Impact of Corporate Governance on Quality of Interim Financial Reporting of Selected Indian Companies Listed on BSE

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***Abstract*—This study examines the impact of corporate governance on the quality of interim financial reporting, with particular emphasis on the time relevance (timeliness) of quarterly financial reports of selected Indian companies listed on the Bombay Stock Exchange (BSE). The study is primarily based on secondary data comprising quarterly interim financial reports and quarterly corporate governance compliance reports of 365 selected public limited companies for ten financial years, from 2008–09 to 2017–18. Primary evidence was obtained through a structured questionnaire administered to 78 professionals occupying positions such as Director, CEO, CFO, Chartered Accountant, Company Secretary and Accountant.**

Interim financial reporting quality is evaluated through three characteristics: relevance, reliability and comparability. Relevance is operationalised through the time taken to submit interim reports relative to the allowable reporting period; reliability through the extent of compliance with IAS 34-related requirements; and comparability through comparison of quarterly and year-to-year profit and loss statement information, particularly revenue, expenses and profit before tax. Corporate governance is measured using the applicable SEBI Clause 49 requirements during the study period.

The empirical results show a statistically significant positive association between corporate governance and time relevance (Spearman rank correlation = 0.501, n = 2,703, $p < 0.001$). Significant positive relationships are also reported for IAS 34 reliability ($r = 0.325$), profit and loss comparability ($r = 0.370$), and overall interim reporting quality ($r = 0.812$), all with $p < 0.001$. The primary survey independently supports the relationship: the mean rating for the impact of corporate governance on interim financial reporting quality was 4.289 on a five-point scale, with a reported Z value of 65.062 and $p = 0.000$. The findings therefore indicate that stronger corporate governance is associated with better interim financial reporting quality, although improvements in time relevance are not perfectly proportional to improvements in overall governance compliance.

***Index Terms*—Corporate Governance; Interim Financial Reporting; Time Relevance; IAS 34; Comparability; BSE; SEBI; Financial Reporting Quality.**

I. INTRODUCTION

Interim financial reports provide information for periods shorter than a full financial year and are important to investors, creditors, analysts, regulators and other stakeholders who need current information for decision-making. The value of such information depends not only on what is reported, but also on when it becomes available. Delayed information may lose decision usefulness because economic conditions, expectations and market assessments can change rapidly. Accordingly, timeliness is closely connected with the relevance of financial information.

Corporate governance provides the institutional framework through which companies are directed, monitored and held accountable. Effective boards, audit committees, internal controls, management certification and disclosure practices can strengthen the processes through which financial information is generated and communicated. SEBI's revised Clause 49 was specifically designed to strengthen board and audit committee responsibilities, improve the quality of financial disclosures and strengthen CEO/CFO responsibility for financial reporting. SEBI subsequently modified the framework during the study period.

The present research focuses on whether corporate governance compliance is associated with better quality of interim financial reports, and especially

whether it improves the time relevance of quarterly information. The supplied study document treats corporate governance as the independent variable and interim financial reporting quality as the dependent variable. Quality is examined through relevance, reliability and comparability, represented by average time relevance quality, average IAS 34 reliability quality and average profit-and-loss comparability quality. The study's secondary database covers 365 selected BSE-listed companies for four quarters per year over ten financial years.

The study is significant because it combines a large longitudinal secondary dataset with professional perceptions. It therefore considers both observed reporting behaviour and the views of practitioners involved in corporate reporting. The findings are also relevant to regulators and companies seeking to improve the timeliness, reliability and comparability of interim information.

II. REVIEW OF LITERATURE

Earlier research has established that corporate governance and financial reporting quality are closely connected, although the strength and direction of the relationship can vary according to the governance mechanisms, sample and measurement of reporting quality.

Charumathi and Murali Krishnan (2011) examined corporate governance and timeliness of financial reporting among companies forming the BSE Sensex. Using 30 Sensex companies and annual reporting data for 2006–2010, they measured timeliness through the number of days between year-end and the auditor's report date. Their study highlighted timeliness as an important attribute of transparent governance and showed the relevance of governance to the speed of financial information dissemination.

