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Voluntary Disclosure: The Management Practices (A Study of Reliance India Limited)

Dr. Anshu Gupta[1], Ms. Aparna Gupta[2]

[1]Assistant Professor, Department of Commerce, DDU Gorakhpur University, Gorakhpur
[2]Assistant Professor, Department of Commerce, SVM Mahila Mahavidyalaya, Gorakhpur

Abstract
The governance of any business house depends on transparency, disclosure, and accountability. The only basis on which effective managerial practice can be evaluated is their disclosure policy, which is both mandatory and voluntary. Voluntary disclosure is the voluntary publication of financial and non-financial data that a standard-setting accounting authority would not mandate businesses to report (Scaltrito, 2016).
Purpose: To understand the meaning and concept of corporate disclosure and its types, along with the disclosure practices adopted by Reliance India Limited.
Methodology: The study is descriptive in nature and will be based on secondary data.
Findings: The study reveals a significant influence of voluntary disclosure for the better managerial practices.

Keywords: Corporate Governance mechanisms, Types of Voluntary disclosure, Voluntary disclosure determinants

Introduction
The information disclosure is a fundamental theme of modern corporate management systems, including provision and Information is provided to the public by the company in a variety of ways. “The additional information disclosure enhances stock market liquidity thereby decreasing costs of equity capital either through reduced transactions cost or increased demand for a company’s shares.” Botosan (1997). “A mechanism for accountability, emphasizing the need to raise reporting standards in order to ward-off the threat of regulation. Improved disclosure results in improved transparency, which is one of the most essential elements of healthy Corporate Governance practices.” Hampel Committee (1998). Mandatory disclosure prescribes basic information that is applicable to companies under different regulatory regimes, whereas voluntary disclosure (VD) is supplementary in nature (Ho & Wong, 2001). The Voluntary disclosures information refers to additional information delivered by firms along with the mandatory information with a view to reduce the information asymmetry between insiders and outsiders (Hasan& Hosain, 2015). The VD is the voluntary publication of financial and non-financial data that a standard-setting accounting authority would not mandate businesses to report (Scaltrito, 2016). The governance of the corporate sector and voluntary data disclosure are essential, as suggested by various accounting bodies, viz., Accounting Principles Board (APB) Statement No. 4, Trueblood Report, The Corporate Report (UK), FASB Concept No. 1, and CICA’s Stamp Report, in the objectives of financial reporting. The term VD as defined by Financial Accounting Standards Board (FASB, 2001), primarily includes the statements that are not explicitly required by generally accepted accounting principles (GAAP) or specific country rules.

"The Regulation 30(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'Regulations') requires every listed entity to frame a policy for determination of materiality of events and information that requires appropriate disclosure to the stock exchanges. The regulation also directed that such disclosures are required to be available on the website of the company at least for 5 years. On this directive, Reliance Industries Limited ('RIL' or the 'Company') herein sets out a Policy for determination of materiality of events and information and disclosure thereof and Web Archival Policy (hereinafter referred to the 'Policy').

Literature Review

(Abeysekera and Guthrie 2005) By nature, voluntary disclosure is a communication tool to promote a company's ideas to potential stakeholders for the long-term sustainability and growth of the company.
(Madan Lal Bhasin, 2010) The largest number of listed companies in the world is in India, and its financial markets is vital for the economy and society. It is required to have strong structure and dynamic Corporate Governance mechanism to safeguard stakeholder interests without hindering growth of enterprise. Communicating corporate disclosure improves "good" corporate governance.ie., annual reports of companies conveying information (both quantitative and qualitative) to the users of information.
(C. Vethirajan 2018) Although the disclosure of balance sheet items, income and expense items, and cash/funds flows by the audit report is good, the level of disclosure of balance sheet items is lower than the disclosure of income/expense items and cash/funds flows by the audit report. is also relatively good. Investors say disclosure of accounting policies and income tax information is well above average, and disclosure across required corporate financial reports is also good. Corporate information disclosure crosses generations, and investors of all ages similarly perceived all other aspects of voluntary disclosure.
(Rupjyoti Saha et al. 2020) It depicted clear picture of how effectively attributes of Corporate Governance (CG) contribute to Voluntary Disclosure (VD) under different CG systems and suggested the regulators on the need to recommend more specific criteria to define CG regulation regarding VD**.**
Md Zaini (2017) shows that voluntary disclosure is done to gain the stakeholder's feelings confidence, status, and legitimacy for the organization.
(Sharma Arpita & Rastogi Shailesh, 2021) The study confirms that as the number of employees (a proxy of size) and profitability leads to an increase in the level of voluntary disclosure.

