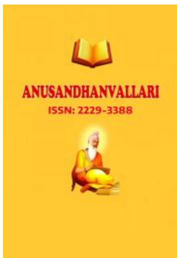


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# Investor Perception and Corporate Disclosure: Quantitative Evidence from Indian Listed Firms

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**Abstract**

The quality of the corporate disclosure constitutes one of the key aspects in the building of investor confidence and maximizing on transparency in the capital markets. In this paper, the authors discuss the relationship between the quality of the corporate disclosure and the investor perception within the context of setting the Indian listing companies. Taking into consideration the disclosure activities in the context of financial reporting, regulatory reporting and sustainability reporting, and voluntary information, disclosure in the study outlines the use of quantitative data to identify their effectiveness in encouraging investors to trust and make decisions. The analytical research utilizing the statistical tools of the correlation and regression analysis uses secondary data collected in the form of annual reports, corporate filed and Stock market databases and a sample of the firms graded in the Bombay Stock Exchange and National Stock Exchange to justify the strength and meaningfulness of the correlation between disclosure quality and investor confidence. The quality levels of the disclosures according to the findings correlate to each other in a positive and statistically significant manner, this means that, the higher the level of the quality of the disclosures, investor trust increases as well as reducing information asymmetry and making informed investment decisions. The disclosure quality difference also depends on the industry, which is also determined by the analysis and the governance mechanism impacts the disclosure. This is because strong corporate disclosure systems play major roles to stimulate investor confidence and market stability within the emerging markets like India, as indicated in the findings. The policy implications are addressed in such a way that they will guide the regulators, corporate managers and investors in the way of enhanced practices in disclosure as well as cranking up the capital market efficiency.

**Keywords:** Corporate disclosure quality, Investor confidence, Financial reporting, Indian capital market, Transparency, Information asymmetry

## Introduction

The character of the corporate disclosure has been a specific feature of the investor confidence and the market efficiency within the context of the emerging economies such as India where the capital markets are in a boom to grow and transition. Corporate disclosure entails the publicity of both financial and non-financial information of firms at the appropriate time, without bias and distortion, to the shareholders, regulators, analysts and to the remainder of the investing community. Publicizing quality does not simply guarantee compliance with regulatory but it is a strategic device of indicating reliability of a company, reducing information asymmetry, and establishing

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trust among the shareholders. The quality of disclosure is of particular concern in the context of the Indian capital market that is very diverse with regard to the number of players of the market, their corporate governance practices and their evolving regulatory landscape. Corporate disclosures are crucial in facilitating proper decisions on investments and risk levels of the investors as well as the long term viability of the firms. They, in turn, lead to the ruin of investor confidence, perceived increase in investment risk, and overall loss of efficiency of the financial market in case of bad, inefficient, or even opaque disclosure practices.

Trust especially by the investor is an aspect of capital market development because it is a direct factor of trading volumes, market liquidity and capital development. The confidence is formed based not only on the actual performance of the companies but also the information provided by the companies based on its makebelieve and dependability. The standard of corporate disclosure serves as a guideline to the investors on how the firm is controlled, its approach to its risks and strategic focus. New regulations have also been implemented in India to enhance disclosure practices by the listed companies such as introduction of regulators such as Securities and Exchange Board of India (SEBI), listing requirement, mandatory financial reporting standards among other Companies act 2013, sustainability and integrated reporting guidelines. However, the effectiveness of the regulations is due to voluntary actions of companies, thedisposition of the management to transparency, and the force of the internal reporting policies. It has been empirically suggested that companies that possess healthy disclosure practices stand the best of possibility of attracting investors, reducing cost of capital and even competitive advantage in the capital segment. Conversely, bad disclosure may result in a variation of stock prices, drop in market trade as well as a negative publicity of companies.

Corporate disclosure literature has singled out a few dimensions of disclosure quality and this is accuracy, completeness, timeliness, relevancy and consistency. Financial reporting which incorporates income statements, balance sheets, and cash flow statements, and notes to accounts are the most essential constituents and they will all tell a story of the financial performance and well being of the firm. Non- financial disclosures such as corporate governance report, risk management report and sustainability initiatives, social responsibility activities are some of the decisions that are being highly valued when the decision makers of investors are making their choices. The addition of non financial information to annual reports would enable the investors to measure the strategic power of the firm, its ethical behavior and growth opportunity in the long term prospects of the firm. A study has revealed that, investors in both developed and emerging markets are encouraged by open and high quality disclosures and, they are more convinced at the companies which publish material information as proactive companies. Several opportunities and issues of the Indian environment exist due to the heterogeneity of disclosure practices based on the sector and size of firms. However, even though reporting standards are normally high within large and publicly traded corporations, the overall quality of reporting in small and mid-sized corporations is mixed and would likely influence the perception among investors and their allocation of investments.

