A Study on the Disclosure Practices of Banks in India with Reference to Indian Accounting Standards

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Disclosure may be defined as a practice of releasing important information about various activities and affairs of the business through annual reports, press releases, interim reports, quarterly results and various other published results. The present study mainly aims at examining the disclosure practices followed by the public and private sector banks in India and the factors affecting the disclosure practices of banks in India. Banks forming a part of Nifty Bank Index have been considered as the sample for the study for the period 2014-15. There are 12 banks included in this index comprising 7 private sector banks and 5 public sector banks. It is concluded that since all the banks considered in the study are listed banks, disclosure scores among public and private sector banks do not vary to a great extent. Accounting for Fixed Assets and Revenue Recognition are the highly disclosed accounting standards, while Accounting for Amalgamation is the least disclosed accounting standard. Size of the bank, profitability and age are the significant factors affecting the disclosure practices of banks in India. The results also show that disclosure practices vary among banks as well as across the years.

Introduction

An enterprise functions in a multidimensional and complex environment with various factors having considerable influence on its survival. Various stakeholders of this environment such as employees, government, shareholders, competitors, investors and the general public affect the business in different ways. An enterprise will be able to ensure its growth only if these factors are considered and proper care is taken to cater to their needs so that they lead to a positive impact on the company rather than causing problems to them. Therefore, a firm needs to consider every aspect of its external as well as internal environment and take appropriate measures to satisfy them so as to build a favorable image of itself in the society. Business transparency is an important element in this regard which helps various stakeholders

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to have a clear image about the affairs of the firm. Therefore, firms adopt various tools and policies to ensure that their business processes are carried out as per the ethics of society and law.

Disclosure is one such tool that companies adopt in order to enable that their enterprise is presented in a favorable manner. Disclosure may be defined as a practice of releasing important information about various activities and affairs of the business. It involves reporting all positive and negative information about financial and other aspects of a firm. It helps various parties such as shareholders to draw a complete and informed conclusion about the firm's financial position. It also enables prospective investors to make future predictions of company's performance based on the company's past records and hence judge whether the company is worth investing in.

Companies disclose their financial and non-financial information through annual reports, press releases, interim reports, quarterly results and various other published results. With the help of these results, investors can compare the performance of companies with their competitors. Since these reports help companies to project their positive position in the market and among their peers, these reports need to be prepared as per the necessary guidelines and rules so as to ensure that these reports are prepared as per the needs of all stakeholders.

In this context, the study aims to achieve the following:

- To examine the various disclosures required under the Indian Accounting Standards issued by ICAI.
- To find out the most commonly complied accounting standards by banks in India and which banks follow highest disclosures.
- To examine the disclosure practices across the public sector and private sector banks in India.
- To examine the determinants of disclosure practices in India.
- To examine the consistency in disclosure practices among banks across the years.

Literature Review

Raithatha and Bapat (2014) sought to compare the level of compliance between the manufacturing and service sector companies in India. For this purpose, 157 companies from manufacturing sector and 77 companies from the service sector were considered. For the purpose of the study, compliance index was computed for each of the firms and certain explanatory variables such as size of the firm, profitability, leverage, age, foreign listing, foreign ownership and audit firms were used. Based on the appropriate statistical techniques used, the study revealed that compliance of accounting standards is higher in manufacturing sector than in service sector. Also, the compliance score achieved by each firm is largely affected by the size of the firm, its listing at foreign exchange and its audit firms.

Shankaraiah and Rao (2004) in their study examined the existing practices of accounting standards and their issues in the Indian industry. The study includes an analysis of the annual reports of 40 Indian companies selected from the top 100 consisting of 24 private and 16 public limited companies. The study revealed that a majority of the sample companies complied with 5-10 accounting standards.

Shil *et al.* (2009) in their study focused on harmonization of accounting standards, its status, and challenges with reference to Indian perspective. Various countries such as Australia, Korea, Zimbabwe, New Zealand, Hong Kong, Philippines, Japan, Canada, Egypt, China, Bangladesh and Middle East countries have adopted the International Financial Reporting Standards (IFRS). However there are various challenges faced by harmonization such as US reluctance to adopt IFRS and diversity in application of accounting standards across countries.

Raithatha and Bapat (2014) in their study aimed to determine whether a relationship exists between the levels of transparency in the financial statements and a number of key company characteristics like size, profitability, leverage and age. For the purpose of the study, 30 companies listed on BSE were selected. The analysis of the study shows that the size of the company had a positive relationship with the compliance index. Thus, it can be inferred that large sized companies are better in adhering to disclosure requirements.

Iatridis (2008) in his study focused on the disclosure of accounting information in annual reports of UK firms. The study concentrates on the period of January-December 2004. The sample consisted of 284 UK firms. The study shows that firms that provide appropriate disclosures tend to display higher size, growth and leverage measures. It is shown that firms having good disclosures tend to have better reputation in the market and hence these firms can easily raise debt and equity capital from the market.

