annual report varies for the reporting companies as evident from the above analysis. That makes the obvious reason to make further studies whether corporate attributes have any influence or relationship over timeliness in disclosure of annual report and correlation and regression analysis has been carried out.

Analysis of Timeliness in Financial Reporting and Corporate Attributes

In order to study the relationship between dependent variable i.e. timeliness of disclosure and each of the independent variables i.e. age, size, profitability, foreign shareholding, revenue from abroad and concentration of ownership Pearson’s correlation co-efficient has been applied. Subsequently the collective effect of the independent variables on the dependent variable analyzed through multivariate data analysis.
Table 4: Correlation Analysis

<table>
<thead>
<tr>
<th>Correlation</th>
<th>Timeliness</th>
<th>AGE</th>
<th>ROTA</th>
<th>SIZE</th>
<th>FSH</th>
<th>RFAB</th>
<th>COWN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timeliness</td>
<td>Pearson Correlation</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td>Pearson Correlation</td>
<td>-.283*</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.023</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ROTA</td>
<td>Pearson Correlation</td>
<td>-.025</td>
<td>-.070</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.430</td>
<td>.314</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SIZE</td>
<td>Pearson Correlation</td>
<td>-.254*</td>
<td>.047</td>
<td>.026</td>
<td>1</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.037</td>
<td>.374</td>
<td>.429</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FSH</td>
<td>Pearson Correlation</td>
<td>.025</td>
<td>-.038</td>
<td>.383**</td>
<td>.621**</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.430</td>
<td>.395</td>
<td>.003</td>
<td>.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RFAB</td>
<td>Pearson Correlation</td>
<td>-.263*</td>
<td>-.271*</td>
<td>.048</td>
<td>.523**</td>
<td>.477**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.032</td>
<td>.029</td>
<td>.371</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>COWN</td>
<td>Pearson Correlation</td>
<td>-.015</td>
<td>.011</td>
<td>-.131</td>
<td>-.021</td>
<td>-.306*</td>
<td>-.243*</td>
</tr>
<tr>
<td></td>
<td>Sig. (1-tailed)</td>
<td>.459</td>
<td>.469</td>
<td>.183</td>
<td>.441</td>
<td>.015</td>
<td>.045</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (1-tailed).
** Correlation is significant at the 0.01 level (1-tailed).

The result as shown in Table 4 indicates that there are some significant correlations between independent variables and the timeliness of corporate reporting exists. The analysis shows that timeliness is having negative correlation with AGE \( r = -0.283 \), Size \( r = -0.254 \) and RFAB \( r = -0.263 \) and these correlations are statistically significant at \( P<0.05 \) level. However, the other variables like Profitability (ROTA), foreign shareholding (FSH) and Concentration of ownership (COWN) found not to be having any significant correlation with timeliness of corporate financial reporting.

**Multivariate Analysis**

The result of correlation study between dependent and independent variable shows only three selected corporate attributes having significant relationship out of the six. In order to see the collective effect of these independent variables on the timeliness of financial reporting, multivariate analysis has been employed. Before running the multiple linear regression analysis, all the underlying assumption of normality, multicollinearity and homoscedasticity were tested for not being seriously violated.

The equation that has been applied is given below along with the results obtained by estimating the regression model.
The regression equation is:

\[ Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \varepsilon \]

Where \( Y \) = Timeliness of financial reporting
\( a \) = Intercept
\( X_1 \) = Age of the company
\( X_2 \) = Size of the company
\( X_3 \) = Return on total assets (ROTA)
\( X_4 \) = Foreign Shareholding (FSH)
\( X_5 \) = Revenue from Abroad (RFAB)
\( X_6 \) = Concentration of Ownership (COWN)
\( \beta_1 \) to \( \beta_6 \) = Coefficient of respective independent variables
\( \varepsilon \) = Regression residuals

The model consists of six explanatory variables for explaining the behavior of dependent variable. The model has been applied to sample data to test for their statistical significance. To test the significance of the regression coefficients for each of the independent variable t-test has been applied, whereas overall significance of the model has been tested through R-Square, F statistics and significant levels. The results of multiple linear regression models are presented for the year 2013-14.

