Corporate ownership Vis-a-Vis disclosure: evidence from India

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Corporate disclosure stands as an essential facet of corporate governance. In today's globalized world, the corporate organizational structure and their operations are moving towards complexities. Thus corporate disclosure has also taken on a new connotation of comprehensive and reliable disclosures instead of the mere release of redundant information. Adequate and timely information is a global concern to ensure corporate accountability. In spite of several regulatory efforts to converge reporting standards, the extent of corporate disclosure varies across corporations. Corporations' disclosure practice grown endogenously and variations of disclosure practices can be due to change in incentives of disclosure. Pieces of literature on corporate disclosures practices have documented that corporate ownership structure influences disclosure practices. The research empirically examined the impact of corporate ownership on corporate disclosure in Indian perspective and disclosure practices made by the corporations. Descriptive method is used by the researcher to demonstrate the longitudinal trend of corporate ownership structure. Pearson correlation analysis was undertaken to examine the strength of the linear relationship between corporate ownership and disclosure. The finding on the association between promoter ownership and corporate disclosure contradicts with the conclusions of existing literatures in developed market context, which asserts that companies with concentrated ownership discloses less information compared to companies with dispersed holding structure. The negative correlation between institutional investors, non-institutional investors; and level of disclosure implicates an absence of markets in India to push for compliance with voluntary disclosure norms. Analyzing these findings on correlation, the research suggested reforms in existing legal framework in a mandatory approach. Future research can be done on the impact of corporate ownership and disclosure after accounting the moderating and mediating factors of corporate disclosure. The index used in this research is an un-weighted disclosure index; when a weighted disclosure index will be employed by future researchers, the results might be different.

Keywords: *Dispersed, Concentrated, Institutional, Non-Institutional, Ownership, Governance, Disclosure, Executive, Succession, Risk, Creditors, Shareholders, Credit Rating.*

Introduction

'Sunlight is said to be the best of disinfectants;' – an old but famous quote by Louis Brandeis, Supreme Court of United States [1]. The word 'sunlight' within the quotation, works as a metaphor for corporate disclosure. Disclosure can be considered as a disinfectant to unveil corporate mismanagements and irregularities. Corporate disclosure stands as an essential facet of corporate governance. From the standpoint of efficient monitoring of the corporations, disclosure practices stand to be a primary mechanism for reducing the conflict between managers and shareholders and the majority and minority shareholders, as it reduces information asymmetry.

In today's globalized world, the corporate organization structure and their operations are moving towards complexities. There is the mounting impetus of stakeholders' ultimatum to make an informed decision while they exercise ownership and control rights on corporations. Thus, corporate disclosure has taken a new connotation as to comprehensive and adequate disclosures instead of, mere release of redundant information. Increased and adequate information is a global concern to ensure corporate accountability [2]. A viable solution advanced to this issue is the convergence of national disclosure norms with the internationally accepted standards [3] because mere adding of information will not serve the purpose of disclosures; the information has to be clear and free from irrelevant information.

Over the past two decades, pronounced regulatory endeavors have been made by different jurisdictions in promoting comparable reporting standards [4]. The need for developing the comparable reporting standards aims at ensuring a reliable and credible information disclosure. A corporation committed to enhanced disclosure is incentivized to a low cost of capital and high market value, as adequate disclosure lowers investors' uncertainties relating to inside information [5].

In spite of several regulatory efforts to converge reporting standards, the extent of corporate disclosure varies across corporations. Corporations under mandatory disclosure regime adopt box-ticking method for compliance. The companies use disclosure templates to (or "intending to") complying with mandatory disclosure requirements and often disclose information which is not timely and contextual. Most of the time they repeat information disclosed in past years (Note 1). Often companies disclose historical information. Nevertheless there is real demand from the market analyst, investors and the regulator for more consistent and comparable corporate disclosure (Note 2). Companies' disclosure practice grows endogenously, and variations of disclosure practices can be due to change in incentives of the disclosure [6, p. 447-458].

