

A Recent Study on Financial Reporting Practices of Selected Indian Pharmaceutical Companies Listed on NSE.

Abstract

This paper focuses on study on financial performance of selected pharmaceutical companies listed on NSE. In the present paper an attempt has been made to examine financial reporting disclosure of selected pharmaceutical companies in India. For this purpose, the researchers considered 10 Indian pharmaceutical companies considered as sample for 1 year span of time from 2012-2021. One way Anova test has been applied for the study and profitability with the use of SPSS and Excel.

Key words : Accounting Information, Notes to financial statements, Overview of financial statements, Non-Accounting disclosure, statutory disclosure.

I. Introduction

Financial reporting refers to providing the information about the business activities of an entity to the users of information. The American Accounting Association's (1972) has defined financial reporting as, "communication of published financial statements and related information from a business enterprise to external users including shareholders, creditors, customers, Government authorities and the public. It is the reporting of accounting information of an entity (individual, firm, company, Government enterprise) to a user or group of users." Mautz and May (1978) have discussed the importance of financial reporting (disclosure) for economic decision making as, "Financial disclosure is essential to the functioning of a free enterprise economy. It is standard practices to give stakeholders an accurate depiction of a company's finances including their revenues, expenses, profits, capital and cash flow, as formal records that provide in-depth insights into financial information.

Financial reporting is the process of documenting and communicating financial activities and performance over specific time periods, typically on a quarterly or yearly basis. Companies use financial reports to organize accounting data and report on current financial status. Financial reports are also useful in the projections of future profitability, industry position and growth and many financial reports are available for public review. There are several primary statements to use when reporting financial data, and the information you include in these documents fulfills several key objectives of financial reporting.

- Tracking cash flow
- Evaluating assets and liabilities
- Analyzing shareholder equity
- Measuring profitability

Financial reporting is concerned with financial information and other means of communicating that information to all relevant groups and external parties. Financial reporting is a broad concept which includes how to make financial statements and how to report these books of accounts. At the end of particular period, financial statements provide snapshot of the values and operations of the company to identify whether company has made profit. It includes Profit and Loss Account, or Income and Expenditure statement, Balance Sheet, Cash flow statement, Statements in change in equity and explanatory notes. Financial statements are vital for all stakeholders, whether they are primary stakeholders or secondary stakeholders. Primary stakeholders are directly related to the economic transactions, i.e. internal stakeholders such as customers, suppliers, stockholders, external stakeholders such as general public, communities, government, competitors and other business support groups etc. Financial reporting is mainly concerned with information of earnings and its components. Without financial reporting, it is difficult to measure the financial soundness of the company.

OVERVIEW OF INDIAN PHARMACEUTICAL INDUSTRIES

India is the largest provider of generic drugs globally. Indian pharmaceutical sector supplies over 50 per cent of global demand for various vaccines, 40 per cent of generic demand in the US and 25 per cent of all medicine in the UK. India enjoys an important position in the global pharmaceuticals sector. The country also has a large pool of scientists and engineers with a potential to steer the industry ahead to greater heights. Presently, over 80 per cent of the antiretroviral drugs used globally to combat AIDS (Acquired Immune Deficiency Syndrome) are supplied by Indian pharmaceutical firms

II. Review of Literature

Purohit Jagruti A. (2021) – the researcher analyzed study of financial reporting under the title “An Analytical Study of Corporate Financial Reporting Practices as per Indian GAAP and IFRS in selected Indian Companies”. The IFRS is a normalized type of money related detailing that has increased enough force around the world. IFRS is a solitary reliable bookkeeping structure having the portability of being changed into prevalent GAAP. The major objective was to study the current accounting principles and transparency criteria. The findings were in regards to profitability ratio, liquidity ratio, leverage ratio, diversification activities, market-based ratios, operating risk and investing activities. The researcher concluded that there are various variances among IFRS and GAAP (India). IAS has failed in keeping pace with alterations in IFRS.

Raval Kirtan P. (2021) – In the thesis title – A study on quality of financial reporting practices under Indian accounting standards of selected companies in India. For determination of quality of financial reporting prospective researchers can use another parameters and tools or they can simply go for primary survey also. Researcher has also made an attempt to justify the impact of financial reporting after implementation of Indian Accounting standards through simple linear regression analysis. On the basis of whole research conducted by researcher on such as most recent topic Indian AS, it can be concluded that implementation of Indian AS brought certain new and eye catching changes like fair value measurement, revenue recognition, income taxes etc. but it is giving significant impact on the liquidity, profitability and market value of share except working capital of the selected companies.

