Impact of The Economic Crisis on Corporate Financial Reporting: Stakeholders' Perceptions

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Abstract

Though no one likes or wants a recession. But, in the age of globalization, no country can remains isolated from the fluctuations of world economy. Heavy losses suffered by major International Banks affect all countries of the world as they have their investment interest in almost all countries. So, what is the reality for countries like India? This study aimed to stand on the opinions of relevant stakeholders in the field of corporate financial reporting practices after economic crisis in India. A questionnaire is structured and analyzed by principal component analysis. As a result of the economic downturn, the overall impact of the global financial crisis has been felt in India in terms of the corporate financial reporting is more susceptible. In the opinion of stakeholders there is need to apply global reporting practices to smoothen the corporate's working and for making the system moretransparent.

Preamble

The current crisis is different from the Great Depression of the 1930's. While the earlier downturns were the result of a slowdown in demand, the crisis of 2008 has a different basis. It originated not in a slowdown in demand but a financial crisis which triggered a crisis of trust between borrowers and lenders and therefore a fall in the asset prices. This led to massive bankruptcies in various financial and production units. Thus unlike an earlier ones, it is a crisis created on the supply side. Subsequently, it has also manifested itself as a demand side problem with unemployment and housing foreclosures rising in the US (Kapila, 2009).

A global recession is a period of global economic slowdown. The International Monetary Fund (IMF) takes many factors into account when defining a global recession, it states that global economic growth of 3% or less is "equivalent to a global recession". Recession is a period of general economic decline, defined usually as a contraction in the GDP for six months (two consecutive quarters) or longer. Subprime mortgage is a class of mortgage used by borrowers with low credit ratings. Borrowers who use subprime loans generally do not qualify for loans with lower rates because they have damaged credit or no credit history, and are thus considered risky by lending agencies. Because the default risk for poor credit borrowers is greater than of other borrowers, lenders charge a higher interest rate on subprime loans. Depression can be explained as a bad, depressingly prolonged recession in economic activity. A slump is where output falls by at least 10%; a depression is an even deeper and more prolonged slump (Kumar, 2011).

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Recession, in lay-man terms, is the time when there is economic decline, leading to a slowdown in trade and economic activity. This is generally identified by a fall in Gross Domestic Product (GDP) in two or more consecutive quarters. Normally, when consumers lose confidence in the growth of the economy and start to spend less, there is a decrease in demand for goods and services. This, in turn, leads to a decrease in production. On the other hand, the profit margin of companies is due to a rise in costs and they try cost cutting measures. The equity / stock markets react negatively to this. A lay-off (asking people to leave) leads to a rise in the unemployment rate and a decline in real income (Sen & Johnson, 2011).

The US has witnessed over 11 recessions so far, since the end of the World War II. From 1930 to 1939, the US saw the Great Depression, which began with the Wall Street Crash of October, 1929 and rapidly spread worldwide. Most analysts believe the causes to be the lack of high-growth new industries, high consumer debt and bad loans given out by banks and investors.

In 2008, defaults on sub-prime mortgages (home loan defaults) led to a major crisis in the US. Banks had given out loans without researching on the payback power of the clients. With increasing defaulters, the banks went into bankruptcy. It was called the sub-prime crisis since it began from high risk debt offered to people with poor credit worthiness or unstable incomes (Sen & Johnson, 2011).

Review of Literature

Barth and Landsman (2010) concluded that fair value accounting played little or no role in the Financial Crisis. They also concluded that because the objectives of bank regulation and financial reporting differ, changes in financial reporting needed to improve transparency of information provided to the capital markets likely will not be identical to changes in bank regulations needed to strengthen the stability of the banking sector.

Pal (2010) explained the global economic crisis - due to its unusual nature - has meant that auditors have to be very aware of the prime importance of judging different risks when assessing companies. This is especially true with regards to the 'going concern concept.' The judgment of these risks is a more complicated problem - and a serious challenge for the auditor - during a period of crisis. However, professional terms such as audit standards, the principles of quality assurance, and methodological recommendations are available. Therefore, any problems can be solved though not easily.