The disclosure practices of corporations are influenced by several factors such as the strength of the enforcement regime, capital market forces (e.g., the need to raise outside capital), ownership structure, etc. [7, p. 235-270]. Where corporate ownership structure is widely held (dispersed), there is a corporate control held by the managers and directors. There is a demand for transparent disclosure mechanism expected from corporations with dispersed ownership structure, to monitor the activities of human agencies directing and managing the companies. On the contrast, where the ownership structure is concentrated, the corporate control lies in the hands of controlling shareholders, they do not have to depend on external disclosures. The controlling shareholders have privileged ingress of information of companies' internal activities and affairs. They are likely to extract information about the company from internal sources which results in the expropriation of private benefits by the majority shareholders and corporations may emphasize less on dissemination of information to the public. The regulatory challenge at this juncture is reform of exiting corporate disclosure norms. Thus, the major thrust of this research has been an attempt to suggest the approach of reforms (hard law or soft law) in the backdrop the relationship between the corporate ownership as an institutional factors and corporate disclosure practices by listed Indian companies.

1. Review of Literature

1.1. Concentrated Ownership Structure and Corporate Disclosure

The conceptualization of modern corporation (characterized as widely dispersed corporate ownership structure) drawn out by Berle and Means, (1932) have a limited application around the globe. La Porta, et.al., (1999) argues that concentrated ownership is a rule rather than exception around the world [8, p. 471-517]. Studies on the ownership structure of developed nations (France, Germany, and Japan) evince notable concentration of ownership of corporations [9, p. 365-395].

Shleifer and Vishny (1986) argued that large shareholders play a dominating role in the corporations because they hold enough stock to effectively monitor and influence the management of companies [10, p.461-488]. Chiraz, et.al., (2007) have scrutinized the effect of ownership structure on a firm's disclosure quality by theoretical assumptions of agency theory [11, p. 12-13]. They concluded that demand for information by investor's increases with the agency cost of a firm. The study of Cormier et. al., (2005) drawn inferences that corporations with concentrated ownership are less responsive to the information need of public investors because they are dominantly positioned to have ingress to their required information [12, p. 3-39]. Alves, et. al., (2012) examined the relationships between corporate ownership and voluntary corporate disclosure; with the help of a voluntary disclosure index [13, p. 15-26]. The study was premised on Portugal and Spain. Their results have shown that the presence of a controlling shareholder has a negative relation with voluntary disclosure. The findings of the review of literature divulge that controlling shareholders of companies with concentrated ownership are in a position to access privileged information about the company. Based on the reviewed literatures, it can be asserted that companies with concentrated ownership disclose less information. Dispersed ownership structure leads to lack of convergence among dispersed shareholders to monitor the managerial performance of the corporations where they hold a stake. Disclosure tends to lower cost of an agency by solving the monitoring problems encountered by the dispersed shareholder [14, p.85-88].

1.2. Dispersed Ownership Structure and Corporate Disclosure

Dispersed ownership structure connotes diversified base of shareholders who hold a small portion of total share capital of a company. Dispersed ownership structure is predominant in United States, United Kingdom, and Australia [8, p. 471-517]. In dispersed ownership structure, the shares of a corporation are widely distributed among institutional investors and retail shareholders leading separation of control and ownership on corporations [15]. Corporations with ownership dispersed structure, discloses more information [16, p. 305-360]. A research premised on listed diversified companies in Australia revealed the positive correlation amid ownership dispersion and degree of voluntary disclosure [17, pp. 33-50]. Rozaini Mohd Haniffa & Terry E. Cooke, (2002) have found in their research that managers in a dispersed ownership corporations provide added information to build confidence on the minds of dispersed shareholders and showcase that corporate interest is tuned with the interests of the shareholders, while insufficient information disclosures are associated with concentrated ownership [18, p. 317-349]. Bushee and Noe, (2005) findings established that corporations with high disclosure rank have greater institutional ownership [19, p. 171-202]. From the above literatures, inferences can be drawn out by stating that in US and UK the ownership is dispersed in the form of shareholdings by the institutional investors. It is also discernible from the above pieces of literature that managers of corporations with dispersed ownership divulge additional information to fulfill investors' demand for adequate information.

2. Relevancy of This Research

Today investors demand predictive information in addition to historical information. For instance, the information they require is not confined to board structure but also information as to credibility and capability of board members to direct the corporate activities. They need relevant information rather than excessive information [20, pp.30–40]. Hence relevancy of information disclosed is the need of the day instead of quantity of information. The studies in the past assessed the gravity of disclosure based on the amount of information disclosed in public domain. The present research has taken into account relevant information to measure the disclosure practices.

