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Corporate Disclosure Scores and Share Price Reaction: Empirical Study of Indian Listed Firms (Post Satyam Period)

Showkat Ahmad Busru[1] G Shanmugasundaram[2]
1. PHD Scholar Department of Commerce Pondicherry University
2. Associate Professor Department of Commerce Pondicherry University

Abstract
The study examined the effect of corporate governance disclosures and collectively environment social and governance disclosures on the share price of listed Indian firms. Data regarding the sample of 393 companies of CNX 500 index of NSE of India was collected from Bloomberg data base by using two regressions equations for CGD and ESGD using both separately independent variables and share price as dependent variable. The study period was deliberately taken as post Satyam collapse period ranging from 2009-2014. The results obtained from the study were contradictory with the prior empirical results of developed countries and revealing that there is weak positive relationship between CGD and ESGD with the share price of sample firms and there is very minimal impact of CGD and ESGD on the share price of sample firms. Thus putting a question mark on negative signal that stake holders especially investors are very less sensitive towards the CGD and ESGD and are reacting only towards accounting information for material benefits rather than protection of social cost, protection of minority interest and environment sustainability development. Like another studies there is also possibility of further contribution to the present research.
Keywords: Corporate Governance Disclosures, Environmental social and Governance Disclosures, Share price, social cost, sustainability development

Introduction
To curb the corporate scandals like Enron Scandal (2001), WorldCom Scandal (2002), Tyco Scandal (2002), American International Group (AIG) Scandal (2005), Satyam Scandal (2009) positive and quick response came from different niches of world especially from the worst hit countries like USA in the form of The Sarbanes-Oxley Act 2002 and followed by other countries with adopting a number of regulatory changes to serve as governance code to demonstrate good corporate citizenship through environmental awareness, ethical behavior and sound corporate governance practices. It has been defined "as the system by which the companies are directed and controlled. The basic objective of corporate governance is to enhance and maximize shareholder value and protect the interest of other stake holders"

Disclosures are important aspect of corporate governance which involves making available all the material information to the interested parties well on time. The main aim of corporate disclosure is "to communicate firm performance and governance to outside investors" (Haely and Palepu, 2001). Thus corporations should make suitable arrangements for disseminating information regarding objectives, roles and responsibilities of the board and management, financial information to the stakeholders and should maintain and safeguard integrity of companies financial reporting. This information should not only address shareholders and investors to ensure safety of their investments, but also to the other stakeholders, particularly about corporate social and environmental policies for safeguard of national and social interest.

The study is focused on corporate transparency in the form of corporate disclosure measured through their dissemination to public and compliance to law and regulation for preparation of subject material in the form of reports.

Need for Study
In developed countries and some developing countries investors and stakeholders are showing great concern and higher sensitiveness towards firms contributing to ethical business, social responsibility and environmental protection, considered as a good sign of sustainability development. Does these empirical results hold true in Indian context was the question to be answered. The study will show the character of Indian investors and stake holders in contributing towards race of protecting minority interest, social cost and environment by investing and transacting with firms having a concern about these factors. The study will provide overview of all these factors and will recommend some possible solutions and further will differentiate whether stakeholders are concerned with CGD or ESGD by examining the effect of both variables on share price separately.

Objectives the study
- ✓ To provide a theoretical and conceptual overview of corporate governance and corporate, social and environmental disclosures in Indian context.
- ✓ To examine the effect of governance score on share price of sample firms.

- ✓ To examine the effect of Environmental, social and governance disclosure scores on share price of sample firms.

Research Methodology
The study is concerned with the Indian listed firms so CNX 500 index of NSE of India is taken as sample which consists of 95.77 % free float market capital, having companies listed from 73 sectors of the Indian economy. Further the sample size was reduced 393 firms. The study period focused on post Indian Enron (Satyam scandal) period ranging from financial 2009-10 to 2013-14.
Hypothesis:
H1: *there is no significant impact of governance disclosures on share price of Indian listed firms*
H2: *There is no significant impact of environmental, social and governance score on the share price of Indian listed firms*
The main statistical tool used for the analysis was **simple regression model.** It is the statistical technique which deals with datasets which are correlated and normally distributed. Regression is a statistical technique used to determine the linear relationship between two or more variables. It is primarily used for prediction and causal inference. In its simplest form, it shows the relationship between one independent variable (X) and a dependent variable (Y), as in the formula below:
$Y = \alpha + \beta X$ (Where X indicates the independent variable, Y indicates Dependent variable)
(α) And (β) be regression coefficients denote intercept and slope respectively.

Key findings of the study
Through use of regression analysis on the data collected about the sample firms from different sources revealed that there is no significant impact of corporate governance disclosures on the share value of the sample firms and also there is no significant impact of composite environmental social and governance disclosures on the share price of sample firms hence resulted in rejecting both null hypothesis. There is sufficient empirical support that disclosure about corporate governance and weighed corporate social and environmental issues cause only (3% and 1%) changes in share price of the sample companies, Thus there is only weak positive relation between the two variables as our R value is .52 and .30 respectively. Thus we can say that there are other factors which claim strong causality on the share price of the sample firms. We may conclude that disclosure score are not contributing towards the factors which affect the share price. Further we conclude that stake holders are less concern about ESCGD disclosures than CGD.

Implications of the Study
In general Stock prices fluctuate due to market forces, meaning that share prices change is because of supply and demand If more people want to buy a stock (demand) than sell it (supply), then the price moves up and vice versa here less effect of disclosure scores means that share holders are not concerned with the governance mechanism and disclosure so are less influenced by the disclosure scores of firms regarding demand for the shares of companies.

Investors or analysts base their future value of a company on their earnings projection. If a company result is positive it leads to high share price and vice versa thus we can say that share Value is dependent on earnings management. In our study share value is almost unaffected of governance social and environmental disclosures so we can conclude that in fact the earning are unaffected of disclosure scores this further signifies that stake holders are not concerned with the contribution of firms towards governing social and environmental causes and their disclosure scores.

Further there is the principal theory is that the share value is dependent of investors feel a company is worth. The value of a company is its market capitalization, which is the stock price into shares outstanding. Thus we can say that price of a stock doesn't only reflect a company's current value, it also reflects the growth that investors expect in the future, here in our study it has been found that disclosure scores affect firm value (share price) with less quantum reveals that investors are only concerned the material value and maximum returns and ignoring the value added by corporations to the environment, social expenditure and protection of stake holders in the governance mechanism which is not affecting share price and firm value at all.
Abbreviations:
CG: Corporate Governance
CGD: Corporate Governance Disclosures.
ESCGD: Environmental, Social and Corporate Governance Disclosures.

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