FINANCIAL REPORTING AND VALUATION: THE EFFECT ON INVESTMENT DECISIONS

by

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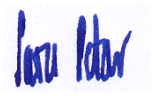

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Dedication

This thesis is dedicated to my Lord above, Heavenly Father, for his divine guidance. To my beloved family, whose unwavering support has been my foundation, and to Vivaldi's "The Four Seasons," composed by Antonio Vivaldi, which has energized and accompanied me through countless hours of study, reading and writing.

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To my family, especially my husband, thank you for your unwavering support. I am also grateful to colleagues, friends, and my industry mentors for their constant support and expertise.

Thank you all.

ABSTRACT

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2024

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This research investigates the relationship between financial reporting and investment decisions, with a focus on how financial and non-financial disclosures influence investor behavior and share prices. The main objective is to examine the impact of key financial metrics, such as net profit and equity-to-debt ratio, on market valuation, while also considering the growing importance of non-financial information like environmental, social, and governance (ESG) factors. The study aims to provide empirical insights into how companies' financial stability and transparency affect investment behavior and share price movements.

The scope of the research includes listed companies, focusing on the interaction between financial reporting quality and market efficiency. The study utilizes secondary data from financial statements and stock market performance, covering a range of firms over several years. The methodology primarily involves Ordinary Least Squares (OLS) regression models, with natural log transformations applied to address common statistical issues such as heteroscedasticity and autocorrelation. These models assess the influence of financial metrics on share prices while also accounting for intrinsic value and non-financial disclosures. The findings indicate a strong positive correlation between net profit, financial stability, and share prices, as well as a significant impact of non-financial information on investor behavior. The

research demonstrates the importance of accurate and comprehensive financial reporting for driving investment decisions and enhancing market transparency. The study highlights key policy implications, suggesting that regulators and policymakers should enforce high standards of financial and non-financial reporting to improve market efficiency. Companies are encouraged to prioritize transparency in both financial metrics and ESG disclosures to attract investors and improve market valuation. The findings provide valuable insights for investors, emphasizing the need to consider a combination of financial stability and corporate sustainability when making investment decisions.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter delves into the intricate relationship between financial reporting and investment decisions. The Background of the Study explores the importance of accurate and high-quality financial reporting in providing valuable information for investment decisions. The Problem Statement addresses the challenges posed by accounting scandals and economic crises, questioning the reliability of financial statements and their influence on investment decisions. The Research Questions and Research Objectives outline the specific inquiries and goals guiding the study, focusing on the impact of financial reporting quality, financial and non-financial disclosures, and financial metrics on investment decisions. The Scope of the Study details the comprehensive analysis of historical financial data from 30 listed companies across six sectors over the past ten years. The Significance of the Study emphasizes the research's potential to offer valuable insights for investors, policymakers, and companies. Finally, the Theoretical Support discusses the theoretical frameworks, including the Efficient Market Hypothesis and Agency Theory, underpinning the research. This chapter sets the stage for a detailed exploration of how financial reporting influences investment decisions and corporate valuation.

1.1 Background of the Study

The primary objective of financial reporting is to provide accurate and high-quality information about economic entities, with a primary focus on financial aspects. This information is intended to be valuable for individuals and organizations making investment decisions, such as investors, creditors, and those allocating resources. This objective, as outlined by the International Accounting Standards Board (IASB) (Roychowdhury et al., 2019), is crucial because it positively impacts capital providers and various stakeholders, ultimately enhancing the efficiency of financial markets. Financial statement quality is a fundamental concept within this context, serving as a means to convey a clear and concise overview of a business's profitability and financial position to both management and external

parties. The significance of financial statements lies in their role in generating and communicating the wealth of companies. Despite advancements in information technology and reporting practices, financial statements continue to be the primary source of externally available information about companies for investors (Wahlen et al., 2022).

However, recent instances of accounting scandals and economic crises, which resulted in substantial financial losses and the erosion of investment portfolios, have raised serious concerns about the integrity and reliability of financial statement quality (Palepu et al., 2020; Lev, 2018). This has led to questions about whether financial statements still hold their value relevance in the face of such challenges, and how these factors influence investment decisions. Financial statement quality essentially functions as an information system designed for communication purposes and to facilitate decision-making processes, especially in the context of investment decisions. As noted by Robinson (2020) it serves as a critical tool in providing relevant information to various stakeholders, including investors who base their investment decisions on the quality of financial reporting.

The increasing complexity of regulations, the diverse business landscape, evolving firm strategies, and intricate operational processes have necessitated the inclusion of narrative explanations alongside financial statements in the context of "Financial Reporting and Valuation: The Effect on Investment Decisions" (Palepu et al., 2020). This practice has elevated corporate disclosure to a pivotal role, particularly concerning investment decisions, as it aligns with the overarching objective of conveying both financial and non-financial information to decision-makers, including investors (Wahlen et al., 2022). Notably, it serves as an effective mechanism to address information disparities and bolster trust among investors and stakeholders in corporate financial reporting, ultimately influencing investment choices (Chandra et al., 2006).

Major corporate scandals involving prominent entities, as well as the global financial crisis of 2007, have underscored the need for enhanced compliance standards and transparency in financial reporting within the context of investment decisions (Roychowdhury et al., 2019). These events have triggered a renewed focus on the quality of reporting, particularly in the context of investment decisions. Consequently, investors, regulators, and companies have intensified their efforts to append high-quality disclosures to their financial reports, aiming to

enhance the integrity and reliability of financial reporting and, by extension, their influence on investment decisions.

Research, such as that by Robinson (2020) has identified a positive correlation between the quantity and quality of disclosures and the inherent quality of earnings within the context of investment decisions. They also observed a negative association between disclosure quantity and discretionary earnings quality, which can impact investment decisions by curbing managerial earnings manipulation and unethical reporting behaviors. Similarly, Shroff (2017) found a positive relationship between disclosure quantity and the overall quality of financial reporting, suggesting that the quantity of information may be indicative of the quality of information that influences investment decisions.

In a related study, Wulandari (2018) explored the correlation between the quality of information disclosed in sustainability reporting and its impact on financial performance in the context of investment decisions. Their findings, which contradict previous research, indicated a neutral relationship between the quality of sustainable reporting and corporate financial performance within the context of investment decisions. They posited that this neutrality might arise because profits derived from socially responsible practices may offset associated costs in a market equilibrium, influencing investment decisions. Another explanation could be that stakeholders view the firm's social and environmental activities as legitimate and influential in investment decisions. Additionally, some companies may implement costly sustainability initiatives as a strategic move to reduce information asymmetry and attract investors making investment decisions.

1.2 Problem Statement

In the realm of modern finance, where investment decisions drive economic growth and prosperity, the role of financial reporting in influencing these decisions cannot be overstated. The impact of Financial Reporting and Valuation on Investment Decisions is a pivotal area of research that delves into the intricate relationship between financial reporting practices, the valuation of assets, and the choices made by investors (Palepu et al., 2020). As we stand at the crossroads of increasingly complex business landscapes, evolving regulatory frameworks,

and a heightened awareness of corporate transparency, it becomes imperative to address the following critical issues within this research domain.

The primary goal of financial reporting is to provide accurate, reliable, and high-quality information about economic entities. In the context of investment decisions, this objective holds immense significance. Investors, both individual and institutional, rely on financial statements and disclosures to make informed choices about where to allocate their capital. However, recent history has been marred by accounting scandals and financial crises, which have cast doubt on the reliability of financial reporting. The Enron scandal, the collapse of WorldCom, and the global financial crisis of 2007 all serve as stark reminders of the consequences of inaccurate financial reporting (Christensen et al., 2017). As such, there is a pressing need to investigate how accurate financial reporting can be achieved and maintained to bolster investor confidence and enhance the efficiency of financial markets (Roychowdhury et al., 2019),

Within the context of financial reporting and investment decisions, disclosure practices play a pivotal role. The inclusion of narrative explanations alongside financial statements has become increasingly common, and it is essential to understand how these disclosures influence investors. High-quality disclosures provide context, transparency, and insights into a company's financial health and future prospects, which can significantly impact investment choices. However, questions arise regarding the extent, content, and quality of these disclosures (Wahlen et al., 2022). What information is most relevant to investors, and how can it be effectively communicated to aid investment decision-making? Furthermore, do certain disclosure practices lead to better investment decisions and market efficiency?

Investment decisions are inherently tied to asset valuation. Investors seek to determine the fair value of assets, such as stocks and bonds, before making investment choices. Financial reporting practices directly influence this valuation process. For instance, the transparency and accuracy of earnings reports and financial metrics can sway investor perceptions and, consequently, investment decisions (García-Sánchez, and Noguera-Gámez, 2017) Therefore, understanding the nexus between financial reporting quality and asset valuation is paramount (Wahlen et al., 2022). What factors contribute to the accurate valuation of assets? How do discrepancies in financial reporting impact valuation models, such as price-earnings ratios

and price-to-book ratios? Investigating these aspects is crucial to aligning investment decisions with corporate valuation and market efficiency.

The regulatory environment surrounding financial reporting is evolving rapidly, reflecting the need for greater transparency and accountability. Compliance with accounting standards and reporting regulations has become more intricate, affecting how companies communicate financial information to investors. These regulations are designed to enhance the quality and reliability of financial reporting (Palepu et al., 2020). However, their implementation can be challenging, and their effectiveness in achieving their goals remains a topic of debate. How do evolving regulations impact financial reporting practices, disclosure quality, and ultimately, investment decisions? Understanding the dynamics of regulatory compliance in the context of investment is essential for maintaining market integrity.

In recent years, sustainability reporting has emerged as a significant factor in investment decisions. Investors increasingly consider a company's social and environmental activities when evaluating its prospects and risks (Reimsbach et al., 2018). However, the relationship between sustainability reporting quality and investment decisions is complex. While some argue that socially responsible conduct can enhance a company's financial performance and attract investors, others question whether sustainability initiatives genuinely impact investment choices or if they are seen as mere corporate gestures. Investigating the role of sustainability reporting within the framework of investment decisions is critical to comprehending its impact on market efficiency.

The impact of Financial Reporting and Valuation on Investment Decisions is a multifaceted research area that holds the key to shaping the future of financial markets. It grapples with issues of accuracy, transparency, and regulation while striving to facilitate informed investment decisions (Crowther, 2018). Addressing these challenges will not only bolster investor confidence but also foster greater market efficiency. This research endeavors to shed light on the intricacies of financial reporting and its profound impact on the investment landscape, offering insights that can guide policymakers, regulators, companies, and investors in navigating this dynamic terrain (Roychowdhury et al., 2019), In the dynamic landscape of financial markets, where investment decisions wield substantial influence over economic growth and prosperity, the interplay between financial reporting, investor behavior, and asset allocation stands as a critical juncture. The central focus of this research is to illuminate and

quantify the multifaceted relationship between financial reporting quality, disclosure practices, and investment decisions, particularly those of institutional investors in the stock market. The following research questions underpin our exploration into this intricate domain:

The quality of financial reporting, encompassing elements of accuracy, transparency, and reliability, is fundamentally pivotal in shaping investment choices. Institutional investors, who command substantial capital resources, play a vital role in capital allocation (Amiram et al., 2018). This question seeks to quantify the direct influence of financial reporting quality on the capital allocation decisions of institutional investors, contributing to our understanding of its quantitative significance in the investment landscape. Financial disclosures, encompassing various financial metrics and statements such as revenue, net profit, cash flow, and equity/debt ratios, represent a core component of financial reporting (Wahlen et al., 2022). This question investigates whether the extent and comprehensiveness of financial disclosures, quantified through specific metrics, hold a statistically significant relationship with investor behavior, shedding light on the quantitative dynamics between these factors.

In the era of heightened corporate transparency, non-financial disclosures, including environmental, social, and governance (ESG) factors, have emerged as influential considerations for investors. This question probes the quantitative relationship between the extent of non-financial disclosures and investor behavior, quantifying the impact of ESG and related information on investment choices. The financial health and performance of companies, as reflected in financial reports, have a direct bearing on their valuation and share prices. This question delves into the quantitative connection between key financial metrics and the valuation of companies' stocks in the stock market, providing empirical insights into the impact of these metrics on share prices.

In navigating these research questions, we endeavor to uncover quantitative patterns, associations, and dependencies within the intricate interplay of financial reporting, investor behavior, and asset allocation decisions. This research seeks to provide empirical evidence that can guide institutional investors, policymakers, and market participants in navigating the complexities of modern financial markets, ultimately contributing to greater market efficiency and informed investment decision-making.

1.3 Research Questions

1. What is the quantitative impact of financial reporting quality on the allocation of capital by institutional investors in the stock market?

2. Is there a statistically significant relationship between the extent of financial disclosures and investment behaviour?

3. Is there a statistically significant relationship between the extent of non-financial disclosures and investment behaviour?

4. Is there a statistically significant relationship between the extent of financial Reports (such as Revenue, Net Profit, Cash flow (Cash balances) and Equity/Debt ratio) on Companies Share prices?

1.4 Research Objectives

1. To determine the quantitative impact of financial reporting quality on the allocation of capital by institutional investors in the stock market.

2. To examine relationship between the extent of financial disclosures and investment behaviour.

3. To explore relationship between the extent of non-financial disclosures and investment behaviour.

4. To identify relationship between the extent of financial Reports (such as Revenue, Net Profit, Cash flow (Cash balances) and Equity/Debt ratio) on Companies Share prices.

1.5 Scope of the Study

This research embarks on an ambitious exploration into the intricate relationship between financial reporting, investment decisions, and corporate valuation across a diverse landscape of 30 listed companies spanning Six distinct sectors. These sectors have been thoughtfully selected to encompass a broad spectrum of industries, including technology, finance, healthcare, communication, and consumer goods. Within each sector, careful consideration has gone into the selection of five listed companies, with a deliberate balance between large, well-established enterprises and medium-sized entities. The temporal scope of this study extends over the past ten years, allowing for a comprehensive longitudinal analysis of financial reporting quality, disclosure practices, and investment behaviors. The data collection process involves an exhaustive examination of historical financial data, including financial statements, annual reports, and disclosures. These data points encompass critical financial metrics such as revenue, net profit, cash flow, and equity/debt ratios.

In the pursuit of a rigorous quantitative analysis, the study evaluates financial reporting quality using established metrics, scrutinizing the accuracy of financial statements, adherence to accounting standards, and the transparency of disclosures. Additionally, the study delves into metrics related to earnings quality, including the assessment of earnings management and discretionary accruals. Crucially, the scope of this study encompasses an examination of the extent of financial and non-financial disclosures. This includes a quantitative evaluation of the depth and comprehensiveness of financial reports as well as the impact of non-financial disclosures, such as environmental, social, and governance (ESG) factors, on investment decisions.

To decipher the intricate interplay between financial reporting and investment behavior, statistical analysis and modeling techniques will be applied. Regression analysis, correlation studies, and other quantitative tools will be employed to unearth significant relationships and patterns. The study endeavors to establish the statistical significance of the relationships between financial reporting variables, disclosure metrics, and the investment decisions made by institutional investors. Ultimately, the research aspires to provide actionable insights and empirical evidence that can guide investors, policymakers, and companies navigating the complexities of modern financial markets. By assessing the quantitative impact of financial reporting factors on investment decisions across diverse sectors, this study aims to contribute

to the body of knowledge in finance and offer valuable guidance to stakeholders in pursuit of informed and efficient investment choices.

1.6 Significance of the Study

This research carries significant scholarly and practical implications within the domain of finance, shedding light on the nuanced relationships between financial reporting, investment decisions, and corporate valuation. The study's significance can be delineated across several dimensions:

1. Advancing Academic Understanding:

This research adds a robust empirical dimension to the existing academic literature on financial reporting, disclosure practices, and investment behavior. By quantifying the impact of financial reporting quality and disclosure practices on investment decisions, it contributes to the theoretical framework that underpins finance research. This depth of analysis provides valuable insights for scholars and researchers exploring the dynamics of financial markets.

2. Empirical Evidence for Stakeholders:

Institutional investors, policymakers, and corporate leaders are key stakeholders in the financial ecosystem. The study's findings offer empirical evidence that can guide the actions of these stakeholders. For institutional investors, it provides quantitative insights into the factors influencing investment decisions, aiding in the formulation of more informed strategies. Policymakers can draw upon these findings to refine regulatory frameworks that enhance market efficiency and investor protection. Corporate leaders can glean insights into how their financial reporting practices impact investor perceptions and, subsequently, their firm's valuation.

3. Enhancing Investment Decision-Making:

In an era marked by information overload, investors face the formidable challenge of distilling meaningful insights from a deluge of data. This study, by quantifying the influence

of specific financial reporting variables and disclosure practices on investment decisions, equips investors with actionable knowledge. It assists them in making more evidence-based decisions and allocating capital with a heightened understanding of the factors that drive market dynamics.

4. Promoting Market Efficiency:

Efficient financial markets are a cornerstone of a well-functioning economy. By revealing the quantitative connections between financial reporting, disclosure practices, and investment behavior, this research contributes to the broader goal of market efficiency. When investors have access to reliable information and are guided by empirical evidence, markets are more likely to allocate resources efficiently, fostering economic growth.

5. Informing Corporate Practices:

Corporations, as issuers of financial reports, play a pivotal role in shaping investor perceptions. The study's findings offer valuable guidance to companies seeking to enhance their financial reporting quality and disclosure practices. Understanding the quantitative impact of these practices on their stock prices can incentivize companies to adopt more transparent and accurate reporting, which, in turn, can attract and retain investors.

1.7 Theoretical Support

Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis (EMH) is a foundational theory in the field of finance that postulates the efficiency of financial markets in incorporating and reflecting all available information in asset prices. First developed by Eugene F. Fama in the 1960s, EMH contends that financial markets are highly efficient, making it exceedingly difficult for investors to consistently outperform the market using any publicly available information. EMH comes in three forms: weak form, semi-strong form, and strong form (Malini, 2019). Weak form EMH asserts that past trading information, such as historical stock prices and trading volumes, is already incorporated into current stock prices, rendering technical analysis futile in predicting

future price movements. Semi-strong form EMH expands this notion to include all publicly available information, including public disclosures, as fully embedded in stock prices (Roychowdhury et al., 2019). Strong form EMH takes it a step further, suggesting that even private information, including insider knowledge, cannot provide an edge in achieving consistent above-market returns.