Giannarakis and Theotokas (2011) evaluated the effect of financial crisis in Corporate Social Responsibility (CSR) performance. An empirical analysis is conducted, based on companies that implement Global Report Initiatives (GRI) reporting guidelines modifying the application level in a point score system. Totally, 112 companies were included in the GRI report list in 2007, pre-financial crisis, 2008, 2009 and 2010. The Wilcoxon signed rank sum test is used in order to ascertain whether an economic downturn affects CSR performance. Results indicate increased CSR performance before and during the financial crisis except for the period 2009-2010. Companies increase their performance in order to regain the lost trust in businesses. The study also promotes a discussion with regards to a financial crisis and CSR performance and reporting.

Alwan (2012) said that the accounting profession and its standards have been affected and influenced the global financial crisis that rocked the world, and clarify the issue of the financial crisis and its impact on the accounting and international accounting standards. He also recommended that there should be sanctions on companies that do not apply to international standards with regard to accountability with a commitment to the principle of reservation accounting because it helps in minimizing the effects of the crisis. As well as the need to adhere to the ethics of the profession of accounting and the preparation of financial statements and reports in accordance with the international standard for that.

Financial Crisis and Cor porate Financial Reporting

Although we have begun to emerge from the financial crisis, there are many lessons yet to be learned from it. The key, of course, is to draw the right lessons. And this is no small feat. There remain marked differences in view with respect to what went wrong during the crisis, what problems need to be fixed and how to fix them. Indeed, as we meet today, Legislature continues to deliberate

fundamental changes to the regulation and operation of our financial system and markets. The stated objective of this reform is to promote greater market resilience and financial stability. Insofar as these reforms implicate the quality, integrity and transparency of financial reporting, the outcome of this debate will have potentially far-reaching implications for the jobs that you do (Casey, 2009).

Casey (2009) has focused on three of the key lessons that he think we can take away from the crisis, and that should both inform policy makers' efforts at reform and caution against legislative and regulatory responses that would undermine the efficient functioning of our markets:

First, financial stability depends upon market confidence; and investor confidence, in turn, depends upon the transparency of financial statements.

Second, financial reporting and accounting standard setting must remain focused on the needs of investors. While there are many other important stakeholders that rely on financial statement reporting, investors' interests must remain paramount.

Third, financial reporting must remain relevant and informative to investors, and should not impose unnecessary or costly burdens that do not add to investor understanding.

Problem of The Study

Corporate financial reporting is a means for an organization to communicate its past actions and proposed future plans to owners, investors or to the society, as they are either the present or the potential stakeholders in businesses. It is the process of communicating both financial & non-financial information relating to the resources & performance of a company. The aim of corporate financial reporting is to provide reports that are consistent and comparable, so that the investors can take decisions in an informed manner. In the recent past, a number of instances have come to the force, where loopholes in the traditional financial reporting system have been exploited to provide misleading information to the investors, while hiding the real financial position of the companies. There are number of scandals take place such as Enron, Satyam computers etc. The issue of corporate reporting for greater transparency has come up in the wake of such scandals & due to the process of globalization. The inability to understand and deal with financial data is a severe handicap in the corporate world.

Consider the international financial community to the accounting profession as one of the causes of the global crisis. From here we can say that the accounting profession like other professions affected by the financial crisis and is one of the main reasons behind this crisis, here comes the research to study the stakeholders' views on corporate financial reporting after financial crisis. There is clearly a problem of this study by answering the following question: What is the impact of financial crisis on stakeholders' views about corporate financial reporting?

Importance of The Study

The need is felt to find out the rules that are common and global. And it gives the light to develop the new trends in the field of corporate financial reporting. The issue of complexity is one of the most important aspects in financial reporting, and financial instruments are among the most complex on which to report clearly. New financial reporting mechanisms have been developed with a view to providing relevant and reliable information to the stakeholders which are not apply till now around the world. So there is a need to develop & adopt the standards & rules regarding corporate financial reporting. Stakeholders in the business (whether they are internal or external) seek information to find out three fundamental questions. These are (i) How is the business doing? (ii) How is the business placed at present? (iii) What are the future prospects of the business? For outsiders, published financial accounts are an important source of information to enable them to answer the above questions.

