



“A STUDY ON FACTORS INFLUENCING QUALITY OF INTERIM FINANCIAL REPORTING AMONG TOP IT COMPANIES IN NSE”

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Abstract

The conceptual framework of the Indian Financial Reporting Standards, that is to be followed by all the business that exist in the nation states that the objective of a financial report is to provide the users of financial reports with the company's financial information, performance and any changes of financial position of the company. Financial reporting is an important economic activity of any country's businesses and also for the success of any organization to make intensive and extensive economic decisions from the company's corporate governance and also the directors of the company. **Research Methodology:** In this study, conclusion-based research is designed, and the research type being quantitative, wherein, the collected secondary data is analyzed by describing the nature of data with the help of descriptive analysis. **Sampling and Data Collection:** This study involves a probabilistic sampling technique namely, systematic sampling in ordered to gather data from the NSE to identify and analyze the impact of key factors on the quality of interim reporting. This study involves a secondary data gathered from top IT companies listed in NSE- Nifty 50 companies in the four quarters of the year 2021. **Results:** Considered variable understandability have a significant influence on the quality of interim reporting and also the error free disclosures of reporting have a statistical significance on the quality of interim reporting, such that, all the companies in order to achieve an excellent quality on their interim reporting must disclose their reports very much consistently, the reports must be understandable to all the shareholders and stakeholders of the business and also the reports disclosed must be error free to achieve the higher standards and quality of the interim reporting.

Key Words: *Interim Report, Consistency, Understandability, Error Free, Financial Reporting.*

1. Introduction

Financial reporting is an important economic activity of any country's businesses and also for the success of any organization, because it assists a number of internal and external users such as the shareholders of the company, stakeholders of the company and also to the government reference to make intensive and extensive economic decisions from the company's corporate governance and also the directors of the company. The conceptual framework of the Indian Financial Reporting Standards, that is to be followed by all the business that exist in the nation states that the objective of a financial report is to provide the users of financial reports with the company's financial information, performance and any changes of financial position of the company which also addresses the assets of the company along with its liabilities of a financial year that includes, cost accounts, income and expenses statement, profit and loss statement and finally helps in updating the balance sheet of the company to project in front of the government to pay taxes and shareholders to pay dividends.

The financial reporting is an indication of the business performance and their ability to develop in the nearby future, hence the prospective investors use the financial reports before making decisions to invest on any business by purchasing their share and avail dividends based on the profit, wherein, the existing investors use financial reporting to monitor their investments continually indicating the purchase of additional shares and contributing for the business expansion and sustainable growth.



The main and primary objective of this interim standard is to prescribe and consists the minimum content of an interim financial report and to consist the principles for recognition and measurement in complete or condensed financial statements for an interim period. Hence the timely, trustworthy, ethical and reliable interim financial reporting improves the ability of investors, creditors and others to understand an entity's capacity to generate earnings and cash flows for its financial condition and liquidity of the company in a stated financial year. Wherein, each financial report, annual or interim, is evaluated on its own for conformity to Indian Accounting Standards and the fact that an entity may not have provided interim financial reports during a particular financial year or may have provided interim financial reports that do not comply with this standard and they do not prevent the entity's annual financial statements from conforming to Indian Accounting Standards.

The interim financial reporting standard does follow the instruction from the governments, securities regulators, stock exchanges and accountancy bodies often require entities whose debt or equity securities are publicly traded to publish interim financial reports and this standard applies if any business entity is required or elects or to publish an interim financial report in accordance with Indian Accounting Standards. Wherein, each financial report, annual or interim, is evaluated on its own for conformity to Indian Accounting Standards and the fact that an entity may not have provided interim financial reports during a particular financial year or may have provided interim financial reports that do not comply with this standard and they do not prevent the entity's annual financial statements from conforming to Indian Accounting Standards.

Hence any organization despite of the important and abundant research on impact of key factors on measuring the quality of interim reporting is considered to be the major factor for any business success. Such that any business entity shall include in its interim financial report an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period information disclosed in relation to those events and transactions shall update the relevant information presented in the most recent annual financial report.