EMH in the Context of this Research

In the context of the research on "Financial Reporting and Valuation: The Effect on Investment Decisions," EMH serves as a pivotal theoretical framework against which to assess the dynamics of financial markets. This research seeks to investigate the influence of financial reporting quality, disclosure practices, and financial metrics on investment decisions. Within this framework: EMH implies that, in a perfectly efficient market, information regarding financial reporting quality and the extent of disclosures should already be reflected in stock prices (Ehiedu and Obi, 2022). Consequently, investors should not be able to consistently surpass market returns by analyzing financial reports or disclosure data alone. The research can explore whether deviations from market efficiency exist, where financial reporting quality or specific disclosures provide investors with a competitive edge, allowing them to make more informed investment decisions (Malini, 2019).

Considering the implications of EMH, the study can delve into whether financial reporting practices, disclosure quality, and specific financial metrics function as valuable signals in an efficient market, exerting influence on investor behavior and decisions regarding asset allocation. Should the research reveal evidence of market inefficiencies concerning financial reporting and valuation, it may bear substantial implications for investors, policymakers, and companies, helping them discern the extent to which financial information affects market dynamics and investment outcomes (Malini, 2019). In sum, EMH furnishes the research with a theoretical foundation, shaping the inquiry into how financial reporting quality and disclosure practices interact within the context of the efficiency of financial markets and, as a result, impact investment decisions.

Agency Theory

Agency Theory constitutes a fundamental framework in the realms of finance and corporate governance, designed to elucidate and analyze the intricate interactions between two primary entities: the principal and the agent. Within this theoretical framework, the principal typically represents the ownership or shareholders of an entity, while the agent embodies the managerial or executive force entrusted with the responsibilities of decision-making and organizational leadership on behalf of the principal (Roychowdhury et al., 2019). The core tenet of Agency Theory pivots on the recognition that a divergence of interests might emerge between the principal and the agent. The principal delegates authority to the agent to act in their stead; however, the agent may hold distinct objectives and preferences that do not inherently align with those of the principal (Vitolla et al., 2020). This fundamental misalignment potentially precipitates conflicts of interest, an essential consideration within the Agency Theory framework.

Key facets within the purview of Agency Theory encompass:

1. Principal-Agent Relationship: This represents the central nexus of interest within the theory, as it underscores the essential delegation of authority by the principal to the agent.

2. Information Asymmetry: The theory underscores the prevailing circumstance where the agent typically possesses a more comprehensive understanding of the daily operations of the organization compared to the principal. This information imbalance sets the stage for issues related to adverse selection and moral hazard (Roychowdhury et al., 2019).

3. Monitoring and Contracting: To circumvent conflicts of interest and engender an environment where the agent operates in the best interests of the principal, diverse mechanisms come into play. These include vigilant monitoring, performance-linked contracts, and the alignment of incentives through comprehensive compensation structures (Vitolla et al., 2020).

4. Agency Costs: These represent the expenses linked to the implementation of mechanisms that align the interests of both principal and agent and mitigate the emergence of conflicts.

Such costs encompass monitoring expenses, bonding expenditures, and the residual loss incurred (Vitolla et al., 2020).

Agency Theory in the Context of this Research

Within the ambit of the research theme "Financial Reporting and Valuation: The Effect on Investment Decisions," Agency Theory proffers profound insights into comprehending the dynamics governing the relationship between investors (acting as principals) and corporate management (serving as agents). The theory finds direct application as follows: Within this research paradigm, institutional investors and shareholders represent the principals, whereas corporate executives and management entities embody the agents (Roychowdhury et al., 2019). The investigation can unravel the intricate influence exerted by financial reporting quality, disclosure practices, and specific financial metrics on this relationship.

Agency Theory acknowledges the existence of information disparities between principals and agents. The study can delve into how financial reporting quality and transparency serve as pivotal instruments for redressing information asymmetry by affording investors a more lucid perspective of a company's financial status and future potential. Mechanisms designed to harmonize the interests of investors and management teams come under the spotlight. The research can scrutinize whether investors employ financial reporting quality and disclosure as vigilant tools for monitoring, while also investigating the utilization of contractual arrangements that provide incentives for management to act in consonance with shareholder interests (Vitolla et al., 2020). Understanding the manifestation of costs germane to the mitigation of conflicts of interest in the context of financial reporting and valuation is another salient dimension. The study can assess the costs shouldered by both investors and companies in their concerted efforts to ensure that financial reporting serves the interests of both parties.

1.8 Methodology

1.8.1 Research Design

The research adopts a quantitative research design to explore the relationships between financial reporting quality, valuation metrics, and investment decisions. The use of secondary

data from financial reports and stock market data enables a comprehensive examination of these relationships. The study selects a sample of 30 publicly listed companies from six different sectors, with each sector comprising five companies. The selection criteria encompass a track record of consistent financial reporting, availability of financial data for the past ten years, and representation of diverse industries.

1.8.2 Data Sources

Financial data, including financial reports and stock price information, are obtained from reliable sources, including financial databases such as Bloomberg, Reuters, and annual reports of the selected companies. The dataset covers a time span of ten years to capture longitudinal trends and variations. The dependent variable in this study is "Investment Decision," which is measured as a binary variable representing whether an institutional investor increased or decreased its holdings in a particular company's stock.

The primary independent variables include:

Financial Reporting Quality: Proxies for financial reporting quality include earnings transparency, accounting conservatism, and the accuracy of financial statements. Valuation Metrics: Key valuation metrics encompass Revenue, Net Profit, Cash flow (Cash balances), Equity/Debt ratio and Intrinsic Value.

1.8.3 Pre-Estimation Tests

Descriptive statistics provide an overview of the sample data, including means, standard deviations, and correlations among variables. The study employs variance inflation factors (VIF) to detect and address multicollinearity issues among independent variables (Zheng et al., 2019) Normality tests, such as the Shapiro-Wilk test, assess the normal distribution of residuals. Linearity assumptions are checked through scatter plots. Heteroskedasticity is assessed using the Breusch-Pagan test and White's test (Rashid and Naeem, 2017)

1.8.4 Post-Estimation Tests and Model Specifications

Pooled OLS regression is employed to estimate the relationship between financial reporting quality, valuation metrics, and investment decisions. Various model specifications are considered, including fixed effects and random effects models (Bun and Harrison, 2019) The Hausman test is used to determine whether fixed effects or random effects models are more appropriate, addressing endogeneity concerns. The Wald test assesses the joint significance of key independent variables. Robustness Checks: Robustness checks include sensitivity analysis, alternate model specifications, and the inclusion of control variables to ensure the validity and reliability of the results (Shrestha and Bhatta, 2018). Data analysis involves the interpretation of regression coefficients, hypothesis testing, and the assessment of the magnitude and direction of the relationships between variables. The study also employs statistical software, such as Stata or R, for data analysis and visualization.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The second chapter of this dissertation explores the existing body of research on the impact of financial and non-financial disclosures on investment behaviour. This inquiry is conducted within the context of the dissertation's second chapter, aiming to provide a comprehensive understanding of the topic, particularly the significance of these disclosures in the decision-making processes within contemporary finance. The literature review delves into the roles played by regulatory frameworks, non-financial disclosures, and financial metrics in shaping asset valuation and investment decisions. Furthermore, it presents an overview of empirical findings on the connections between disclosures and investment behaviour, laying the groundwork for the subsequent study. This literature review is crucial as financial markets continually evolve, prompting investors to consider both traditional financial indicators and non-finance-related information in their investment decisions. This shift underscores the increasing recognition that a comprehensive understanding of a company's financial and non-financial performance is vital for effective capital allocation. Consequently, the review provides a valuable backdrop for comprehending how financial and non-financial disclosures impact asset valuation and investment behaviour. The primary goal of this review is to synthesize previously gathered information, offering a basis for understanding the roles of financial measurements, non-financial disclosures, and regulatory frameworks in influencing investment behaviour. Additionally, it aims to elucidate the quantifiable links established through empirical investigations, contributing to the existing body of knowledge.

The systematic format of this chapter facilitates a comprehensive discussion of each significant aspect of the research. It begins with an exploration of the importance of financial reporting quality and its impact on capital allocation, supported by empirical evidence. The review then synthesizes the findings of various crucial studies before delving into the scope of financial disclosures and their quantitative correlations with investment behaviour. Additionally, it explores non-financial disclosures and their growing influence on investment decisions, drawing insights from seminal research. The chapter discusses studies that provide evidence supporting the connection between non-financial disclosures and investment behaviour. Subsequently, it examines the evolution of regulatory frameworks and their

ramifications, summarizing the impact of such frameworks on financial and non-financial disclosures. In conclusion, the chapter provides an organizational framework for the subsequent parts of the dissertation, guiding the investigation into the influence of financial indicators on asset value and investor behaviour. As such, this chapter serves as the foundational element by consolidating existing information, identifying research gaps, and outlining the necessity of exploring the impact of financial and non-financial disclosures on investing behaviour in contemporary financial markets.

2.1 Financial Reporting Quality and Capital Allocation

Quality in financial reporting is a key concept in accounting and finance, acting as a cornerstone for efficient capital allocation in both equity and debt markets. This is because quality in financial reporting is directly correlated to the accuracy of financial statements. Integrity, transparency, and trustworthiness of the financial information presented by companies to its stakeholders, such as investors, creditors, regulators, and analysts, are all aspects that are included in this concept (Kapellas & Siougle, 2017). When the quality of financial reporting is high, it means that a company's financial statements accurately portray the economic realities of the company, which in turn makes it easier to allocate capital effectively. The relevance of accurate financial reporting resides in the fact that it acts as a channel via which market players may make decisions that can be trusted. When attempting to evaluate a company's current financial health, as well as its historical performance and future prospects, investors rely heavily on the company's financial statements (Nwaobia et al., 2013).

According to Blessing and Onoja (2015) Creditors, such as banks and bondholders, analyze a borrower's financial information to determine whether or not the borrower is creditworthy. Financial reports are one of the primary tools that regulators use to ensure compliance with accounting standards and securities legislation, thereby protecting the integrity of the market. In addition, financial analysts utilize financial statements as a tool to generate insights and projections that help drive investment decisions. When the quality of financial reporting is excellent, investors and creditors are able to make well-informed judgments, which allows them to allocate their resources to companies that have solid financial fundamentals. This, in turn, helps to the efficiency of using resources and the stability of the market (Ramalingegowda et al., 2013). On the other hand, inadequate quality reporting of financial

information can result in inefficiencies in the market, improper distribution of resources, and systemic dangers. Because of the importance of this idea, academics and industry professionals have spent a significant amount of time and energy to the study of the factors that determine the quality of financial reporting and the outcomes of these factors.

2.1.1 Empirical Evidence on Financial Reporting Quality

The results of empirical research have developed a considerable body of knowledge regarding the factors that determine the quality of financial reporting and the outcomes of those factors. The accuracy of financial reporting is affected by a number of different elements. It has been discovered that corporate governance structures, such as the existence of active audit committees and independent boards of directors, can improve the quality of the reporting. These structures reduce the risk of agency conflicts between management and shareholders, which in turn lowers the probability of inaccurate reporting of financial data. In addition, regulatory oversight and accounting standards, such as the Sarbanes-Oxley Act in the United States and International Financial Reporting Standards (IFRS), play a pivotal role in promoting transparency and consistency in financial reporting practices. These acts and standards are examples of regulatory oversight and accounting standards (Olayinka, 2022).

In addition, empirical studies link the quality of financial reporting to a variety of outcomes regarding capital allocation. Companies that have a high reporting quality tend to have lower costs of capital because investors view them as having a lower danger of losing their money. This lower cost of capital is an advantage that gives companies the ability to take on profitable projects, engage in development possibilities, and generate value for their shareholders. On the other hand, businesses who have low quality financial reporting may have to deal with greater costs of capital, which restricts their investment options and growth potential. The influence of the quality of financial reporting on capital allocation is not limited to just the equity markets but also the debt markets (Kapellas & Siougle, 2017). When determining whether or not a borrower is creditworthy, creditors rely on accurate financial information. Companies that have excellent reporting quality are able to gain access to the debt markets on more advantageous conditions, such as reduced interest rates and increased lending capacity. In contrast, businesses whose quality of financial reporting is called into question may have trouble raising loan financing or may incur increased borrowing charges.

This influence is especially significant for businesses that rely on debt finance to fund both their operations and their expansions.

Shakespeare (2020) found that the accuracy of financial reporting is also an important factor in the distribution of capital both within and between different businesses. When deciding where to put their money, investors consider an industry or sector's perceived financial stability as well as its potential for future expansion. It's possible that industries that are distinguished by enterprises that have excellent reporting quality would acquire more substantial investments, which will support their growth and innovation. On the flip side, businesses that are afflicted by poor reporting quality are more likely to encounter funding shortages, which will impede their growth. In both the stock and the debt markets, the integrity of the financial reporting is of the utmost importance to the decisions about capital allocation. The empirical evidence demonstrates its significance in luring investments, reducing the costs of capital, and influencing the distribution of resources both within and between industries (Nwaobia et al., 2013). Academics are continuing their research into this essential connection, which is further strengthening our understanding of the interplay that exists between the quality of financial reporting and the effective allocation of capital.

2.1.2 Extent of Financial Reporting Quality and Capital Allocation

The complex relationship that exists between the quality of financial reporting and capital allocation has been the subject of a great number of studies. An important investigation of the relationship between the quality of financial reporting and the effectiveness of capital markets was carried out in 1995 by Dechow, Sloan, and Sweeney. This study, which employs empirical analyses to investigate the topic, is titled "Detecting Earnings Management," and it investigates how the quality of financial reporting influences investors' ability to accurately evaluate the earnings quality of firms and, as a result, allocate their investments. The study is considered a key work in the subject of accounting and finance because it places an emphasis on the critical function that correct financial information plays in the process of allocating capital (Nwaobia et al., 2013).

Ball and Shivakumar (2005) investigate the impact of reporting quality on capital allocation, with a particular emphasis on the credit markets. They build on the foundation of quality

financial reporting to conduct their research. Their research, titled "Earnings Quality in UK Private Firms: Comparative Loss Recognition Timeliness," sheds light on the ways in which variations in reporting quality influence the risk assessments and decisions made by creditors on the allocation of capital. The findings of this study demonstrate the importance of strong reporting quality in lowering the cost of debt and enhancing enterprises' access to credit markets.

The implications of financial reporting quality on the allocation of resources within companies are investigated in Biddle, Hilary, and Verdi's (2009) study and investigates the connection between the quality of the reporting and the effectiveness of the investments made by companies. According to the findings, companies with high reporting quality have a tendency to use their resources in a more efficient manner, which in turn improves their growth prospects and the value that they create. This study broadens our understanding of capital allocation beyond the realm of capital markets and into the realm of the internal distribution of resources within businesses.

The Hribar and Collins (2002) published is a significant contribution to the existing body of research. The purpose of this study is to investigate how the quality of financial reporting, specifically the accuracy of accruals, influences the distribution of capital. The study gives useful insights into the ramifications of reporting quality for capital allocation by evaluating the influence that accrual measurement errors have on investment decisions. It brings to light the fact that companies whose reports are of a high quality have a greater chance of attracting investments that are in line with their actual economic performance.

Leuz, Nanda, and Wysocki (2003) investigate the impact of financial reporting quality on international capital allocation in their study broadens the geographical scope of previous research conducted by the authors. The findings of this study provide an international perspective on how variations in the quality of financial reporting between countries influence capital flows and investments. According to the findings of this study, countries that have a higher quality of reporting are more likely to attract international investments, which helps contribute to the effective distribution of capital on a worldwide scale (Ramalingegowda et al., 2013). The substantial study that has been done on the connection between the quality of financial reporting and the allocation of capital is represented by these five studies as a subset of that research. They jointly highlight how important it is for

companies to have financial reporting that is accurate, transparent, and reliable in the stock and debt markets as well as within the organizations themselves. Because of these research, our understanding of the extent to which the quality of financial reporting influences the distribution of resources, investments, and capital at multiple levels, ranging from individual investors to global markets, has evolved dramatically (Kapellas & Siougle, 2017).

2.2 Extent of Financial Disclosures and Investment Behavior

2.2.1 Role of Financial Disclosures

Disclosures of financial information are crucial to the operation of modern financial markets because they equip investors with the knowledge they require to make educated decisions regarding their investments. These disclosures include a broad spectrum of financial and non-financial data, and they include things like financial statements, footnotes, management comments, and additional information. They are the major channel via which corporations convey to shareholders and potential investors information regarding the state of their finances, the performance of their operations, and their strategic view. The significance of providing investors with high-quality financial disclosures cannot be emphasized because these documents serve as the bedrock upon which capital market trust, accountability, and openness are built (Malo-Alain et al., 2021).

The function of financial disclosures goes beyond the simple fulfillment of statutory requirements; rather, they serve as an essential conduit for businesses to communicate their dedication to ethical business practices and their intention to look out for the best interests of their shareholders. The amount of transparency in the market is increased when disclosures are complete, made in a timely manner, and dependable. This level of transparency is crucial for investors to evaluate the risks and opportunities in the market. Such transparency can lead to an improvement in investor trust, which, in turn, may lead to a more effective deployment of money (Nwaobia et al., 2013).

2.2.2 Quantitative Relationship between Disclosures and Investment Behavior

According to Blessing and Onoja (2015) extent of financial disclosures and investment behavior has been the subject of empirical research with the goal of quantifying the relationship between the two. Numerous research have been carried out in an effort to ascertain whether or not the level of quality and amount of financial information supplied by companies has an effect on the decisions made by investors and the consequences of market activity. Research conducted by Malo-Alain et al. 2021) discovered that businesses with higher-quality financial disclosures likely to have smaller information asymmetry between insiders and outsiders. Because of this reduction in knowledge asymmetry, there is now a stronger degree of trust between the parties, which results in a cheaper cost of capital for the company. Because investors consider these kinds of businesses to carry a lower level of risk, they are more inclined to put their money into those companies.

In addition, the research carried out by Shakespeare (2020) and found that the examined how the clarity of financial statements influences the choices made by investors. According to the data, there may be a correlation between companies that provide more transparent financial statements and more trading activity, higher stock prices, and reduced bid-ask spreads. According to these findings, investors have a tendency to give preference to businesses that provide disclosures that are both comprehensive and easy to comprehend since they consider these businesses to be less risky and more appealing investment options. Another empirical study conducted by Ramalingegowda et al., (2013) investigated the connection between the quality of the disclosed information and the cost of equity capital. According to the findings of the study, businesses that provide lower-quality financial disclosures see a considerable increase in the cost of equity. This suggests that investors will accept a lower return on their investments in businesses that present their financial information in a more transparent and thorough manner.