Research Methodology

Research Objective: With the consideration of the above three lessons the study aimed to "the stakeholders' perceptions towards corporate financial reporting practices after economic crisis in India".

Research Method: The Indian corporate stakeholders' population was studied in this work. For this, questionnaire based on mainly 5 point likert scale (of one

(1) to five (5) for the strongest disagree to the strongest agree responses, respectively) questions, was structured. The items requiring a descriptive response were avoided simply because the respondents might not have the time to give a response in text form. The collected data is analyzed by using survey analysis techniques available in software STATA 12.0 and the results are interpreted accordingly.

The stakeholders include professionals as well as non-professional (the owners, managers, customers, suppliers, creditors, regulator, analysts and experts and other members of the public). The stakeholders to Indian quoted companies are effectively the population of the country.

Research Sample: Primary data were collected and used for the study and the sample was sixty six stakeholders out of the numerous stakeholders' population.

Research Tool: Principal Component Analysis

Principal components analysis is a quantitatively rigorous method for achieving simplification. The method generates a new set of variables, called principal components. Each principal component is a linear combination of the original variables. All the principal components are orthogonal to each other so there is no redundant information. The principal components as a whole form an orthogonal basis for the space of the data.

The first principal component is a single axis in space. When you project each observation on that axis, the resulting values form a new variable. And the variance of this variable is the maximum among all possible choices of the first axis.

The second principal component is another axis in space, perpendicular to the first. Projecting the observations on this axis generates another new variable. The variance of this variable is the maximum among all possible choices of this second axis.

The full set of principal components is as large as the original set of variables. But it is commonplace for the sum of the variances of the first few principal components to exceed 80% of the total variance of the original data. By examining plots of these few new variables, researchers often develop a deeper understanding of the driving forces that generated the original data.

In the present section Principal Component Analysis (PCA), a technique commonly used for data reduction have used. It offers the solution for the problem of multi-collinearity, the situation where the explanatory variables are highly inter-correlated. The objective of PCA is to find unit-length linear combination of the variables with the greatest variance. In the analysis, first principal component (PC) has maximal overall variance; the second principal component has maximal variance among all unit length linear combinations that are uncorrelated to the first principal component; and the last principal component has the smallest variance among all unit length linear combinations of the variables.

These principal components represent the most important directions of variability in a dataset. Given a data matrix with *p* variables and n samples, the data are first centered on the means of each variable. This ensures that the cloud of data is centered on the origin of our principal components. It neither affects the spatial relationships of the data nor the variances along our variables. The first principal component (Y_1) is given by the linear combination of the variables X_1, X_2 ... X_p. Symbolically,

$$Y_1 = a_{11}X_1 + a_{12}X_2 + \ldots + a_{1p}X_p$$

The first principal component is calculated in such a way that it accounts for the greatest possible variance in the data set. Of course, one can make the variance of Y_1 as large as possible by choosing large values for the weights a_{11}, a_{12}...a_{1p}. To prevent this, weights are calculated with the constraint that their sum of squares is 1. Thus,

$$a_{11}^2 + a_{12}^2 + \ldots + a_{1p}^2 = 1$$

The second principal component is calculated in the same way, with the condition that it is uncorrelated with the first principal component and that it accounts for the next highest variance.

$$Y_2 = a_{21}X_1 + a_{22}X_2 + \ldots + a_{2p}X_p$$

This process continues until a total of *p* principal components have been calculated, where p is equals to the original number of variables. At this point, the sum of

the variances of all of the principal components will be equal to the sum of the variances of all of the variables, that is, all of the original information has been explained or accounted for. Collectively, all of these transformations of the original variables to the principal components are:

$$Y = AX$$

The rows of matrix *A* are called the eigenvectors of variance-covariance matrix of the original data. The elements of an eigenvector are the weights a_{ij}, also known as loadings. The elements in the diagonal of matrix S_y, the variance-covariance matrix of the principal components, are known as the eigen values. Eigen values are the variance explained by each principal component and are constrained to decrease monotonically from the first principal component to the last (Gileva, 2010).