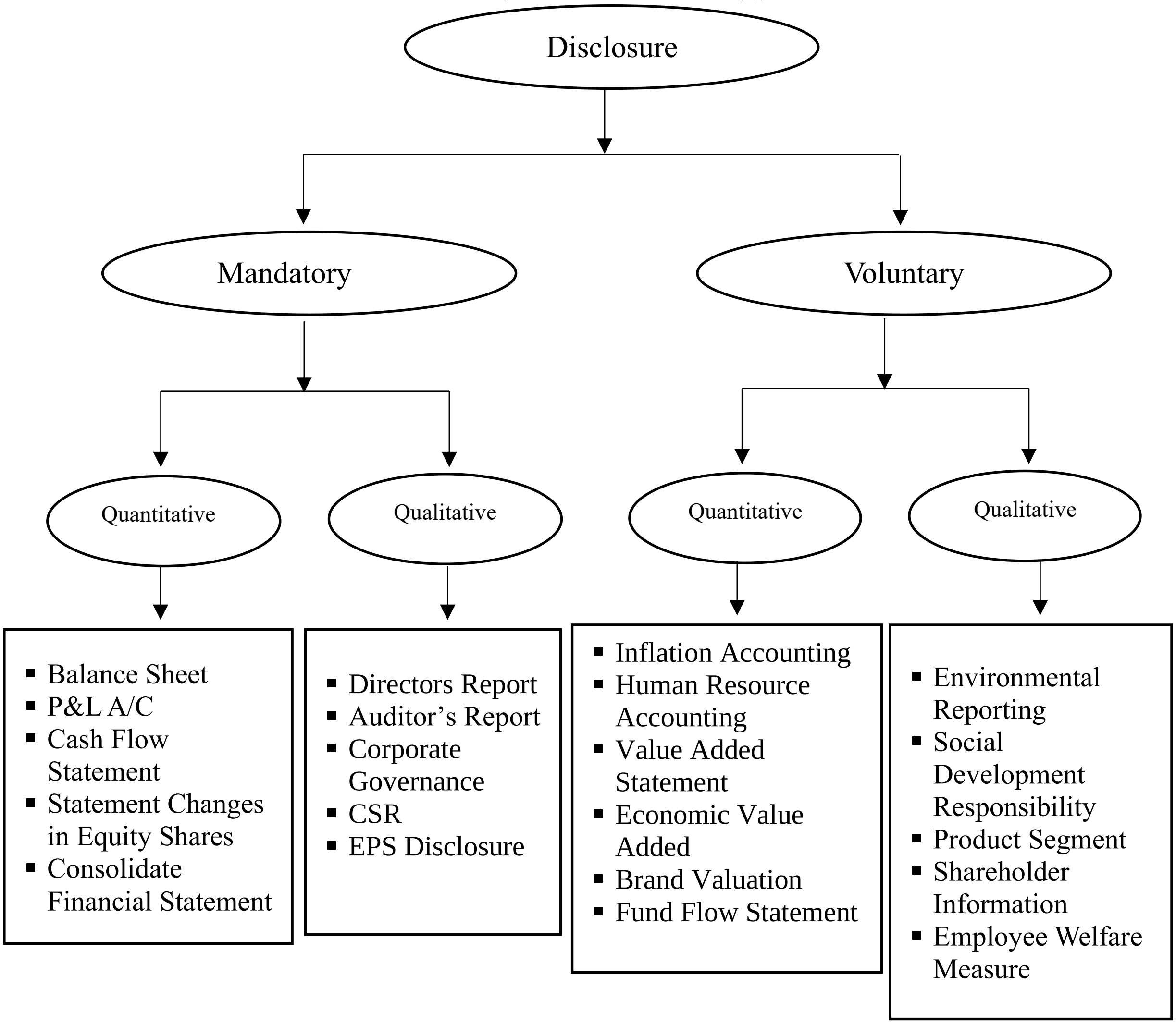
Objectives of the Study

- To understand the meaning and concept of corporate disclosures.
- To identify the types and determinants of voluntary disclosure in the corporate sector
- To highlight the voluntary disclosure opportunities.
- The disclosure practices adopted by Reliance India Limited.