Almaqtari, Al-Homaidi and Ahmad (2018) investigated the impact of corporate governance mechanisms on financial reporting quality in India using 30 BSE-listed companies from 2012–2016. Their governance measures included board and audit committee characteristics and audit quality. Their results did not find a significant overall contribution of the examined governance mechanisms to financial reporting quality under their selected models, demonstrating that governance-reporting relationships may depend on the specific measurement framework and sample.

Almaqtari, Hashed, Shamim and Al-Ahdal (2020) extended the Indian evidence using 97 BSE-listed companies and examined board characteristics, audit committee attributes, foreign ownership and audit quality in relation to financial reporting quality under Indian GAAP and Indian Accounting Standards. They reported significant effects for several board and audit committee characteristics and for audit quality, although some governance attributes had negative effects.

More recent Indian evidence also continues to investigate governance and reporting quality. Goyal and Gulati's study of the Indian insurance industry, covering 2014–2021, reported an overall positive influence of corporate governance on financial reporting quality, with board and risk governance particularly important. This reinforces the proposition that governance mechanisms can influence the quality of financial information, while also indicating that industry context matters.

The literature therefore suggests three broad conclusions. First, timeliness is an important dimension of financial reporting usefulness. Second, corporate governance can influence financial reporting through monitoring, internal control and disclosure processes. Third, empirical results are sensitive to the sample, governance variables and definition of reporting quality. The present study contributes by concentrating on interim reports rather than annual reports and by measuring quality through three dimensions time relevance, IAS 34 reliability and profit-and-loss comparability over a ten-year quarterly dataset.

III. MEANING AND SIGNIFICANCE OF INTERIM FINANCIAL REPORTING AND CORPORATE GOVERNANCE

3.1 Interim Financial Reporting

An interim financial report is a financial report for a period shorter than a full financial year. IAS 34 prescribes minimum content and recognition and measurement principles for interim reports where an entity using IFRS Standards publishes an interim report claiming compliance with IFRS. The minimum content includes condensed financial statements and

selected explanatory notes with current-period and comparative information.

In the context of this study, quarterly financial reports are treated as interim financial reports. Their usefulness is evaluated through relevance, reliability and comparability. The supplied study measures relevance through the gap between allowable submission time and the actual time taken to submit the report; reliability through compliance with IAS 34 requirements; and comparability through comparison of revenue, expenses and profit before tax across quarters and years.

3.2 Corporate Governance

Corporate governance refers to the mechanisms by which companies are directed, monitored and made accountable to shareholders and other stakeholders. In the study period, the principal governance framework used for the secondary analysis is SEBI Clause 49 of the Listing Agreement. SEBI's revised Clause 49 strengthened provisions relating to independent directors, audit committees, financial disclosures, related-party transactions, CEO/CFO certification and board responsibilities.

3.3 Significance of Timeliness

Timeliness is particularly important for interim reporting because users make decisions between annual reporting dates. The sooner useful and sufficiently reliable information becomes available, the less likely it is that stakeholders will base decisions on obsolete information. Timeliness, however, must not be pursued at the expense of reliability. Good interim reporting therefore requires a balance between speed, completeness, appropriate measurement and disclosure.

3.4 Link between Corporate Governance and Interim Reporting Quality

Corporate governance can affect interim reporting through several channels: oversight by the board and audit committee; internal financial controls; management accountability; review and approval processes; compliance monitoring; and disclosure discipline. Stronger governance can reduce opportunities for delayed, incomplete or inconsistent reporting and can encourage more systematic reporting procedures. The empirical question addressed in this study is whether these governance arrangements are reflected in observable improvements in interim reporting quality.

IV. OBJECTIVES OF THE STUDY

1. To analyze the impact of compliance with corporate governance requirements on the quality of interim financial reports of selected Indian companies listed on BSE.
2. To obtain professional perceptions regarding the relationship between corporate governance practices and interim financial reporting quality.