The full set of principal components is as large as the original set of variables. But it is commonplace for the sum of the variances of the first few principal components to exceed 80% of the total variance of the original data. By examining plots of these few new variables, researchers often develop a deeper understanding of the driving forces that generated the original data (MATLAB 7.10.0).

Analysis and Results

In this section of the paper we analyze the findings of the primary research carried out as part of this project.

Summary Statistics

Descriptive statistics for the selected explanatory variables are presented in Table 1. The number of observations for all the variables is sixty six. Minimum and maximum values of responses of variables under consideration are shown in column 2 and 3 of the table.

Table 1: Results of Summary Statistics

Questions	Observations	Minimum	Maximum	Mean	Std. Dev.
Question1	66	1	5	3.7575	1.2033
Question2	66	2	5	4.2575	0.8097
Question3	66	2	5	3.7878	0.8860
Question4	66	1	4	2.5000	0.7493
Question5	66	2	5	3.6969	1.1227
Question6	66	2	5	3.3030	1.0520
Question7	66	2	5	4.0454	.98342
Question8	66	1	5	3.3787	1.3215
Question9	66	2	5	3.9090	1.0034
Question10	66	1	5	3.8484	1.5515
Question11	66	4	5	4.5000	0.5038
Question12	66	2	5	3.5909	1.0809
Question13	66	2	5	3.5151	1.0113
Question14	66	2	5	3.8636	0.9263
Question15	66	2	5	4.1515	1.1798
Question16	66	2	5	4.1515	0.9155
Question17	66	4	5	4.1969	0.4007
Question18	66	3	5	4.0757	0.5899
Question19	66	1	5	3.1060	1.3141

Question20	66	2	5	3.4696	1.2180
Question21	66	1	5	3.7878	1.2590
Question22	66	2	4	3.4848	0.7492
Question23	66	1	4	2.8333	1.1446
Question24	66	2	5	4.0151	0.9363

The fourth column of the table records the arithmetic mean value of the responses of each question, which range between 2.5000 and 4.5000. Only two statement i.e., Q4 (2.5000) and Q23 (2.8333) are less than the study's population mean of '3'. The means of the scores of responses range between 2.5000 and 4.5000, only two statement i.e., Q4 (2.5000) and Q23 (2.8333) are less than the study's population mean of '3', which tend negative stakeholder's perceptions and indicate that they are misled and not satisfied with the current pattern of financial reporting. Stakeholders are agreed with eight statements (Q2, Q7, Q11, Q15, Q16, Q17, Q18, and Q24) as these mead scores ranging from 4.0151 to 4.5000. And remaining fourteen statements have also the positive impact on stakeholders and could be considered as moderate when compared to a mean of there in a '1' to '5' range analysis.

The means of the responses concluded that stakeholders are agreed with all the statements except Q4 and Q23, after that, they are not satisfied with the current pattern of the financial reporting. Variations in the responses, expressed in terms of standard deviation is also highest for Q10 (1.5515) and lowest for Q17 (0.4007). Results of standard deviation also show that the responses are highly varied, but, not negative.

Principal Component Analysis

In the present section Principal Component Analysis (PCA), a technique commonly used for data reduction have used. The results of ideas of Principal Component Analysis applied on selected explanatory variables to determine the factors that can explain the stakeholder's perceptions are shown in table 2.