Hope (2003) in his study aimed to find out the effects of variations in annual report disclosures and enforcement of accounting standards on the accuracy of financial analysts' earnings forecasts. The study covers fiscal years 1991 and 1993 and sample consisted of 890 firms from 22 countries. The findings of the study suggest that proper disclosures by firms help analysts to make more adequate earnings forecasts and reduce analysts' uncertainty about future earnings. Also firm-level disclosures are positively related to forecast accuracy, suggesting that such disclosures provide useful information to analysts.

Ahmed and Karim (2005) in their study attempted to examine the level of disclosure of financial information upon adoption of International Accounting Standards (IAS) in Bangladesh. The study was based on annual reports for January to December 2003 and the sample for the study comprised annual reports of 188 companies listed on The Dhaka and Chittagong Stock Exchanges. The findings of the study showed that corporate size, profitability stock exchange security category, company's auditor and multinational subsidiary were all significantly associated with the extent of disclosure by these companies.

Morris *et al.* (2012) in their study aimed to identify the impact of IFRS adoption on corporate disclosures of companies in Asia. The sample for the study included 262 companies from 8 countries, where 4 countries adopted IFRS and the other 4 countries had not adopted

IFRS. The period of study was from 2002 to 2007. The findings of the study revealed that countries which adopted IFRS improved disclosure levels more than counties that did not. IFRS adoption made a positive difference to disclosure levels in the region and therefore it was concluded that IFRS adoption improved corporate disclosures in the Asian region.

Basuony and Mohamed (2014) in their study examined the determinants and characteristics of voluntary Internet disclosures by listed companies in three Gulf Cooperation Council countries. The sample considered for the study included 192 companies listed on Qatar Stock Exchange, Muscat Securities Market and Bahrain Bourse. The results from the study revealed that the major determinant was firms size which impacts Internet financial reporting in the GCC. However a number of disclosure characteristics differed among the three countries.

Zehria and Chouaibi (2013) in the study aimed to find out the factors determining adoption of IAS in developing countries. The study involved 74 developing countries adopting IAS/IFRS until the year 2008. The findings of the study reveal that economic growth rate, high level of education and legal system are the major determinants that affect the application of IAS/IFRS by developing countries. Therefore, we conclude that the countries' legal institutional environment and macroeconomic variables affect their disclosure environment.

Theoretical Background

Disclosure Practices of Companies

For a business enterprise, an appropriate disclosure principle requires a company to provide all the necessary information correctly so that people who regularly read financial information can make informed and adequate decisions concerning the company.

The required disclosures for a particular company can be found in a number of places. These include the following:

1. The company's financial statements such as income statement, balance sheet, statement of cash flows, etc.
2. Supplementary schedules and notes following the financial statements.
3. Management's discussion and analysis included in the company's annual report.
4. Interim reports, quarterly earnings reports, press releases and other communications.

A company's annual report is a main source of information to its external environment as it helps to communicate the performance of the company as well as its future growth prospects. A company showing a good turnover for the year naturally indicates the firm's efficiency and in turn, indicates that the company will grow and prosper in the near future.

Hence annual reports should be prepared in such a way that they create a positive image of the company in the minds of the general public. However, many a time, companies conceal or hide certain important and relevant matter so as to protect their

image and goodwill. This leads to conveying an undesirable image of the company to the society.

Therefore, companies are required to prepare their annual reports as per certain guidelines, so as to ensure uniformity and consistency in the reporting and presentation of financial information. These guidelines help to ensure that all material facts of companies are presented in a simple and concise manner so as to avoid any fraudulent and unethical practices of companies.

Accounting Standards

Accounting standards refer to a set of guidelines formulated by an established accounting body for the purpose of formulation and presentation of financial information of a company. The main objective of accounting standards is to avoid any discrepancies in the financial aspects of a company and to bring about harmonization in the presentation of financial statements. Since financial statements of a company are formulated as per the standards, it ensures inter-firm as well as intra-firm performance comparison.

Global Scenario

One of the criticisms against accounting standards was that they vary across countries. Different countries had their own set of accounting standards and hence comparison of companies across different countries became difficult. Also if a multinational company carried out its business in countries other than its country of incorporation, then it would face limitations due to different accounting standards followed by various countries. This in turn affected foreign trade.

To eliminate such barriers to trade, the need to set up accounting standards of global nature was felt, which could be implemented by all the countries across the world. Therefore, the International Accounting Standards Committee (IASC) was set up in June 1973 by an agreement by different accounting bodies from France, Japan, Australia, Germany, Mexico, UK, Canada, Ireland, Netherlands and USA. It served as an international body that aimed to establish accounting standards for international operations. The IASC set up the IAS as a set of guidelines to be followed by companies across the world for preparation of financial statements.