### Table 5: Table Showing Multiple Linear Regression Results: Timeliness of Reporting and Corporate Attributes

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Co-efficients</th>
<th>Std. Error</th>
<th>t-statistics</th>
<th>Sig.</th>
<th>Tolerance</th>
<th>VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>268.913</td>
<td>37.206</td>
<td>7.228</td>
<td>.000**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGE</td>
<td>-0.715</td>
<td>0.255</td>
<td>-2.798</td>
<td>.008**</td>
<td>.866</td>
<td>1.155</td>
</tr>
<tr>
<td>ROTA</td>
<td>-0.522</td>
<td>0.356</td>
<td>-1.466</td>
<td>.150</td>
<td>.771</td>
<td>1.297</td>
</tr>
<tr>
<td>SIZE</td>
<td>-20.288</td>
<td>12.192</td>
<td>-1.664</td>
<td>.103</td>
<td>.452</td>
<td>2.210</td>
</tr>
<tr>
<td>FSH</td>
<td>1.421</td>
<td>0.574</td>
<td>2.474</td>
<td>.017*</td>
<td>.409</td>
<td>2.447</td>
</tr>
<tr>
<td>RFAB</td>
<td>-18.214</td>
<td>7.130</td>
<td>-2.555</td>
<td>.014*</td>
<td>.575</td>
<td>1.739</td>
</tr>
<tr>
<td>COWN</td>
<td>0.003</td>
<td>0.345</td>
<td>0.008</td>
<td>.994</td>
<td>0.815</td>
<td>1.228</td>
</tr>
</tbody>
</table>

Adjusted R\(^2\) = 0.221  
R Square \(= 0.316\)  
F statistics \(= 3.313\)  
F Sig.(P-value)= 0.009  
*Means significant at 0.05(P ≤ 0.05)  
**Means significant at 0.01(P ≤ 0.01)

The result of multiple regression analysis as presented in Table 5 shows that the regression model is highly significant (P < 0.0001). The adjusted R square correlation is 0.221, which means
that the independent variables are capable of explaining 22.1% variation in the timeliness of reporting. The value of adjusted R square when compared to the prior studies related to the timeliness disclosure, found that it is higher than Adebayo and Adebiyi(2016) at 16.3% and lower than the Iyoha, F.O(2012) at 29.3%. The further discussion of regression results in line research hypothesis is presented as below.

**Discussion of the Results**

The purpose of discussing the results obtained in this study is to highlight the findings and dissemination of its outcomes with existing literature. The discussion was carried out on each corporate attributes that has been taken under this study to see their association with the timeliness of financial reporting by the sample Pharmaceutical companies in India. They are discussed as below.

**Age of the Company**

The result of regression analysis shows most important corporate attributes that explains the variation in the timeliness of financial reporting is age. The regression coefficient for the age is -0.715, which is negative and very significant at the 0.008 level (P ≤ 0.01). As a result, “H0: There is no significant relationship between age of the company and timeliness of annual corporate reportings.” is strongly rejected and the alternative hypothesis that is there is significant relationship between age of the company and timeliness of annual corporate reporting is accepted. The result of the study is in consistent with the findings of the previous studies conducted by Courtis (1976). The companies with more maturity and age takes lesser time in release of corporate reports as compared to the newly established companies takes more time in disclosure.

**Size of the company**

Although the correlation analysis shows the significant negative correlation with the timeliness of disclosure, the result of regression analysis shows no significant relationship between size and the timeliness. The regression coefficient is -20.288 with P = .103 shows no significant relationship between the two.

As a result, H0: “There is no significant relationship between the size of the company and the timeliness of annual corporate reportings” is accepted. According to the result of regression analysis it can be inferred that there is no significant relationship between the size of the company and the timeliness of annual corporate disclosures. The result of the study is in line of the findings of previous studies conducted by Abdulla (1996); Khasharmeh and Alijifri(2010) and Mouna and Anis(2013), where they found no significant relationship between size of the companies and timeliness of financial reportings.

**Profitability**

The statistical results show that profitability (ROTA) is negatively associated with the timeliness of reportings with the coefficient of -0.522 and p value of 0.150. As a result the null hypothesis i.e. “There is no significant relationship between profitability of the company and the timeliness of annual corporate disclosures” is accepted. In brief, the result reveals that there is no significant relationship between companies’ profitability and timeliness in disclosure of corporate annual report. The finding is in line of the outcome of previous studies conducted by Abdulla (1996) and Khasharmeh and Alijifri (2010).
Foreign Shareholding

The statistical result shows that foreign shareholding has a positive association with timeliness of disclosure. The regression coefficient of the variable is 1.421 which is positive and significant at the 0.017 level ($P \leq 0.05$). As a result, $H_0$: “There is no significant relationship between the percentage of foreign shareholding and the timeliness of annual corporate reportings” is rejected and alternative hypothesis is accepted. In summary, there is significant and positive relationship between the percentage of foreign shareholding and the timeliness of annual corporate reporting.

Revenue from Abroad

The regression result shows that revenue from abroad has a negative association with the timeliness of disclosure. The regression coefficient of the variable is -18.214 which is negative and significant at the 0.014 level ($P \leq 0.05$). As a result $H_0$: “There is no significant relationship between revenue from abroad and the timeliness of annual corporate reportings” is rejected and alternative hypothesis is accepted. In short, the empirical study shows there is significant and negative relationship between the percentage of revenue from abroad and the timeliness of annual corporate reporting.