Table 2 : Principal Component Analysis

Principal Component	Eigenvalue	Difference	Proportion of Variance	Cumulative Proportion of Variance
1	7.1292	2.4382	0.2971	0.2971
2	4.6908	1.6134	0.1955	0.4925
3	3.0774	0.4398	0.1282	0.6207
4	2.6376	0.7949	0.1099	0.7306
5	1.8427	0.6396	0.0768	0.8074
6	1.2031	0.3891	0.0501	0.8575
7	0.8140	0.1154	0.0339	0.8915
8	0.6986	0.1188	0.0291	0.9206
9	0.5798	0.0781	0.0242	0.9447
10	0.5017	0.2207	0.0209	0.9656
11	0.2810	0.4380	0.0117	0.9773
12	0.2372	0.0563	0.0099	0.9872

13	0.1809	0.0549	0.0075	0.9948
14	0.1260	0.1259	0.0052	1.0000

The researchers have constructed each principal component in such a way that their respective variance is maximized. The Eigen values or variances of principal components of the correlation matrix shown in the table are ordered from largest to smallest. The Eigenvalues add up to the sum of variances of the variables in the analysis (Saxena and Bhadauriya, 2012). As the analysis is based on correlation matrix, the variables are standardized to have unit variance, and so the sum of eigenvalues is 24.

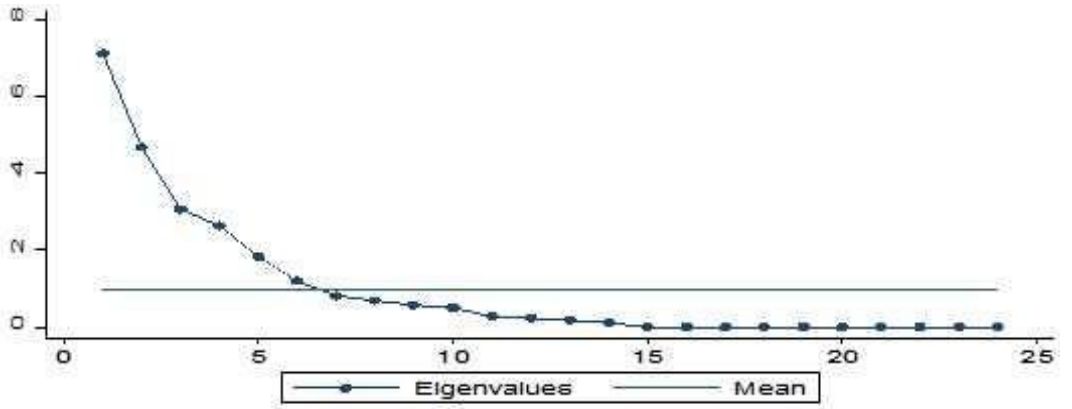

Figure 1: Scree Plot of Eigen Values after Principal Component Analysis

The scree plot is proposed to be a useful tool for visualizing the eigenvalues relative to one another, so that you can decide the number of components to retain (Stata Release, 12.0). The point of interest is where the curve start flattens. It can be seen (fig. 1) that the curve begins to flatten between questions 6 and 7. It can also be noticed that question 7 has an eigen value of less than 1, so only six factors can be retained. This is consistent with Kaiser's Rule (only factors having eigenvalues greater than 1 are considered as common factors) (Burns and Burns, 2008).

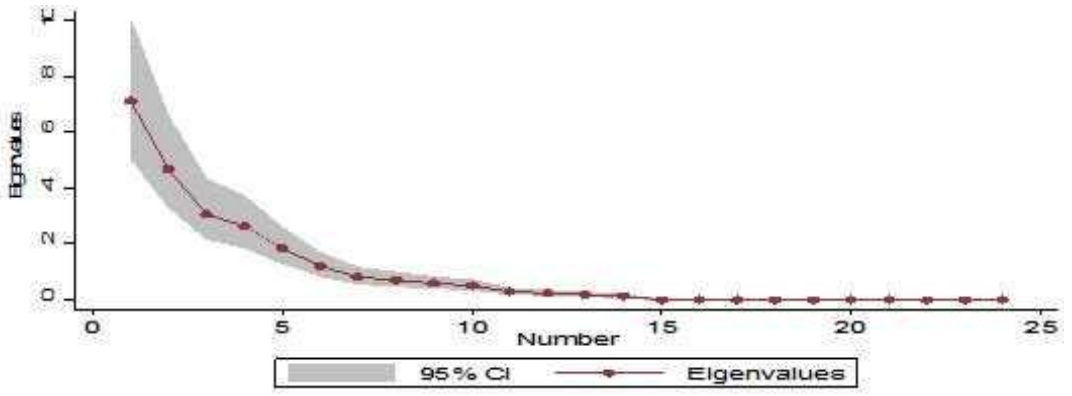

Figure 2: Scree Plot of Eigen Values with Class Interval limits after Principal Component Analysis