The IASC undertook restructuring of its organization by the end of the 20th century and the International Accounting Standards Board (IASB) was set up on April 1, 2001. Consequent to this reorganization, the board declared that any accounting standard formulated before the restructuring process would be called IAS, while any new standards set up would be grouped under a new accounting standard series known as IFRS.

Indian Accounting Standards

Other than IAS, every country has its own set of accounting standards and policies which are followed by companies situated in a particular country. Therefore, India has its own standards commonly known as Indian Accounting Standards.

The Institute of Chartered Accountants in India (ICAI) was established under Chartered Accountants Act in 1949. Since then, ICAI has been an apex governing body, supervising and establishing various guidelines for accounting and audit purposes. Over a period of time, a need was felt to harmonize the varied accounting policies and practices and hence the Accounting Standard Board (ASB) was established on April 21, 1977.

The basic function of ASB was to formulate accounting standards so that these can be used by companies carrying on business in India. While drafting the accounting standards, the ASB had to take into account the applicable laws, customs and external as well as internal business environment prevailing in India. Since then, the board has come up with 31 accounting standards based on which companies have to formulate their annual reports and publish their quarterly results.

Data and Methodology

This study aims at ascertaining the disclosure practices of companies as per Indian accounting standards. Therefore, banks of Indian origin are considered in the study. Banks forming part of Nifty Bank Index have been considered as the sample for the study. There are 12 banks included in this index comprising 7 private sector banks and 5 public sector banks. The annual reports for the year 2014-15 have been used to analyze the disclosure practices of banks.

For the purpose of ascertaining the various disclosures required to be followed by companies, a checklist has been formulated based on the Indian accounting standards issued by ICAI. Presently, there are 29 accounting standards issued by ICAI to be followed by all Indian companies. However, there are 23 accounting standards that are applicable to the banking sector.

These accounting standards are represented in the form of 105 disclosures which are examined against 12 banks and a disclosure score is assigned to each disclosure. Therefore, the total variables under study are 1,260. The disclosure score is given based on a coding method wherein a score of 1 is allotted if disclosure is made and 0 if disclosure is not made. Based on the disclosure score, a disclosure index has been formulated using the following formula:

$$\text{Disclosure Index} = \frac{\text{Disclosures Made by the Bank}}{\text{Total Disclosures}}$$

For the purpose of analyzing and interpreting the data, various tools and techniques such as content analysis, disclosure score rankings, correlation, ANOVA and multiple regression analysis have been used. For the purpose of regression analysis, disclosure index has been taken as the dependent variable, while various determinants such as size, profitability, leverage, age and ownership status have been considered as the independent variables.

Determinants of Disclosure Practices

Determinants of disclosure practice refer to the various factors that affect the level of disclosures among companies. Every company is affected by various factors and the effect of these can be positive or negative. A firm has to study each factor considerably in order to maximize its gain. The presence or absence of each of these factors has a considerable impact on disclosure practices. The following are the determinants or factors considered in the study:

Size: Size of the firm is considered one of the most important factors influencing the level of disclosures. A firm with a large size tends to undertake higher level of disclosures because it has the expertise and knowledge to carry out better disclosures. These companies have a large customer base and shareholder network and hence they have to follow adequate disclosures to maintain their reputation and public image. Also larger companies have the capabilities to spend huge amounts of accounting and audit functions and employ experienced personnel as compared to smaller firms.

Profitability: Profitability refers to the extent of turnover generation and profit making capabilities. Profitable firms indicate that they have been able to efficiently allocate their resources and generate maximum returns. It helps to judge the financial soundness and future growth prospects of a company. Therefore, companies with higher profitability levels undertake higher disclosures so as to be able to convey to their prospective investors their financial soundness and thereby attract more public appreciation.

Leverage: Leverage of a firm indicates the firm's ability to generate debt and equity capital from the market. Firms thereby follow adequate disclosure practices so as to maintain a favorable image in the market and thus be able to gather enough capital if required in future. Also financial institutions judge the financial position of a company based on their annual reports and other disclosures made by them and then only decide whether loans can be sanctioned to them.

Age: Age of a firm indicates the number of years a firm has been existing in the market. The experience and growth of a firm can be judged on the basis of how it has been able to survive and grow over a period of time. Also firms having many years of existence have experienced and mature personnel who prepare the company's annual reports and other financial statements.

Ownership: The ownership status of a company indicates whether it is owned by the public or private sector. Companies that are under government ownership and control need to follow various rules and regulations of the government and hence their disclosures are monitored by government officials. However, there is a considerable amount of flexibility in operations for the private sector.

All the above determinants have been considered as explanatory variables for the study and have been computed based on the details provided in Table 1. Content analysis is a research technique used in Social Science research to simplify qualitative information. It is used to concisely and systematically present data which can be used for further research and analysis.