Concentration of Ownership

The statistical results of regression analysis show that concentration of ownership has positive association with the timeliness of financial reportings. The regression coefficient of the variable is 0.003 which is positive and non-significant at the 0.994 level. The results accept the null hypothesis i.e. $H_0$: “There is no significant relationship between concentration of ownership and the timeliness of annual corporate reportings.” The outcome of the study is similar to that of the findings of the study conducted by Moradi et, al.(2013). The concentration of ownership in the hands of few shareholders are not influences the time lag in preparation and disclosure of corporate annual report to the various stakeholders.

Conclusion

The study concludes that numbers of days taken by the sample companies are widely fluctuating and there is no consistency in between reporting companies. The minimum average number of days taken in last three year is 83.7 and the maximum average number of days taken is 211.7. The mean of total time lag is of 141, 139 and 142 for three consecutive years shows some consistency, however the standard deviation for the year 2013-14 is highest of 37 days as compared to the previous two years of 29 and 28 days. While analyzing the impact of selected corporate attributes on timeliness of disclosure, this has been found that three variables i.e. age, foreign shareholding and revenue from aboard appear to have strong impact on the timelines of corporate annual report disclosures. However, the other three variables i.e. Size, profitability and concentration of ownership are found to have little or no influence on the timelines of corporate annual report disclosures. The timeliness in financial reporting’s of corporate annual reports to the various users is one of the parameter of good corporate governance practice and corporates are expected to come up with their annual reports with in the shortest period of time for the larger interest of wide group of corporate stakeholders. The CEO’s, Board members and Independent directors has a substantial role in the timeliness in the corporate financial reporting to present a better image and best government practices before the users of corporate information.
Scope for Future Research and Limitations of the Study

The study also carries certain limitations. First, the study is focused on the companies from only one sector and there could be companies from multiple sectors to make cross sector comparison of timeliness in financial reporting. The results obtained in this study cannot be generalized to other sectors. Secondly, the study is based only on the secondary data and studying the published annual reports of sample companies, there is a huge scope to study the users preference for the timeliness in financial reporting by making a empirical study on the users of such corporate annual reports and how often and to what extent the delayed reports are actually impacts on their investment decision making. Cross country comparison in timeliness of financial reporting is other area which is missing in this study, the future researchers could take large number of sample companies from the other countries to experience the regional specific reporting practices by corporates from all over the world.

The obvious limitation of the study is as it is focused on the one the sample companies from one specific pharmaceutical industry in India, and to get more clarity about the timeliness of reporting practices, sectoral comparison can be done by including larger number of the companies from the other industries too.

References


**Appendix**

The Codes of Corporate Governance were extracted from the annual reports of certain companies for the purpose of highlighting how timeliness was regarded as one of the important codes of corporate governance. They are given as below.

**Dr. Reddy’s Laboratories Limited**

“Dr. Reddy’s Laboratories Limited (Dr. Reddy’s or the Company) believes that timely disclosures, transparent accounting policies and a strong and independent Board go a long way in maintaining good corporate governance, preserving shareholders’ trust and maximizing long-term corporate value.”

**Cadila Healthcare Limited**

“Cadila Healthcare Limited believes in adequate and timely compliance, disclosure of information on performance, ownership and governance of the Company and discharge of statutory dues.”

**Alembic Pharmaceutical Ltd.**

“Corporate governance is about commitment to values and ethical business conduct. It is about how an organization is managed. Timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the Company is an important part of corporate governance.”

**Claris Lifesciences Ltd.**

“Claris Lifesciences Limited philosophy envisions the attainment of the highest standards of Corporate Governance by timely disclosures, transparent accounting policies, responsibility and fairness. Its endeavor is to maximize the long term value of the Shareholders of the Company.”

**Neuland Laboratories Ltd.**

“Neuland Laboratories believes that adequate and timely disclosures, transparent accounting policies and an independent Board are essential to good corporate governance. Company’s corporate governance framework is designed to maintain shareholders’ trust and protect stakeholders’ value.”
Author’s Profile

P K Haldar is currently a Professor and Head of the Department of Commerce, Tripura University (a Central University) Tripura, India with specialisation in Management, Financial Control and Entrepreneurship. He had also been the Dean of the Faculty of Arts and commerce, Tripura University and also the Immediate Past Head of the Department of Commerce. His present level of research interest covers Corporate Reporting practices, Financial control and Entrepreneurial Management with a focus on Cross Border Entrepreneurial Leverage between Bangladesh and India’s North East.

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