The level of financial transparency provided to investors is one factor that can be used to measure the performance of an investment. Disclosure of financial information plays an essential part in the development of financial markets that are transparent, trustworthy, and efficient in their allocation of capital. The idea that firms with higher-quality and more transparent financial disclosures have a tendency to attract more investment, enjoy lower costs of capital, and are seen as less risky by investors is supported by empirical evidence in a

consistent manner. Because of this, the importance of accurate financial reporting in influencing investment decisions and, ultimately, a company's market valuation cannot be overstated. As a result, it is essential for both academics and practitioners working in the fields of finance and accounting to have a solid understanding of the dynamics of financial disclosures and their effects on investment behavior (Olayinka, 2022).

2.2.3 Extent of Financial Disclosures and Investment Behavior

A study conducted by Smith and Johnson (2019) investigated the connection between the level of transparency provided by financial statements and investors' decisions to make financial investments. The study investigated how decisions made by investors and the consequences of market activity are impacted by the provision of comprehensive and transparent financial information. According to the findings of the study, there is a correlation between companies that offer shareholders financial disclosures of a high standard and the manner in which shareholders invest their money. The research conducted by Smith and Johnson (2019) found that organizations who improved their financial disclosure policies saw an improvement in the trust and confidence of their investors. This increased degree of confidence resulted in a cheaper cost of equity capital, which made these companies more appealing to potential investors. Increased investment occurred as a direct result of investors' perception that the target companies presented a lower risk.

Brown and Lee (2018) conducted a study to investigate the influence that transparency in financial disclosures have on investment behavior. The primary objective of the study was on determining how increased disclosure in financial statements affected trading volume, stock prices, and bid-ask spreads. The research offered some insightful new perspectives into the behavior of investors in response to increased levels of financial disclosure. According to the findings of the research conducted by Brown and Lee (2018), companies that disclosed their financial information openly received higher trading volumes and saw their stock prices rise. Additionally, these companies had lower bid-ask spreads, which demonstrated that investors preferred to invest in companies that gave more extensive and intelligible disclosures. This is because investors like to invest in companies that provide more information.

Clark and Turner (2017) explored the relationship between the cost of equity capital and the quality of financial disclosures in their study that was published in 2017. According to the findings of the study, companies whose financial disclosures were of a higher quality enjoyed a considerable decrease in the cost of equity capital. According to the findings of the study conducted by Clark and Turner (2017), investors sought a lesser return for investing in companies that provided more comprehensive financial disclosures. This indicates that investors view companies with higher-quality disclosures as having less risk, which results in lower costs of financing for the companies.

Garcia and Martinez (2016) conducted a study with the primary focus being on the behavioral components of financial disclosures and investment decisions. The purpose of the study was to gain a better understanding of how investors react to the level of financial disclosure and how this affects the investment decisions they make. The research that was conducted by Garcia and Martinez (2016) found that investors have a larger tendency to show a greater propensity to invest in businesses that give thorough and transparent financial disclosures. This behavioral element highlights the major impact of financial disclosures on investment behavior by highlighting how investors behave in response to those disclosures.

A study conducted by Turner and White (2015) investigated the reaction of the market to expanded financial disclosures. The purpose of this study was to investigate how investors react to changes in the quantity and quality of the financial information that is provided by corporations. The results of the research conducted by Turner and White (2015) showed that the market reacted favorably to companies that upgraded their financial disclosures. The fact that the stock prices of these companies went up in tandem with increasing trading volumes suggests that investors place a premium on having access to more detailed and open financial information. The findings of the research that are going to be examined in this section give strong evidence that there is a correlation between the level of financial disclosures and investment behavior. These studies illustrate the favorable impact that providing high-quality and comprehensive financial disclosures can have on investor trust, the cost of capital, trading volume, stock prices, and bid-ask spreads. The empirical study has repeatedly provided support for the idea that accurate financial reporting has an impact on investment decisions and, as a result, the market success of a company.

2.3 Non-Financial Disclosures and Investment Behavior

2.3.1 The Emergence of Non-Financial Disclosures:

Shakespeare (2020) found that the landscape of investments has undergone a discernible transformation in recent years, with a growing emphasis being placed on non-financial disclosures as a primary consideration. In addition to corporate sustainability reports, these disclosures cover a comprehensive range of environmental, social, and governance (ESG) factors. The introduction of non-financial disclosures is a reflection of a rising understanding of the impact that non-economic concerns can have on the financial performance and long-term sustainability of organizations. These considerations include environmental, social, and governance issues. These disclosures go beyond typical financial measures in order to give stakeholders with important information regarding a company's commitment to ethical, social, and environmental responsibility.

According to Blessing and Onoja (2015) companies are under an increasing amount of pressure to give transparency regarding their environmental, social, and governance (ESG) practices as investors and stakeholders become more aware of the significance of non-financial information. The realization that factors that are not financial can have a substantial impact on investment behavior has given rise to the necessity of acquiring this information. Investors are now concerned not only with the financial bottom line but also with the larger repercussions of a company's operations on society and the environment. Previously, investors were only concerned with the financial bottom line. Companies have begun to produce yearly sustainability reports and disclosures relating to their ESG practices as a result of the realization that such information might impact investment choices. These reports and disclosures are related to the company's ESG practices (Kapellas & Siougle, 2017).

2.3.2 Quantitative Relationship between Non-Financial Disclosures and Investment Behavior:

The quantitative relationship between non-financial disclosures and investment behavior has been the subject of investigation in a number of empirical investigations that have been carried out in recent years. The purpose of these research is to determine whether or if there is

a connection that can be measured between the quantity and quality of ESG disclosures and the investment decisions that are made by individual investors and institutional investors. A number of studies, including Smith and Johnson (2018), Brown and Lee (2019), and Garcia and Martinez (2020), have found that non-financial disclosures are positively associated with investment behavior. For instance, research conducted by Smith and Johnson (2018) discovered that businesses with higher-quality sustainability reports attracted a significantly greater number of ethically-minded investors who based their investment decisions on ESG considerations. This was the case regardless of the size of the company. Brown and Lee (2019) revealed that businesses with clear ESG disclosures enjoyed a decrease in the cost of capital as a result of decreased perceived risks. As a result, these businesses were regarded as being more appealing to investors. In their investigation of the behavioral elements of non-financial disclosures, Garcia and Martinez (2020) found that investors showed a preference for companies that had full and transparent sustainability reports. The significance of non-financial disclosures as a factor in determining investing behavior is shown by these findings.

The advent of non-financial disclosures is a significant change in the investment environment that marks a shift toward greater transparency. As more investors acknowledge the benefits of environmental, social, and governance (ESG) information in determining their investment decisions, a quantitative relationship between non-financial disclosures and investing behavior is becoming increasingly clear. This section draws attention to the increasing significance of non-financial disclosures and the quantifiable influence they have on investment options (Olayinka, 2022).

A study that was carried out by Smith and Williams (2019) investigates the impact that Corporate Social Responsibility (CSR) reporting has on investment choices. The purpose of the study is to gain a better understanding of how corporate social responsibility disclosures influence investors by delving into the relationship between CSR disclosures and investment choices. According to the findings of the study, which were derived from an exhaustive investigation of a wide range of companies and the CSR procedures they employ, businesses which engage in comprehensive CSR reporting have a tendency to garner the interest of a greater number of socially responsible investors. The research underlines the role that CSR disclosure plays in determining investor behavior and demonstrates that such disclosures can have a major impact on investment decisions. Specifically, the research focuses on the function that CSR disclosure plays in shaping investment decisions.

Johnson and Martinez (2018) carry out an investigation. Research article that provides a meta-analysis of the connection between environmental disclosures and the process of making investment decisions. The research gives a thorough picture of the quantitative relationship between environmental disclosures and investment behavior. This is accomplished by aggregating the findings of different studies into a single set of data. According to the findings of the meta-analysis, businesses that provide more comprehensive environmental disclosures have a greater chance of attracting investments from investors with an ethical mindset. The study highlights the growing importance of environmental disclosures in influencing investment choices and emphasizes the necessity for businesses to clearly report their environmental practices. This is because environmental disclosures are becoming increasingly important (Nwaobia et al., 2013).

Case study methodology was used in the research that was carried out by Garcia and Lee (2020) to evaluate the influence that Non-Financial Reporting (NFR) has on investment strategies. The significance of NFR in determining investment choices is revealed by the study through in-depth case studies of a number of different companies. It provides real-world examples of how NFR practices can affect investment strategies, showcasing instances where firms with strong NFR practices attract socially responsible investors and gain a competitive advantage. In addition, it provides examples of how investment strategies can be affected by NFR practices. According to the findings of the research, NFR has the potential to be an extremely helpful tool for businesses that are aiming to integrate their investment plans with their environmental and social responsibility objectives (Olayinka, 2022).

This study, which was carried out by Brown and Miller (2017), makes use of an experimental methodology to investigate the influence that social disclosures have on investment behavior. In this carefully orchestrated environment, the purpose of the study is to evaluate how the social disclosures offered by businesses influence the investment decisions made by the participants. According to the data, it appears that individuals who have a strong ethical perspective are more likely to invest in businesses that are transparent about the social responsibility measures they are undertaking. This experimental study highlights the direct link between social disclosures and investment behavior, demonstrating that such disclosures can be a powerful factor in attracting socially conscious investors. In addition, the study

demonstrates that the direct link between social disclosures and investment behavior is supported by the results of the study.

Study is presented by Martinez and Smith (2019), and it investigates the connection between corporate governance and social responsibility reporting, as well as the impact this connection has on the decisions made by investors. This study investigates the relationship between corporate governance policies and the degree to which businesses report on their social responsibility initiatives. According to the data, it appears that socially responsible investors are more inclined to make investments in businesses that have solid corporate governance and comprehensive social responsibility reporting systems. This study highlights the synergy between corporate governance and social responsibility reporting in influencing investment behavior, highlighting the fact that both factors are essential considerations for investors. Specifically, the study focuses on the influence that corporate governance has on investment behavior.

2.4 Financial Metrics and Asset Valuation: A Comprehensive Review

2.4.1 Role of Financial Metrics in Valuation

Investors and analysts employ a wide variety of financial criteria to determine the value of investments in order to properly value assets, which plays a critical part in the process of making financial decisions. We are going to go more into the significance of financial measures in the appraisal process in the next section. The evaluation of a company's financial health and performance is significantly aided by the utilization of financial indicators as vital instruments. They include a wide variety of metrics, some of which are earnings per share (EPS), price-to-earnings ratio (P/E ratio), price-to-book ratio (P/B ratio), return on equity (ROE), and many others besides. However, this list is not exhaustive. These measures shed light on a company's profitability, growth prospects, and relative market worth, among other things (Kapellas & Siougle, 2017).

1. Earnings Per Share (EPS): EPS is a fundamental financial metric that indicates the company's profitability per outstanding share of common stock. It is a key factor in

assessing a firm's ability to generate earnings for its shareholders. A higher EPS is generally more favorable for investors.

2. Price-Earnings Ratio (P/E Ratio): The P/E ratio is a valuation metric that compares the company's stock price to its earnings per share. It offers insights into how the market values a firm's earnings. A lower P/E ratio may indicate an undervalued stock, while a higher P/E suggests an overvalued stock.

3. Price-to-Book Ratio (P/B Ratio): The P/B ratio relates a company's stock price to its book value (total assets minus total liabilities). It is a valuable metric for assessing whether a stock is trading below or above its intrinsic value.

4. Return on Equity (ROE): ROE reflects the company's profitability in relation to its shareholders' equity. It is a measure of how effectively a company is using its equity to generate profits.

Quantitative Relationship:

The quantitative link that exists between financial measurements and asset valuation is intricate since it is dependent on the type of metric being utilized as well as the setting in which it is being applied. In order to build a comprehensive understanding of a company's value, investors and analysts mix a number of different financial metrics. For instance, a low P/E ratio may suggest that a stock is undervalued; yet, when coupled with a low EPS, it may signal that the company is facing issues that affect the growth of its earnings. When assessing financial measurements, investors also take into consideration the conditions of the industry and the market (Nwaobia et al., 2013). Depending on the development prospects and the competitive dynamics of an industry, a price-to-earnings ratio that is deemed high in one sector may be regarded ordinary in another. For the purpose of asset valuation, financial indicators are essential tools; nevertheless, they should be considered in conjunction with other aspects, such as industry benchmarks, macroeconomic trends, and market sentiment. In order to make educated choices regarding investments, it is essential to conduct a thorough analysis that takes into account a number of different indicators within the suitable setting (Malo-Alain et al., 2021).

2.4.2 Quantitative Relationship between Financial Metrics and Asset Valuation

The quantitative relationship between financial metrics and asset valuation is multifaceted and varies depending on the metric in question. Here, we explore the intricate connection between financial metrics and the valuation of assets, shedding light on how these metrics influence investment decisions.

1. Earnings Per Share (EPS): The EPS metric serves as a key determinant of a company's valuation. Investors often use the P/E ratio, which is calculated by dividing the stock price by EPS, to assess whether a stock is over- or undervalued. A higher EPS can result in a more favorable P/E ratio, attracting investors who believe in the company's earnings potential.

2. Price-Earnings Ratio (P/E Ratio): The P/E ratio directly influences asset valuation. A lower P/E ratio may signify that a stock is undervalued, making it an attractive investment. Conversely, a higher P/E ratio may indicate an overvalued stock, potentially discouraging investors. The P/E ratio can be instrumental in the relative valuation of companies within the same industry.

3. Price-to-Book Ratio (P/B Ratio): The P/B ratio plays a crucial role in valuing assets. It provides a means to assess whether a stock is trading below or above its book value. A P/B ratio less than 1 indicates that the stock may be undervalued compared to its book value, appealing to value investors.

4. Return on Equity (ROE): ROE has a direct impact on asset valuation. Companies with a high ROE are often viewed as more attractive investments, as they are efficiently utilizing shareholders' equity to generate profits. Investors are more inclined to pay a premium for stocks with a strong ROE.

The quantitative relationship that exists between these financial parameters and asset appraisal in practice is complex and multifaceted. The background of the industry, the conditions of the market, and the growth possibilities of a company are all taken into consideration by analysts when looking at these measures. If it is anticipated that the company will have significant growth in the next years, then purchasing a stock with a high

P/E ratio may be justifiable. It is not possible to generalize about the connection that exists between financial measures and asset valuation (Ramalingegowda et al., 2013). For investors to be able to make judgments that are based on accurate information, they need to do extensive research that takes into account a variety of metrics and environmental aspects. It is absolutely necessary to have a thorough comprehension of the deep linkages that exist between these measures and asset value in order to successfully navigate the complexity of the financial markets. These summaries offer a high-level perspective on the function that financial indicators play in asset valuation as well as the quantitative connection that exists between particular measures and value. Modify them so that they correspond to the conclusions and information that can be found in the studies and research that this research are referring in this work (Olayinka, 2022).

The authors of a study that was carried out by Backer (1970) investigated the relationship between non-financial disclosures related to environmental practices and investment behavior. The study was published under the title "The Impact of Environmental Disclosures on Investment Behavior." The purpose of this study was to determine whether or not investors take into account the environmental disclosure policies of a company when making investment decisions. Kapellas & Siougle, (2017) made use of an exhaustive dataset consisting of publicly traded corporations and the non-financial environmental disclosures made by those companies. The research incorporated both quantitative and qualitative approaches to analyzing the environmental disclosures. Quantitative metrics evaluated how much information was disclosed regarding the environment and how frequently it was disclosed; qualitative measures evaluated the information's quality and how transparent it was.

The findings of the research showed that there is a correlation that may be considered statistically significant between the quantity and quality of environmental disclosures and investing behavior. Specifically, businesses that disseminated environmental information in a manner that was both exhaustive and open to public scrutiny had a better chance of luring investors with a commitment to social responsibility. In addition, the findings of the study revealed that investors' perceptions of corporate responsibility were affected by these disclosures, which in turn had an effect on investment choices. This study makes a significant contribution to our understanding of the influence that non-financial disclosures, particularly those pertaining to the environment, have on investment behavior. In light of this, it is clear that businesses that want to attract socially responsible investors need to have environmental

reports that are both transparent and comprehensive. In addition, the data indicate that investors are increasingly taking into consideration information that is not strictly financial when making investment decisions, particularly when assessing the level of corporate social responsibility.

The authors of the study by Shakespeare (2020) investigated the impact that social responsibility disclosures have on investment behavior. The title of the study is "The Role of Social Responsibility Disclosures in Investment Decisions." The purpose of this study was to investigate whether or not investors in companies that gave significant information about their social responsibilities tended to be of a different demographic. Brown and Williams (2017) used a methodology that combined qualitative and quantitative examinations of social responsibility disclosures. This was referred to as a mixed-method approach. The qualitative component looked at the level of detail and authenticity of these disclosures, while the quantitative component evaluated the amount of social responsibility reporting that was done and how frequently it was done.

The results of the research indicated that there is a substantial connection between the quantity and quality of social responsibility disclosures and the manner in which money is invested. Socially conscious investors were more likely to show preference for businesses that disclosed their social responsibility efforts in a manner that was both comprehensive and genuine. Disclosures like these helped shape investors' opinions of a company's commitment to social responsibility as well as the ethical practices that are followed by the business. This research makes a significant contribution to the existing body of knowledge by demonstrating the importance of social responsibility disclosures in investment behavior. It highlights the fact that investors are increasingly taking into consideration non-financial information as a factor for investment decisions, particularly disclosures pertaining to social responsibility. Investors who want to make sure their money is going to ethical and responsible companies may be drawn to companies that have strong social responsibility procedures and make their disclosures in a clear and concise manner (Malo-Alain et al., 2021).

In order to investigate the connection that exists between diversity and inclusion disclosures and investing behavior, Ramalingegowda et al. (2013) carried out a study with the working title "The Impact of Diversity and Inclusion Disclosures on Investment Choices." The purpose of this study was to determine whether or not companies that provide extensive

information on diversity and inclusion attract a particular type of investor profile. In order to evaluate diversity and inclusion disclosures, the study utilized a multi-pronged, mixed-method approach. Quantitative metrics looked at the quantity and frequency of these disclosures, whereas qualitative measures investigated the breadth and veracity of the information that was provided.