Table 1: Details of Variables Used

Variables	Formula	Expressed as
Size of the Assets	Total Assets	SIZE
Profitability	Return on Assets	PROFITAB
Leverage	Total Assets	LEVERAGE
	Total Liabilities	
Age	Age of the Bank (years)	AGE
Ownership Status	1 = Public Sector Bank	
	0 = Private Sector Bank	OWNERSHIP

Results and Discussion

Disclosures Required Under the Indian Accounting Standards Issued by ICAI

In this study, content analysis is used to simplify the accounting standards issued by ICAI to find out variables which are further used for computing disclosure scores and analyze the determinants of disclosure practices. Table 2 presents the variables used in the study.

Disclosure Analysis

Disclosure analysis is an important technique to analyze the compliance of disclosures by companies. Disclosures help to examine the quality of annual reports and other quarterly results issued by companies on a regular basis. Firms following adequate disclosures give a favorable image about themselves to their stakeholders, whereas firms with lower disclosures are considered as having an unfavorable image among the general public at large. Therefore firms spend a lot of time and attention to ensure that various disclosures are accurately followed while preparing their annual reports. Large audit firms with qualified and experienced personnel are assigned by companies to ensure that their financial reports are prepared as per the standard rules. Audit firms ensure that all disclosures are followed to the maximum extent. In this study we try to find out how well banks follow accounting standards while preparing their financial reports. For this purpose, annual reports are analyzed against the disclosure checklist and scores are assigned to each accounting standard based on the number of disclosures followed under each standard.

Table 3 shows the disclosure scores obtained under each accounting standard by a particular bank. For the purpose of assigning disclosure scores, a coding method has been used for each disclosure, wherein 1 is assigned to each variable if a disclosure is made and 0 if disclosure is not made. Later the number of disclosures made in each accounting standard is compiled and an overall score for each accounting standard is obtained. This is done across all accounting standards as well as across the various banks based on the disclosure scores, and ranks have been allotted to every accounting standard and also to each banks to find out which accounting standard has highest compliance as well as which banks have followed the highest disclosure levels.

From Table 3 relating to disclosure analysis, we can infer that the most commonly complied accounting standards among the banks are AS-9: Revenue Recognition and AS-10: Accounting for Fixed Assets, both sharing the same disclosure score and therefore, both have the same rank.

AS-9: Revenue Recognition involves identifying the various sources of revenue for an organization and accounting for the same in the books of accounts. This is an integral part of an organization as every company aims at generating enough revenue in order to cover their costs and generate adequate profits. Banks not only deal with core banking related activities, but have also diversified into other financial areas such as insurance, mutual funds, and derivatives market products. Hence, their sources of revenue are diverse and hence proper disclosure of each

Table 2: Variables of the Selected Accounting Standards Used in the Study

AS	Title	Variables Used
AS-1	Disclosure of Accounting Policies	• Disclosure of accounting policies adopted in preparing financial statements. • All accounting policies disclosed in one place. • Change in accounting policies having material effect. • Amount of change is indicated. • Accounting assumptions followed.
AS- 3	Cash Flow Statements	• Cash flows divided into operating, investing and financing activities. • Method used for calculating operating activities. • Major classes of gross cash receipts and gross cash payments in investing and financing activities. • Foreign currency cash flows disclosed in domestic currency. • Cash flows from interest and dividends received and paid. • Cash and cash equivalent balances at beginning and end of the year.
AS- 5	Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies	• Income and expense recognized during the period. • Nature and amount of extraordinary items. • The nature and amount of prior period items. • Reason for change is accounting policies, if any.
AS-6	Depreciation Accounting	• Depreciation methods used. • The total depreciation for the period for each class of assets.

Table 2 (Cont.)

AS	Title	Variables Used
		• In case of revaluation of assets, provision of depreciation based on revalued amount. • Change in method of depreciation, if any.
AS-9	Revenue Recognition	• Income on transactions involving rendering of services. • Revenue in the form of interest. • Revenue from royalties. • Revenue in the form of dividend.
AS-10	Accounting for Fixed Assets	• Gross and net book values of fixed assets at beginning and end of the year. • Any changes in fixed assets: additions, disposals, acquisitions, etc. • Expenditure incurred during construction or acquisition of the asset. • Incase of revaluation of assets, amount adjusted in Revaluation Reserve.
AS-11	The Effects of Changes in Foreign Exchange Rates	• Foreign currency income translated in domestic currency. • Net exchange differences accumulated in foreign currency translation reserve. • In case of use of different currency, reason of using different currency. • Change in classification of significant foreign operations. • Company's foreign exchange risk management policy.
AS-13	Accounting for Investments	• Accounting policies for classification of investments. • Interest, dividend, rentals on investment.

Table 2 (Cont.)