Yadav Indu (2020) - financial reporting practices in selected commercial banks in India a comparative study- in case of mandatory disclosure practices it has been found that public and private sector banks have been followed moderate disclosure of information regarding Balance sheet items, Corporate governance report items, Notes to accounts items and Basel II: Pillar III disclosure items. Therefore it has been suggested that these banks should ensure cent percent disclosure of information since it is mandatory for the banks. The comparative performance of public and private sector banks reveals that public sector banks have shown improved mandatory disclosure practices in comparison to private sector banks. It has been found that Non-financial information, which comes under the category of voluntary disclosure, have not been fully disclosed by the both public and private sector banks. Overall, it can be concluded that to maintain high quality disclosure and transparency, as well as to build up investors and depositors confidence it is necessary to make a practice of cent percent disclosure of mandatory and voluntary information also by banking sector.

Rana Ronak D. (2015) in Recent trends in corporate disclosure of selected pharmaceutical companies of Gujarat- as far as Accounting information is concerned for the selected companies, the highest disclosure has been done by Dishman Pharma and Chemicals Limited, Sun Pharmaceutical Industries, Lincoln Pharmaceuticals Limited, Cadila Healthcare Limited, Alembic Limited during the year 2007-08 to 2011-12. As far as Non-accounting information is concerned for the selected companies, the highest disclosure has been done by Dishman Pharma and Chemicals Ltd., Cadila Healthcare Ltd., Themis Medicrae, Torrent Pharmaceuticals Ltd., Lincoln Pharmaceutical Ltd., Ambalal Sarabhai Enterprises Limited during the year 2007-08 to 2011-12. From this study, it is shown improvement of ‘Accounting Information’ and ‘Non-Accounting Information’ during the time of period on average. So, from this can be said that management has taken interest on fulfill required information to users and tried their level best this result shows. From the study, it is found in general that all the companies have showed poor performance in the disclosure of voluntary items. Also especially, all the companies have showed poor performance in the qualitative disclosure of voluntary items as compared to the quantitative disclosure.

III. Objective

1. To examine the statutory disclosure practices of selected pharmaceutical companies listed on NSE in India.

2. To examine the non-statutory disclosure practices of selected pharmaceutical companies listed on NSE in India.

IV. Hypothesis of the study

H01 : There is no significant difference in statutory disclosure practices of selected pharmaceutical companies listed on NSE.

H02: There is no significant difference in non-statutory disclosure practices of selected pharmaceutical companies listed on NSE.

V. Scope of the study

The scope of the study is limited to pharmaceutical sector of selected Indian companies. The researcher has considered 10 pharmaceutical companies in India. The time period of the study is 1 year 2020-21. The study is analyzed statutory and non-statutory financial reporting practices. It is examined the disclosure practices of Indian pharmaceutical companies which contains overview and notes to financial statements, accounting information, non-accounting information, notes to financial statements are categorized under mandatory and non-mandatory criteria. Statistical tools namely one way ANOVA, applied at 5% level of significance with the help of SPSS.

VI. Analysis and Interpretation

The following table shows the financial reporting practices disclosure of selected companies for the year 2020-21. Which shows statutory disclosure and non-statutory disclosure which considered accounting information, overview & notes to financial statements, notes to financial statements, accounting information, non-accounting information.

FINANCIAL REPORTING PRACTICES DISCLOSURE OF SELECTED COMPANIES FOR THE YEAR 2020-21										
Items	Cadila	Cipla	Lupin	Torrent	Sun Pharma	Dr. Reddy	Aurobindo	Piramal	Glenmark	Divi's
A. Statutory Disclosure										
a. Accounting Information										
AI – 1	1	1	1	1	1	1	1	1	1	1
AI – 2	1	1	1	1	1	1	1	1	1	1
AI – 3	1	1	1	1	1	1	1	1	1	1
AI – 4	1	1	1	1	1	1	1	1	1	1
AI – 5	1	1	1	1	1	1	1	1	1	1
Overview & notes to the financial Statements										
OFS – 1	1	1	0	0	0	0	0	0	0	0
OFS – 2	1	1	0	0	0	0	0	0	0	0
OFS -3	1	1	0	0	0	0	0	0	0	0
OFS – 4	1	1	0	0	0	0	0	0	0	0
Notes to financial statements										
NFS – 1	1	1	1	1	1	1	1	1	1	1