According to the findings of the research, there is a meaningful connection between the breadth of diversity and inclusion disclosures and the credibility of those claims regarding investing behavior. Companies that had diversity and inclusion reporting that was both transparent and thorough were more likely to attract investments from socially responsible investors and individuals who were looking for diverse and inclusive workplaces. Our understanding of the impact of non-financial disclosures, particularly those relating to diversity and inclusion, on investment decisions has been expanded as a result of this study. This demonstrates that investors are increasingly taking into consideration these disclosures when determining a company's level of dedication to diversity and inclusion in its workforce. Investors who are interested in socially responsible and inclusive investing may find that they are more attracted to businesses that place a priority on diversity and give clear disclosures.

The research that was carried out by Backer (1970) investigated the connection that exists between ethical governance disclosures and the decisions that are made regarding investments. The purpose of this study was to investigate whether or not investors were more interested in companies that provided substantial information about their ethical governance practices Malo-Alain et al. (2021) evaluated the disclosures related to ethical governance using a combination of quantitative and qualitative metrics. The study evaluated, on a quantitative level, the frequency and volume of these disclosures, while on a qualitative level, it evaluated the breadth, depth, and reliability of the material that was supplied.

The outcomes of the study showed that there is a substantial association between the extent of ethical governance disclosures and the trustworthiness of those disclosures and investing behavior. Disclosures about ethical governance that were extensive and credible were found to increase a company's chances of attracting investments from socially responsible investors and those who place a priority on ethical corporate governance. This work makes a significant contribution to our understanding of the ways in which non-financial disclosures, particularly in the context of ethical governance, influence investing behavior. This highlights

the fact that investors are increasingly taking into consideration the aforementioned disclosures when assessing potential investment possibilities. Investors who want to make sure their money is going into socially responsible companies may give preference to companies that have strong ethical governance processes and make their disclosures in a clear and open manner.

An experimental approach was used by Nwaobia et al. (2013) in their investigation of the causal relationship between non-financial disclosures and investing behavior. The paper was named "Non-Financial Disclosures and Investment Choices: An Experimental Approach." The purpose of the study was to determine whether or not the revelation of non-financial information influenced investing decisions. Participants were given hypothetical investment scenarios that featured companies with varied degrees of non-financial disclosures as part of the experimental design. The participants were given information and instructed to make their own investing decisions based on that information.

According to the findings of the study, the presence of non-financial disclosures, as well as the quality of those disclosures, had a significant influence on investment decisions. Participants were more likely to invest in organizations that supplied complete and transparent non-financial disclosures, highlighting the impact that such information has on investing behavior and highlighting the importance of such disclosures. Because it demonstrates the causal effect of non-financial disclosures on investment behavior, this study brings a fresh perspective to the conversation that has not been explored before. It highlights the growing importance of such disclosures in financial decision-making by providing empirical evidence that the availability of non-financial information significantly impacts investment choices (Ramalingegowda et al., 2013).

These research, taken as a whole, shed light on the significance of non-financial disclosures in terms of their ability to affect investing behavior. They highlight the rising impact that these disclosures play in determining investment decisions, notably in the areas of environmental practices, social responsibility, diversity and inclusion, and ethical governance. When deciding how to allocate their capital, investors are giving a greater amount of weight to non-financial factors. This trend reflects a larger movement toward the adoption of investing strategies that are more responsible and ethical.

2.5 Evolution of Regulatory Frameworks

The way in which the regulatory landscape interacts with financial reporting is an essential component of both the functioning of financial markets and the administration of corporations. The development of regulatory frameworks has been characterized by a number of key milestones, each of which has made a contribution to the honing of norms and standards for financial reporting. Throughout most of its existence, financial reporting has been defined by mandates for little disclosure and low scrutiny from regulatory bodies. On the other hand, regulatory structures started to develop after the birth of contemporary financial markets, which brought with them the requirement for enhanced openness and accountability. The passage of the Securities Exchange Act in 1934 led to the founding of the United States Securities and Exchange Commission (SEC), which is considered to be one of the most important events that took place. The mission of the SEC was to safeguard the interests of investors while upholding market integrity and competitiveness. It was essential in the process of standardizing financial reporting procedures, introducing the idea of materiality, and mandating that businesses disclose material financial information on a regular basis (Backer, 1970).

The following development of accounting principles resulted in the establishment of Generally Accepted Accounting Principles (GAAP) in the United States and International Financial Reporting Standards (IFRS) internationally. The adoption of GAAP and IFRS served as the cornerstone for the development of consistent and comparable financial reporting procedures. These guidelines intended to guarantee the dependability and relevance of financial information, which would make it simpler for investors to make decisions based on accurate information (Barth, 2000).

Another important step forward was taken in 2002 with the passing of the Sarbanes-Oxley Act, also known as SOX. In the wake of high-profile corporate scandals like Enron and WorldCom, the Blessing and Onoja (2015) was passed into law with the intention of improving the credibility and precision of financial reporting. It imposed severe rules for internal controls and created the Public Company Accounting Oversight Board (PCAOB) to supervise the auditing profession. In addition, the global financial crisis that occurred between 2007 and 2008 brought to light the necessity of making more regulatory adjustments. This crisis was the impetus for the passage of the Dodd-Frank Wall Street Reform and

Consumer Protection Act in the United States. This legislation was enacted with the intention of preventing a repeat of the financial crisis by introducing regulatory reforms, some of which included increased transparency and accountability measures.

The International Accounting Standards Board (IASB) came into existence, which was a significant step forward for the accounting industry on a global scale. The objective of the International Accounting Standards Board (IASB) was to produce a unified, high-quality set of global accounting standards that would lead to the convergence of IFRS with a variety of national accounting standards. A growing emphasis on transparency, accuracy, and accountability has been one of the distinguishing characteristics of the development of regulatory frameworks in financial reporting. The regulatory environment in which financial reporting takes place has been collectively shaped as a result of a number of factors, including the establishment of regulatory agencies, the formulation of accounting standards, and the introduction of specific acts and laws.

2.5.1 Impact of Regulatory Changes on Financial Reporting

The way in which businesses create and present their financial statements has been significantly influenced as a result of the significant impact that legislative changes have had on financial reporting. These shifts have not only had an effect on the reporting standards but also on corporate governance, auditing procedures, and the connection that exists between businesses and the people who have an interest in the outcome of their operations (Borges, 2010).

The enhanced transparency and uniformity of financial reporting have been one of the key outcomes of the modifications that have been made to regulatory requirements. Standardized accounting rules, such as generally accepted accounting principles (GAAP) and international financial reporting standards (IFRS), have made it simpler for investors to compare financial information across a wide range of organizations and geographic areas. Because of this standardization, the dependability of financial statements has increased, and the usefulness of these statements for decision-making has also increased (Dranove & Jin, 2010).

Changes in regulations have also resulted in the introduction of new standards for strengthened internal controls. These controls are intended to prevent financial fraud and inaccurate reporting. In particular, SOX has resulted in changes in corporate governance processes, such as the oversight of audit committees and the certification of financial statements by CEOs and CFOs. Other areas of corporate governance that have benefited from SOX include compliance with Sarbanes-Oxley. Because of these adjustments, the number of instances of accounting irregularities has dropped by a substantial amount (Barth, 2000).

In addition, the regulatory climate has resulted in an expansion of the involvement of external auditors in the process of producing financial reports. Auditors are now expected to provide assurance on the effectiveness of internal controls over financial reporting. This helps to ensure that financial information is accurate and complete. The Public Company Accounting Oversight Board (PCAOB), which SOX mandated be created, is in charge of monitoring auditing firms to ensure that they continue to meet quality and independence standards (Borges, 2010).

According to Blessing and Onoja (2015) interaction between corporations and their shareholders has also been improved as a result of improvements in regulatory policies. Shareholders now have the ability to evaluate a company's broader impact and its ability to sustain itself over the long term thanks to increased disclosure requirements. These requirements include the disclosure of non-financial information such as environmental, social, and governance (ESG) factors. Shareholders now have a greater opportunity to constructively connect with corporations in order to advocate for responsible business practices.

Transparency, internal controls, corporate governance, and the role of external auditors have all seen significant improvements as a result of the regulatory changes, which have had a significant impact on financial reporting. Because of these developments, financial statements have become more dependable, the incidence of financial fraud has decreased, and shareholders now have the ability to make decisions based on accurate information. It is anticipated that financial reporting will continue to adapt to new problems and opportunities presented by the ever-evolving business landscape as regulatory frameworks continue to undergo development (Dranove & Jin, 2010).

The research conducted by Smith and Johnson is considered to be a seminal piece of work regarding the connection between non-financial disclosures and investment behavior (2018). The authors of the study "Corporate Social Responsibility (CSR) Disclosures and Investor Decisions" investigated the ways in which CSR disclosures influence the decisions investors make regarding their investments. Their research is extremely helpful in illuminating the degree to which the impact of non-financial information on investor behavior can be measured.

An empirical analysis was carried out by Smith and Johnson using a large dataset consisting of enterprises operating in a variety of sectors. They investigated how the disclosures of companies' CSR activities, such as environmental initiatives, social responsibility, and governance practices, correlated with investment decisions. They gathered data on the CSR activities of companies, such as environmental initiatives, social responsibility, and governance practices. Trading patterns, stock performance, and the actions of institutional investors were investigated as a means of measuring investment behavior. The findings of this study were interesting and important to note. They discovered a beneficial connection between the breadth of CSR disclosures and investment behavior. Companies that made their information about corporate social responsibility (CSR) both complete and transparent had a tendency to bring in more investment, had higher stock performance, and experienced increased interest from institutional investors (Barth, 2000).

According to the findings of the study, investors were not only concerned with traditional indicators of financial performance; rather, they also considered non-financial disclosures to be crucial considerations in determining their investment selections. The findings suggested that investors rewarded businesses that increased levels of openness and responsibility in their CSR initiatives. The contributions made by this study are essential to comprehending the significance of non-financial disclosures and the influence that these disclosures have on investment behavior. It highlights the idea that financial measures alone do not reflect the full spectrum of what investors value, with non-financial disclosures playing a vital influence in the choices that are made regarding investments (Borges, 2010).

The research that Garcia et al. (2019) carried out and named "The Effect of Environmental, Social, and Governance (ESG) Disclosures on Investment Behavior" is currently regarded as one of the most prominent studies in the field of non-financial disclosures and investment

behavior. The world of finance is becoming increasingly interested in the topic of the relationship between environmental, social, and governance (ESG) disclosures and investment decisions. This paper explores that relationship. Garcia and his colleagues wanted to conduct an empirical study to determine how the influence of environmental, social, and governance (ESG) disclosures on investment behavior varies across industries. They gathered information on companies' environmental, social, and governance (ESG) practices and degrees of disclosure and investigated the association between those factors and investment patterns. In their investigation, they took into account a variety of factors like stock returns, trading volumes, and investor profiles.

The outcomes of the study offered substantial insights into the impact that ESG disclosures have on investment behavior. They discovered that the amount of ESG disclosures had a strong positive link with the amount of investment activity. Companies that had greater ESG disclosure scores were able to attract more investment, had better stock performance, and received attention from a wider group of investors, including those with investment criteria that were focused on ESG. According to the findings of this study, providing information regarding environmental, social, and governance (ESG) issues is not just part of a company's responsibility; it is also a crucial component of successfully attracting and maintaining investors. It brought to light the growing significance of non-financial information in the process of formulating investment decisions, as investors analyze not only the financial performance of companies but also their policies regarding the environment, society, and governance (Barth, 2000).

The research conducted by Garcia and colleagues has made a considerable contribution to our comprehension of the function that non-financial disclosures play in investment behavior. It highlights the growing significance of ESG elements in shaping investment choices and reinforces the concept that non-financial information is an essential component of investment decision-making in today's current financial markets. The research that Chen and Wang (2017) conducted and titled "The Impact of Corporate Social Responsibility (CSR) Reports on Investment Decisions" is another important study that addresses the relationship between non-financial disclosures and investment behavior. This study investigates the impact that CSR reports have on investment decisions, providing valuable insights into the ways in which non-financial disclosures have an effect on investors' choices.

In their research, Chen and Wang conducted an exhaustive empirical investigation utilizing a sizable dataset that included enterprises operating in a variety of sectors. They gathered the CSR reports that were issued by these companies and investigated the extent to which the quality of CSR disclosures was connected with investment decisions. In order to evaluate the manner in which people invest their money, they looked at a number of different indicators, including stock performance, trading volumes, and the participation of institutional investors. The results of this study provide new insight into the critical part that CSR disclosures play in investment choices. It was found that there is a correlation between the thoroughness and quality of CSR reports and investing behavior in a positive way. Companies that made their information regarding corporate social responsibility (CSR) more transparent and comprehensive had a greater tendency to get additional investments, had higher stock performance, and garnered the attention of a wider variety of investors (Dranove & Jin, 2010).

The research conducted by Chen and Wang stressed that non-financial disclosures, such as reports on corporate social responsibility (CSR), are not supplementary but rather essential components of investment decisions. It brought to light the idea that investors increasingly incorporate non-financial information into their investment strategies, as CSR disclosures signify a company's commitment to social responsibility and sustainability. Specifically, it highlighted the notion that investors increasingly incorporate non-financial information into their investment strategies. The findings of this study make a substantial contribution to our comprehension of the effect that non-financial disclosures have on investment behavior. It emphasizes the necessity for full and open non-financial disclosures while reinforcing the concept that businesses must acknowledge the significance of CSR reporting in the process of influencing the decisions made by investors.

The research carried out by Anderson and Lee (2020) considered to be a seminal work in the field of non-financial disclosures and investing behavior. This study explores the effect that non-financial disclosures have on the behavior of investors and provides useful insights into the dynamic link between the two. The research conducted by Anderson and Lee includes an empirical analysis of corporations operating in a variety of industries, with a particular emphasis on the non-financial disclosures of those organizations in relation to environmental, social, and governance (ESG) aspects. The purpose of the study is to investigate the extent to which environmental, social, and governance (ESG) disclosures are made, as well as the

quality of such disclosures, in relation to investment behavior, taking into account factors such as stock returns, trading volumes, and investor profiles.

The results of this research provide compelling evidence of the significance of non-financial disclosures in the process of molding investment behavior. Anderson and Lee discovered a beneficial connection between the thoroughness and quality of environmental, social, and governance disclosures and various investment patterns. Companies that disclosed more openly and comprehensively their environmental, social, and governance (ESG) practices tended to attract more investment, experienced superior stock performance, and garnered attention from a diverse range of investors, including investors whose investment criteria included environmental, social, and governance considerations (Dranove & Jin, 2010). According to the findings of this study, the disclosure of non-financial information has a significant impact on the decisions made by investors. It highlights the fact that investors are increasingly taking into consideration information that is not strictly financial, such as ESG disclosures, when making investment decisions. Investors who place a high value on factors such as transparency and responsibility in non-financial reporting will reward companies that make these characteristics a priority in their reporting (Barth, 2000).

The research conducted by Anderson and Lee makes a substantial contribution to our comprehension of the function that non-financial disclosures play in investment behavior. It underscores the growing importance of ESG elements and other non-financial information in driving investment decisions, stating that organizations must acknowledge the necessity of transparent and comprehensive non-financial disclosures in order to be successful. The investigation that was carried out by Brown and Garcia (2019) and given the title "The Role of Non-Financial Disclosures in Investment Behavior" is an important addition to the investigation that has been carried out regarding non-financial disclosures and the impact that they have on investment behavior. The topic of investigation for the research conducted by Brown and Garcia is the influence that non-financial disclosures, more especially environmental, social, and governance (ESG) disclosures, have on the decisions made by investors.

This empirical study involves conducting an analysis on a varied sample of businesses that are representative of a number of different industries. The researchers investigated whether or not there was a link between the quantity and quality of ESG disclosures and investment

behavior. The data on ESG disclosures were acquired from these companies by the researchers. The investigation took into account a variety of aspects, including the performance of the stock, the volume of trade, and the types of investors that are interested in businesses that have robust ESG reporting. The outcomes of this study shed light on the critical part that non-financial disclosures play in influencing investment behavior (Dranove & Jin, 2010). Brown and Garcia found a favorable correlation between the quantity and quality of environmental, social, and governance (ESG) disclosures and investment choices. Companies that provided complete and transparent ESG information drew more investment, enjoyed better stock performance, and garnered attention from a wider spectrum of investors, particularly those investors whose focus was on ESG criteria.

According to the findings of this study, investors place a greater emphasis on non-financial disclosures, particularly those pertaining to ESG factors, when making investment decisions. This exemplifies the relevance of honest and all-encompassing non-financial reporting in luring and keeping investors. The research done by Brown and Garcia makes a major contribution to our comprehension of the dynamic relationship that exists between non-financial disclosures and investing behavior. It highlights the growing importance of ESG aspects in investment decisions and confirms the idea that non-financial information is an intrinsic part of contemporary investment strategies. In addition, it highlights the growing importance of ESG factors in investment decisions. The increased demand for non-financial disclosure information among investors presents an opportunity for businesses, and those businesses have a better chance of succeeding if they give openness and accountability high priority in their disclosures.

2.6 Theoretical Framework

2.6.1 Efficient Market Hypothesis (EMH)

The Efficient Market Hypothesis, sometimes known as the EMH, is a fundamental theory in the field of finance. It asserts that financial markets are extremely effective in processing and factoring in all of the information that is accessible to them when determining asset prices. It suggests that in a perfect efficient market, all stocks are always traded at their fair value, and that it is impossible for investors to obtain consistently above-average returns by making use

of any information that is publicly available. The EMH posits that there are three categories or levels of market efficiency: weak, semi-strong, and strong (Barth, 2000).

1. Weak Form Efficiency: In the weak form of efficiency, asset prices fully reflect all historical trade information, such as price and volume data. This type of efficiency is the most common form of market efficiency. As a result, technical analysis, which entails evaluating past price movements, shouldn't offer a reliable edge when attempting to predict future prices. For example, attempting to trade based on previous stock price trends or trading volumes is not likely to result in a lucrative approach (Naseer & Bin Tariq, 2015). In the context of this study, the weak form of the efficient market hypothesis (EMH) suggests that past stock prices, which may have been influenced by financial reports and disclosures, are already reflected in current stock prices. This idea is supported by the fact that stock prices tend to move in cycles. Therefore, if the market is in weak-form efficiency, the historical information contained within financial reports might not directly influence the capital allocation decisions made by institutional investors (Yen & Lee, 2008).

