

User's Perception on Corporate Annual Reports: Evidence from Sri Lanka

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Abstract

The purpose of this study is to examine how the users of corporate annual reports in Sri Lanka perceive the usefulness and relative importance of Sri Lankan's corporate annual report. A self-administrated questionnaire was distributed to individuals representing the seven groups identified. Descriptive methods, the Kruskal-Wallis (K-W) test, the Mann-Whitney (M-W) test and One-way ANOVA test were used to achieve the objectives of this study. The results of the study reveal that most respondents strongly agree that annual reports published by the listed companies in Sri Lanka are considered as an important major source for their decision-making process; however, the timely release and availability of these annual reports to the public are becoming a great of concern. The study also reveals that the company information contained in the annual reports is not sufficient for the purposes for which it is used. Finally, these finding reveal that, compared to the developed economy, Sri Lankan users rely more on the information contained in the corporate annual reports than the other sources of information. Further, with developing economy in Sri Lanka and other developing countries, an annual report is likely to provide a more holistic view of a company's picture going further than what is statutorily required.

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I. INTRODUCTION

The disclosure of the corporate report receives a great deal of interest in empirical studies and this area of study is growing on a large scale widely (Beattie, 2005). Binh (2012) argues that annual reports are usually an important means of obtaining accountability in the corporate sector and are often a means by which sectors can improve stakeholder's perceptions about their accountability.

Shehata (2014) says that many financial scandals around the world were due to the lack of proper disclosure of the company in annual reports. Because of the variety of financial scandals worldwide, Arif and Tuhin (2013) claim adequate disclosure in annual reports are now necessary in the corporate world in order to ensure transparency and accountability and also assist various interest groups

in their rational decision making. Disclosure is considered as an important indicator of the quality of accounting (Robson and Marston, 1997). Murray (1976) states that the quality of corporate disclosure affects the ability of capital markets to assess a company's value. In addition, the quality of disclosure has a major impact on investors' ability to make better investment decisions (Singhvi and Desai, 1971).

Subsequently, researchers are much interested in determining the types of information and the level of disclosure that will meet the user needs and the variables that will significantly influence their decisions and the factors that affect corporate disclosure practices. Companies have multiple channels and tools to communicate with their stakeholders. Likewise, investors and other