Research Methodology

The is research paper is an attempt to understand the meaning and concept of corporate disclosure and its types, along with the disclosure practices adopted by Reliance India Limited. The study is descriptive in nature and will be based on secondary data and will be collected through existing literature.

Voluntary Disclosure: Its Types



Source: *Prepared by authors based on extant literature.*

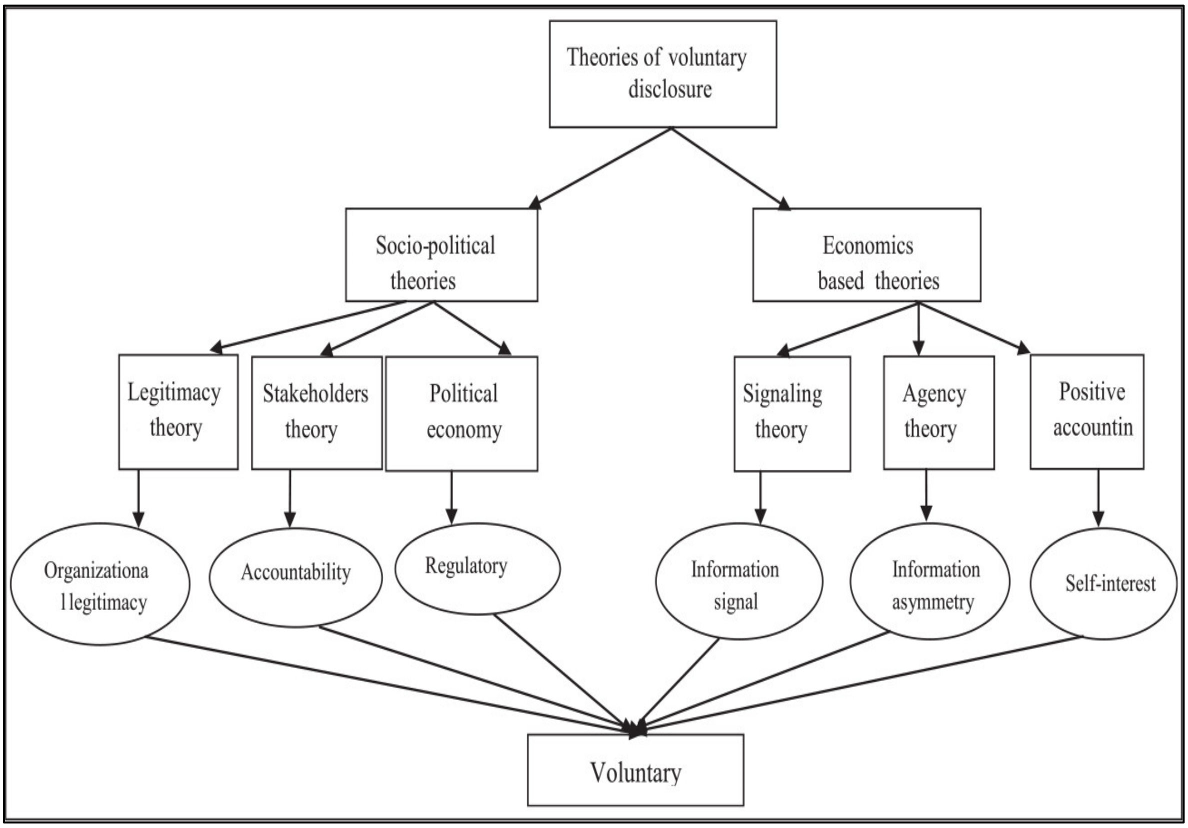
"Disclosure of Accounting Policies talks about the disclosure of significant accounting policies and fundamental accounting assumptions used in the preparation of financial statements. Every entity should disclose all significant accounting policies in notes on accounts of the financial statements."

(Accounting Standard-1)

Disclosure can be of two natures Mandatory and Voluntary respectively; Mandatory can be further classified into two different aspects Quantitative and Qualitative. The quantitative aspects of mandatory deals with Balance Sheet which depict the financial position of any institution, Profit &Loss Account which shows the Net Profit of the enterprises, Cash Flow Statement which mandatory to be prepared by the business enterprises listed and gives information about he Cash Flow of the Business and which comprises the information about the operating, investing, and financing activities of the business, Statement Changes in Equity Shares provides information to investor , and Consolidate Financial Statement is single statement which has entire financial information. The qualitative aspect of mandatory disclosure like Directors Report which are made mandatory to be presented along with financial report which gives the information to the users of information, Auditor's Report prepared by the auditor of the organization which is kind of statutory report which disclose helps better and reliable information rather authenticate information about the financial health of the organization, Corporate Social Responsibility (CSR) which is mandatory through companies act provisions, and information about Earnings Per Shares(EPS) which help to collect information about the dividend.