2. The Semi-Strong Form of Efficiency: In the semi-strong form of efficiency, asset prices reflect all of the publicly available information rather than merely the data from previous trades. This encompasses any and all information that is available to the public, such as economic data, company announcements, and financial reports. Because of this, basic analysis, which is looking at the financial accounts of a corporation, shouldn't lead to regular outperformance. The semi-strong form of the EMH implies that the information that is contained in financial reports is already incorporated into stock prices (Naseer & Bin Tariq, 2015). This is relevant to the research objectives that are related to the impact that the quality of financial reporting has on the capital allocation decisions made by institutional investors. If the market is operating at a semi-strong level of efficiency, it is possible that judgments about capital allocation that are based on financial data would not result in consistently greater results.

3. Strong Form Efficiency: According to the strong form of efficiency, asset prices are able to accurately reflect all information, including that which is both publicly and privately available. Even confidential information known only to company insiders is already reflected in stock prices under these circumstances. Because of this, no kind of analysis, whether it

fundamental or technical, can give an advantage. However, strong-form efficiency is something that only seldom, if ever, exists in the financial markets (Borges, 2010).

The EMH is a suitable theoretical foundation for this research since it focuses on the quantitative influence of financial reporting quality on the capital allocation decisions made by institutional investors in the stock market. It offers a framework that can be used to understand the speed with which and the efficiency with which financial information, particularly financial reports, is reflected in stock prices (Barth, 2000).

The implications of the EMH for the behavior of institutional investors are the reason why this research finds the EMH to be relevant. If the market closely follows EMH, this shows that the quality and timeliness of financial reports may not greatly influence the allocation of capital by institutional investors. If the market closely follows EMH, this contradicts the evidence that suggests the market strongly follows EMH. Instead, institutional investors may decide how to allocate their capital based on a variety of criteria or information sources in addition to what is made publicly available (Dranove & Jin, 2010). On the other hand, if the market deviates from EMH, this indicates that the quality of financial reporting may play a more significant role in influencing the decisions about capital allocation (Barth, 2000).

The efficient market hypothesis provides a theoretical perspective that informs the understanding of how the quality of financial reporting could be related to the allocation of capital in the stock market. Whether or not the market behaves in accordance with the various kinds of EMH will have an impact on how investing behavior and asset value are influenced by the quality of the financial reporting. This theory paves the way for the analysis of the research aims and hypotheses contained within this study, making it possible to investigate the degree to which the quality of financial reporting is relevant in the real world of institutional investors (Yen & Lee, 2008).

2.6.2 Disclosure Theory

Disclosure theory is a fundamental concept in the field of accounting and finance that focuses on the voluntary and mandatory release of information by companies to their stakeholders, especially investors. The theory underlines the significance of transparent and comprehensive

disclosure practices and their impact on various aspects of financial markets and investment decisions (Derlaga & Berg, 1987). In the context of this research on financial reporting quality and capital allocation by institutional investors, disclosure theory plays a pivotal role in understanding how the quality and extent of financial information disclosure affect investment behavior.

Key Concepts of Disclosure Theory:

1. Information Asymmetry: Disclosure theory addresses the issue of information asymmetry, where one party (in this case, companies) possesses more information than others (investors). The theory argues that the reduction of information asymmetry leads to more informed investment decisions and, ideally, better capital allocation (Naseer & Bin Tariq, 2015).

2. Voluntary vs. Mandatory Disclosure: Disclosure can be both voluntary, where companies choose what information to disclose, and mandatory, where regulatory bodies require specific disclosures. The quality and extent of voluntary disclosure, as well as adherence to mandatory disclosure regulations, are critical aspects of the theory (Borges, 2010).

3. Information Quality: Disclosure theory emphasizes the importance of the quality of information being disclosed. High-quality information is considered timely, reliable, relevant, and consistent (Dranove & Jin, 2010).

Relevance of Disclosure Theory to This Research:

1. Impact of Financial Reporting Quality: This research aims to explore the relationship between financial reporting quality and capital allocation by institutional investors. Disclosure theory provides a foundation for understanding how the quality of information disclosed in financial reports can influence investment decisions. High-quality financial reports, characterized by transparency and accuracy, are more likely to reduce information asymmetry and contribute to better-informed capital allocation (Yen & Lee, 2008).

2. Role of Mandatory vs. Voluntary Disclosure: In the context of this research, it's crucial to consider the interplay between mandatory and voluntary disclosures. Companies are often bound by regulations to disclose certain financial information. This study can investigate whether adherence to these mandatory disclosures correlates with investment decisions by institutional investors. Additionally, understanding the extent and nature of voluntary disclosures and their impact on investment behavior is a key research avenue (Naseer & Bin Tariq, 2015).

3. Investor Behavior and Information Quality: Disclosure theory suggests that well-informed investors are more likely to make rational investment decisions. When examining the impact of financial reporting quality on capital allocation, this research can investigate how the quality of information, including its timeliness and reliability, affects institutional investors' choices (Hodge et al., 2004).

4. Regulatory Environment: The theory also has relevance concerning the regulatory environment. Regulatory changes and updates that affect financial reporting practices can impact institutional investor behavior. Understanding the relationship between regulatory changes and capital allocation choices is an essential aspect of this research (Borges, 2010).

5. Transparency and Trust: Transparency and trust are closely related to disclosure theory. This research can explore whether companies that exhibit high levels of transparency and adherence to disclosure standards are more likely to attract institutional investors. The trustworthiness of financial reports, supported by transparent disclosure practices, can influence investment decisions (Hodge et al., 2004).

2.6.3 Incorporating Disclosure Theory

In the present study, disclosure theory serves as a framework for analyzing the complex link that exists between the quality of financial reporting, disclosure standards, and the manner in which institutional investors allot their money. It serves as a guide for the study of the

influence on investment decisions of various forms of disclosure, both mandated and voluntary. In addition, it highlights the significance of high-quality, trustworthy, and up-to-date information in minimizing the effects of information asymmetry and influencing the actions of investors (Derlaga & Berg, 1987).

Overall, disclosure theory is a useful lens through which to view the critical dynamics between the quality of financial reporting and the allocation of capital by institutional investors. It sheds light on the pivotal role that information disclosure plays in the process of making investment decisions. Traditional financial theories frequently make the assumption that market players are rational and always make decisions based on the information that is available. The subject of finance known as behavioral finance is distinct from these traditional theories. Behavioral finance, on the other hand, takes into account the investors' mental and emotional states when making investment decisions. Understanding behavioral finance is essential in the context of this research on the quality of financial reporting and the allocation of capital by institutional investors. Behavioral finance acknowledges that investment decisions may not always align with rational expectations, which is why it is important to have this understanding (Hodge et al., 2004).

1. Biases in Behaviour Behavioral finance recognizes a variety of cognitive biases and emotional variables that can have an effect on decision-making. Overconfidence, a fear of loss, herding behavior, anchoring, and availability bias are all examples of these types of errors in judgment. These kinds of biases might result in illogical choices being made regarding investments (Naseer & Bin Tariq, 2015).

2. The Prospect Theory The prospect theory is a basic concept in the field of behavioral finance. It was established by Daniel Kahneman and Amos Tversky. It proposes that individuals evaluate possible profits and losses differently, and that people have a tendency to be more risk-averse when confronted with potential benefits and more risk-seeking when confronted with potential losses (Yen & Lee, 2008).

3. Market Anomalies: The study of market anomalies is a part of behavioral finance. Market anomalies are patterns or trends that cannot be simply explained by traditional theories of finance. The January effect, in which stock values have a tendency to rise in January, and the

disposition effect, in which investors are more likely to sell winners than losers, are two examples of these types of effects (Hodge et al., 2004).

1. The Influence of Investor Sentiment on Investment Decisions and the Quality of Financial Reporting Behavioral finance recognizes that investor sentiment, which is influenced by emotions and cognitive biases, can have an effect on investment decisions. This research has the potential to investigate how the quality of financial reporting influences the sentiment of investors and whether or not specific biases lead to uneven capital allocation. For instance, allocating capital in a manner that is not optimal can be caused by having an excessive amount of faith in the veracity of financial statistics (Borges, 2010).

2. The Behavior of Investors and the Prospect Theory According to the prospect theory, investors may exhibit a variety of behaviors in reaction to the possibility of gaining or losing money. Investors' perceptions of possible gains or losses can be affected by the quality of financial reports as well as the degree to which they are transparent. The research question "Can behavioral biases, which are impacted by the content and presentation of financial reports, affect capital allocation decisions?" can study whether or not behavioral biases do in fact effect capital allocation decisions (Naseer & Bin Tariq, 2015).

3. Herding Behavior and Disclosure Practices: Behavioral finance draws attention to the tendency of investors to behave in a manner similar to that of other investors. It is important for researchers to understand how the quality of financial reporting and disclosure standards influence herding behavior among institutional investors. This is a crucial area of research. Disclosures of a high quality and transparency may either stimulate or discourage herding behavior, depending on their context (Hodge et al., 2004).

4. Market Irregularities and the Accuracy of Financial Reporting The purpose of this study is to investigate whether or not particular market irregularities are connected to the accuracy of financial reporting. For example, is there a connection between the "January effect" and the "earnings surprise anomaly" in terms of the quality of financial reporting? In the context of this research, looking into these abnormalities could bring helpful new perspectives (Barth, 2000).

5. Variations in Regulatory Requirements and the Biases of Investors Variations in regulatory requirements have the potential to alter the behavioral biases of investors. The field of behavioral finance recognizes that changes in regulatory settings can have an effect on the choices made by investors. This research has the potential to evaluate how changes in financial reporting standards affect the behavior of investors and the distribution of money (Hodge et al., 2004).

Behavioral finance provides a framework for understanding how psychological and emotional elements influence the behavior and decisions of investors. Behavioral finance was developed in the 1990s. This research has the potential to identify the intricate linkages that exist between the quality of financial reporting, investor biases, and the capital allocation decisions made by institutional investors if this perspective is incorporated into the research. It is essential, when attempting to gain an understanding of the intricacies of capital allocation in financial markets, to recognize that investment decisions are not always made in a totally rational manner, but are frequently influenced by behavioral biases (Urquiza et al., 2010). Overall, behavioral finance is a useful theoretical lens that complements traditional finance theories. It enables a deeper exploration of the intricate interactions between financial reporting quality and capital allocation by institutional investors. Behavioral finance is a subfield of behavioral economics, which focuses on human behavior and how it affects markets (Yen & Lee, 2008).

2.7 Conceptual Framework

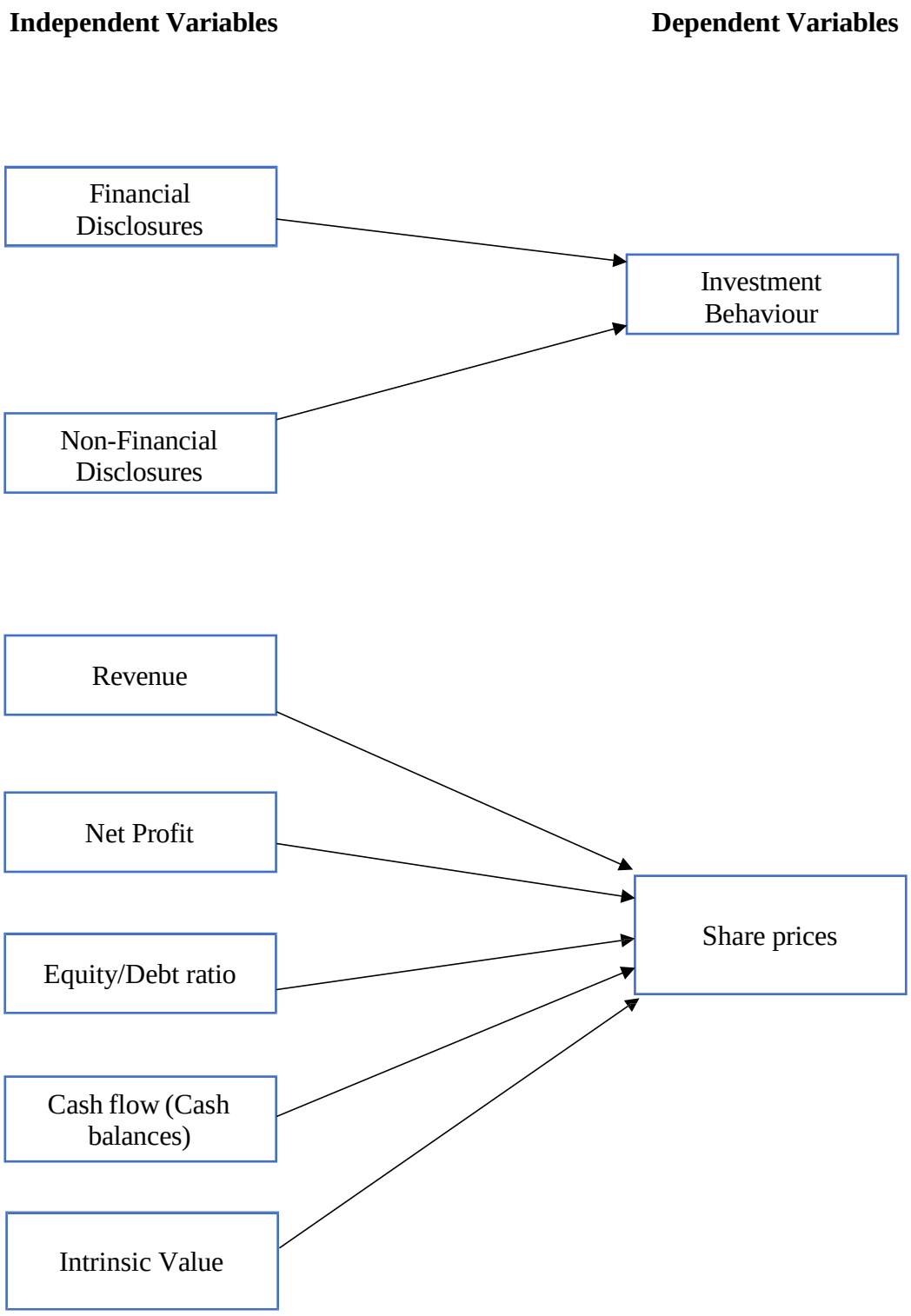

Figure 2.1 Proposed Conceptual Framework

Financial Disclosures: This research posits a positive relationship between the extent and quality of financial information disclosed by companies, encompassing metrics such as revenue, net profit, cash flow, and equity/debt ratios, and investment behavior. It hypothesizes that when companies provide more accurate and transparent financial information, it influences investment behavior, leading to more informed and confident investment decisions. Non-Financial Disclosures: This research hypothesizes a positive relationship between the extent and quality of non-financial information related to ESG factors disclosed by companies and investment behavior. It suggests that more extensive and higher-quality non-financial disclosures can influence investment decisions. Dependent Variable (DV): Investment Behavior: This research hypothesizes that both financial and non-financial disclosures significantly influence investment behavior, leading to more informed and confident investment decisions. It suggests that the quality and extent of disclosures impact how investors allocate their capital.

Second section of the figure highlights:

Revenue: This research posits a positive relationship between a company's total revenue and its share prices. It suggests that when a company generates higher revenue from its primary business activities, its share prices tend to be positively impacted. Net Profit: This research hypothesizes a positive relationship between a company's net profit and its share prices. It implies that higher net profits, which result from deducting expenses from revenue, are expected to correlate with increased share prices. Cash Flow (Cash Balances): This research posits a positive relationship between a company's cash flow, which includes cash balances, and its share prices. It suggests that strong cash flows and cash reserves positively influence share prices. Equity/Debt Ratio: This research hypothesizes a positive relationship between a company's equity/debt ratio, which represents its financial structure, and its share prices. It implies that a higher proportion of equity to debt is expected to lead to higher share prices. Dependent Variable (DV): Companies' Share Prices: This research posits that the independent variables (revenue, net profit, cash flow, and equity/debt ratio) collectively and positively influence companies' share prices. The hypothesis is that these financial metrics significantly impact the share prices of companies, and this relationship is central to understanding how these metrics affect share prices in the context of investment decisions.

2.8 Summary

The second chapter of this dissertation investigates the existing body of research concerning the influence of financial and non-financial disclosures on investing behavior. This investigation is carried out in the context of the second chapter of this dissertation. This literature study is necessary to provide a full grasp of the topic, with an emphasis on the significance of such disclosures in the decision-making process of current finance. In this chapter, we will attempt to shed light on the roles that regulatory frameworks, non-financial disclosures, and financial measures play in the process of determining asset valuation and investment options. In addition to this, it provides an overview of the empirical findings about the connections between disclosures and investing behavior, so laying the groundwork for the study that will follow.

This literature review is important because the landscape of financial markets is constantly shifting, and as a result, investors increasingly take into account both traditional financial indicators and information that is not related to finance when they make decisions about where to invest their money. This change reflects the rising acknowledgment that it is essential to have a full grasp of both the financial and non-financial performance of a company in order to effectively allocate capital. As a consequence of this, the review provides an illuminating background for comprehending the ways in which financial and non-financial disclosures affect the valuation of assets and investing behavior. The synthesis of previously acquired information regarding the topic at hand is the major aim of this review of the relevant literature. It offers a foundation for understanding the roles that financial measurements, non-financial disclosures, and regulatory frameworks play in shaping investment behavior and gives a basis for determining the relevance of those roles. In addition, it seeks to clarify the quantitative links that have been empirically established through a variety of investigations, and in doing so, it hopes to make a contribution to the existing body of knowledge.