A problem in interpreting the scree plot is that no guidance is given with respect to its stability under sampling. How different could the plot be with different samples? The approximate variance of an eigenvalue ? ðf a covariance matrix for multivariate normal distributed data is 2 ?^2=n. From this we can derive confidence intervals for the eigenvalues. These scree plot confidence intervals aid in the selection of important components (see fig. 2). Despite our appreciation of the underlying interpretability of the seventh component, the evidence still points to retaining four or five principal components (Stata Release 12).

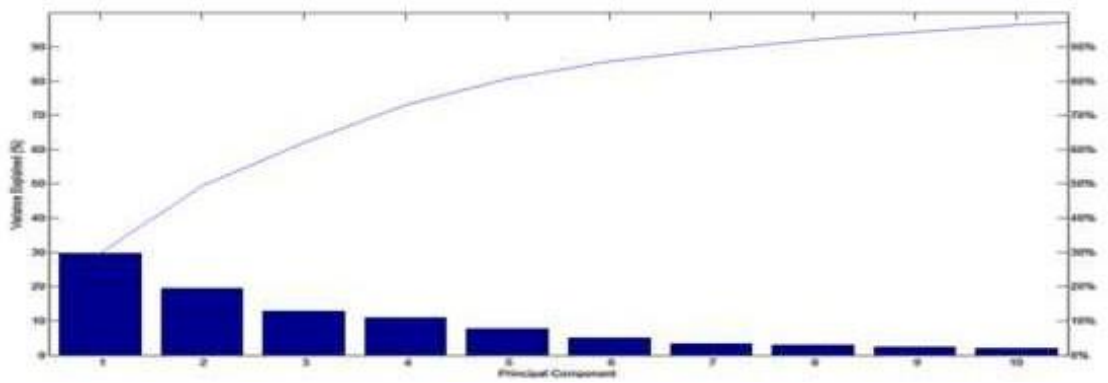

Figure 3: Variance Explained by Principal Components

As shown in the table, Eigenvalue of first four principal components (PC1 - 7.1292, PC2 – 4.6908, PC3 – 3.0774 and PC4 – 2.6376) is the maximum among all. These four components individually explain 29.71 percent (7.1292/24), 19.55 percent (4.6908/24), 12.82 percent (3.0774/24) and 10.99 percent (2.6376/24) variance in the total variance of all components. In total these components explain 73.06 percent variance (29.71 + 19.55 + 12.82 + 10.99) of the total variance. This implies that more than 70% of the variance is contained in first four principal components (see fig. 3). These four components are coordinated for choosing the main variables among all 24 questions considered.

The results in Table 1 reveal the presence of four factors with all 24 items of the stakeholder's perceptions towards corporate financial reporting practices. The eigenvalues for the four factors are above 1 (given above). These four factors explain a total of 73.06% of the variance. Specifically, Factor 1 has fourteen significant loadings, Factor 2 has twelve significant loadings, Factor 3 has seventeen significant loadings and Factor 4 has fifteen significant loadings respectively. Here same loadings lying in two or more factors, so finally, the highlighted loadings (see annexure) would be considered. Factor 1 has fourteen significant loadings, Factor 2 has reduced to five significant loadings, and Factor 3 considered four significant loadings out of seventeen and Factor 4 considered no loading respectively. To end with, first three factors has loaded because they cover all the 24 questions and factor 4 has eliminated.