The Voluntary can be further classified into two different aspects Quantitative and Qualitative. The quantitative aspects Inflation Accounting devised to show the effect of the changing cost and price on affairs of a company during relative accounting periods, which helps to match current revenues with the current costs of operations. Human Resource Accounting 'the process of identifying and measuring data about human resources and communicating this information to interested parties" Association's Committee on Human Resource Accounting (1973). Value Added Statement reflect the net value or wealth created by the enterprise during a specified period. Brand Valuation, the price a potential buyer would be willing to pay for a purchase. A company's net worth is evaluated in terms of all tangible and intangible assets. This allows investors to measure potential returns when considering investments. Fund Flow Statement it highlights the working capital position of an organization by evaluating the financial information at least of two years. The qualitative aspect of voluntary disclosure Environmental Reporting, environmental initiatives taken under consideration by an organization and the costs incurred and benefits resulting from initiatives. Social Development Responsibility, the obligation of an organization to make and implement decisions in the interest of society and its values which is voluntary disclosed so as about the Product Segment, Shareholder Information and Employee Welfare Measure.

Voluntary Disclosure and its theories



Source: Corporate Governance and Voluntary Disclosure: A Synthesis of Empirical Studies (Rupjyoti Saha et al.)

Legitimacy theory

Legitimacy theory emphasized that any businesses operate in any society through a "social contract" through which business agrees to perform social activities against the organizational goal. (Gurthrie and Parke, 1989)

Stakeholder Theory

"Stakeholder theory attempts to articulate a fundamental question in a systematic way: which groups are stakeholders deserving or requiring management attention, and which are not?" (Mitchell et al, 1997, p. 855). It acknowledges the dynamic and complex relationships between organizations and their stakeholders and that these relationships involve responsibility and accountability (Gray et al, 1996). As basic concept that, every stakeholder has default rights on the organization they are associated with so it is moral and fundamental duties of an organization (i.e., management) that fulfil the needs, demands and expectations of all stakeholders. The management should voluntary disclose all the relevant information which are useful for the stakeholders.

Political economy theory

This "emphasizes the fundamental interrelationship between political and economic forces in society" (Miller, 1994, p. 16) and recognizes the effects of accounting reports on the distribution of income, power, and wealth (Cooper and Sherer, 1984)

Signalling theory

Basically, it was developed to elaborate information asymmetry in labour markets (Spence, 1973). According to Morris (1987) "signalling is a common phenomenon relevant in the market with information asymmetry; hence the signalling theory shows how this asymmetry can be reduced by the party with additional information signalling it to others."

Agency theory

This is an economic theory, by Jensen and Meckling in 1976. "Accounting information is a mechanism for conflict resolution between various stakeholders for both explicit and implied contracts" (Gray et al. 1995). An organization often views the management and stakeholders as principal and agent respectively

Positive Accounting Theory

It tries to make good predictions of real-world events and translate them to accounting transactions. This theory tries to explain and predict. It assists the management to choose the best accounting policies according to current circumstances.

Voluntary Disclosure: Its Motivations

According to **Healy and Palepu (2001) and Graham et al. (2005)** there are six motivations to voluntary disclosure: -

Capital Markets Transactions/ Information Asymmetry	▪ The perception of investors towards information asymmetry between managers and those outside investors needs to can be manage through voluntary disclosure. ▪ The cost of capital and financing can be decreased.

Corporate Control Contest	▪ In order to retain corporate control, to explain the reasons for poor performance and reduce the possibility of undervaluing the company's stocks (Healy & Palepu, 2001).
Stock Compensation	▪ Voluntary Disclosure provide information regarding stock-based compensation plans (Healy & Palepu, 2001; Graham et al., 2005). ▪ The reduce contracting costs associated with stock compensation for new employees for existing shareholders and motivate to disclose private information.
Increased Analyst Coverage	▪ Since mandated disclosure does not completely compel the revelation of management's private information, increased voluntary disclosure of information lowers the cost of information acquisition by analysts.
Management Talent Signalling	▪ Talented managers voluntarily disclose information about earnings forecasts to reveal their talent
Limitations of Mandatory Disclosure	▪ Due to the fact that regulations and legislation typically do not provide information to investors through mandated disclosure.