The reviewed literature by this research documented that corporate ownership structure can culminate changes in disclosure practices. In a dispersed shareholding pattern, corporation managers are expected to adopt disclosure practices. An organization with dispersed shareholding structure faces a more significant demand for disclosure by shareholders. Whereas in corporations characterized with concentrated shareholding structure, controlling shareholders use the mechanism of directly monitoring of managerial action and hence they are less incentivized to transparent disclosure practices. Previous researchers mainly focused on correlation amid ownership structure and corporate disclosure of financial information. There is dearth of literature on relationship amid ownership structure and corporate disclosure of non-financial information. Non-financial information is narrative in nature, where adequacy and objectivity are an underlying issue, unlike financial information.

The pieces of literature stated above have analyzed the relation between ownership structure and disclosure on developed markets. Some of the institutional characteristics of India, such as a developing capital market and a less active takeover market unlike US and UK, greater involvement of government-owned financial institutions, inter-corporate financing through development banks and higher dependence on external sources of funding, could influence the costs and benefits of disclosure by corporations in India in some unique ways. Therefore, extending the findings of reviewed literatures on the relationship between ownership structure and corporate disclosure to Indian perspective may not be an apt assertion.

3. Methodology Adopted

Descriptive method (Note 3) is used by the researcher to demonstrate the longitudinal trend of corporate ownership structure (Promoters, Institutional Investors and Non-Institutional Investors) and disclosure practices made by the corporations from 2006-2015. The disclosure practices are examined by with the help of index (Note 4) developed by the authors cited below. (Table 1)

Table 1

Corporate Governance Disclosure Index

PARAMETER AND ITEMS
DISCLOSURE RELATING TO BOARD STRUCTURE
The extent to which their boards are diverse
Details of performance conditions of individual director
Criteria for accessing the performance
Results of performance evaluation
Board Nomination Process
Policy for nomination
Disclosure relating to composition of nomination committee
Policy relating to appointment of director on the recommendation of investor
Minimum qualifications requirements for board nominees
Process for identifying and evaluating of board nominee
DISCLOSURE RELATING TO BOARD DIVERSITY
Policy with regard to the consideration of diversity
How this policy is implemented
Assessment of the effective implementation of this policy
DISCLOSURE RELATING TO EXECUTIVE COMPENSATION
Composition of remuneration committee
Qualification of member
Remuneration Policy
Compensation program designed to reward executives
Rational for each element of compensation
Financial Performance based compensation
Executive remuneration for non-financial performance
Long term incentive (part of compensation package) for executive

DISCLOSURE RELATING RELATED PARTY TRANSACTION
Policies and procedures for the review, approval, or ratification of any transaction Transactions covered under the policies Type of board members responsible for transactional review Transaction specific disclosure **1.** The transaction date; **2.** The parties to the transaction; **3.** The relationship between the parties; **4.** A description of the transaction; **5.** The rationale for entering into the transaction; **6.** The terms of the transaction; **7.** Economic benefits
DISCLOSURE RELATING TO CREDITORS
Bondholder's representation in Board Credit Worthiness and Credit Ratings • The elements of the securities that the credit rating addresses; • The identity of the credit rating agency assigning the rating • The credit rating assigned by the credit rating agency • The date the credit rating was assigned • The relative rank of the credit rating agency within the credit rating agency's classification system; • All material limitations of the credit rating
DISCLOSURE RELATING TO SHAREHOLDERS
Facilitation of cumulative voting Voting Results Dividend Distribution Policy • Rational of dividend policy • Policy of capital maintenance • Policy relating to recapitalization • Factors influencing the declaration of dividend • Dividend policy for various classes of shares
DISCLOSURE RELATING TO RISK AND RISK MANAGEMENT
Composition of risk committee Business operational risk and disclosure Details of risk disclosure Stakeholders consultation in risk identification Risk reviewing procedure Periodical risk disclosure Risk Management Framework (short term and long term)
DISCLOSURE RELATING BOARD SUCCESSION
Composition of succession committee Mandate for succession committee Policy of leadership succession plan • Age of Successor • Gender of Successor • Educational Background • Experience skill and special knowledge Policies relating to identification of internal candidate for leadership succession Policies relating to grooming of leadership Frequency of review of succession plan Policies relating to emergency Succession Plan

Source: Deb, S. and Dube, I., 2017 (Note 4)

The data relating to the disclosure practices adopted by the corporations are retrieved from the annual reports archived at sampled companies' websites. One-Way Analysis of Variance (ANOVA) (Note 5) method is applied to find out whether there is a significant difference among the years of study (2006-2015) for the variables, i.e., Promoters (PROM), Institutional Investors (INSTIT) and Non-Institutional Investors (NON-INSTIT). Correspondingly ANOVA analysis was also used to draw the variances of aggregate disclosure for the period (2006-2015). With these background data on corporate ownership and disclosure practices, the relationship between corporate ownership and corporate disclosure has been investigated by the application of correlation analysis. The sample companies constitute the Index- S&P BSE 200 which represents top 200 companies in India in terms of free float market capitalization. The reason for selecting S&P BSE 200 is that the index represents top 200 companies those are the pioneer regarding market capitalization. The final sample of companies after the filtration is 71 (Note 6).