2. Literature Review

Wang and Hui (2020) this study examined the importance of financial reporting and also the various standards followed in reporting and also confirms the effective co-ordination of business entities and it is possible to follow the standards and ensure the statements do not target those who have already with the business accounting data updated in financial reports may have economic effects to the business. **Greenberg (2020)** this study speaks about the importance of financial reporting is been highlighted, wherein, all the countries economic outlook has continued to drop down recently form many reasons and also the unethical practices followed by the organization and also the factors influence the quality of reporting and its effectiveness on the financial reporting of the organization. **Matusinska (2020)**, stated that financial reporting it is a tool for obtaining accounts and accurate results from the perspective of the stakeholders, including a comprehensive understanding with respect to interpretations of the described of the business. **S Dahlstrom (2019)**, conceptual framework of the Indian Financial Reporting Standards that is to be followed by all the business that exist in the nation states that the objective of a financial report is to provide the users of financial reports with the company's financial information. **Benjamin et. al. (2019)**, this study has stressed on the ethical dimensions in which the independent audit review is one of the means to improve financial reporting quality of any business and gives clarity to the directors in the corporate governance to make decisions for the development and sustainability of the business. **Gummesson (2018)**, this study addresses the effectiveness and importance of financial reporting



wherein, it is an indication of the business performance and their ability to develop in the nearby future, hence the prospective investors use the financial reports before making decisions to invest on any business. **Lovelock (2016)** articulates those surveys completed in a working environment, such as an office, have proven to be more prospective, especially when the assistance and support of a managers in following effective financial reporting standards. **Brash (2016)**, in this study the major objective is to understand the audit reviews consist primarily of analytical procedures and inquiries of management that they do not include physical inspection. **Jreisat & Paul, (2015)**, this study explains about the knowledge-gap that relatively exists in the literature is been argued that one of the chief causes for the usage of reporting standards ethically is the primary requirement for financial establishments in the Southern- Asian part is largely due to the slow pace of financial reforms in majority of nations. **Chaurasia, (2015)** advanced financial reporting implies the execution of business trade in such parts and in such a way that helps the generally understand the stakeholders and shareholders in a high amount of understanding and build a strong relationship.

3. Research Methodology

3.1 Statement of the Problem: Many of the earlier research carried by the various authors have addressed importance of financial reporting of the companies by only considering the single parameters to determine the importance of statistical influence of various characteristics that are indicated in terms of their traits based on the higher quality of financial reports. Such that this study will help analyze the statistical significance of key factors identified on the quality of financial interims. After availing the clarity on importance of interim financial reports for the success of business and impact of these key factors on interim reporting excellence by answering the below questionnaires to addressed has the research problem,

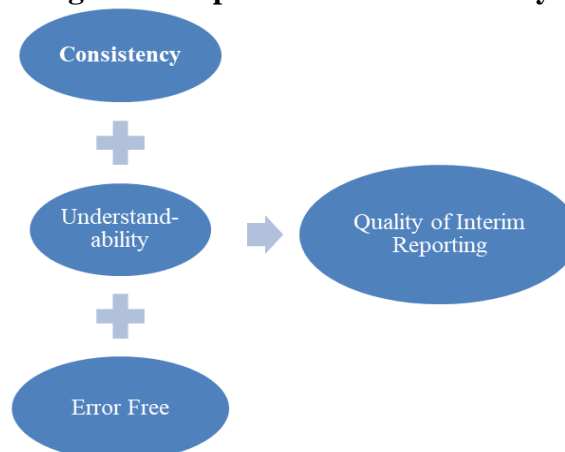
1. What is importance of interim reporting for the success of the business?
2. What is the impact of key factors on excellence of interim financial reporting and its effectiveness?

3.2 Objectives of the Study

1. To assess the need of interim financial reporting
2. To identify the key factors influencing quality of interim reporting
2. To analyze the impact of key factors on quality of interim reporting

3.2.1 Conceptual Model:

Fig 1: Conceptual Model of the Study





3.2.2 Hypothesis of the Study

H₀₁: There is no statistical impact of variable Consistency on the quality of interim reporting.

H₀₂: There is no statistical impact of variable Understand-ability on the quality of interim reporting.

H₀₃: There is no statistical impact of variable Error Free on the quality of interim reporting.

3.2.3 Research Design: In this study, conclusion-based research is designed, and the research type being quantitative, wherein, the collected data is analyzed by describing the nature of data with the help of descriptive analysis.

3.2.4 Sampling Design and Data Gathering: This study involves a probabilistic sampling technique namely, systematic sampling in ordered to gather data from the NSE to identify and analyze the impact of key factors on the quality of interim reporting. This study involves a secondary data gathered from top IT companies listed in NSE- Nifty 50 companies in the four quarters of the year 2021.