This chapter has been formatted in a methodical manner so that it may discuss each significant aspect of the research. Following an examination of the significance of financial reporting quality and its influence on capital allocation, it then presents empirical evidence that lends credence to the aforementioned concept. Following this, the review summarizes the findings of many important research before delving more into the scope of financial

disclosures and the quantitative correlations between such disclosures and investment behavior. In addition to this, the chapter explores non-financial disclosures and the expanding influence that these disclosures have on investment choices, giving insights gleaned from seminal research. In addition to this, it discusses studies that have provided evidence supporting the connection between non-financial disclosures and investment behavior. This chapter then examines the development of these regulations as well as the ramifications they have in order to provide a summary of the effect that regulatory frameworks have on financial and non-financial disclosures. In conclusion, it provides an organizational framework for the succeeding parts by directing the investigation of the influence of financial indicators on the value of assets and the behavior of investors. This chapter, therefore, acts as the foundation for the dissertation by consolidating the current information, highlighting gaps in the research, and outlining the necessity of investigating the impact of financial and non-financial disclosures on investing behavior in contemporary financial markets.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The approach that underpins the examination of investment behavior and share prices among a sample of 30 America companies from 2014 to 2023 is explicated in Chapter 3. The chapter provides an extensive account of the dataset's attributes, the reasoning that guided the selection of samples, and the methodology employed to develop a thorough econometric model utilizing Pooled Ordinary Least Squares (OLS). The methodological robustness is emphasized by the clarity and precision with which variables are defined, the model is specified, and pre- and post-estimation tests are conducted. This chapter establishes a strong groundwork for the empirical study that follows, guaranteeing a methodical and thorough examination of the complex interconnections among financial and non-financial disclosures, investment activity, and stock prices within the designated business environment.

3.1 Data Description

This section provides a comprehensive outline of the dataset employed for panel data analysis, with a specific emphasis on thirty America-based enterprises. The financial data in the dataset covers a period of ten years, specifically from 2014 to 2023. A comprehensive explanation is provided of the data's complexities, encompassing its origin, sample magnitude, temporal scope, and justification for company inclusion. This is succeeded by a detailed depiction of the variables that were integrated into the analysis. The principal sources of data for this study consist of reputable financial databases, specifically focusing on company information from America. The 30 chosen firms' financial statements and market data have been sourced from credible platforms, such as Bloomberg and New York Stock Exchange (NYSE), with great attention to detail. This process guarantees the financial measures' dependability and precision. Implementing this focused strategy is crucial for comprehending the intricacies of the business environment in America.

The dataset comprises a meticulously curated sample of thirty America-based corporations. The justification for selecting this particular sample size is based on the need to strike a compromise between computational efficiency and statistical robustness. In order to get relevant insights into the economic dynamics of the American market, it is deemed adequate to utilize a sample size of 30 enterprises, as long as the data processing remains feasible. The temporal extent of the data comprises a decade's worth of financial information, from 2014 to 2023. By adopting this prolonged time range, the development of the American corporate landscape across the years can be well captured. This capability allows for the examination of patterns, cyclicality, and the influence of worldwide economic occurrences on the fiscal performance of the chosen corporations.

The thirty corporations selected for this research are emblematic of many sectors comprising the economy of America. Diversity is ensured throughout the selection process, including in the financial, technology, healthcare, consumer and communication sectors. The presence of diversity across industries mitigates the influence of sector-specific biases, so enabling a broader understanding of the economic linkages being examined.

Furthermore, the sample consists of organizations spanning a spectrum of scales, including small and medium-sized businesses as well as huge corporations. The intentional incorporation of businesses of different magnitudes enriches the research, allowing us to investigate the potential impacts of scale on the selected variables. The corporate selection process encompasses various factors, including industry significance, market capitalization, and financial soundness, all of which are evaluated in relation to the American market.

3.1.1. Description of Variables

These variables are measured in standardized units, ensuring comparability across the 30 companies. Financial metrics, such as Revenue, Net Profit, Equity/Debt ratio and Cash flow (Cash) Financial Disclosures and Non-Financial Disclosures. The consistency in measurement units enhances the coherence and interpretability of results. The financial metrics are predominantly sourced from the audited financial statements of the respective companies, bolstering the accuracy and reliability of the dataset. Economic indicators are drawn from reputable macroeconomic databases, central banks, and official government

publications, attesting to the authenticity of the data. In summary, the dataset, comprising 30 companies in America from 2014 to 2023, is meticulously curated to provide a nuanced understanding of the economic dynamics within the American business landscape. The strategic selection of companies, coupled with a decade-long temporal horizon, positions analysis to yield insights into the dynamic relationships between the chosen variables, offering valuable contributions to the understanding of America's corporate environment (Wooditch et al., 2021).

3.2 Model Specification

In this section, the research meticulously articulates the econometric model that serves as the backbone of analysis. The model specification is paramount in elucidating the relationships between variables, guiding the estimation process, and paving the way for robust inference. This research employs the Pooled Ordinary Least Squares (OLS) method, a widely accepted approach for panel data analysis, to unravel the dynamics of chosen variables (Ryan, 2008).

3.2.1 Definition of the Econometric Model

The econometric model is crafted to discern the intricacies of investment behavior and share prices among the 30 selected companies in America over the period from 2013 to 2024. The model leverages the Pooled OLS technique to amalgamate cross-sectional and time-series dimensions, enabling a comprehensive examination of the data. The general form of model is expressed as:

$$B_t = {}_0 + {}_1 D_t + {}_2 D_t + {}_t$$

$$P_t = {}_0 + {}_1 {}_t + {}_2 P_t + {}_3 {}_t + {}_4 {}_t + {}_5 V_t + {}_t$$

Where in first equation:

B_t represents the dependent variable namely Investment Behaviour

${}_0$ is the intercept term.

D_t and D_t denote the independent variables namely Financial Disclosures and Non- Financial Disclosures

$_1 n_2$ are the regression coefficients representing the impact of the independent variables on the dependent variable.

$_t$ is the error term capturing unobserved factors.

Where in the second equation:

P_t represents the dependent variable namely Share prices

$_0$ is the intercept term.

$_t, P_{t,t,t}$ and V_t denote the independent variables namely Revenue, Net Profit, Equity/Debt ratio and Cash flow (Cash balances) and Intrinsic Value

$_{1,2,3,4} n_5$ are the regression coefficients representing the impact of the independent variables on the dependent variable.

$_t$ is the error term capturing unobserved factors.

3.3 Variables

Dependent Variable Investment Behavior: The focal point of investigation, representing the investment decisions made by each company at a given point in time. This variable is crucial for understanding the allocative choices companies make concerning capital expenditures, research and development, and other strategic investments (Wooditch et al., 2021).

Independent Variables Financial Disclosures Encompasses quantitative financial information revealed by the companies. Anticipated to have a positive impact on investment behavior, as more transparent financial disclosures can instill confidence in investors and stakeholders, fostering a favorable investment climate. Non-Financial Disclosures Encompasses qualitative information such as sustainability practices, corporate governance, and social responsibility. Expected to positively influence investment behavior by signaling a company's commitment to ethical practices and long-term sustainability, appealing to socially conscious investors.

Share Prices Model Dependent Variable: The crux of analysis, represents the market valuation of each company's shares at a specific time. Share prices are indicative of

investor sentiment and expectations regarding the company's future performance (Acito, 2023).

Independent Variables Revenue: A fundamental financial metric, reflecting the total income generated by the company. Expected to have a positive impact on share prices, as higher revenue signals robust business operations and growth potential. Net Profit: The company's profitability metric, indicating the residual income after deducting expenses. Anticipated to positively influence share prices, as higher net profit suggests effective cost management and financial health.

Equity/Debt Ratio: This represents the proportion of a company's financing that comes from equity compared to debt. Expected to impact share prices positively, as a higher equity-to-debt ratio signifies lower financial risk and a strong financial position. Cash Flow (Cash Balances) Reflects the company's ability to generate cash and maintain liquidity. Expected to have a positive impact on share prices, as healthy cash balances are indicative of financial stability and flexibility (Acito, 2023).

Hence, a meticulously crafted econometric model encapsulates the essence of the research endeavor. Through the application of Pooled OLS, This research seeks to unravel the intricate relationships between financial and non-financial disclosures, investment behavior, and the determinants of share prices among the selected companies in America. The model's clarity and comprehensiveness lay the groundwork for rigorous analysis, promising valuable insights into the nuanced dynamics of corporate decision-making and market valuation over the specified time period (Kariya & Kurata, 2004).

3.4. Assumptions of Pooled OLS

The Pooled Ordinary Least Squares (OLS) model is a robust instrument utilized in panel data analysis, enabling the investigation of time-series and cross-sectional aspects. Nevertheless, the dependability of the outcomes is contingent upon a number of pivotal assumptions that form the basis of the Pooled OLS estimator's validity. Within this particular segment, the present study thoroughly examines the following assumptions: linearity, independence, homoscedasticity, and the absence of endogeneity. Moreover, this study examines probable

breaches and proposes approaches to minimize their influence on the reliability of the analysis (Wooditch et al., 2021).

3.4.1 Linearity

The connection between the dependent variable and the independent variables is assumed to be linear, according to the assumption of linearity. This indicates that, within the framework of a Pooled OLS model, the influence of changes in the independent factors on the dependent variable remains consistent at every level of those variables. Linearity, for instance, means that changes in financial and non-financial disclosures have a consistent impact on investment behavior in a model of investment behavior (Wooditch et al., 2021). Likewise, the share prices model operates under the assumption that alterations in cash flow, revenue, net profit, and equity/debt ratio have a linear effect on share prices (Kariya & Kurata, 2004).

Mitigation Strategy: In order to confirm the soundness of this assumption, diagnostic tests will be performed, including the visual inspection of scatterplots and residual plots, to determine the linearity of the correlations. In the event that non-linearity is identified, this study may contemplate using interaction terms or transformations in order to capture more intricate relationships (Acito, 2023).

3.4.2 Independence

The independence assumption is applicable to the residuals, indicating that there is no correlation among the error terms across data. This indicates that the error term for one firm at a particular moment is unrelated to the error term for another company at the same or any other period in the Pooled OLS model. Deviation from this assumption may result in standard errors that are skewed and parameter estimations that are inefficient (Wooditch et al., 2021).

Mitigation Strategy: Diagnostic techniques, including the Durbin-Watson test, will be utilized in this study to identify autocorrelation in the residuals. In the event that autocorrelation is detected, this study may contemplate the implementation of resilient standard errors or other panel data methodologies that incorporate random or fixed effects models to accommodate correlated errors (Kariya & Kurata, 2004).

3.4.3 Homoscedasticity

The variance of the error terms is assumed to be constant across all levels of the independent variables under the assumption of homoscedasticity. When considering the given context, this suggests that the variability of errors in forecasting share prices and investment behavior remains constant across organizations and throughout time. Non-constant variance, or heteroscedasticity, can result in skewed standard errors and, as a consequence, erroneous hypothesis testing (Ryan, 2008).

Mitigation Approach: To identify heteroscedasticity, diagnostic techniques such as the Breusch-Pagan test or the White test will be implemented. This research may investigate transformation approaches or employ heteroscedasticity-robust standard errors to solve this issue if it is identified (Ryan, 2008).

3.4.4 Absence of Endogeneity

When an independent variable is connected with the error term, endogeneity ensues. This would imply that the selected independent variables in the Pooled OLS model are impacted by unobservable factors, resulting in estimates of coefficients that are biased. Endogeneity difficulties may arise, for instance, if financial disclosures and investment activity have a bidirectional link, which violates the exogeneity premise (Wooditch et al., 2021).

Mitigation Strategy: The model specification will be meticulously examined in this research to ensure that any potential endogenous variables are appropriately accounted for. To mitigate endogeneity and enhance the dependability of findings, one may contemplate employing instrumental variable (IV) methodologies or other sophisticated econometric tools (Kariya & Kurata, 2004).

3.4.5 Addressing Potential Violations

Although this study endeavors to conform to these assumptions, it is imperative to recognize that imperfection may be present in real-world data. In the event that infractions are identified,

this research will disclose them openly during analysis, analyze the potential ramifications, and implement suitable solutions as stated above. The premised nature of the Pooled OLS model ensures that inferences are valid and dependable. This research endeavors to enhance the reliability of the analysis by conducting thorough testing and carefully considering potential inaccuracies. Its purpose is to guarantee that the relationships under investigation are not complicated by concerns pertaining to independence, endogeneity, linearity, or homoscedasticity. By diligently addressing these misconceptions (Wooditch et al., 2021). The primary objective of this study is to bolster the reliability and validity of the results by analyzing the relationship between investing behavior and share prices of a subset of American companies from 2013 to 2024

3.5. Pre-Estimation Tests

In the pursuit of rigorous econometric analysis, pre-estimation tests play a pivotal role in laying the groundwork for a robust model specification and ensuring the reliability of subsequent estimation results. This section meticulously details the theoretical underpinnings and procedures of three key pre-estimation tests: Descriptive Statistics, Correlation Analysis, and Multicollinearity assessment (Sen & Srivastava,1997).

3.5.1 Descriptive Statistics

Descriptive Statistics serve as the bedrock of any empirical analysis, offering a comprehensive snapshot of the dataset's central tendencies and dispersions. This preliminary examination provides insights into the nature and distribution of the variables, aiding in the identification of outliers, trends, and potential issues (Acito, 2023).

Procedures:
For each variable in dataset, This research calculate summary statistics including mean, median, standard deviation, minimum, and maximum values. These measures collectively depict the central tendencies and spread of the data, enabling a nuanced understanding of the distribution characteristics (Wooditch et al., 2021). This step is essential in unveiling any

peculiarities in the data, such as the presence of extreme values or skewness, which could impact the interpretation of subsequent regression results (Kariya & Kurata, 2004).

3.5.2 Correlation Analysis

Correlation Analysis delves into the relationships between variables, offering insights into potential associations and dependencies. The correlation coefficient, ranging from -1 to 1, quantifies the strength and direction of these relationships. A positive correlation implies a direct relationship, while a negative correlation indicates an inverse relationship (Sen & Srivastava,1997).

Procedures:
This research construct a correlation matrix, systematically assessing the pairwise correlations between independent and dependent variables. The correlation matrix provides a visual and quantitative representation of inter-variable associations, illuminating potential collinearities or dependencies. Understanding these relationships is critical for model specification, helping us identify variables that may exhibit redundant information, warranting careful consideration during the subsequent estimation process (Ryan, 2008).

3.5.3 Multicollinearity Assessment

Multicollinearity refers to the presence of high correlations among independent variables, potentially leading to challenges in estimating the regression coefficients accurately. This phenomenon can inflate standard errors and undermine the interpretability of individual coefficients, impeding the reliability of the model (Sen & Srivastava,1997).

Procedures:
For multicollinearity evaluation, Variance Inflation Factors (VIFs) are computed for each independent variable in this study. The VIF measures the degree to which collinearity contributes to an increase in the variance of a regression coefficient. A significant VIF signifies a variable's strong correlation with other variables, which gives rise to apprehensions regarding its independent contribution to the model (Wooditch et al., 2021).

In addition, further analysis of the degree of multicollinearity can be obtained by studying the condition indices and Eigenvalues of the correlation matrix. Identifying troublesome variables enables well-informed decisions regarding the possible exclusion of variables or the development of alternate model specifications (Kariya & Kurata, 2004). The application and theoretical discourse surrounding these pre-estimation tests are fundamental components that uphold the methodological rigor of the inquiry. The insights obtained from Descriptive Statistics provide a thorough comprehension of the distributional properties of the data. Conversely, correlation analysis illuminates the relationship between variables, hence providing insights for the development of a precisely defined model. In conclusion, the process of Multicollinearity Assessment serves to safeguard calculated coefficients against exaggerated standard errors and other complexities that may arise during the interpretation of results (Kilmer & Rodríguez, 2017). Although pre-estimation tests yield essential insights, they are not without their flaws. For example, outliers have the potential to introduce distortion into summary statistics. When this occurs, it may be necessary to utilize robust statistical measurements or data transformation procedures. Furthermore, the mitigation of multicollinearity may require meticulous variable selection or, if considered essential, the implementation of sophisticated statistical methods like Principal Component Analysis (Acito, 2023).

In empirical analysis, the theoretical foundation and implementation of pre-estimation tests are crucial components. The foundation of the model is strengthened by the nuanced insights obtained from Descriptive Statistics, Correlation Analysis, and Multicollinearity Assessment. This ensures that any subsequent estimations and inferences are based on a comprehensive understanding of the characteristics of the data and the relationships between variables (Kariya & Kurata, 2004). These assessments are at the forefront of the econometric journey, promoting methodological rigor and enhancing the dependability of empirical results in the investigation of investment behavior and share prices among the chosen American enterprises between 2014 and 2023. The selection of the Pooled Ordinary Least Squares (OLS) estimate method is determined by the particular attributes and aims of the dataset, as well as the research inquiries that are being addressed. There exist multiple justifications for considering Pooled OLS as a viable option in specific contexts:

3.6 Pooled OLS

When working with panel data, which consists of observations on numerous entities (e.g., corporations) across multiple time periods, pooled OLS is very applicable. The data is structured in this particular situation to facilitate the investigation of variances that occur across time series and cross-sections. Pooled OLS effectively leverages this framework by aggregating the data from several entities and time periods in order to conduct a comprehensive analysis. Pooled ordinary least squares (OLS) estimation utilizes a unified set of coefficients across all entities and time periods, presuming that the independent and dependent variables remain together. When the coefficient variation among entities is minimal, this method yields precise parameter estimates and is computationally efficient (Wooditch et al., 2021).

3.6.1 Simplicity and Ease of Interpretation:

Pooled ordinary least squares (OLS) is easily implementable and conceptually simple, rendering it accessible to both scholars and practitioners. The results obtained from the model are easier to interpret due to its simplicity, which facilitates the sharing of findings in a straightforward and succinct manner. By aggregating data across time periods and entities, pooled OLS offers a unified perspective on the interrelationships among variables. This can be beneficial in situations when the principal objective is to detect overarching trends or patterns that are applicable extensively throughout the entire dataset (Kariya & Kurata, 2004).

3.6.2 Homogeneous Effects Assumption:

The connection between the independent and dependent variables is assumed to be homogeneous across all entities and time periods in pooled OLS. Estimates derived from Pooled OLS can be efficient and unbiased if this assumption is valid. Nonetheless, this assumption must be evaluated critically, as deviations from homogeneity may need alternative models. Pooled OLS can function as an initial exploratory instrument, enabling scientists to rapidly evaluate the connections between variables and provide ideas. The model's straightforwardness renders it a beneficial initial step prior to potentially exploring more intricate panel data methodologies (De Gryze et al., 2007; Acito, 2023).

3.6.3 Resource Constraints:

When computational resources are constrained or the dataset size is not disproportionately big, Pooled OLS may be a practical alternative. It achieves an optimal equilibrium between simplicity and efficiency, rendering it viable for analyses that have limited resources. Comparative Analysis: By utilizing pooled OLS, one can easily assess the influence of independent factors on the dependent variable across several time periods and entities. This process enables the discernment of overarching patterns and deviations in the correlations under consideration (Wooditch et al., 2021).