4. Relationship Between Corporate Ownership and Corporate Disclosure in India

The relationships between corporate ownership structures and corporate disclosure have significance in development of regulations and law relating to corporate governance. There is a deficiency in research on the relationship of two important components of corporate governance in India. The Indian corporate culture and values are different from other economies [21, p. 435-454]. Since Indian is increasingly receiving importance in the global economy, this creates a need to understand the patterns of corporate ownership as governance structures and their relationship with the disclosure practices of corporations in India.

4.1. Evidence of Corporate Ownership in India

The section exhibits the trend curve and statistical information on the trends of corporate ownership in India. Discussion below is based on median statistics. Figure 1 shows the distribution of the mean percentage of shareholding between the identified categories of investors at the end every financial year ranging from 2006-2015. An ANOVA test was applied to find out whether there is a significant difference among the years of study for the variables – Promoters (PROM), Institutional Investors (INSTIT) and Non-Institutional Investors (NON-INSTIT). The ANOVA test results are presented in (Table 2).

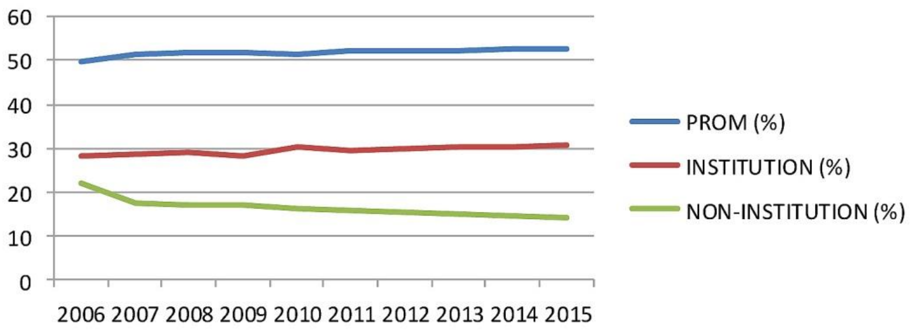

Fig. 1. Longitudinal Trend of Corporate Ownership (Mean Percentage)

Table 2

One Way ANOVA

Variables	Source of variation	SS	df	MS	P-Value
Promoters (PROM)	Between Groups Within Groups Total	1197.28 196717.2 197914.49	9 700 709	133.0312 281.0246	0.89
Institutional (INSTIT)	Between Groups Within Groups Total	271.691 78003.24 78274.92	9 700 709	30.18788 111.43319	0.98
Non-Institutional (NON-INSTIT)	Between Groups Within Groups Total	2665.404 52852.45 55517.85	9 700 709	296.1560 75.50350	0.0000697*

* *SS* connotes Sum of Square * *df* connotes Degree of Freedom
* MS connotes Mean Squares
* Difference is significant at the 0.05 (5%) level of confidence

Findings and Discussion

Promoter holdings still dominate the Indian firms. The ownership trend of promoters has interestingly shown stable line after 2011 ranging from 52.21% to 52.67%. The average shareholding of promoters was 51% from 2006-2015. The P value **(Note 7)** for the variable PROM is 0.89 (P more than 0.05) between the years of study. This value establishes that there is no significant difference between the years of study for the variable Promoters (PROM). The plausible reason might be the minimum public shareholding rule mandated by SEBI and structuring their shareholding to reduce to 75% **(Note 8).** The steady trend of promoters' ownership shows a moderate level of regulatory success in achieving liquidity in the capital market.

The ownership percentage of institutional investors has increased moderately in the foregone years, i.e. 28% in 2006 to 30% in 2015. This trend may be due to increasing migration to global market and holding increased during 2009. However, the P value for the variable INSTIT is 0.98 (P more than 0.05) i.e., there is no significant difference between the years of study. The possible reason could be that the institutional investors fetched the shares retailed by the promoters. A situation of investment institutionalization is apparent from the rising curve of institutional investors across the Indian corporations. These results might be implications of regulatory measures. This progression of the shareholding trend may probably affect the corporate governance practices of the corporations which are proved from the subsequent discussions.