4. Analysis and Results:

a. Descriptive Statistics of the Variables.

Data Type: Secondary Data

SPSS Output

Table 1: Descriptive Statistics of the Variables

Particulars	Kurtosis	Skewness	Standard Deviation
Infosys Ltd	-.044	-.277	.98985
Tata Consultancy Services Ltd.	-.003	-.762	.51981
HCL Technologies Ltd	-.097	-.412	.55508
Wipro Ltd.,	.024	-2.009	.51195
Tech Mahindra Limited	.373	-1.385	.19819
Kpit Cummins Infosystems Ltd.	.091	-1.854	.51111

The above table describes the descriptive statistics of variables selected for the study. The above discloses that, the skewness of the data gathered is less than 3 and the value of kurtosis is less than 11, stating that, the data gathered in normalized and the standard deviation indicating to the level of deviation from the mean value.

b. Regression Analysis of IT Companies.

Data Type: Secondary Data

SPSS Output

Table 2: Regression Results

Companies	Independent Variable	Dependent Variable	Co-Efficient	Results
Infosys Ltd	Consistency	Quality of Interims	0.000	Positive
	Understandability		0.002	Positive
	Error Free		0.304	Negative
Tata Consultancy Services Ltd.	Consistency	Quality of Interims	0.149	Negative
	Understandability		0.000	Positive
	Error Free		0.013	Positive



HCL Technologies Ltd	Consistency	Quality of Interims	0.000	Positive
	Understandability		0.014	Positive
	Error Free		0.002	Positive
Wipro Ltd.,	Consistency	Quality of Interims	0.007	Positive
	Understandability		0.000	Positive
	Error Free		0.004	Positive
Tech Mahindra Limited	Consistency	Quality of Interims	0.476	Negative
	Understandability		0.002	Positive
	Error Free		0.004	Positive
Kpit Cummins Infosystems Ltd.	Consistency	Quality of Interims	0.000	Positive
	Understandability		0.013	Positive
	Error Free		0.000	Positive

The above regression table illustrates that, the independent variables such as Consistency, Understandability and Error Free disclosures of each IT companies listed in Nifty 50. The above table demonstrates that, the variable Consistency and variable Understandability have a significant impact on the quality of interims and variable Error Free do not have significant impact on the quality of interims defined by the Infosys Ltd, stating that defined null hypothesis 1 and 2 are rejected, while hypothesis 3 is accepted. Adding on further, in Tata Consultancy Service Ltd the variable Understandability and Error Free have an impact on quality of interims stating hypothesis 2 and 3 are rejected, while hypothesis 1 is accepted as variable Consistency do not have any impact on quality of interims. Similarly in the case of HCL Technologies Ltd, Wipro Ltd and Kpit Cummins Infosystems Ltd. All the 3 independent variables have a significant impact on the quality of interim disclosures, considering all the 3 defined null hypothesis are rejected. Meanwhile in Techmahindra Ltd Understandability and Error Free have an impact on quality of interims stating hypothesis 2 and 3 are rejected, while hypothesis 1 is accepted as variable Consistency do not have any impact on quality of interims. Hence from the above majority of the companies have a disclosed that, the independent variables such as Consistency, Understandability and Error Free disclosures of financial reports in different quarters have statistical significance on the quality of interim reporting, stating that the defined null hypothesis are rejected.

5. Conclusion

The importance and influence of the key variables such as consistency of the reporting, understandability of the reports to all the shareholders and stakeholders of the company and also the error free disclosures of interim reporting have a major impact on the quality of financial reports, especially the quality of interims. However, this study has helped in studying the impact of these key factors on the excellence and quality of interim financial report. After availing the clarity on importance of interim financial reports for the success of business and impact of the identified key factor on quality of interim reporting and its excellence among the top IT companies in Nifty 50. Hence the study can be concluded in a way that, there is a significant influence of the key variable consistency of reporting stating a positive result on the interim financial reporting, wherein, companies must also disclose the reports consistently. Adding on further, variable understandability have a significant influence on the quality of interim reporting and also the error free disclosures of reporting have a statistical significance on the quality of interim reporting, such that, all the companies in order to achieve an excellent quality on their interim reporting must disclose their reports very much consistently, the reports must be



understandable to all the shareholders and stakeholders of the business and also the reports disclosed must be error free to achieve the higher standards and quality of the interim reporting.

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