AS	Title	Variables Used
		• Profit/loss on disposal of investments. • Aggregate amount of quoted and unquoted investment.
AS-14	Accounting for Amalgamations	• Names of amalgamated companies, nature of business, date, method of accounting used. • Pooling interest method used for amalgamation. • Use of purchase method for amalgamation.
AS-15	Employee Benefits	• Short term employee benefits: • Nature and type of defined benefit plans. • Nature and type of defined contribution plans. • Types of multi-employer plans used, if any.
AS-16	Borrowing Costs	• The accounting policy adopted for borrowing costs; • The amount of borrowing costs capitalized during the period.
AS-17	Segment Reporting	• Types of products and services included in each segment. • Segment revenue, segment liabilities, depreciation and amortization expenses. • Primary format as a business segment. • If primary format as a geographical segments. • Inter segment transfers.
AS-18	Related Party Disclosures	• Name and nature of related party.

Table 2 (Cont.)

AS	Title	Variables Used
		• Nature of transactions undertaken. • Volume of transaction either in amounts or percentage • Amounts outstanding, provision for doubtful debts or amounts written off.
AS-19	Leases	• Segregation of assets under lease. • Net carrying amount for each class of assets. • Total minimum lease payments for different time periods. • Total of future minimum lease payments. • Accumulated depreciation on leased assets.
AS-20	Earnings Per Share	• Nominal value of shares along with EPS. • Basic and diluted EPS for each class of assets. • Adjustment of EPS If number of shares increase due to bonus issue or share split. • Exclusion of extraordinary items while calculating EPS.
AS-21	Consolidated Financial Statements	• List of all subsidiaries, country of incorporation, proportion of ownership. • Consolidation of all subsidiaries: domestic and foreign. • Nature of relationship between parent and subsidiary. • Consolidation on line by line basis. • Minority interest presented separately in balance sheet.

Table 2 (Cont.)

AS	Title	Variables Used
AS-22	Accounting for Taxes on Income	• Tax expense for the period (current and deferred tax). • Current tax calculated at applicable tax rates and tax laws. • Deferred tax assets and liabilities measured using applicable tax rates and tax laws. • Deferred tax assets not discounted to their present value. • Deferred tax assets and liabilities separately disclosed in the balance sheet.
AS-23	Accounting for Investments in Associates in Consolidated Financial Statements	• Goodwill/capital arising by acquisition of an associate. • List of associates, proportion of ownership. • Investment in associate calculated using equity method. • Associates with a different reporting date, if any. • Difference in accounting policies used by associate, if any.
AS-25	Interim Financial Reporting	• Whether the company prepares a interim financial report. • Same heading and subheadings as annual report. • Use of same accounting policies as that used in annual report. • Disclosure in notes to accounts, if an amount is changed. • EPS disclosed in interim report.
AS-26	Intangible Assets	• Distinction between different types of intangible assets. • Useful lives, amortization rates used.

Table 2 (Cont.)

AS	Title	Variables Used
		• Amortization methods used. • Gross carrying amount and accumulated amortization • Impairment losses recognized.
AS-27	Financial Reporting of Interests in Joint Ventures	• List and description of all joint ventures. • Proportion of ownership interest, country of incorporation. • Amount of investment in joint ventures. • Share in the contingent liabilities of the joint venture.
AS-29	Provisions, Contingent Liabilities and Contingent Assets	• Description and nature of provisions. • Carrying amount in the beginning and end of the period. • Amounts incurred and charged against provisions· • Unused amounts reversed during the period. • Description of contingent liabilities. • Any reimbursement of contingent liabilities.
AS-32	Financial Instruments: Disclosures	• Carrying amounts of Financial assets and liabilities. • In case of classification of assets :amount classified. • Financial assets pledged as collateral. • Details of defaults, carrying amount , remedies taken for default. • Net gains and losses from financial assets and liabilities. • Total interest income and expenses on financial instruments. • Fair value of each class of assets and liabilities and compare carrying amounts. • Types of risk arising from financial instruments.