NFS -2	1	1	1	1	1	1	1	1	1	1
NFS -3	1	1	1	1	1	1	1	1	1	1
NFS -4	1	1	1	1	1	1	1	1	1	1
NFS -5	1	1	1	1	1	1	1	1	1	1
NFS -6	1	1	1	1	1	1	1	1	1	1
NFS -7	1	1	1	1	1	1	1	1	1	1
NFS -8	1	1	1	1	1	1	1	1	1	1
NFS -9	1	1	1	1	1	1	1	1	1	1
NFS -10	1	1	1	1	1	1	1	1	1	1
NFS -11	1	1	1	1	1	1	1	1	1	1
NFS -12	1	1	1	1	1	1	1	1	1	1
NFS -13	1	1	1	1	1	1	1	1	1	1
NFS -14	1	1	1	1	1	1	1	1	1	1
NFS -15	1	1	1	1	1	1	1	1	1	1
NFS -16	1	1	1	1	1	1	1	1	1	1
NFS -17	1	1	1	1	1	1	1	1	1	1
NFS -18	1	1	1	1	1	1	1	1	1	1
NFS -19	1	1	1	1	1	1	1	1	1	1
NFS -20	1	1	1	1	1	1	1	1	1	1
NFS -21	1	1	1	1	1	1	1	1	1	1
NFS -22	1	1	1	1	1	1	1	1	1	1
NFS -23	0	1	0	0	0	0	0	0	0	0
NFS -24	1	1	1	1	1	1	1	1	1	1
NFS -25	1	1	1	1	1	1	1	1	1	1
NFS -26	1	1	1	1	1	1	1	1	1	1
NFS -27	1	1	1	1	1	1	1	1	1	1
NFS -28	1	1	1	1	1	1	1	1	1	1
NFS -29	1	1	1	1	1	1	1	1	1	1
NFS -30	1	1	1	1	1	1	1	1	1	1
NFS -31	1	1	1	1	1	1	1	1	1	1
NFS -32	1	1	1	1	1	1	1	1	1	1
NFS -33	1	1	1	1	1	1	1	1	1	1
NFS -34	1	1	1	1	1	1	1	1	1	1
NFS -35	1	1	1	1	1	1	1	1	1	1
b. Non-Accounting Disclosure										
NAD -1	1	1	1	1	1	1	1	1	1	1
NAD -2	1	1	1	1	1	1	1	1	1	1
NAD -3	1	1	1	1	1	1	1	1	1	1

NAD -4	1	1	1	1	1	1	1	1	1	1
NAD -5	1	1	1	1	1	1	1	1	1	1
Non-Statutory Disclosure										
a. Accounting Information										
AIN -1	1	1	1	1	1	1	1	1	1	1
AIN -2	1	1	1	1	1	1	1	1	1	1
AIN -3	1	1	1	1	1	1	1	1	1	1
AIN -4	0	0	0	0	0	0	0	0	0	0
AIN -5	0	0	0	0	0	0	0	0	0	0
AIN -6	0	0	0	0	0	0	0	0	0	0
AIN -7	1	1	1	1	1	1	1	1	1	1
AIN -8	1	1	1	1	1	1	1	1	1	1
AIN -9	0	1	0	0	0	0	0	0	0	0
AIN -10	0	1	0	0	0	0	0	0	0	0
AIN -11	1	1	1	1	1	1	1	1	1	1
b. Non-Accounting Information										
NAI -1	1	1	1	1	1	1	1	1	1	1
NAI -2	1	1	1	1	1	1	1	1	1	1
NAI -3	1	1	1	1	1	1	1	1	1	1
NAI -4	1	1	1	1	1	1	1	1	1	1
NAI -5	1	1	1	1	1	1	1	1	1	1
NAI -6	1	1	1	1	1	1	1	1	1	1
NAI -7	1	1	1	1	1	1	1	1	1	1
NAI -8	1	1	1	1	1	1	1	1	1	1
NAI -9	1	1	1	1	1	1	1	1	1	1
NAI -10	1	1	1	1	1	1	1	1	1	1
NAI -11	1	1	1	1	1	1	1	1	1	1
Total	65	68	61	61	61	61	61	61	61	61

Above table shows financial reporting practices of selected pharmaceutical companies for the year 2020-21. The score of Cadila was 65, score of Cipla company was 68 and other companies namely Lupin, Torrent, Sun pharma, Dr.Reddy, Aurobindo, Piramal, Glenmark and Divi's have achieved total score of 61 out of 71 score. The financial reporting practice of Cipla was very good in the year 2020-21 as compare to other selected companies.