V. HYPOTHESIS OF THE STUDY

The study tests the following hypotheses:

H1: Compliance with corporate governance requirements under the SEBI Listing Agreement has a significant impact on the quality of interim financial reports.

For H1, the following sub-hypotheses are considered:

H1a: Corporate governance has a significant impact on time relevance of interim financial reports.

H1b: Corporate governance has a significant impact on IAS 34 reliability of interim financial reports.

H1c: Corporate governance has a significant impact on profit-and-loss comparability of interim financial reports.

H1d: Corporate governance has a significant impact on overall interim financial reporting quality.

VI. RESEARCH METHODOLOGY

6.1 Data Collection

The study uses both secondary and primary data. The secondary data constitute quarterly interim financial reports and quarterly corporate governance compliance reports of 365 selected public limited companies listed on BSE. Data were collected for four quarters in each year over ten financial years, from 2008–09 to 2017–18. The supplied document states that the study is mainly based on secondary data and uses primary data to support the analysis and obtain professional opinions.

Primary data were collected through a structured questionnaire from 78 respondents working in the selected companies as Director, CEO, CFO, CA, CS and Accountant. The questionnaire contained 36 questions covering Clause 49 compliance, quality of

interim financial reports, and the impact of corporate governance on reporting quality. A five-point Likert scale was used.

Respondent characteristic	Category	Frequency	Percent
Position	Director	13	16.7%
Position	CEO	13	16.7%
Position	CFO	13	16.7%
Position	CA	13	16.7%
Position	CS	13	16.7%
Position	Accountant	13	16.7%
Qualification	M.Com	15	19.2%
Qualification	CA	25	32.1%
Qualification	CS	15	19.2%
Qualification	CMA	6	7.7%
Qualification	MBA	8	10.3%
Qualification	Engineering	9	11.5%
Experience	1–10 years	31	39.7%
Experience	11–20 years	30	38.5%
Experience	21–30 years	17	21.8%

Source: Primary

6.2 Variables

Independent Variable: Corporate Governance (CG) compliance, measured using the applicable SEBI Clause 49 criteria during the study period.

Dependent Variable: Quality of Interim Financial Reporting, represented by three sub-dimensions: (i) time relevance/timeliness, (ii) IAS 34 reliability, and (iii) profit-and-loss comparability.

6.3 Method Used

For secondary data, the study initially considered dichotomous and continuous measurement methods. Reliability testing reported Cronbach's alpha of 0.633 for the dichotomous method and 0.889 for the continuous method; consequently, the continuous method was selected for secondary-data analysis. The standardized-item alpha values were 0.799 and 0.905 respectively.

For primary data, the questionnaire's reliability test reported Cronbach's alpha of 0.711 and standardized-item alpha of 0.750 for 36 items. The study used a five-point Likert scale.

Descriptive analysis uses frequency distributions, cross-tabulations and graphical presentation. For hypothesis testing, the study used Spearman rank correlation. For primary data, a one-sample Z test was used.

VII. FINDINGS

1. Corporate governance compliance increased over the ten-year study period. The supplied study reports CG compliance of approximately 30% in FY 2008–09 and 81% in FY 2017–18.

2. Non-zero interim financial reporting quality also increased, from approximately 40% in FY 2008–09 to 95% in FY 2017–18, and the increase in non-zero quality was faster than the increase in CG compliance.

3. As corporate governance practice levels increased, the overall average quality of interim financial reports generally increased. At no-CG levels, zero average quality was most common; at very weak CG, very low quality predominated; at moderate CG, moderate quality predominated; and at strong CG, high average quality was most common.

4. Time relevance improved in an important but less proportional manner. Zero time-relevance quality declined as CG practice levels increased, but time relevance remained concentrated in zero, very-low- and low-quality bands even at stronger CG levels.

5. Two-thirds of companies were reported to have high or very high profit-and-loss comparability quality. Zero comparability quality declined up to FY 2014–15, while high and very high comparability increased during the earlier part of the study period.