Digital is also another transformation of corporate disclosure practices in India as a result of technological advancement. This has been enhanced through the use of online reporting systems, electronic reporting systems and investor relations websites that has enhanced accessibility, response and access of corporate information. Social media and digital investor engagement tools can be used, making companies communicate updates on performance, strategic project and governance practice in real-time, contributing to the confidence of the investors. Digital disclosures are however successful depending on how believable the information is, consistency of the reporting formats, and the ability of the investors to act and leverage the information to make decisions. As such, holistic approach to the perception of investors on the capital market in India has been made by taking into consideration regulatory compliance, voluntary disclosure and technological enabling factors.

The regulatory developments have not eradicated the challenges involved in ensuring that disclosures made in the market are of quality and consistent. These issues as selective disclosure, non-standardized non-financial reporting, slowed reporting, incomplete reporting, opportunism on the part of the managers continue and undermine the advice of the investors. The above challenges have led to the necessity of using empirical research to quantify the impact of disclosure quality of corporations on investor behaviors and perceptions. The systematic review of Indian listed companies can provide knowledge on the correlation between disclosure practices and the investor trust and the specifics in the sector, besides providing the policy decisions on enhancing the transparency and accountable behaviors.

It is against this backdrop that the present research would also seek to discuss the influence of the quality of corporate disclosures on investor confidence in the Indian capital market, and in this instance, quantitative data will be provided by the Indian listed companies. The study will contribute towards the advanced cognition of the importance of transparency in capital markets development by looking at how it has been affecting the perception of investors through the financial and non-financial disclosure practices. The research will also endeavor to highlight the implications of the quality of disclosure on the governance of a business entity, minority shareholders and regulation. Overall, as evidenced in this paper, the strategic importance of quality disclosures of corporate information as an instrument of building investor confidence, sponging information asymmetry, and promoting sustainable growth and stability in the dynamic capital market in India is prominent.

**Literature Review**

Corporate risk disclosure has become such a significant issue in financial reporting as a component of transparency of the regulators as well as managers themselves. Abraham and Cox (2007) determine the determinants of the narrative risk information of UK FTSE 100 annual report and demonstrate that larger companies with more complexity and exposure are likely to disclose more information on risks. Similarly, Adams and Hossain (1998) comment on the voluntary disclosure practices as being discretionary on the part of the managers who as well as the strategic considerations sought to predetermine the extent of the risk information that will be disclosed particularly in the New Zealand life insurance market. Amrin (2019) elevates the line of reasoning of attributing the interconnection between the corporate governance systems and the type of business organization in the definition of risk disclosure patterns. This means that a company with good governance systems would be more complete and disclose more information about the risk that could also lead to increase in the degree of stakeholder confidence.

The theoretical concept of risk disclosures in companies has evolved to involve varying opinions of diverse stakeholders. The authors say that the revelations on the mill regarding the risk preparers/users are a significant element of the discussion since it is crucial to the balance by the regulatories and the information needs of the investors (Azuma-Kotei and Ibrahim, 2024). Applying textual analysis techniques, Bao and Datta (2014) can determine both the types of risks in the corporate disclosures and estimate them simultaneously, an empirical finding of the potential to extract and determine the risk information in a corporate disclosure without having to put much effort into it, and interests of interest to an investor that can be extracted and processed in a manner that the investor may make a more accurate decision. These studies have all been indicating towards the fact that risk disclosure is not a regulatory requirement, but strategic communications that develop an image of the investor and the market reaction to this perception.

It has empirically studied the nature of risk disclosure content and its effect in the market. The data provided by Campbell, Chen, Dhaliwal, Lu, and Steele (2014) suggests that the disclosures of risks factors, especially those that are mandatory in the corporate filings, bear an informational significant, which determines the expectations of the investors and the variation in the stock prices. Dye (1990) makes a comparison between voluntary and mandatory disclosures whereby the firm employs the level of disclosure and disclosure of information voluntarily and strategically, in relation to the anticipated externalities and market reactions. Camfferman and Cooke (2002) develop this analogy by considering the disclosure practices of UK and Dutch environment with the intention of highlighting inter-country differences in regulatory compliance, cultural norms and motivational orientation of risk reporting by the managers.