RESULT OF ONE-WAY ANOVA TEST OF FINANCIAL REPORTING DISCLOSURE SCORE OF SELECTED COMPANIES

H_0 There is no significant difference in financial reporting disclosure score of selected pharmaceutical companies listed on NSE in India.

Descriptive Statistic of One-Way ANOVA Test of Financial Reporting Disclosure Score of Selected Companies – As per Company-Wise Performance									
Particular	N	Mean	Std. Dev.	Std. Error	95% Confidence Interval for Mean		Min.	Max.	
					Lower Bound	Upper Bound			
Financial Reporting Disclosure Score	Cadila	10	64.20	0.42	0.13	63.90	64.50	64.00	65.00
	Cipla	10	67.20	0.42	0.13	66.90	67.50	67.00	68.00
	Lupin	10	60.20	0.42	0.13	59.90	60.50	60.00	61.00
	Torrent	10	60.20	0.42	0.13	59.90	60.50	60.00	61.00
	Sunpharma	10	60.20	0.42	0.13	59.90	60.50	60.00	61.00
	Dr.Reddy's	10	60.20	0.42	0.13	59.90	60.50	60.00	61.00
	Aurbindo	10	60.20	0.42	0.13	59.90	60.50	60.00	61.00
	Piramal	10	60.20	0.42	0.13	59.90	60.50	60.00	61.00
	Glanmark	10	60.20	0.42	0.13	59.90	60.50	60.00	61.00
	Divi's	10	60.20	0.42	0.13	59.90	60.50	60.00	61.00
	Total	100	61.30	2.35	0.23	60.83	61.77	60.00	68.00

ONE-WAY ANOVA TEST RESULT OF FINANCIAL REPORTING DISCLOSURE SCORE – AS PER COMPANY-WISE PERFORMANCE							
T	Particular	Sum of Squares	df	Mean Square	F	Sig.	
b l e	Financial Reporting Disclosure Score	Between Groups	529.000	9	58.778	330.625	.000
		Within Groups	16.000	90	.178		
		Total	545.000	99			

Table presents the result of one-way ANOVA test of financial reporting disclosure score of selected pharmaceutical companies. The P-value is less than 0.05. So, we reject null hypothesis and accept the alternative hypothesis. It means there is significant difference in financial reporting disclosure score of selected pharmaceutical companies as per company-wise performance.

VII. Conclusion

1. Cadila and Cipla companies consistently disclosed all the information related to the overview and notes to the financial statements.
2. Other companies such as Lupin, Torrent, Sun Pharma, Dr. Reddy's, Aurobindo, Piramal, Glenmark, and Divi's did not consistently disclose the overview and notes to the financial statements.

3. All the selected pharmaceutical companies disclosed information related to various aspects such as property, plant & equipment, intangible assets, leases, investments, loans, financial instruments, equity, trade payables, inventories, and many others.
4. Only Cipla Company disclosed information related to dues to micro and small enterprises, while other companies did not provide this information.
5. All the selected pharmaceutical companies disclosed non-accounting information, including pictorial presentations, summaries of company activity, product information, corporate social responsibility initiatives, awards and recognitions, and other relevant non-financial information.
6. The financial reporting practices of the selected pharmaceutical companies were generally in line with statutory requirements, with variations in the extent of disclosure across companies.
7. There were no significant differences observed in financial reporting practices among the selected pharmaceutical companies.

The present study examines financial reporting practices of selected Indian pharmaceutical companies listed on the National Stock Exchange (NSE) with a purpose to get a deeper understanding of their statutory disclosure, non-statutory disclosure, and overall financial reporting practices. The careful examination and analysis of financial statements and related documents, findings shows the extent to which these companies adhere to reporting guidelines and the quality of information published by these companies.

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