6. Professional respondents generally agreed or strongly agreed that timeliness/relevance, IAS 34 reliability and comparability are important dimensions of interim reporting quality, and that consistent corporate governance practices support good-quality interim financial reports.

VIII. DATA ANALYSIS AND INTERPRETATION

8.1 Corporate Governance and Time Relevance

CG level	Time quality distribution (% of total observations)
No CG (0%)	ZQ 25.0%; VLQ 2.9%; LQ 2.0%; MQ 0.7%; HQ 0.2%; VHQ 0.1%
Very Weak CG (1–20%)	ZQ 1.3%; VLQ 0.1%; LQ–VHQ 0.0%
Weak CG (21–40%)	ZQ 4.0%; VLQ 2.5%; LQ 0.3%; MQ–VHQ 0.0%

Moderate CG (41–60%)	ZQ 2.7%; VLQ 10.8%; LQ 2.0%; MQ 0.3%; HQ–VHQ 0.0%
Strong CG (61–80%)	ZQ 1.2%; VLQ 10.7%; LQ 11.6%; MQ 4.1%; HQ 0.3%; VHQ 0.0%
Very Strong CG (81–100%)	ZQ 1.9%; VLQ 5.9%; LQ 5.2%; MQ 3.3%; HQ 1.0%; VHQ 0.1%

Source: Primary Data

ZQ = Zero Quality; VLQ = Very Low Quality; LQ = Low Quality; MQ = Moderate Quality; HQ = High Quality; VHQ = Very High Quality.

The cross-tabulation shows a clear decline in the proportion of zero time-relevance observations as governance strengthens. At the no-CG level, zero quality accounts for 25.0% of all observations; at the very strong CG level it is 1.9%. The pattern supports the view that governance is associated with improved timeliness, although the movement across the higher time-quality categories is not linear.

8.2 Reliability Testing

Data/method	Cronbach's Alpha	Standardized Alpha	Items
Secondary – Dichotomous	0.633	0.799	40
Secondary – Continuous	0.889	0.905	40
Primary questionnaire	0.711	0.750	36

Source: Primary Data

8.3 Spearman Rank Correlation Results

Dimension	Spearman correlation (r)	n	t value	p value	Decision
Time relevance	0.501	2,703	30.08565	0.000	Reject H0
IAS 34 reliability	0.325	2,703	17.86018	0.000	Reject H0
P&L comparability	0.370	2,703	20.69824	0.000	Reject H0
Overall interim reporting quality	0.812	2,703	72.30366	0.000	Reject H0

Source: Primary data.

All reported relationships are statistically significant at the 5% level.

The strongest reported association is between corporate governance and overall interim reporting quality (r = 0.812), indicating a strong positive monotonic relationship in the study data. The time relevance relationship is moderate and positive (r = 0.501). Reliability and comparability also show positive relationships, though of lower magnitude. These results indicate that corporate governance is associated not merely with faster reporting but with a broader improvement in interim reporting quality.

8.4 Primary Data Analysis

Statistic	Reported result
Sample size	78
Questionnaire items	36

Scale	5-point Likert
Cronbach's alpha	0.711
Standardized-item alpha	0.750
Impact mean	4.289
Standard deviation	0.242
Z value	65.062
p value	0.000

Source: Primary Data

The primary evidence strongly supports the secondary-data findings. The reported mean of 4.289 is substantially above the neutral benchmark of 3 used in the study, and the one-sample Z test is statistically significant. The professional respondents therefore perceive corporate governance as having a positive impact on interim financial reporting quality.