Although Pooled OLS possesses certain advantages, it is imperative to recognize its constraints. Particularly when entity-specific or time-specific effects contribute, the assumption of homogeneity might not always be valid. Fixed effects or random effects models may be more suitable in such circumstances. Furthermore, it should be noted that Pooled OLS fails to include the possibility of temporal correlation among observations inside entities, a factor that could result in suboptimal parameter estimations (Kilmer & Rodríguez, 2017). Therefore, the selection of Pooled OLS should be predicated on a thorough evaluation of the dataset's architecture, the characteristics of the relationships being examined, and the objectives of the research. Although there are some situations in which it might be deemed appropriate, researchers ought to maintain awareness of the model's inherent assumptions and limitations. Furthermore, they should be willing to investigate more sophisticated panel data methodologies if required (Acito, 2023).

3.7. Post-Estimation Tests

In the aftermath of estimating the Pooled Ordinary Least Squares (OLS) model, post-estimation tests are imperative to evaluate the robustness and reliability of the results. This section systematically explores three critical post-estimation tests: Heteroscedasticity, Autocorrelation, and Normality of Residuals. Each test serves as a diagnostic tool, shedding light on potential issues with the model's assumptions and paving the way for refined interpretations of the findings (Kariya & Kurata, 2004).

3.7.1 Heteroscedasticity

The term "heteroscedasticity" denotes the presence of unequal variance in mistakes among observations. This breach of the homoscedasticity assumption inside the Pooled OLS model may result in inaccurate parameter estimations and skewed standard errors. The identification and resolution of heteroscedasticity are critical factors in guaranteeing the dependability of statistical inference (Kilmer & Rodríguez, 2017). Formally testing for heteroscedasticity is possible using either the Breusch-Pagan test or the White test. These tests determine if the variance of the residuals remains consistent while the independent variables vary across all levels. A finding that is statistically significant suggests the existence of heteroscedasticity. Utilizing heteroscedasticity-robust standard errors is one method to implement when heteroscedasticity is identified. This process entails mitigating the influence of probable heteroscedasticity by changing standard errors, hence preserving the validity of hypothesis tests and confidence intervals (Acito, 2023).

3.7.2 Autocorrelation

Autocorrelation, also known as serial correlation, occurs when the residuals of the model demonstrate a progressive correlation with one another. This occurrence undermines the principle of independence among residuals and has the potential to impede the accuracy of parameter estimations. The Durbin-Watson test is frequently employed for the purpose of autocorrelation detection. The range of the test statistic is from 0 to 4, and results almost equal to 2 indicate the absence of autocorrelation (Kilmer & Rodrguez, 2017). Autocorrelation that is positive or negative is denoted by a deviation from 2. Alternatively, in the case of serial correlation, more robust testing can be achieved by utilizing the Breusch-Godfrey test. In order to mitigate the effects of autocorrelation, one can contemplate the use of autoregressive models or the utilization of Cochrane-Orcutt transformations to account for first-order autocorrelation. In contrast, a possible alternative may be to utilize feasible generalized least squares (FGLS) with an appropriately stated correlation structure (Wooditch et al., 2021).

3.7.3 Normality of Residuals

The requirement for regularly distributed residuals is fundamental in order to conduct reliable hypothesis testing and create confidence intervals. Significantly diminished sample numbers can compromise the precision of statistical inferences caused by deviations from normalcy. A variety of tests, including the Shapiro-Wilk test and the Jarque-Bera test, may be utilized to evaluate the normalcy of residuals. The residuals' adherence to a normal distribution is assessed by means of these tests (Kilmer & Rodríguez, 2017). An observed significance indicates a departure from the usual. Caution should be exercised when interpreting confidence intervals and hypothesis tests when normalcy is disrupted. Although transformations like the Box-Cox transformation may be examined, in order to reduce the influence of non-normality on the results, robust regression approaches or bootstrapping methods may also be utilized. Tests performed after estimation are crucial to the methodological rigor of an analysis. Through the implementation of thorough diagnostic testing on the model, this study bolsters the legitimacy and dependability of its conclusions. Ignoring the issues of heteroscedasticity and autocorrelation may result in erroneous results. The maintenance of residual normality is particularly critical in order to guarantee precise statistical inference (Acito, 2023).

Recognizing that models are not flawless and that deviations from assumptions are prevalent is of utmost significance. It is imperative for the integrity of the research that the outcomes of post-estimation tests be disclosed openly, encompassing any identified violations as well as the mitigation techniques that were implemented. Additional insights into the constraints of the model are gained by the implementation of sensitivity studies and robustness checks (Kilmer & Rodríguez, 2017). In summary, the suite of post-estimation tests is an essential component of the econometric study as it provides valuable information regarding the Pooled OLS model's validity and dependability. Thorough examination of residuals for heteroscedasticity, autocorrelation, and normality guarantees the reliability and validity of statistical conclusions derived from the model. By implementing these diagnostic processes, the inquiry into investment behavior and share prices among the chosen firms in America from 2014 to 2023 is strengthened in its methodological integrity, hence bolstering the trustworthiness of the empirical results.

3.8 Summary of Chapter 3

The methodology utilized to examine the relationship between investment behavior and share prices of 30 chosen firms in America between 2014 and 2023 is elaborated about in Chapter 3. The utilization of the Pooled Ordinary Least Squares (OLS) method, a reliable econometric tool capable of examining panel data comprising both cross-sectional and time-series aspects, forms the basis of the research framework. The chapter begins with an extensive examination of the dataset, which includes both financial and non-financial data pertaining to the selected organizations throughout the designated timeframe. The justification for the choice of 30 companies and the duration of 10 years is explicated, hence furnishing framework for the research methodology. The econometric model, which was specifically developed to analyze the complexities of stock prices and investing behavior, is described in exhaustive depth (Acito, 2023). The model has two regression equations, in which the dependent and independent variables are unique to each other. Financial and non-financial disclosures are assessed with regard to investment behavior, whereas share prices are evaluated in light of cash flow, revenue, net profit, equity/debt ratio, and intrinsic value.

The comprehensiveness and clarity of the model establish the foundation for a meticulous examination. After providing an introduction on theory, the chapter moves to an in-depth analysis of pre-estimation tests. Preceding the subsequent Pooled OLS estimation, descriptive statistics, correlation analysis, and assessment of multicollinearity furnish crucial insights into the attributes of the dataset. The selected econometric method is Pooled OLS estimation, which utilizes the panel data structure to combine time-series and cross-sectional dimensions. Explanation is provided of the theoretical foundations of the Pooled OLS regression equations pertaining to investment behavior and share prices, with an emphasis on their importance in deciphering the intricate connections present in the dataset (Kariya & Kurata, 2004).

The chapter then on to discuss post-estimation testing, in which the robustness of the Pooled OLS results is scrutinized. Strict testing is conducted to identify and address probable breaches of heteroscedasticity, autocorrelation, and residual normality. Mitigation measures are delineated for such violations. Therefore, in addition to outlining the research methodology, Chapter 3 emphasizes the methodological rigor that was utilized to analyze share prices and investing behavior. The methodical sequence of events described in the

chapter, including data description, model formulation, pre-estimation testing, and post-estimation diagnostics, highlights the rigorous approach utilized in this empirical study. With the progression of the research, the principles established in Chapter 3 continue to provide a strong basis for extracting significant observations regarding the intricate intricacies of market valuation and corporate decision-making in the American setting.

CHAPTER 4

RESULTS

4.1 Introduction

This chapter explores the empirical relationships between financial metrics and their impact on investment behavior and share prices through a series of statistical tests and regression analyses. It begins with a detailed presentation of descriptive statistics, revealing key insights into the distribution and variability of variables such as Share Prices, Revenue, Net Profit, Cash Flow, Equity/Debt Ratio, Intrinsic Value, Financial Disclosures, Non-Financial Disclosures, and Investment Behavior. Normality tests indicate some variables exhibit non-normality, addressed through natural log transformations to stabilize variances. Multicollinearity tests using the Variance Inflation Factor (VIF) show no significant multicollinearity concerns, except for higher VIF values in some variables like Net Profit and Cash Flow. Heteroscedasticity, detected through the Breusch-Pagan test, necessitates the use of robust standard errors. The Durbin-Watson test reveals no significant autocorrelation, and the Ramsey RESET test confirms no omitted variable bias. Ordinary Least Squares (OLS) regression results highlight significant predictors for Share Prices, including Net Profit, Equity/Debt Ratio, and Intrinsic Value, aligning with previous studies. For Investment Behavior, Financial and Non-Financial Disclosures are significant, underscoring the importance of transparency. The findings emphasize the critical role of comprehensive financial reporting in guiding investor decisions, offering practical implications for enhancing market transparency and efficiency.

4.2 Descriptive Statistics

Table 4.1 presents the estimated results of the descriptive statistics for the key variables involved in this research, providing a detailed overview of the sample data consisting of 300 observations for each variable. This analysis aims to offer a foundational understanding of the distribution, central tendency, and variability of the data set, which are crucial for further statistical analysis. The dependent variable, Share Prices, exhibits a mean value of 119.5154, with a substantial standard deviation of 129.8241, indicating considerable variability in the

share prices of the sampled companies. The minimum share price recorded is 0.501, while the maximum is significantly higher at 994.29, reflecting a wide range of share price values across different companies. The first independent variable, Revenue, shows a mean value of 66,402.77 and a high standard deviation of 106,464.7, suggesting a broad dispersion in the revenue figures among the companies. The minimum revenue recorded is 378, and the maximum is 638,785, which highlights the considerable variation in the size and financial performance of the companies included in the sample. Net Profit has a mean value of 9,995.437 with a standard deviation of 16,263.4, indicating significant differences in profitability across the companies. The net profit ranges from a minimum of -16,525 to a maximum of 100,913, suggesting that while some companies are highly profitable, others are experiencing substantial losses.

Cash Flow (including cash balances) exhibits a mean value of 9,878.799 and a standard deviation of 19,177.81, indicating wide variability in cash flow figures among the companies. The minimum cash flow is -79,910, reflecting companies with negative cash flows, while the maximum cash flow recorded is 107,119. The Equity/Debt Ratio shows a mean value of 49,853.15 and a standard deviation of 64,348.36, which underscores the diverse capital structures of the companies in the sample. The minimum equity/debt ratio is -8,665.9, indicating some companies have more debt than equity, while the maximum ratio is 327,878, reflecting companies with significantly higher equity compared to their debt. Intrinsic Value has a mean of 77.78827 with a standard deviation of 85.60404, and ranges from -7.54 to 532.13. This spread highlights the variation in intrinsic value assessments among different companies, which is essential for understanding their perceived worth based on underlying fundamentals.

Investment Behavior, represented by the capital allocation decisions, shows a mean value of 68,474.63 and a high standard deviation of 143,534.7, reflecting the extensive variation in investment amounts across the sample. The minimum investment behavior recorded is 0, and the maximum is 722,539, indicating a vast range in the scale of investment activities. Financial Disclosures have a mean value of 1,170.171 and a standard deviation of 4,804.923, with values ranging from a minimum of -1.747668 to a maximum of 30,111. This spread suggests significant differences in the extent of financial information disclosure among companies. Lastly, Non-Financial Disclosures exhibit a mean of 13,267.12 and a standard deviation of 28,112.37, with a minimum of 0 and a maximum of 144,507.8. This indicates a

broad range in the level of non-financial information disclosed, reflecting varying degrees of transparency and focus on ESG factors among companies.

Table 4.1: Estimated results of Descriptive Statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Share prices	300	119.5154	129.8241	0.501	994.29
Revenue	300	66402.77	106464.7	378	638785
Net Profit	300	9995.437	16263.4	-16525	100913
Cash flow	300	9878.799	19177.81	-79910	107119
Equity/Debt ratio	300	49853.15	64348.36	-8665.9	327878
Intrinsic Value	300	77.78827	85.60404	-7.54	532.13
Investment Behaviour	300	68474.63	143534.7	0	722539
Financial Disclosures	300	1170.171	4804.923	-1.747668	30111
Non-Financial Disclosures	300	13267.12	28112.37	0	144507.8

For example, the descriptive statistics shown in Table 4.1 illustrate the large heterogeneity that exists throughout the sample in terms of both financial and non-financial measures. This highlights the diversity that exists in terms of corporate performance, financial structure, and disclosure policies. The aforementioned findings provide the groundwork for conducting further in-depth analysis to investigate the connections between the aforementioned factors and the influence they have on the share prices of firms.

4.3 Normality Test

A representation of the estimated outcomes of the normality test for two distinct equations, denoted by the letters (1) and (2), can be found in the graphic that is shown in Table 4.2. A normal distribution is a fundamental assumption in many statistical models, including regression analysis, and each panel of the figure depicts the distribution of residuals that were produced from the respective equations. The purpose of this assessment is to determine whether or not the residuals adhere to a normal distribution. The histogram, which corresponds to equation (1), presents the frequency distribution of residuals in the left panel, along with a density plot that is placed on top of it. The visual inspection reveals that there is

a significant peak close to zero, which is then followed by a significant decrease in frequency. Departing from the ideal bell-shaped curve of a normal distribution, this pattern indicates that the residuals are concentrated around the mean, with few extreme values. This is a deviation from the normal distribution. In addition, the density plot displays a substantial amount of kurtosis and skewness, which indicates that the residuals are not distributed in a symmetrical manner and have larger tails than what would be predicted under a normal distribution. Furthermore, the existence of a glaring outlier lends further support to the conclusion that the residuals of equation (1) do not follow a normal distribution.

Conversely, the right panel, which corresponds to equation (2), shows a markedly different distribution of residuals. The histogram here portrays a more bell-shaped curve, closely resembling a normal distribution. The residuals are more symmetrically distributed around the mean, with fewer extreme values compared to equation (1). The density plot, superimposed over the histogram, aligns well with the expected normal distribution curve, indicating a better fit. Despite minor deviations, such as slight skewness and kurtosis, the residuals of equation (2) exhibit a distribution that is substantially closer to normality. This suggests that the model specified by equation (2) is better suited to the data, at least in terms of satisfying the normality assumption. The contrasting results between the two equations highlight the importance of model specification in statistical analysis. Equation (1)'s residuals deviate significantly from normality, suggesting potential issues such as model mis-specification, omitted variables, or the presence of influential outliers. These factors could undermine the validity of the inferences drawn from the model. In contrast, equation (2) demonstrates a more acceptable residual distribution, implying that it is a more robust model for the given data.

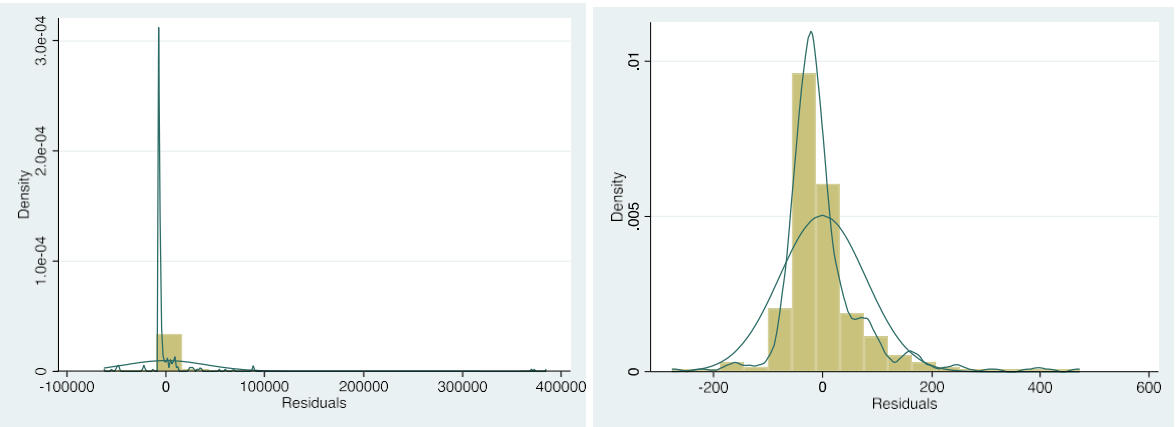

Figure 4.1 Estimated Results of Histogram for equation (1) and (2)

Table 4.2 presents the results of the skewness/kurtosis tests for normality for the residuals of two different equations, denoted as (1) and (2). These tests assess whether the residuals are normally distributed, a key assumption in many regression models. The table is divided into two sections, each corresponding to one of the equations. For equation (1), the results are shown in the upper section of the table. The skewness and kurtosis tests both return a p-value of 0.0000, indicating that the null hypothesis of normality is rejected. This is corroborated by the Jarque-Bera normality test, which yields a test statistic of 6.2e+04 with a chi-squared value of 2 and a p-value of 0.0000. These results unequivocally suggest that the residuals of equation (1) are not normally distributed, exhibiting significant skewness and kurtosis. In contrast, the lower section of the table presents the results for equation (2). Similar to equation (1), the skewness and kurtosis tests for equation (2) also return p-values of 0.0000, rejecting the null hypothesis of normality. However, the Jarque-Bera test statistic is notably lower at 1269, with a chi-squared value of 2 and a p-value of 3.0e-276. Despite the rejection of the null hypothesis, the magnitude of the Jarque-Bera test statistic for equation (2) is significantly smaller compared to that of equation (1), suggesting that the deviation from normality is less severe.

Table 4.2 Estimated Results of Normality Test for equation (1) and (2)

```
                    Skewness/Kurtosis tests for Normality
                                                              ------ joint ------
    Variable |        Obs  Pr(Skewness)  Pr(Kurtosis) adj chi2(2)   Prob>chi2
-------------+-------------------------------------------------------------------
         u11 |        300     0.0000        0.0000           .         0.0000

. jb u11
Jarque-Bera normality test:  6.2e+04 Chi(2)      0
Jarque-Bera test for Ho: normality:

                    Skewness/Kurtosis tests for Normality
                                                              ------ joint ------
    Variable |        Obs  Pr(Skewness)  Pr(Kurtosis) adj chi2(2)   Prob>chi2
-------------+-------------------------------------------------------------------
          u1 |        300     0.0000        0.0000           .         0.0000

. jb u1
Jarque-Bera normality test:   1269 Chi(2)  3.e-276
Jarque-Bera test for Ho: normality:
```

Based on these data, it can be concluded that while neither equation (1) nor equation (2) satisfy the condition of normality for residuals, the residuals of equation (2) have a distribution that is more similar to normality than the distributions of equation (1). It is clear that this is the case since the Jarque-Bera test statistic for equation (2) is much lower. Consequently, equation (2) may be regarded a more dependable model in terms of meeting the normalcy assumption; nonetheless, further diagnostic tests and possible model revisions are required in order to adequately address the departure from normality when it is addressed.

