Abstract

Corporate disclosure, involving the communication of financial and non-financial information from company insiders to external stakeholders, is a key mechanism for reducing information asymmetry and fostering market efficiency. Disclosures can be either mandatory or voluntary, and they are pivotal for risk-sharing, enhancing liquidity, and lowering the cost of capital. However, these benefits are accompanied by associated costs. Corporate disclosure also serves as a tool to mitigate agency costs arising from conflicts of interest between stakeholders, which can negatively impact the transparency and reliability of financial information. Given its importance in cultivating investor confidence and attracting global investments, the implementation of regulations such as the Companies Act 2013 in India underscores the growing emphasis on corporate transparency and accountability. Notably, impression management techniques are increasingly employed by companies, influencing stakeholder perceptions and raising ethical and legal concerns. This thesis aims to investigate the role of corporate disclosure preparers in providing value-relevant and incremental information or engaging in impression management, and the role of governance in ensuring the credibility of such disclosures.

This thesis comprises three studies addressing five key objectives. Study I (Objective 1) conducts a systematic literature review on the evolution, methodologies, and trends of automated textual analysis in corporate disclosure. Study II (Objectives 2, 3, and 4) examines MD&A and CSR disclosures of S&P BSE 100 firms (2015–2018) to analyze MD&A and CSR disclosure tone trends (Objective 2), assess value relevance or impression management from the preparer's perspective (Objective 3), and evaluate disclosure credibility from the user's perspective (Objective 4), considering governance and ownership. Study III (Objective 5) explores the impact of positive analyst tone on market performance during COVID-19.

The first objective's bibliometric analysis highlights a shift from dictionary-based to machine-learning approaches in corporate disclosure research, identifying key trends, influential studies, and methodological gaps. The second objective reveals that tone scores in MD&A and CSR disclosures vary significantly across firms and years, with some firms showing consistent disclosure and others displaying fluctuation, suggesting diverse disclosure strategies. For the third objective, MD&A tone positively affects both future operating and market performance, indicating value-relevant and credible disclosures. In contrast, while CSR tone positively impacts market performance, it negatively impacts provisional CSR expenditure, suggesting possible impression management. The fourth objective shows that in MD&A disclosure, ownership concentration, institutional ownership, and board independence negatively influence market performance, while audit committee effectiveness has a positive effect. For CSR disclosure, ownership concentration and institutional ownership negatively affect both market performance and provisional CSR expenditure, whereas board independence positively influences provisional CSR expenditure, underscoring the role of governance in enhancing disclosure credibility. The fifth objective finds that during COVID-19, analyst tone failed to improve market outcomes, reflecting investor skepticism.

In conclusion, this thesis offers insights into the role of corporate disclosure in shaping stakeholder perceptions and influencing market outcomes, with a particular focus on the contrast between value-relevant information and impression management. The findings underscore the importance of governance mechanisms in enhancing the credibility of disclosures and mitigating the risks of impression management, thereby fostering greater transparency and accountability in corporate reporting. These insights have important implications for companies, regulators, and policymakers seeking to improve the quality of financial information and build trust among stakeholders in the global capital markets.

Keywords – Corporate disclosure, impression management, information asymmetry, agency cost, MD&A, CSR, ownership concentration, corporate governance, board independence, tone, COVID-19