

CORPORATE REPORTING PRACTICES IN INDIAN SMALL AND MEDIUM ENTERPRISES

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ABSTRACT

The present study is undertaken to explore Corporate Reporting Practices in Listed Indian Small and Medium Enterprises. 70 Small and Medium Enterprises are selected from BSE SME Platform based the availability of Corporate Reports information for 10 years. Hence the period of study is 10 years from 2010-11 to 2019-20. The select companies are categorized into sectors. Corporate Reporting practices are defined with Annual Financial Reports, Audit Report, Related Party Disclosure and Directors Remuneration. These reports give most of the information about the performance and transparency of the Corporate Board. Each report of a company has weighted with 1. Hence the maximum average score in a particular sector is 4 and minimum average score is 0. Mean is used to explore average Corporate Reporting practices among listed SMEs. The study revealed that the Corporate Reporting practices are highly appreciable in Indian listed SMEs. The study has also revealed that the practices of corporate reporting in select SMEs are improving every year.

Keywords: *Small & Medium Enterprises, Corporate Reporting, Corporate Governance, Audit Committee.*

Introduction

As a part of corporate disclosure requirement, every listed company has to publish certain information every year. These are directed by Listing Agreements by stock exchanges. Some regulations regarding Corporate Reporting are also be governed by the Companies Act 2013. ICAI issues and revises AS and IND AS from time to time in this regard. In this study the Corporate Reporting practices are defined with Annual Financial Reports, Audit Report, Related Party Disclosure and Directors Remuneration. These reports give most of the information about the performance and transparency of the Corporate Board, which is entrusted to work on behalf of shareholders. Each report of a company has weighted with 1. Hence the maximum average score in a particular sector is 4 and minimum average score is 0.

Review of Literature

Alexander Fries et al. (2021) authors of this article made a systematic literature review of 99 articles from 25 peer reviewed journals. They had addressed generic leadership styles and family specific leadership behaviors. They also developed a conceptual framework on antecedents and outcomes of behavior of leadership styles in family businesses.

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María-José et al. (2019) this paper aimed to evaluate board characteristics and board structure determinants of small and medium enterprises of Europe. Authors found that the board size is larger than prescribed standard by law and existence of more nonexecutive directors on the board.

Virgo Süsi and Oliver Lukason (2019) this paper cover Corporate Governance and its interconnected failure risk in small and medium-sized enterprises. The study is based on Estonian SMEs and data is collected from Estonian Business Register. Failure risk is expressed with a well-known Altman model.

Fabio La Rosa and Francesca Bernini (2018) this study is undertaken to see the impact of economic recession and its impact on the performance of Italian gambling small and medium-sized enterprises Ownership concentration is negatively associated with the performance of select SMEs. This study revealed that the financial crisis had no impact the performance of Italian gambling SMEs.

Mohd Shariff Nurhazani et al. (2018) this paper studied Malaysia tourism small and medium enterprises. The study had evaluated Corporate Governance parameters like Shareholders, Ownership and Board Structure, Top Management, Board of Directors, Conflict of Interest, Stakeholders, Social Responsibility, Remuneration and Transparency. Better practices of select corporate governance parameters significantly assist the administration and management of firms.

Anahí Briozzo et al. (2017) this paper studied Corporate Governance and the financing of SMEs from a gender view point. The results revealed that there are significant relations between the women participation in ownership, external audits, and financing decisions. However, no relation is found between the women participation at the different levels of the CG.

Nermeen Shehata et al. (2017) this paper had studied the relationship between board diversity and firm performance in small- and medium-sized enterprises in the U.K. Role of gender and age are the two dimensions of board diversity. The study had revealed that a significant negative association between each of Gender and age diversity, and firm performance.

Wendy L. Martin et al. (2016) this paper, studied the differences in decision making power centralization and delegation Practices of family and non-family the study revealed that family firms maintain more centralized decision making and delegation is different when compared to non-family firms. Whereas family firms choose centralizing operational issues, non-family firms centralize employment issues more.

Daniela Di Berardino (2016) this paper studies the relationship between the managerial board, ownership structure and firm performance of a new technology ventures SMEs. The study had revealed positive relations between firm performance and Corporate Governance attributes.

Jenny María Ruiz-Jiménez and María del Mar Fuentes-Fuentes (2016) the paper studied the influence Gender Diversity practices on the performance of technology-based Spanish SMEs. Gender Diversity in the top management team moderates this relationship positively.

Research Gap

From the existing literature review it is observed that there are no studies found that are focused on Corporate Reporting Practices in Indian SMEs.

Objectives of the Study

- The Research gap is addressed with the help of following objective.
- The objective of the study is to evaluate the Corporate Reporting Practices of Indian Small and Medium Enterprises.

Research Methodology

Secondary source of data is used for the study. Total Listed SMEs on BSE SME Platform are 229. 70 Listed SMEs are selected for the study based on the availability of data for the entire period of study. Period of study is 10 years form 2010-11 to 2019-20. Data extracted from CMIE Prowess IQ. Explorative Research study is carried out to evaluate Corporate Reporting Practices in Indian SMEs.

Findings of the Study

The parameter corporate reporting is the combination of 4 statutory reports which are published annually. Those reports are Financial Report, Audit Report, Related Party Disclosure report and Director Remuneration Report.

The Sectors under the study are short formed in the table. The abbreviations are as below:

Short Form	Abbreviation
STD	Standard measure
AS	Agriculture & allied products
CS	Construction and Allied Sector
PF	Pharmaceutical Sector
ES	Entertainment Sector
FS	Financial Services
FB	Food and Beverages Sector
FF	Fund based Financial Services
MS	Manufacturing Sector
OS	Other services
SW	Software activities
WT	Wholesale Trading

Source: compiled from CMIE Prowess IQ

The statistical results of the Corporate Reporting Practices are presented in the following Table:

Corporate Reporting Practices	YEAR	Corporate Reporting Practices										Source: Compiled from CMIE Prowess IQ	
		STD	AS	CS	PS	ES	FS	FB	FF	MS	OS		SW
	2010-11	4	3.00	3.38	3.50	3.00	3.00	3.40	3.00	3.15	3.80	3.67	3.50
	2011-12	4	3.00	3.38	4.00	3.00	4.00	3.40	3.38	3.80	4.00	4.00	3.50
	2012-13	4	3.50	3.38	3.75	3.00	4.00	3.40	3.77	3.80	4.00	4.00	3.71
	2013-14	4	3.50	3.50	3.75	3.67	4.00	3.80	3.92	3.80	4.00	4.00	3.64
	2014-15	4	3.50	3.63	4.00	3.67	4.00	3.40	3.85	3.80	4.00	4.00	4.00
	2015-16	4	3.50	3.50	3.75	4.00	4.00	3.60	3.85	4.00	4.00	4.00	3.79
	2016-17	4	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.93
	2017-18	4	3.50	3.75	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
	2018-19	4	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	3.93
	2019-20	4	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00

The above table describes the status of Corporate Reporting Practices in selected Sectors. The Software Sector and Financial Services Sector are following the Corporate Reporting Practices more significantly. Though the corporate reporting norms are varied among different company years, all the Sectors are significantly following the Corporate Reporting Practices throughout the study period of 10 years. From the year 2016-17 many companies have started following corporate reporting. During the year 2019-20, all the Sectors are practicing the corporate reporting norms to the fullest.

Conclusion

From the study it can be concluded that the Corporate Reporting Practices among the Indian Small and Medium Enterprises are significant and they are continuously trying to reach the set criteria over the period of time.

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