Table 3: Factor Loadings

Var.	Principal Component 1	Principal Component 2	Principal Component 3	Principal Component 4	Unexplained Variance	Unexplained Variance
Q1	**0.0366**	-0.2765	0.0612	0.1926	0.5225	0.6203
Q2	**0.0466**	0.1548	-0.1896	-0.2887	0.5417	0.7615
Q3	**0.0618**	0.0478	0.3842	-0.1932	0.4093	0.5077

Q4	-0.0209	-0.1566	**0.0093**	0.3622	0.5356	0.8817
Q5	-0.0132	-0.1447	**0.3764**	-0.0809	0.4474	0.4647
Q6	-0.3248	-0.1282	**0.0645**	-0.0232	0.1564	0.1578
Q7	-0.2320	-0.2107	**0.1362**	0.2629	0.1685	0.3508
Q8	**0.2545**	-0.0422	-0.1364	0.2801	0.2657	0.4725
Q9	-0.0343	**0.1485**	0.4789	-0.1006	0.1557	0.1823
Q10	**0.2440**	-0.0003	-0.1932	0.2825	0.25	0.4605
Q11	**0.2813**	0.1557	0.2399	0.1066	0.1151	0.1451
Q12	**0.0510**	-0.0572	0.0880	0.4924	0.3027	0.9423
Q13	**0.3174**	0.1963	0.0034	0.0934	0.0779	0.1009
Q14	-0.2091	**0.2312**	-0.2171	0.1526	0.2310	0.2924
Q15	**0.0043**	0.3771	0.1488	0.1751	0.1837	0.2646
Q16	-0.0585	**0.3358**	0.0117	0.2238	0.3141	0.4462
Q17	-0.2750	**0.1398**	0.2477	0.1378	0.1302	0.1803
Q18	**0.1978**	-0.3006	0.1074	0.0161	0.2611	0.2618
Q19	**0.3269**	0.1395	-0.0782	-0.0620	0.1177	0.1278
Q20	**0.2752**	0.1011	0.1488	-0.1738	0.2642	0.3439
Q21	**0.3538**	-0.0639	-0.0194	-0.0493	0.0808	0.0872
Q22	-0.0024	-0.1324	-0.2183	-0.1329	0.7245	0.7711
Q23	**0.2314**	-0.2343	0.2723	0.0834	0.1141	0.1324
Q24	-0.0373	**0.4202**	0.0703	0.1397	0.0950	0.1465

Turning to an interpretation of independent dimensions as given in Table 3, one can see that the first factor delineates a cluster of relationships among the following attributes; 'Reading of the financial reports of the company before investment' (Q1), 'Collection of the information about companies from other sources (brokers, friends, colleagues etc) except the financial reports' (Q2), 'Financial reports give a true and fair view of the financial position and performance of the entity' (Q3), 'Companies are worried about disclosing too much information when it comes to segment reporting' (Q8), 'Control over accounting scams and scandals is the reason of emerging demand for corporate financial reporting at international level' (Q10), 'Attract the investors internationally is the reason of emerging demand for corporate financial reporting' (Q11), 'Credit rating would be suitable for investors to invest in shares' (Q12), 'Companies release their reports timely' (Q13), 'Falsified financial reporting affects negatively on economic picture of company as well as country' (Q15), 'Consideration of accounting policies for the selection of company for investment' (Q18), 'Cut throat competition among corporate is the reason of emerging demand for corporate financial reporting' (Q19), 'Declaration of corporate financial reports at the same date and time for control the falsified presentation' (Q20), 'Effectiveness of Return on Investment of previous years on investor's decision' (Q21), and 'Current pattern of corporate financial reporting followed by companies' (Q23). The nature of the highly loaded variables on this factor

suggests that it can be named "disclosure of financial information". This "disclosure of financial information" factor contributes around 30% of stakeholder's perceptions. Since Factor 1 has the highest eigenvalue and variance, (eigenvalue = 7.1292, variance = 29.71%) it necessarily represents the most important factor that has influenced stakeholders to invest in Indian companies.