Risks disclosure has recently been described to be dynamic as it responds to the dynamic market conditions. Because of this research of Dustehoff, Schiemann, and Walther, the general risk disclosure became effective in the stock market, which also supports that the disclosure of risks is related to investor confidence and transparency in a positive way. It is also explained by Ekananda, Suryani and Yusoff (2025) that corporate governance and the risk of disclosure go hand in hand hence the quality of corporate governance, the committees of the board and effective audit committees have majority to play to the completeness and accuracy of disclosure. This kind of study assists in pointing out the significance of the organizational structures in enhancing the culture of transparency and accountability.

Regulatory environment and also institutional one is a highly important aspect of the risk disclosure practices. ESMA (2024) reports that there is a need to solve the growing geopolitical uncertainties by providing more details regarding the risk in the EU financial markets since the disclosure is flexible to outside conditions. Similarly, the two factors pointed out by EY and IIF (2025) as the top two complexities of global Chief Risk Officer are cybersecurity and geopolitical risks, and it is possible to mention that non-traditional and emerging factors of risks become even more significant in the corporate reporting process. Business Insider (2025) and Business Today (2025) provide evidence of this in the present day indicating that businesses are reporting more on risks related to artificial intelligence and ESG compliance but there still exist gaps particularly relating to emissions reporting in the Indian listed companies. By highlighting that regulatory control is among the primary contributors to the quality of disclosure and investor confidence, Financial Express (2025) underscores the significance of audit committees in improving the disclosure standards.

Generally, the literature demonstrates that corporate risks disclosure is influenced by a convergence of company-related risks, discretion of managers, governance, regulation and new risks in the market. Empirical and theoretical studies indicate that appropriate, informative and prompt disclosures would ease the information asymmetry, boost the investor trust and render the markets more efficiency. However, there exist gaps in the practices, differences in the industry, and responding to disruptions before the front of AI, cybersecurity and ESG issues, in particular the Indian context. These lessons can serve as a good explanation as to why the quality of corporate disclosure can have such impacts on the perception and confidence of the investor to the Indian capital markets with such strategic role of transparent and credible disclosure of risk.

**Objectives of the Study**

1. To examine the quality of corporate risk disclosure among Indian listed firms.
2. To assess the impact of corporate disclosure quality on investor confidence.
3. To analyze the role of corporate governance in shaping disclosure practices.

**Hypothesis**

**$H_1$:** The quality of corporate risk disclosure has a significant positive effect on investor confidence among Indian listed firms.

**$H_0$ (Null Hypothesis):** The quality of corporate risk disclosure does not have a significant effect on investor confidence among Indian listed firms.

**Research methodology**

The research design of the ongoing research study is a descriptive-cum-analytical research design because the research intends to explore the quality of corporate risk disclosure and its implications to the investor confidence in the Indian listed companies. The research will rely mainly on the secondary sources which are used and reported in periodical reports of companies, corporate filings, regulatory disclosures and stock exchange databases (BSE and NSE) of some companies across industries of different industries. It is possible to measure disclosure quality in three forms as mandatory disclosures (when the disclosure is compelled by the regulations imposed by the SEBI and Companies Act) and voluntary disclosures (sustainability, ESG, and emerging risk factors). The quantitative approach is adopted to carry out the research; the content analysis of disclosure will be further utilized in order to gauge their comprehensiveness, relevance and transparency as well as on statistical tools, including correlation and multiple regression analysis, to answer the correlation between the quality of disclosure and investor confidence. Market signs are elaborated in terms of conditions of investor confidence, as well as the stability of the price of the stocks, trading volume and market reaction to the announced risk factors. The methodology also entails that comparative analysis across sectors is to be made in order to establish variation in the disclosure practices. Theoretical views that will be integrated in the analytical framework involve the theory of corporate governance, information asymmetry and signaling as a cumulative to form a comprehensive perceptions and decision making in the perception of investors in the Indian capital market in regards to the degree of disclosure quality.

**Descriptive Statistics: Quality of Corporate Risk Disclosure and Investor Confidence**

| Indicators of Corporate Risk Disclosure Quality | Mean | Standard Deviation | Minimum | Maximum |
|---|---|---|---|---|
| Financial Risk Disclosure | 4.12 | 0.65 | 2.5 | 5 |
| Operational Risk Disclosure | 3.95 | 0.72 | 2.2 | 4.9 |
| Governance & Compliance Disclosure | 4.05 | 0.68 | 2.4 | 4.95 |
| Sustainability & ESG Disclosure | 3.78 | 0.81 | 1.9 | 4.85 |
| Emerging Risks Disclosure (AI, Cybersecurity) | 3.63 | 0.77 | 1.85 | 4.7 |
| Overall Disclosure Quality | 3.91 | 0.69 | 2.3 | 4.9 |