Reliance India Limited (RIL): An Overview

Reliance Industries, the largest private corporation in India, has grown from being a manufacturer of textiles and polyester to an integrated player in the energy, petrochemicals, textile, natural resources, retail, and telecommunications industries. It also has top-notch manufacturing facilities all across the nation. The range of goods and services offered by Reliance touches nearly all daily needs of people from all socioeconomic backgrounds.

Following the division of the family firm among the two brothers, Reliance Industries Limited, with its headquarters in Mumbai, is expanding under the direction of Mukesh Ambani, the late Dhirubhai Ambani's son and the company's elder brother.

Reliance Group is the largest taxpayer in the Indian private sector and is a conglomerate holding corporation with a diverse range of businesses. It contributes more than 5% of the government of India's income and roughly 8% of all goods exported from India. In 2007, RIL became the first Indian company to surpass a market capitalization of $100 billion, and in 2019, it became the first to surpass a market worth of Rs. 9 lakh crores. As of 2019, the company was listed as the 106th largest corporation in the world by Fortune Global 500.

Reliance India Limited (RIL): The Disclosure

At **Reliance India Limited** RIL, following six values are incorporated for better governance of the company.

1. Customer Value
2. Ownership Mindset
3. Respect

4. Integrity
5. One Team and
6. Excellence

Reliance India Limited (RIL) Non-Mandatory Requirements/Disclosures:
Some of the significant non-mandatory standards outlined in Clause 49 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 have been met by the Company.

The Company has a whistle-blower policy and enforcement mechanism.
General Body Meetings: The Organization for Economic Co-operation and Development A broad agreement on the nature of shareholder meetings and the necessity to make shareholder involvement as easy and efficient as possible as well as assure the fair treatment of all shareholders is outlined in the (OECD) Principles (2006).
Communications Channels and General Shareholder Data: The Conventional method of communication with stakeholders, such as, annual reports, should be supported by other methods of communication.
CEO and CFO Certification: The CEO and CFO of RIL have been required to comply with these standards per Clause 49 of the Listing Agreement. Unfortunately, the certificate has not been made public in the Corporate Governance Report.
Compliance of Corporate Governance and Auditors' Certificate*:* The RIL voluntarily appoint "Secretarial Audit" for the company, who has to submitted report regarding confirming the compliance of provisions of various business laws, the 'Secretarial Audit Report' is annexed corporate governance report.
Disclosure for Stakeholders: The RIL discloses the various initiatives and measures for stakeholders taken by RIL:
- Environment, Health, and Safety measures (EHS)
- Human Resources Development (HRD)
- Corporate Social Responsibility (CSR) and
- Industrial Relations (IR).

Conclusion
The main purpose of this study was to understand about the voluntary disclosure in corporate sector and disclosure practices adopted by Reliance India Limited (RIL). At first, we have drawn the conceptual, various theories, and types of voluntary disclosures made in the annual reports of any corporate sector. As the study was largely based on Indian companies, we have focused on the provisions laid down by Indian Acts. We have drawn from the study that any voluntary disclosure can provide the following information to the users: business information, futuristic information related to strategies, general information of the company, which provides details about the board and its structure, audit committee information, human resources information, social responsibility of the corporation, environmental policy, and a value-added statement. Secondly, benefits of voluntary disclosure were identified, this helps despite legal obligations many corporate houses voluntarily disclosing other information will lead to a clear, transparent and positive image of the business to the stakeholders. Voluntary disclosure of information not only reduces information asymmetry but also helps reduce capital mobilization costs, including the cost of disseminating additional information. The Management wants to disclose information voluntarily to

provide an explanation, which will reduce the volatility of the market price of the stock and keep control of the company in the hands of management. To create interest of the management, report discloses the employees stock option, risk management disclosure which leads to a clear, transparent, and positive image of the business, the forecasting of the organizational performance will become accurate. It helps in gaining the trust of stakeholders and improves liquidity and when corporate houses disclose only mandatory information, this would lead to a minimal amount of information to make decisions by investors which is not sufficient. The Study conclude that , Reliance India Limited, follows six values better governance Ownership Mindset, Respect, Integrity, One Team and Excellence from this it self we can make out the importance of voluntary disclosure for RIL.

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