Interestingly, the results of the principal component analysis in Table 2also reveal that the variables which have loadings on the second factor are 'Reporting based on harmonized principles' (Q9), 'Disclosure of the transactions and events that affect the company's economic position' (Q14), 'Effectiveness of legal structure of the country on demand for and supply of quality of reported financial information' (Q16), 'Consideration of financial statements for the selection of company for investment' (Q17), and 'Development of corporate financial reporting practices is in right direction using IFRS and XBRL' (Q24). The combination of these variables can be compositely grouped together under the proposed heading of "appropriateness of financial information of Indian companies". As shown in Table 6.5, Factor 2 "appropriateness of financial information of Indian companies" accounts for 19.55% of the total variance and together with Factor 1 explains about 49.25% of the total variance. All five variables are moderately correlated with Factor 2 with factor loadings ranging from 0.0478 to 0.4202. It also suggests the appropriateness of financial information as an instrument to strategically market the securities of Indian companies to consumers and other relevant stakeholders.

The third factor defining stakeholder's perceptions towards corporate financial reporting practices in India relates to 'No matters in the financial report that could be considered to be misleading' (Q4), 'Relevance of legislation and regulation related to financial reporting' (Q5), 'Satisfactorily resolution of noncompliance or deficiencies in financial reporting practices by regulatory agencies' (Q6), 'Necessity of reporting disclosure to meet investor's demand' (Q7). For this factor, the suggested name for it is "satisfaction with financial report" factor. The results of the factor analysis ranked "satisfaction with financial report" as the least important factor compared with other variables, since it explains only 12.82% of the total variance for the variables in the data set.

Table 4: Frequency Distribution: Factor 2 Variables – Degree of influence of Stakeholders' Perceptions towards corporate financial reporting

Degree of Influence	Value	Q9	Q14	Q16	Q17	Q24
Not Important at all	1	13.23529	1.449275	1.492537	1.449275	0
Not Important	2	17.64706	13.04348	8.955224	0	10.14493
Cumulative %		17.91045	14.49275	10.44776	1.449275	10.14493
Important	4	51.47059	53.62319	41.79104	76.81159	40.57971
Very Important	5	16.17647	21.73913	40.29851	20.28986	33.33333
Cumulative %		80.59701	75.36232	82.08955	97.10145	73.91304
Neutral	3	1.470588	10.14493	7.462687	1.449275	15.94203
Mean Value		3.909091	3.863636	4.151515	4.19697	4.015152
Median Value		4	4	4	4	4
Mode Value		4	4	4	4	4

Overall, the principal component analysis reveals an important result indicating that appropriateness of financial information of Indian companies factor was considered as one of the important factors in making a judgement and decision whether to make investment in Indian companies. The ranking position of appropriateness of financial information of Indian companies' factor as the second most important factor. Moreover, it is also expected that the proportion of stakeholders influenced by this factor would be relatively high. This is confirmed by figures on Table 4, whereby high percentages of influence are evidenced for all the five variables constituting under appropriateness of financial information of Indian companies factors (Q9 = 80.60%, Q14 = 75.36%, Q16 = 82.09%, Q17 = 97.10% and Q24= 73.91%).

Concluding Remarks

The paper was aimed to provide an initial insight to the expectations of the different groups of shareholders on corporate financial reporting practices by considering 24 fundamental factors regarding current reporting practices.Addressing the objective of this paper might increase the understanding of the attitude of different stakeholders on the idea of financial reporting and its disclosure within the annual report. This includes primary (investors) as well as the secondary (public at large) stakeholders' perceptions. The perceptions of stakeholders were focused in this paper to identify the most demanding group of stakeholders in expecting the companies' actions in corporate financial reporting disclosure practices. Besides that, this study can guide the preparers of annual reports to improve on the quantity and quality of the corporate financial reporting practices. The regulators also can revalue the current practices of corporate financial reporting in India and make it mandatory for companies to disclose the relevant reporting issues.

Thus a recession in one country will potentially have large scale impacts on other countries to an extent not seen in previous recession. The paper concludes that the regional dimension provides an important and effective framework – not just for mitigating the impact of the current crisis but also for reducing the chances of similar crises in the future

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