The non-institutional investors showed a declined trend throughout the period of study. The shareholding of non-institutional investors decreased intensely from 21% in 2006 to 14% in 2015. The mean percentage shareholding of promoters remained steady, but the level of concentration changed, among its components. The shareholding pattern has marked stabilized trend from 2007-2009, after that, it gradually declined to 14% in 2015. This trend shows the reduced interest of retail investors to get directly involved with the corporation due to growing complexities of business organizations. Retail investors might be less incentivized and lack the monitoring ability to sway the conduct of complex organizational activities. Parallelly, the rising trend of institutional investors corroborates the fact of the shift in preferences of investment of retail investors. The P value for the variable NON-INSTIT is 0.0000697 (P less than 0.05) i.e., there are significant differences between the years of study for the variable, i.e., Non-Institutional Investors (NON-INSTIT). The reason for such significant result might be because retail investors elude direct equity investment from their investment portfolio. Their returns on their investment might not incentivize them to monitor management and also possessed with the perceptional appetite that their votes may not affect the decision-making process of the companies where they invest. Still today significant sections of retail investors are mostly irrational in their investment behavior **(Note 9).** They find that the process of getting informed and voicing their preferences as a costly gamble, for which they prefer indirect involvement in company's capital structure **(Note 10).** While few section of retails investors may also refrained from a direct relationship with companies due to wide variation in the disclosure of information in public domain, which may be due to their inability to compare corporate performance and non-performance. The declining trend also establishes that the corporate governance reforms post globalization (engrossed to generate a healthy-diversified shareholding base in Indian market) could not contribute in the improving the retail shareholding base of companies over the years till 2015.

4.2. Evidence of disclosure practices of selected companies

This section describes the longitudinal trend of disclosure relating to broad parameters of the identified disclosure index in a disintegrated form. This section deals with a depth analysis of the results of disclosure practices. The results in this section are produced from the review of the annual report of 71 companies across the period 2006–2015 (Figure 2).

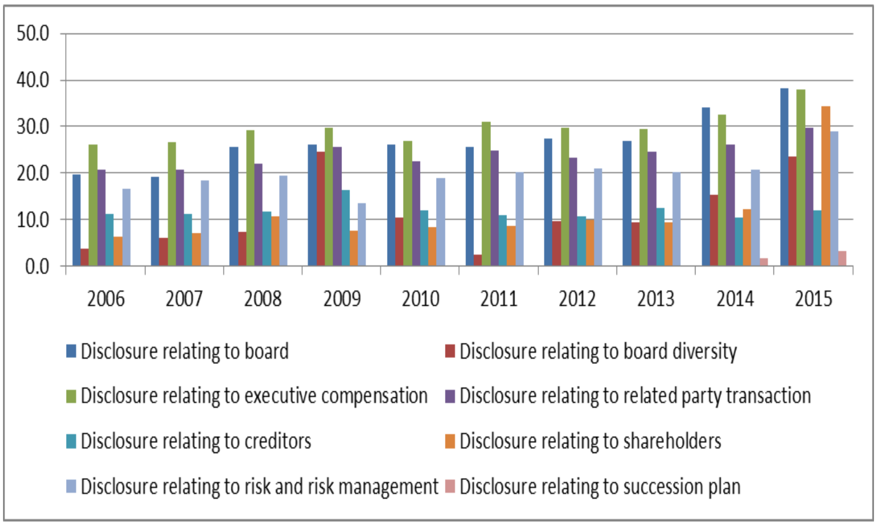

Fig. 2. Consolidated Longitudinal Trend in Disclosure Index Performance

Disclosure relating to executive compensation has highest ranked parameter among other identified parameters. The second position was secured by disclosure relating to board structure. This indicates that Indian corporations are more focused on reporting to stakeholders as to how the boards are structured. Transparency in board structure may be perceived a mitigating factor in reducing information asymmetry between stakeholders and corporations. Formulation and reporting a leadership succession have remained lowest ranked and un-deliberated practices among the Indian corporate culture. The average volume of disclosure does demonstrate a slow-changing escalating pattern. The rate of escalation amplified after 2014 because the Indian corporations were pushed to stride with a significant development in disclosure under listing regulations introduced by SEBI. The amplification of growth in trend was also factored due to the reaction of few progressive companies to compete with global corporations. Nevertheless, the figure also reveals that more than 50% of the sampled companies lacked acquaintanceship with disclosure practices tuned with global practices. The parameters of the disclosure index were disclosed over the years on an average 16.96%. The said findings are also reinforced by the ANOVA estimation (Table 3) which establishes significant differences among the means of disclosure between the selected years of the study (P value – 8.7E-103 < 0.05). These empirical results indicate the efficiency of disclosure among corporation in India and establish an indecent symbol of the general health of disclosure practices in the Indian market. Such low level of transparency also supports the need for regulatory improvements to be exerted to increase the efficiency of information disclosure among corporations in India (Table 3).