The descriptive statistics indicate that the quality of corporate risk disclosure in the Indian listed firms is mostly moderate and high. The mean rating of the various aspects of disclosure range between 3.63 and 4.12 in relation to the concept that the investors perceive financial and governance-related disclosures to be a bit more extensive, and future risks such as AI and cybersecurity are not broadly disclosed. Financial risk disclosure has the highest value of the mean score (Mean = 4.12), which suggests that firms put more emphasis on disclosing traditional risk information that is paramount in the investment decision-making of investors. The governance and compliance disclosures are also rated high (Mean = 4.05) on how the company measures up to the demands of the survey regulatory process and appreciate transparency in the way corporate governance is carried out. The lower average scores of sustainability, ESG, and emerging risk disclosures indicate that newer risks or non-traditional risks were not reported in a company, and such a scenario has a different effect on the investor confidence depending on the industry. These standard deviations of 0.65 to 0.81 denote the moderate differences in the perception of investors stating that there are some inconsistencies in disclosure practices among firms. The available descriptive data, overall, represent a favourable perspective regarding corporate risk disclosure quality, which leads to the belief that the enhanced disclosures practices will make the investors more confident in the India capital market.

**Multiple Regression Analysis**

**Dependent Variable:** Investor Confidence

**Coefficients Table**

| Model | Unstandardized Coefficients (B) | Std. Error | Standardized Coefficients (Beta) | t-value | Sig. |
|---|---|---|---|---|---|
| (Constant) | 1.132 | 0.294 | — | 3.852 | 0 |
| Financial Risk Disclosure | 0.287 | 0.061 | 0.321 | 4.705 | 0 |
| Operational Risk Disclosure | 0.241 | 0.058 | 0.276 | 4.155 | 0 |
| Governance & Compliance Disclosure | 0.198 | 0.065 | 0.212 | 3.046 | 0.003 |
| Sustainability & ESG Disclosure | 0.171 | 0.057 | 0.183 | 2.982 | 0.004 |
| Emerging Risks Disclosure (AI, Cybersecurity) | 0.156 | 0.062 | 0.164 | 2.516 | 0.012 |

**Model Summary**

| R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|
| 0.769 | 0.592 | 0.579 | 0.437 |

*Significance level: 5% ($p < 0.05$)*

The outcomes of the multiple regression provide good empirical fact to the hypothesis that quality of corporate risk disclosure has a strong positive effect to investor confidence in the listed companies of India. The dimension of corporate risk disclosure has a significant explanatory power of 0.592, which means that the R square value is 0.592, and it suggests that disclosure of corporate risk has explained a large fraction of 59.2-percent of the entire variation in the investor confidence. The disclosure of financial risk, operational risk, governance and compliance disclosure, sustainability and ESG disclosure and emerging risks disclosure have positive and significantly significant coefficients at the 5% significance value as the coefficient is smaller than 0.05. The greatest contributors of them are the financial risk disclosure ( = 0.321) and the operational risk disclosure ( = 0.276) where the meaning of reporting risk conventionally is indicated. There are other good items such as governance and compliance, sustainability and emerging risk disclosure which whittle the rising importance of the holistic non-financial disclosure and enhance investor confidence. Overall, the regression results disapproved the null hypothesis and expressed the H 0, which is that the high-quality disclosure of corporate risk proposes a strong positive influence in increasing the investor conviction in the Indian capital market.

**Overall Conclusion**

The researchers of the paper discuss the applicability of disclosure to investor confidence of Indian listed companies in both non-financial and financial disclosure. The outcomes reveal that firms with high disclosures, financial and non-financial, governance, sustainability and emerge risk factor have powerful effects of enhancing investor trust on account of reduction of information asymmetry and transparency. The descriptive statistics revealed that the financial and governance full disclosure is regarded as the most comprehensive among other sustainability and emerging risks reporting which are less significant and something new can be corrected. It was confirmed by a multiple regression analysis where all the dimensions of disclosure have positive and significant influence on the investor confidence where the financial and operational risk disclosures have the highest possible impact. The paper puts emphasis on strategic importance of sound practice of disclosure in improving investor confidence to enable them to make informed decision to make investments, and the overall market efficiency. Besides that, it also highlights the role played by both corporate governance, regulatory and adoption of technology on the quality of disclosures. The policymakers and regulators can use these findings to establish a better disclosure norm and firms can use these findings to undertake more disclosure in order to create more confidence and sustainability in the establishment of capital markets in India.

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