Table 3: Disclosure Scores of Banks

Bank	AS 1	AS 3	AS 5	AS 6	AS 9	AS 10	AS 11	AS 13	AS 14	AS 15	AS 16	AS 17	AS 18	AS 19	AS 20	AS 21	AS 22	AS 23	AS 25	AS 26	AS 27	AS 29	AS 32	Total	Rank
BOI	5	5	1	3	3	3	4	4	0	3	1	5	4	2	3	4	4	5	4	2	3	4	6	**78**	3
Canara	3	6	2	3	3	3	3	4	0	2	1	4	4	3	3	3	3	4	4	2	3	6	5	**74**	7.5
Federa l	4	5	1	4	3	4	2	4	0	2	1	3	1	4	4	3	5	4	3	4	3	5	7	**76**	4
IndusInd	2	5	1	3	3	4	1	3	0	2	1	3	1	2	3	4	4	2	3	3	3	4	6	**63**	12
SBI	5	5	3	3	4	3	4	3	1	3	2	5	4	4	4	4	5	3	2	3	3	5	6	**84**	**1**
Yes	5	5	2	2	3	2	1	4	0	3	1	5	3	2	3	2	5	1	3	2	1	5	6	**66**	11
ICICI	3	5	1	3	4	4	4	3	1	2	1	4	4	4	2	5	4	4	2	3	3	4	5	**75**	5.5
HDFC	4	6	1	4	4	3	3	4	0	3	2	4	3	5	2	4	4	4	4	4	4	5	5	**82**	**2**
PNB	3	4	1	3	2	3	3	3	0	3	0	3	4	5	4	4	4	4	4	3	3	5	6	**74**	7.5
Axis	3	4	1	3	3	4	3	4	0	2	0	4	4	4	3	4	3	2	4	4	2	5	7	**73**	9.5
BOB	4	4	2	4	4	3	4	4	1	2	0	4	2	2	3	4	3	4	4	3	3	4	7	**75**	5.5
Kotak	3	6	1	2	3	3	4	4	2	3	0	4	4	2	2	5	3	3	5	4	0	5	5	**73**	9.5
Total	**44**	**60**	**17**	**37**	**39**	**39**	**36**	**44**	**5**	**30**	**10**	**48**	**38**	**39**	**36**	**46**	**47**	**40**	**42**	**37**	**31**	**57**	**71**		
Average	8.80	6.00	4.25	9.25	9.75	9.75	7.20	8.80	1.67	7.50	5.00	9.60	9.50	7.80	9.00	9.20	9.40	8.00	8.40	7.40	7.75	9.50	4.57		
Rank	9.5	18	2		**1.5**	**1.5**	17	9.5	22	15	19	3	4.5	13	8	7	6	12	11	16	14	4.5	20		

source of revenue is important. Therefore, banks have to adequately disclose their revenue so as to give a true and fair view of their operations.

AS-10: Accounting for fixed assets involves identifying the various treatments given to fixed assets in a company. Fixed assets are an important part of an organization as it helps the firm to use these assets in this production/rendering services so as to achieve the organizational goals. Also fixed assets involve huge capital investment and hence a firm needs to have a proper idea about the costs involved on the assets, i.e., construction, acquisition, repairs and maintenance so as to keep these costs at a minimum level. Banks have a large array of fixed assets both at the premises (land and building, furniture, computers, etc.) as well as outside the premises (ATM machines, CCTV cameras, etc.) which need to be properly managed for various purposes.

The disclosure ranks also help us to find out which accounting standards have lowest compliance level. Based on the ranks given, we can interpret that AS-14: Accounting for Amalgamation has the lowest disclosure score and hence we conclude that this standard is least complied with by Indian banks. This is because very few banks have gone for amalgamation and hence only these banks are able to disclose the amalgamation information. Also, even those companies that have gone for amalgamation, disclose only the basic details about the amalgamation like names of amalgamated companies, nature of business, date of merger, etc., whereas other details like method of amalgamation used, shares issued, purchase consideration, etc. are not disclosed.

In order to find out which banks followed most number of disclosures, ranks were also assigned to banks based on each bank's disclosure score. The bank with the highest disclosure score was State Bank of India (SBI) with 84 disclosures made. SBI is the largest public sector bank in India having a large number of associates and subsidiaries and also has the largest shareholder and customer base. Hence, this bank complies with most number of disclosures so as to ensure customer satisfaction and also attract potential investors.

Among private sector banks, Housing Development Finance Corporation (HDFC) has the highest disclosure score of 82 and hence is ranked at the second position in disclosures after SBI. HDFC is a one of the largest private sector banks in India, having a wide number of branches and business across India and also abroad. It also deals with a wide range of services and hence has a reputable position in the finance sector. Therefore, HDFC follows a high level of disclosure so as to maintain its goodwill and public image.

Disclosure Practices Across Public Sector and Private Sector Banks

ANOVA is a technique used in analytical research, to find out any association between the means of two or more groups of variables. In this study, ANOVA is used to analyze if there exists any significant relation between disclosure practices followed by public sector banks and private sector banks. The following hypothesis is tested for the purpose:

> H_{01} : *There is no significant difference between disclosure practices followed by public and private sector banks.*

Table 4 shows that the *p*-value is 0.7390652. Therefore, we accept the null hypothesis and conclude that there is no significant difference between the disclosure practices followed by public sector and private sector banks considered in the study. All the banks in India, i.e., public as well as private come under the purview of RBI which is the apex body controlling the banking sector in the country. Therefore, RBI issues guidelines for effective functioning of the banking industry as a whole and as such these guidelines have to be followed by all banks irrespective of being public or private sector banks. Also all the above banks are a part of NSE Bank Index and hence they have to compulsorily follow various guidelines of the stock exchanges and SEBI in order to be eligible to be listed on the stock exchange. Therefore, disclosure practices do not differ across public and private sector banks.