IX. HYPOTHESIS TESTING

Hypothesis	Test/evidence	Result
H1: Compliance with applicable SEBI Clause 49 requirements	Proportion test / study analysis	Satisfied/accepted
H2: Interim reports are relevant, reliable and comparable	Proportion test; acceptable proportions reported as 0.04, 0.72 and 0.78	Accepted

H3a: CG impacts time relevance	Spearman r = 0.501, p = 0.000	Reject H0; H3a supported
H3b: CG impacts IAS 34 reliability	Spearman r = 0.325, p = 0.000	Reject H0; H3b supported
H3c: CG impacts P&L comparability	Spearman r = 0.370, p = 0.000	Reject H0; H3c supported
H3d: CG impacts overall quality	Spearman r = 0.812, p = 0.000	Reject H0; H3d supported
Primary-data H3	Mean = 4.289; Z = 65.062; p = 0.000	Reject H0; supported

Source: Primary Data

The supplied study reports that H1 and H2 were satisfied/accepted and that the third hypothesis was supported for relevance, reliability, comparability and overall quality.

For H2, the source reports acceptable proportions of 0.04 for relevance, 0.72 for reliability and 0.78 for comparability.

X. DISCUSSION

The findings support the central proposition that corporate governance is associated with better interim financial reporting quality. The evidence is particularly strong for overall quality, where the reported Spearman coefficient is 0.812. This suggests that governance compliance should be viewed as a system-wide reporting quality mechanism rather than merely a formal compliance requirement.

The relationship with time relevance is positive and statistically significant, but the cross-tabulation reveals an important qualification. Stronger governance reduces the incidence of zero timeliness quality, yet the distribution does not move proportionately into high and very high time-quality categories. Thus, governance can create the conditions for timely reporting without automatically eliminating operational causes of delay.

One explanation is that timeliness depends on more than governance structures. It may also depend on the speed of internal closing processes, availability of accounting information, coordination between finance and business units, audit/review procedures, information systems and the complexity of transactions. Governance can supervise these processes, but it cannot substitute for efficient reporting infrastructure.

The reliability and comparability findings are also consistent with the role of governance in strengthening reporting discipline. Audit committee oversight, management accountability and internal controls can encourage consistent accounting policies and more systematic disclosure. The professional survey supports this interpretation: respondents emphasised the importance of suitable and adequate information, IAS 34 compliance and consistent accounting policies. The results also contribute to the wider literature by focusing on interim reporting. Prior Indian studies have often concentrated on annual reporting timeliness or broader measures of financial reporting quality. The present study's ten-year quarterly dataset allows the relationship between governance and reporting quality to be examined at a more frequent reporting interval.

XI. CONCLUSION

The study concludes that corporate governance has a significant positive impact on the quality of interim financial reporting among the selected Indian companies listed on BSE. The evidence covers three principal quality characteristics—time relevance, IAS 34 reliability and profit-and-loss comparability and indicates that improvements in governance are associated with improvements across these dimensions.

The longitudinal evidence is also encouraging: CG compliance increased from about 30% in FY 2008–09 to 81% in FY 2017–18, while non-zero interim reporting quality increased from about 40% to 95%. The primary survey results reinforce the secondary evidence, with professionals reporting a high average perception score for the impact of governance on reporting quality.

Overall, the study supports the proposition that corporate governance should be treated as an important foundation for timely, reliable and comparable interim financial reporting.

XII. SUGGESTIONS

1 Strengthen audit committee oversight of quarterly reporting calendars, review procedures and unresolved reporting delays.

2 Introduce board-level monitoring of interim-report timeliness through a periodic dashboard

showing allowable dates, actual submission dates and reasons for deviations.

3 Improve internal financial closing systems so that governance requirements are supported by efficient reporting processes and reliable information systems.

4 Where delays occur, companies should document root causes and corrective actions rather than treating timeliness merely as a compliance statistic.

5 Regulators and stock exchanges may encourage more granular disclosure of quarterly reporting delays and recurring compliance weaknesses.

6 Future research should examine whether board independence, audit committee expertise, meeting frequency, audit quality, ownership structure and internal-control effectiveness have different effects on quality of interim reports.

7 Future studies may extend the sample beyond the 2008–09 to 2017–18 period and compare the results before and after major regulatory changes, including the transition from Clause 49 to later corporate governance frameworks.

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