Table 3

One Way ANOVA of Disclosure (DISC) (2006-2015)

Variables	Source of variation	SS	df	MS	P-Value
Disclosure (DISC)	Between Groups Within Groups Total	14317.68 13674.5 27992.18	9 700 709	1590.853 19.535	8.7E-103

4.3. Results of the Correlation Analysis

Table 4 demonstrated the descriptive statistics for all the identified variables. The average disclosure was scored at 24.86 with a minimum score of 11.47, a maximum score of 47.54. The standard deviation of variable DISC is 6.06, and the coefficient of variation is 0.24 (less than 1) which indicate low variance in the disclosure among the samples from the mean score. The average rating of PROM is 52.94 with a minimum score of 0 and a maximum score of 89.5. Promoter ownership constitutes substantial percentages of ownership in the majority of sampled companies. This result re-establishes the relative importance of promoter ownership in India. As illustrated in below Table 4, the average total score of institutional investors was 28.53. However, the average rating of institutional ownership also cannot be overlooked which may be positively exploited in the promotion of best practices in corporate governance. The descriptive statistics for non-institutional investors were significantly condensed when compared with the other two categories of ownership. The mean ownership of non-institutional investors amounts to only 16.93 with minimum ownership oscillating from 2.17 to maximum 55.24 (Table 4).

Table 4

Descriptive Statistics

Variables	*N*	*Minimum*	*Maximum*	*Mean*	*Std. Deviation*	*Minimum*	*Maximum*
PROM	710	.0000	89.5000	52.946817	16.7076621	0	89.5
INSTITUT	710	1.4500	58.0300	28.534437	10.5072295	1.45	59.03
NON-INST	710	2.1700	55.2400	16.936718	8.8489802	2.17	55.24
DISC	710	11.4754	47.5410	24.481644	6.2834073	11.47	47.54

Findings

Pearson correlation analysis was undertaken to examine the strength of the linear relationship between the four variables – PROM, INSTIT, NON-INSTIT, DISC (Table 5). Promoters and non-institutional investors are negatively correlated. As corporate ownership turns to be more prone to promoters, the shareholding of non-institutional investors decreases. The correlation between promoter ownership and institutional investors is positive. This indicates that in the majority of the promoter owned corporations; the major stockholders are institutional investors. The analysis also demonstrates that the correlation coefficient (r) between the variable PROM and DISC is 0.078, which is positively correlated and significant at 0.05 level (Note 11). An r value of 0.078 is quite small to 1 which indicates a weak positive correlation. The correlation coefficient (r) between the variable INSTIT and DISC is – 0.09, which affirms a weak and insignificant (Note 12) negative correlation. It can be interpreted that though institutional investors have a negative relation to corporate disclosure but still not enough to reject the assumption that institutional investors have any influence on corporate disclosure. There is a negative and significant (Note 13) correlation result between non-institutional investor and disclosure (R value – .127). This means that the level of disclosure does not vary with the percentage change in non-institutional ownership.

Table 5

Correlation Coefficient Matrix

Variables	PROM	INSTITUT	NON-INSTITUT	DISC
PROM	1	.833	-.689	.078*
Significance		.000	.000	.037
INSTITUT	.833	1	.241	-.009
Significance	.000		.000	.820
NON-INST	-.689	.241	1	-.127
Significance	.000	.000		.001
DISC	.078*	-.009	-.127	1
Significance	.037	.820	.001	
N	710	710	710	710

Discussion

The correlation analysis spotlight several interesting observations as stated under. As revealed from the correlation estimations, promoter ownership was found to have a significant positive relation with corporate disclosure. The result supports the incentive goal alignment hypothesis [16]. One of the probable reasons for such positive relation might be that the promoter ownership is distributed between foreign promoters and domestic promoters. Foreign promoters might exert influence in the corporate reporting practice due to the separation of management and ownership factored by geographical detachment with the management. Foreign promoters may demand high-level disclosure to monitor the functioning of management. It cannot be denied that capability of companies to access the global capital market will be contingent on the strategy of the corporation to communicate. Thus, promoter-owned companies might be strategized with compliance of disclosure norms to attract capital, to fund their diversification of business operation. The correlation results between INSTIT and DISC might be interpreted with the notion that though the domestic institutional investors might not be able to influence the corporate disclosure significantly, the foreign institutional investors may invest in corporations with good governance scores [22]. The correlation result between non-institutional investor and disclosure re-establishes the findings that corporate disclosure of corporate information does not possess a weighty relationship with dispersed ownership [23, pp. 295-308].