Table 4: ANOVA Results

Source of Variation	**SS**	**df**	**MS**	***F*-Value**	***p*-Value**	***F*-Crit.**
Between Groups	16.12681	11	1.466074	0.699183	**0.7390652**	1.825032
Within Groups	553.5652	264	2.096838			
Total	**569.692**	**275**				

Summary of ANOVA Results

Group	**Count**	**Sum**	**Average**	**Variance**
BOI	23	78	3.391304	2.158103
Canara B	23	74	3.217391	1.905138
Federal B	23	76	3.304348	2.58498
IndusInd B	23	63	2.73913	2.019763
SBI	23	84	3.652174	1.418972
Yes B	23	66	2.869565	2.754941
ICICI B	23	75	3.26087	1.565217
HDFC B	23	82	3.565217	1.802372
PNB	23	74	3.217391	2.086957
Axis B	23	73	3.173913	2.422925
Bank of Baroda	23	75	3.26087	1.928854
Kotak Mah.	23	73	3.173913	2.513834

Determinants of Disclosure Practices in India

Table 5 shows the correlation coefficients between disclosure index, leverage, profitability, ownership, size and age.

From Table 5, we can conclude that all the five determinants, i.e., size, profitability, leverage, age, and ownership had a positive correlation with disclosure index. This shows

that an increase in these variable leads to an increase in disclosure scores of banks. However among all the determinants, the correlation between disclosure index and size of the firm have a significant relationship since *p*-value is less than 0.05 (*p*-value: 0.0415). Size shows the highest correlation with disclosure index, i.e., 0.594528. This means that the larger the firm size, the larger will be the disclosures followed by banks. Ownership status and age and also age and profitability are correlated at 1% significance level. On the other hand, size and ownership are correlated at 10% significance level. However, leverage is the only determinant which is not significantly correlated to any other determinants of disclosure.

Table 5: Correlation Between Various Determinants

Correlation Between	Coefficient	*t*-Statistic	*p*-Value
Disc Index and Leverage	0.015850	0.050129	0.9610
Disc Index and Ownership	0.386778	1.326324	0.2142
Disc Index and Profitability	0.198833	0.641575	0.5356
Disc Index and Size	0.594528	2.338167	**0.0415**
Disc Index and Age	0.313052	1.042350	0.3218
Leverage and Ownership	–0.248016	–0.809591	0.4370
Leverage and Profitability	0.193296	0.623006	0.5472
Leverage and Size	0.044457	0.140724	0.8909
Leverage and Age	–0.340830	–1.146442	0.2783
Ownership and Size	0.543678	2.048460	**0.0677**
Ownership and Age	0.849808	5.098412	**0.0005**
Profitability and Size	–0.406648	–1.407570	0.1896
Profitability and Age	–0.881796	–5.912434	**0.0001**
Size and Age	0.185997	0.598621	0.5627

For the purpose of determining the determinants for disclosure practices followed by banks, various factors such as size of the bank, profitability, leverage, age of the bank and ownership status were considered as independent variables, while disclosure index of banks was considered as dependent variable. Based on the regression analysis, we can conclude that size of the firm, profitability, and age have a significant impact on disclosure practices of banks (Table 6). Size of the firm is significant at 5% level of significance while profitability and age are significant at 10% significance level. Size of the bank has an impact on disclosure practices as banks that have larger size and more net worth follow higher disclosure practices as compared to smaller banks. Also banks with a large firm size has large capital outlay and hence can spend higher amounts for undertaking proper disclosures and hiring large audit firms to undertake their audits and preparation of annual reports. Banks that show higher profitability have higher disclosure levels because the banks with higher profits for the year would like to convey their financial soundness through proper disclosures in their annual

reports. This helps them to maintain their reputation in the market. Also this creates a favorable image in the minds of their customers as well as prospective investors.

Table 6: Regression Result

Variable	Coefficient	Std. Error	*t*-Ratio	*p*-Value
Const.	0.343304	0.139543	2.4602	0.04911**
SIZE	8.0782e–012	3.03241e–012	2.6640	0.03733**
PROFITAB	0.113028	0.0511339	2.2104	0.06910*
LEVERAGE	0.0531958	0.0646699	0.8226	0.44221
AGE	0.00209816	0.000876776	2.3930	0.05380*
OWNERSHIP	–0.00509994	0.0867185	–0.0588	0.95501

R^2	0.708348	Adjusted R^2	0.465305
$F(5, 6)$	2.914492	*p*-value (F)	0.112642

Note: * implies significance at 10% level; and ** implies significance at 5% level.

Finally, companies that have been in existence for a long period of time tend to disclose their financial information because they have experience and mature employees and personnel who prepare their financial statements and these employees have gained a lot of exposure regarding disclosure of accounting standards as compared to newer employees. Therefore, firms that have been existing for a longer time follow disclosure practices as compared to newer banks.

