

# Corporate Information Disclosure of Listed Banks from Kerala

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## ARTICLE DETAILS

### Article History

Published Online: 07 August 2018

### Keywords

Corporate Governance  
Corporate Information Disclosure  
Investor Relations

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## ABSTRACT

Corporate Governance principles urges a corporate to be an entity as desired by the all the stakeholders. When it comes to governance, investor is regarded as a key stakeholder. Information disclosure practices of the different companies largely influence the investment decisions. Market efficiency is also measured in terms of discounting the information element. This paper attempts to investigate the Corporate Information Disclosure of listed banks from Kerala using the Corporate Internet Information Disclosure Index [CIDI] adapted from the model developed by Spanous and Mylonakis (2006). The investigation could find that there is no significant difference among the companies in the disclosure and they exhibit a fair level of information disclosure.

## 1. Introduction and Research Problem

Corporate Governance principles urges a corporate to be an entity as desired by the all the stakeholders. When it comes to governance, investor is regarded as a key stakeholder. Information disclosure practices of the different companies largely influence the investment decisions. Market efficiency is also measured in terms of discounting the information element

Banks from Kerala have shown reasonable financial performance and technical expertise to compete with the total banking industry in the country. The investor relations with respect to Corporate Internet Information Disclosure is enquired herein this paper.

### 1.1. Objectives

The present study aims to assess the level of Corporate Internet Information Disclosure among listed banks from Kerala

The study also aims to find significant difference, if any, in the disclosure among the banks.

### 1.2. Methodology

The present study investigates the Corporate Internet Information Disclosure of listed banks from Kerala, viz., **Federal Bank** [BSE:500469|NSE:FEDERALBNK|ISIN:INE171A01029], **South Indian Bank** [BSE:532218|NSE:SOUTHBANK|ISIN:INE683A01023] and **Dhanlaxmi Bank** [BSE:532180|NSE:DHANBANK | ISIN: INE680A01011].

The research instrument used is an adapted version of Corporate Internet Information Disclosure Index (Spanous and Mylonakis, 2006). The observation scheme with 50 items is used to construct the index which is later transformed to a percent. One Way ANOVA is used to test the difference between the banks.

### 1.2 Data Evaluation Criteria (Spanous and Mylonakis, 2006)

The content disclosure criteria category included the following variables:

- Accounting and financial information (15 items)
- Corporate governance information (9 items)
- CSR and human resources information (8 items)
- Contact details to IR and related conveniences (8 items)
- Material processable formats (3 items)
- Technological advantages and user support (7 items)

## 2. Results

The information was first observed using the official websites of the companies and the following results were obtained:

Table 1: Components of CIDI

| Construct   | Federal Bank | South Indian Bank | Dhanlaxmi Bank |
|---|--------------|-------------------|----------------|
| 1. Accounting and financial information (15 items)          | 12           | 14                | 12             |
| 2. Corporate governance information (9 items)               | 5            | 6                 | 5              |
| 3. .CSR and human resources information (8 items)           | 5            | 6                 | 3              |
| 4. Contact details to ir and related conveniences (8 Items) | 5            | 4                 | 4              |
| 5. Material processable formats (3 items)                   | 1            | 1                 | 1              |
| 6. Technological advantages and user support (7 items)      | 5            | 5                 | 4              |
| <b>Total Score out of 50</b>                                | <b>33</b>    | <b>36</b>         | <b>29</b>      |

Source: Compiled by Observing Corporate Websites

Construct items no. 1 to 4 constitute **Content Variables** [60% weightage to CICI] and item no. 5 and 6 constitute **Presentation Variables** [40% weightage to CIDI]. Internal weightage is attributed based on the literature support of the model.

One Way ANOVA of the construct items produced the following results:

Table 2: Summary of ANOVA

| Groups            | Count | Sum    | Average | Variance |
|-------------------|-------|--------|---------|----------|
| Federal Bank      | 6     | 381.19 | 63.53   | 261.99   |
| South Indian Bank | 6     | 408.81 | 68.13   | 508.39   |
| Dhanlaxmi Bank    | 6     | 329.40 | 54.90   | 340.03   |

Source: Computed using MS-Excel

Table 2A: ANOVA

| Source of Variation | SS      | df | MS     | F      | P-value | F crit |
|---------------------|---------|----|--------|--------|---------|--------|
| Between Groups      | 541.65  | 2  | 270.82 | 0.7317 | 0.4975  | 3.68   |
| Within Groups       | 5552.12 | 15 | 370.14 |        |         |        |
| Total               | 6093.77 | 17 |        |        |         |        |

Source: Computed using MS-Excel

ANOVA confirms that there is no significant difference among the banks in the CIDI constructs.

Table 3 Corporate Internet Information Disclosure Index

| Component                    | Federal Bank | South Indian Bank | Dhanlaxmi Bank |
|------------------------------|--------------|-------------------|----------------|
| Content Variables [60%]      | 70           | 76                | 62             |
| Presentation Variables [40%] | 56           | 56                | 48             |
| <b>CIDI</b>                  | <b>64</b>    | <b>68</b>         | <b>57</b>      |

Source: Computed from Table 1

South Indian Bank and Federal Bank possess better information disclosure comparing the absolute index.

One Way ANOVA of the components produced the following results:

## References

- Spanos, L., & Mylonakis, J. (2006). Internet corporate reporting in Greece - Munich Personal RePEc Archive. Retrieved from <http://mpra.ub.uni-muenchen.de/42997/>
- [www.dhanbank.com](http://www.dhanbank.com)
- [www.federalbank.co.in](http://www.federalbank.co.in)
- [www.moneycontrol.com](http://www.moneycontrol.com)
- [www.southindianbank.com](http://www.southindianbank.com)

Table 4: Summary of ANOVA

| Groups            | Count | Sum    | Average | Variance |
|-------------------|-------|--------|---------|----------|
| Federal Bank      | 3     | 190.64 | 63.55   | 48.19    |
| South Indian Bank | 3     | 199.75 | 66.58   | 96.21    |
| Dhanlaxmi Bank    | 3     | 166.64 | 55.55   | 55.96    |

Source: Computed using MS-Excel

Table 4A: ANOVA

| Source of Variation | SS      | df | MS    | F      | P-value | F crit |
|---------------------|---------|----|-------|--------|---------|--------|
| Between Groups      | 195.07  | 2  | 97.53 | 1.4604 | 0.3043  | 5.1433 |
| Within Groups       | 400.73  | 6  | 66.79 |        |         |        |
| Total               | 6093.77 | 17 |       |        |         |        |

Source: Computed using MS-Excel

ANOVA confirms that there is no significant difference among the banks in the CIDI components. All the banks thus have a fair disclosure of information.

## 3. Discussion

The study could reveal that the listed banks from Kerala follow a fair level of disclosure w.r.t. corporate information for the investors. Still there could be found insufficient disclosure with respect to processable files.

Further study is extensible to other sectors and major corporate entities to assess the level of disclosure across the sectors.

Cross sector research could find sectoral differences in reporting and disclosure along with identifying areas requiring specific attention.