Conclusion

A pertinent question that may arise is the need of studying the relationship between corporate ownership structure and corporate disclosure. Should it not leave the concern of improvements of disclosure upon the corporations as disclosures are practiced by the stimulus of cost-benefit analysis? The answer to these questions is possibly negative. Indian companies are increasingly accessing funds from the global market. The canvas of investors is not merely confined to domestic investors but also encompasses the global investors. With the inroads of global investors participation on the corporate capital, the information demand has also taken a new shape (information as per global standards), and the legal framework of an emerging market like India (which has stepped in the conduit of globalization) cannot deny an effort to introduce reforms.

The research has found the practice scenario of corporate governance disclosure is in a fragile state. Even though there are some estimable practices of corporate governance disclosure by the Indian companies, but it was found that they are mostly abstract. The promoter ownership over the years is insignificant; the trend line shows that their holding is getting more concentrated than getting diffused. The analysis on the association between the identified types of ownership and corporate disclosure has established a positive relationship between promoters and corporate disclosure. The finding on the association between promoter ownership and corporate disclosure contradicts with the conclusions of existing literatures in developed market context, which asserts that companies with concentrated ownership discloses less information compared to companies with dispersed holding structure [11, pp. 12-13]; [12, p. 39]. Both institutional and non-institutional investors possess a negative correlation with corporate disclosure. The research finding is backed by existing literature where it was concluded that firms with family owners has better management and low information asymmetry between owners and managers [24, pp. 499-536]; [25, pp. 238–86]. The finding of this research also corresponds to the findings of Skinner, (1994) who concluded that companies with concentrated ownership are likely to disclose more information with an objective to preempt litigation cost [26, p. 82].

Suggestion

At the juncture of suggesting improvements to the legal framework as to corporate disclosure, a pertinent question gets inflamed as to which approach to reforms is best suited to the market conditions of a particular jurisdiction. The suggestions stated in the ensuing sections are made in contemplation of the correlation between corporate ownership and corporate disclosure. Moving with the momentum of globalization, the expansion of business operation of Indian companies which are traversing national jurisdictions call for harmonization of corporate reports. The below suggested approach of legal reforms demonstrate a rational approach to improvement in disclosure norms that integrates different global standards for improved access to the global markets. This will also assure the global investors that corporation discloses a certain minimum set of disclosure which will help them to forecast earnings and predict performance capability.

Hard Law or Soft Law

How to enforce corporate disclosure through hard law or soft law – is a debate worldwide within the scholars? Business is not in favor of hard law approach rather argue for voluntary disclosure, based on market demand. On the contrast activist support hard law approach and advocated that it will boost confidence of the market.

Nevertheless, the analysis of promoter ownership shows a mounting longitudinal trend. The correlation result shows that promoter ownership is significantly positively correlated with the level of disclosure. It has also been observed from the analysis of the annual report that compliant companies mostly disclosed the mandatory disclosure. Promoters owned companies are increasingly diversifying in operations. Thus, they may strategize the compliance of mandatory disclosure norms to access long-term capital from the market. Furthermore, promoter shareholders may be perceived with the idea that as long as their portfolio companies comply with mandatory disclosure, external shareholders may be less inclined to play an intrusive role. The voluntary approach to the disclosure may afford a scope to the less progressive promoter-dominated companies to opt for opportunistic disclosure. Therefore, transplanting the suggested improvements in a mandatory approach will not be counterproductive. The variable INSTIT does not have a significant negative relationship with the variable DISC. Though the trend line of institutional investors is increasing with a leaden-footed speed, it would be unrealistic to expect that institutional investors will monitor, whether companies comply with disclosure practices coherent with globally set standards. The imperfect negative correlation between non-institutional investors and corporate disclosure and the declining trend of non-institutional investors, implicates an absence of markets in India to push for compliance with voluntary disclosure norms. Comparability of reports may also be an issue for some non-institutional investors and add to their cost of being informed investors. Mandatory disclosure will factorize the proliferation in the volume of disclosure and shrink the variability of corporate reports and enable stakeholders to compare the corporate reports and assess the governance practices with similar terms of references across different corporations. Even though the suggested approach of improvements in this research is mandatory, but it cannot be denied that ethical governance practices should infiltrate through the governance culture of companies. Mandatory disclosure norms merely formulate specific essential standards of corporate disclosure which should not be bypassed by corporations in the interest of investors.