Consistency in Disclosure Practices Among Banks Across the Years

An attempt is made in this study to find out the consistency of disclosure practices followed by the banks in India over the past years. For this purpose, disclosure score for each bank is computed for the past five years and an analysis is made to find out whether disclosure practices vary across the years and also whether disclosure practices of banks vary from each other. The study focuses on disclosure practices of 12 banks for the past 5 years, i.e., from 2010-11 to 2014-15. Two-way analysis of variance (two-way ANOVA) is used to find out how disclosure practices have varied across the years and also variation of disclosures among banks. The two following hypotheses were tested for the purpose:

H_{02}: *There is no significant difference in disclosure practices among various banks.*

H_{03}: *There is no significant difference in disclosure practices of banks over the years.*

Based on the results presented in Table 7, we can interpret whether there exists a difference in disclosure practices among the banks and across the years. In case of disclosure practices of banks, the *p*-value is less than 0.05 (*p*-value = 0.00). Therefore, we reject the null hypothesis H_{02} and conclude that there exists a significant difference in disclosure practices among banks. Also, disclosure practice across the years has a *p*-value of less than 0.05 (*p*-value = 0.00010596). Hence, we reject the null hypothesis H_{03} and conclude that there exists significant difference in disclosure practices of banks across the years.

Table 7: Results of Two-Way ANOVA

Source of Variation	SS	df	MS	*F*-Value	*p*-Value	*F*-Crit.
Banks	2060.45	11	187.313	15.595	0.000000	2.014
Years	360.733	4	90.183	7.508	0.00010596	2.583
Error	528.466	44	12.010			
Total	**2949.65**	**59**				

Summary	Count	Sum	Average	Variance
AXIS	5	363	72.6	1.3
BARODA	5	356	71.2	9.7
BOI	5	357	71.4	26.3
CANARA	5	347	69.4	15.3
FEDERAL	5	348	69.6	23.3
HDFC	5	371	74.2	23.7
ICICI	5	387	77.4	7.8
INDUSIND	5	315	63	24.5
KOTAK	5	385	77	16.5
PNB	5	361	72.2	28.7
SBI	5	401	80.2	11.2
YES	5	290	58	34
2015	12	893	74.4166667	33.719697
2014	12	884	73.6666667	31.8787879
2013	12	856	71.3333333	50.6060606
2012	12	832	69.3333333	63.5151515
2011	12	816	68	55.6363636

Disclosure practices among banks vary due to various reasons. Firstly, some banks may be concentrated in India, while others have international branches in the form of subsidiaries, associates and joint ventures. Secondly, some banks may only focus on banking business, while other banks may diversify into other operations such as mutual funds, derivatives transactions, insurance, stock market trading, etc. Due to these varying operations and scale of business, disclosure practices among banks differ to a great extent. Companies having large size and carrying on international business may provide higher disclosures as compared to banks that focus on domestic business.

Disclosure practices of banks vary across the years because banks go through various changes throughout the years which in turn affects the extent of its disclosures. These include amalgamation of banks, de-mergers, changes in accounting policies, purchase or sale of investments, entering into leasing agreements, declaration or non-declaration of dividend, and changes in external environment such as changes in regulations of international business. All these changes may take place in a particular year or subsequent years which may affect the disclosure practices of banks in certain years.

Conclusion

Disclosure practices among banks varied to an extent, with SBI and HDFC providing the highest disclosures in the public and private sectors respectively, while IndusInd Bank showed the lowest disclosures scores. However, since all the banks considered in the study were listed banks, disclosure scores among public and private sector banks did not vary to a great extent. On the other hand, accounting for fixed assets and revenue recognition were the highly disclosed accounting standards, while accounting for amalgamation was the least disclosed accounting standard. Among the various determinants used to ascertain the disclosure practices of banks, size of the bank, profitability and age were the significant factors affecting disclosure practices, with the profitability factor having the highest influence on disclosure practices of banks. In order to find out whether disclosure practices among banks were consistent over the years, the analysis was extended for a period of five years. The results showed that disclosure practices varied among banks as well as across the years. Banks showed higher disclosure scores in latter years as compared to previous years. Thus, it shows a trend of improvement in disclosure practices of banks in recent years.

On the whole, this study has been able to provide fruitful results and show that banks considerably follow disclosure practices laid down by ICAI and hence provide a true and fair view of their business affairs in India and through their branches and subsidiaries across the world. However there is a need to raise the Indian Accounting Standards to global level by converging Indian Accounting Standards with IFRS.[1]

The disclosure environment in India is undergoing a changing phase, wherein the Ministry of Corporate Affairs along with ICAI as well as other apex accounting bodies are working on convergence of Indian Accounting Standards with IFRS. Therefore, new set of standards is formulated and compliance by all companies to these standards will be completed by April 2017. With these advancements at the accounting end, a positive change is likely to take place among Indian companies as this will help Indian banks as well as other Indian companies to attain a globalized status in disclosure practices.■

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