Contribution of This Research

- The research contributes to the functional domain of corporate governance by documenting the level of non-financial disclosure in an emerging market (Indian corporations). The findings of the corporate ownership pattern may also be of potential interest to market regulators to gain an impression about the efficacy of the regulation aimed at creating diversified corporate ownership structure among Indian corporations.
- The index used in this research is prescriptive in nature and tuned with global standards which can be employed by future researchers to test the level of disclosure in other emerging markets.
- The study accords to the knowledge domain of corporate governance by drawing the relationship between corporate ownership and corporate governance disclosure, from the perspective of emerging market.

Scope of Future Research

• Future research can undertake investigation relating to the level of disclosure using the identified disclosure index within other emerging markets because there are institutional differences between emerging markets, i.e. legal system, cultural diversities and economic policies.

• Future research can also be done on the impact of corporate ownership and disclosure after accounting the moderating and mediating factors of corporate disclosure. Beside corporate ownership structure, other determinants (mediating and moderating factors) may also explain variance of corporate disclosure within corporations.

• The index used in this research is an unweighted disclosure index; when a weighted disclosure index will be employed the results might be different because a weighted index takes into the consideration the importance of the disclosed item.

• While the present research is undertaken on listed companies, future research can examine nonlisted companies and this may afford a unique opportunity to compare the level of disclosure among listed and non-listed companies.

Notes

1. See, *'Domestic companies couldn't ignore the global developments, which are moving towards more investor activism. Shareholder activism has increased in the last five years. Also, institutional investors are coming in support of minority shareholders for more transparency...Companies can't ignore this.....'* – U. K. Sinha (SEBI Chairman) while addressing the Capital Market Summit (2013) organized by FICCI in Mumbai. Date Views: 21.08.2016. http://www.ficci.com/ficci-in-news-page.asp?nid=8191

2. FTI Consulting has examined disclosure practices of BSE 100 companies. The report findings revealed that majority of Indian corporations failed to comply with mandatory disclosure requirements. 57 percent of companies currently did not provide adequate strategy – related information on their corporate website. Only 43 % were able to articulate business strategy apparently. Their findings have manifested the need for a shift in strategic thinking relating disclosure by the corporations. Date Views: 21.08.2016. http://www.fticonsulting.com/~/media/Files/us-files/insights/reports/india-disclosure-index-2015.pdf

3. Descriptive method is a process of describing the behavior of a variable without exerting any influence.

4. For index validation please refer Deb, S. and Dube, I., 2017. Corporate Governance Disclosure for Complex Ownership Structure in India, Indian Journal of Corporate Governance, 10(2): pp.143-175

5. Analysis of Variance (ANOVA) is a set of statistical methods used mainly to compare the means of two or more group of variable

6. The sample size for the research work have been further filtered out upon the application of the following criteria -

• Eliminated the companies whose shareholding data for the period of 2006-2015 is not available.

• Removed the companies whose annual reports are not available from 2006 to 2015.

• S&P BSE index changes every year. Therefore, companies presently listed within the index in all the years are considered for the research work.

• Eliminated the cross-listed companies.

7. P value is probability of rejecting the null hypothesis (for instance, there no difference between the groups of variable)

8. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Regulation 38 mandates a listed entity to comply with the Minimum Public Shareholding requirements specified under Securities Contracts (Regulation) Rules, 1957, Rules 19(2) and 19A.

9. Investors rely upon suggestions of their friends and investors analyst: Chandrasekhar, C. P., Malik, Sarat & Akriti, The Elusive Retail Investor: How Deep Can (and Should) India's Stock Markets Be?, Date Views: 13.10.2017 http://www.sebi.gov.in/cms/sebi_data/DRG_Study/elusiveretailinvestor.pdf

10. Through the institutional investors.

11. The P-Value is 0.037721. The result is significant at $p < 0.05$.

12. The P-Value is 0.8108. The result is not significant at $p < 0.05$.

13. The P-Value is 0.000694. The result is significant at $p < 0.05$.

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