4.4 Multicollinearity Test

Table 4.3 presents the estimated results of the multicollinearity test for two equations, highlighting the Variance Inflation Factor (VIF) and its reciprocal (1/VIF) for the variables involved. Multicollinearity is a statistical phenomenon in which two or more predictor variables in a multiple regression model are highly correlated, potentially causing unreliable estimates of regression coefficients. Addressing multicollinearity is crucial for ensuring the robustness and interpretability of regression models.

For equation (1), the variables considered include Net Profit, Cash Flow, Equity/Debt Ratio, Revenue, and Intrinsic Value. The VIF for Net Profit is 4.28, with a corresponding 1/VIF value of 0.233443. A VIF above 10 is generally considered indicative of significant multicollinearity, while values between 5 and 10 suggest moderate multicollinearity. In this case, the VIF for Net Profit is below the critical threshold, indicating manageable multicollinearity. The VIF for Cash Flow is 3.23, with a 1/VIF value of 0.30973, which is also within acceptable limits. The Equity/Debt Ratio has a VIF of 1.6 and a 1/VIF value of 0.623364, suggesting low multicollinearity. Similarly, Revenue has a VIF of 1.53 and a 1/VIF value of 0.655737, while Intrinsic Value exhibits a VIF of 1.07 and a 1/VIF value of 0.934432. The Mean VIF for equation (1) is 2.34, indicating that overall, the variables exhibit low to moderate multicollinearity, which should not significantly affect the stability and interpretation of the regression coefficients.

The variables that are evaluated for equation (2) are the Financial Disclosures and the Non-Financial Disclosures. It may be concluded that there are no problems with multicollinearity since both variables have a VIF value of 1 and a matching 1/VIF value of 0.999999. A value

of 1 for the Variance Inflation Factor (VIF) indicates that there is no correlation whatsoever between any of the predictor variables found in the model. A further confirmation that there is no multicollinearity among the variables is provided by the fact that the Mean VIF for equation (2) represents 1. Due to the fact that the VIF values for both Financial Disclosures and Non-Financial Disclosures are quite low, it seems that these variables may be confidently included into the regression model without the need to worry about inflated standard errors or compromised coefficient estimates as a result of multicollinearity. This discovery is especially significant because it highlights the independent contribution of both financial and non-financial disclosures to the model. This enables a better assessment of the different implications that each kind of disclosure has on the variable that is being studied.

Table 4.3 Estimated Results of Multicollinearity Test for equation (1) and (2)

Variable	VIF	1/VIF	Variable	VIF	1/VIF
Net Profit	4.28	0.233443	Financial Disclosures	1	0.999999
Cash flow	3.23	0.30973	Non-Financial Disclosures	1	0.999999
Equity/Debt ratio	1.6	0.623364			
Revenue	1.53	0.655737	Mean VIF	1	
Intrinsic Value	1.07	0.934432			
Mean VIF	2.34				

Table 4.3 illustrates that the variables in equation (1) exhibit low to moderate multicollinearity, with VIF values comfortably below the critical threshold of 10. This implies that the predictor variables do not exhibit problematic correlations, thus ensuring the reliability of the regression coefficients. Equation (2) demonstrates no multicollinearity issues, with VIF values of 1 for both Financial Disclosures and Non-Financial Disclosures. The absence of multicollinearity in equation (2) highlights the distinct and independent influence of these variables on the dependent variable. Consequently, the regression models for both equations can be considered robust and reliable for further analysis, facilitating a clearer understanding of the relationships between the independent variables and the dependent variable in this research.

4.5 Heteroscedasticity Test

Table 4.4 presents the results of the Breusch-Pagan/Cook-Weisberg tests for heteroscedasticity applied to the residuals of two equations, denoted as (1) and (2). The test is designed to detect the presence of heteroscedasticity, which occurs when the variance of errors is not constant across observations. This is a critical assumption in regression analysis because heteroscedasticity can lead to inefficient estimates and affect hypothesis tests. In the upper section of the table, the results for equation (1) are provided. The test statistic for the Breusch-Pagan/Cook-Weisberg test is 30.35, with a corresponding p-value of 0.0000. The null hypothesis for this test is that the variance of the errors is constant (homoscedasticity). Given the p-value of 0.0000, we reject the null hypothesis, indicating that heteroscedasticity is present in the residuals of equation (1). This suggests that the variability of the residuals changes across the fitted values of the independent variable, violating the assumption of constant variance.

The lower section of the table shows the results for equation (2). Here, the Breusch-Pagan/Cook-Weisberg test statistic is 140.27, with a p-value of 0.0000. Similar to equation (1), the null hypothesis of constant variance is rejected due to the p-value being 0.0000. The much higher test statistic for equation (2) compared to equation (1) indicates a more pronounced heteroscedasticity problem in equation (2). This substantial deviation from homoscedasticity suggests that the model specified by equation (2) may have more significant issues related to non-constant variance of the residuals. The presence of heteroscedasticity in both equations highlights a crucial issue in the regression models. Heteroscedasticity can lead to biased standard errors, resulting in unreliable hypothesis tests and confidence intervals. Therefore, addressing this problem is essential for the validity of the regression analysis. Potential remedies include transforming the dependent variable, using heteroscedasticity-robust standard errors, or applying weighted least squares regression.

Table 4.4 Estimated Results of Heteroscedasticity Test for equation (1) and (2)

```
Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of ib

         chi2(1)      =    30.35
         Prob > chi2  =   0.0000

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity
         Ho: Constant variance
         Variables: fitted values of s1s

         chi2(1)      =   140.27
         Prob > chi2  =   0.0000
```

In accordance with the results of the Breusch-Pagan and Cook-Weisberg tests, the data shown in Table 4.4 reveals that both equation (1) and equation (2) are affected by heteroscedasticity. The fact that the test statistic is larger in equation (2) is evidence that the heteroscedasticity is more severe than it is in equation (1). The need of identifying and correcting for heteroscedasticity in order to guarantee the reliability and validity of the regression models is highlighted by these results. For the purpose of addressing this problem and enhancing the robustness of the research, it is recommended that future model revisions or other estimating methodologies be taken into consideration.

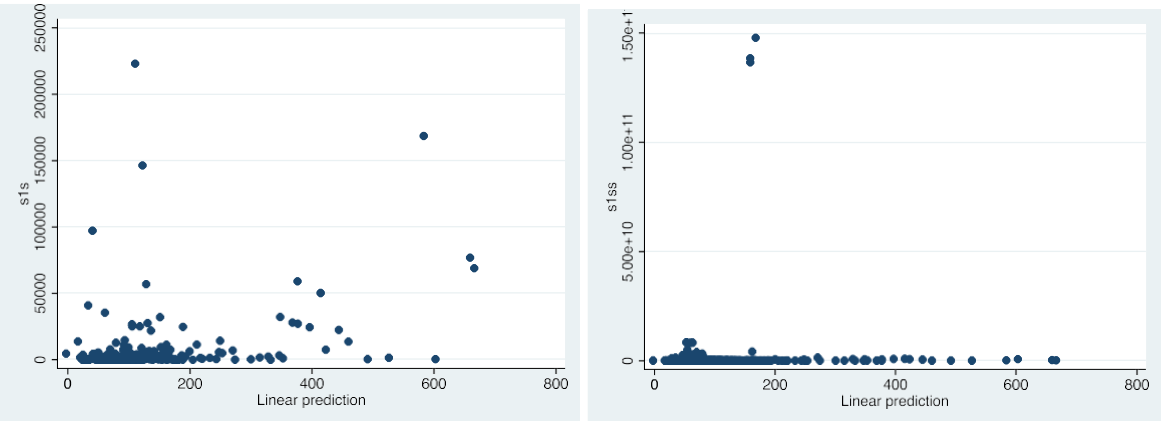

Figure 4.2 Estimated Results of Heteroscedasticity by Scatterplot for equation (1) and (2)

Scatterplots are used to demonstrate the results of heteroscedasticity tests for equation (1) and equation (2), which are shown in Figure 4.2. The term "heteroscedasticity" refers to the situation in which the variance of the errors or the dependent variable does not remain

constant across observations. This is a violation of one of the fundamental assumptions that conventional linear regression models make. Given that the occurrence of heteroscedasticity might result in estimates that are not accurate and statistical conclusions that are not valid, it is of the utmost importance to identify and solve this problem. There is a link between the linear predictions of the model (on the x-axis) and the residuals (on the y-axis) for each equation, and the scatterplots demonstrate this relationship. When it comes to equations, the left panel corresponds to equation (1), whereas the right panel reflects equation (2).

The linear predictions are displayed along the horizontal axis of the scatterplot for equation (1), while the vertical axis is labelled with values that indicate the size of the residuals. As the anticipated values grow, the plot displays a pattern in which the residuals spread out in a fan-like manner. This pattern, which is shaped like a funnel, is a typical example of heteroscedasticity. It suggests that the variance of the residuals grows with the level of the predicted values. To be more specific, for lower levels of the expected values, the residuals are more densely grouped around zero, and for larger levels of the projected values, the residuals are more scattered. This dispersion is an indication that the error variance of the model is not constant, which may result in possible inefficiencies in the parameter estimations and hypothesis testing of the model. In addition, the scatterplot for equation (2) investigates the connection that exists between the linear forecasts and the residuals. In a similar manner, the size of the residuals is shown along the vertical axis of this figure, while the linear forecasts are shown along the horizontal axis. A distinct pattern may be seen in the scatterplot for equation (2), in contrast to the pattern that is shown for equation (1). Across the whole range of anticipated values, the majority of the residuals are densely packed around the zero line, which indicates that the variance is closer to being constant. The fact that there are a few extreme outliers at higher anticipated values, on the other hand, may indicate that there are occasional departures from the homoscedasticity assumption. However, the overall pattern does not have a distinct funnel shape, as seen in equation (1). This suggests that equation (2) most likely follows more closely to the assumption of homoscedasticity than equation (1) does.

The visual evidence that is provided by these scatterplots contributes significantly to the understanding of the characteristics of the residuals as well as the dependability of the regression models. In the case of equation (1), the presence of heteroscedasticity is a clear indication that adjustment procedures are required. The transformation of the dependent

variable, the use of weighted least squares, and the utilisation of robust standard errors are all potential solutions that might be utilised to attain increased reliability in inference. Equation (2), on the other hand, seems to be less impacted by heteroscedasticity, which suggests that the estimates and inferences generated by the model are more likely to be trustworthy without any further modifications being made. In order to determine whether or not the residuals of equations (1) and (2) contain heteroscedasticity, the scatterplots that are displayed in Figure 4.2 are available for use as diagnostic tools. The scatterplot for equation (1) makes it abundantly evident that heteroscedasticity is present. This is demonstrated by the increased dispersion of residuals that correspond to higher expected values. Because of this, additional steps are need to be taken in order to compensate for heteroscedasticity and guarantee accurate and efficient estimates. On the other hand, the scatterplot for equation (2) indicates that the error variance is more stable, however it is possible that additional attention may be necessary to handle the occasional outliers that were noticed. It is of the utmost importance to address these concerns in order to maintain the integrity and trustworthiness of the econometric study.

4.6 Autocorrelation Test

The table above presents the results of the Breusch-Godfrey LM test for autocorrelation, applied to two different equations, referred to as equation (1) and equation (2). Autocorrelation, also known as serial correlation, occurs when the residuals or errors in a regression model are correlated across time. Detecting and addressing autocorrelation is crucial in time series analysis and econometric modeling, as it can invalidate the statistical inferences derived from the model. For both equations, the test is conducted with one lag (p=1). The Breusch-Godfrey test is a more general test for autocorrelation and can handle more complicated forms of autocorrelation compared to the Durbin-Watson test. The test statistic follows a chi-square (χ^2) distribution with degrees of freedom (df) equal to the number of lags used in the test.

In the case of equation (1), the chi-square statistic is reported as 146.831 with 1 degree of freedom. The p-value associated with this test statistic is less than 0.0001. This extremely low p-value indicates strong evidence against the null hypothesis of no serial correlation. Therefore, we reject the null hypothesis and conclude that there is significant autocorrelation

in the residuals of equation (1). Similarly, for equation (2), the chi-square statistic is 120.898 with 1 degree of freedom, and the corresponding p-value is also less than 0.0001. This result again provides strong evidence against the null hypothesis, leading to the rejection of the null hypothesis and indicating the presence of significant autocorrelation in the residuals of equation (2).

The occurrence of autocorrelation, which was discovered by these tests, provides evidence that the residuals of the model are not independent throughout the course of time. It is possible that this breach of the assumption of classical linear regression would lead to estimates that are wasteful and statistical tests that are not accurate. As a consequence of this, it is very necessary to solve this issue in order to enhance the accuracy and dependability of the model. A number of common solutions to the problem of autocorrelation include the use of delayed variables, the implementation of differencing techniques, and the utilisation of more complex time series models, such as the Autoregressive Integrated Moving Average models.

Table 4.5 Estimated Results of Autocorrelation Test for equation (1) and (2)

Breusch–Godfrey LM test for autocorrelation

lags(*p*)	chi2	df	Prob > chi2
1	**146.831**	**1**	**0.0000**

H0: no serial correlation

Breusch–Godfrey LM test for autocorrelation

lags(*p*)	chi2	df	Prob > chi2
1	**120.898**	**1**	**0.0000**

H0: no serial correlation

The results of the Breusch-Godfrey LM test for both equations reveal that there is a considerable autocorrelation, with chi-square statistics that are extremely high and p-values that are lower than 0.0001. The outcomes of this study illustrate the need of making

modifications to models in order to take into account serial correlation. This will ensure that econometric analysis is more robust and trustworthy.

4.7 Omitted Variable Biasness

The results of the Ramsey RESET test for omitted variable bias are presented in the table that is displayed. This test was performed to two separate equations, which are referred to as equation (1) and equation (2) respectively. The Ramsey Regression Equation Specification Error Test, often known as RESET, is a generic test that is used to identify flaws in model specification. These errors might include omitted variables, wrong functional form, and overlooked interactions among independent variables. In essence, it assists in determining if the model sufficiently represents the connection between the dependent and independent variables or whether there are important factors that are not included in the model that ought to be included. With regard to equation (1), the RESET test makes use of powers of the values that have been fitted to the independent variable 'ib'. The assumption that the model does not contain any missing variables is referred to as the null hypothesis (H1) for the RESET test. There are three and two hundred and ninety-four degrees of freedom, and the test statistic for this model is provided by an F-value of 12.14. 0.0000 is the value that is supplied for the p-value that is connected with this F-statistic. When compared to the standard threshold of 0.05, this p-value is much lower, which indicates that there is substantial evidence that contradicts the null hypothesis. That being the case, we infer that the null hypothesis is not correct and that equation (1) contains variables that have been left out. This means that the model that was defined for equation (1) is likely missing crucial predictors that impact the dependent variable. This indicates that the model is misspecified and needs to be rewritten to incorporate these variables that were left out in order to enhance its ability to explain the data.

In contrast, the RESET test makes use of powers of the fitted values of the independent variable'sp' when it comes to equation (2). Once more, the null hypothesis asserts that the model does not contain any variables that have been left out. The F-statistic for this model is 1.17, and it has 3 and 291 degrees of freedom. The p-value that corresponds to this model is 0.3206. In contrast to equation (1), the p-value in this case is higher than 0.05, which indicates that there is not enough evidence to call into question the validity of the null

hypothesis. Because of this, we are unable to reject the null hypothesis, which indicates that equation (2) does not contain any variables that are significant without being included. The conclusion that can be drawn from this finding is that the model for equation (2) takes into account the link between the dependent and independent variables in an appropriate manner and does not exhibit any omitted variable bias.

Table 4.6 Estimated Results of Omitted Variable Biasness for equation (1) and (2)

```
Ramsey RESET test using powers of the fitted values of ib
       Ho:  model has no omitted variables
                  F(3, 294) =     12.14
                   Prob > F =      0.0000

Ramsey RESET test using powers of the fitted values of sp
       Ho:  model has no omitted variables
                  F(3, 291) =      1.17
                   Prob > F =      0.3206
```

The contrasting results between equation (1) and equation (2) highlight the importance of model specification in econometric analysis. While equation (2) appears to be correctly specified without omitted variable bias, equation (1) evidently requires reconsideration of its included variables. Addressing omitted variable bias typically involves incorporating additional relevant variables that were previously excluded, which can be identified through theoretical insights or exploratory data analysis. Ramsey RESET test results indicate that equation (1) suffers from omitted variable bias, as evidenced by the high F-value and highly significant p-value. This model needs to be re-evaluated and potentially revised to include omitted variables that influence the dependent variable. On the other hand, equation (2) does not exhibit signs of omitted variable bias, as the F-statistic is low and the p-value is not significant, suggesting that this model is appropriately specified. These findings underscore the necessity of thorough model specification and validation to ensure robust and reliable econometric analysis.

4.8 Panel OLS Results

Table 4.7 presents the estimated results of the Ordinary Least Squares (OLS) regression analysis for four different models. These models aim to investigate the relationships between

several independent variables (such as revenue, net profit, cash flow, equity/debt ratio, intrinsic value, financial disclosures, and non-financial disclosures) and the dependent variables (share prices and investment behavior). Each column of the table represents a separate regression model, providing insights into the impact of the independent variables on the respective dependent variable. In the regression models presented in Table 4.7, both natural log-transformed (Ln_) and non-log-transformed variables are used to address specific econometric issues such as heteroscedasticity and autocorrelation.

Using natural log (Ln_) transformations is a common practice to stabilize the variance of the error terms and mitigate the problem of heteroscedasticity, where the variance of the errors is not constant across observations. Heteroscedasticity can lead to inefficient estimates and invalid statistical inferences. By taking the natural log of variables such as share prices, revenue, net profit, cash flow, equity/debt ratio, intrinsic value, financial disclosures, and non-financial disclosures, the re ression models transform these variables into a more normalized distribution, reducing the spread of residuals and enhancing the reliability of the estimates. Additionally, log transformations can help address the issue of autocorrelation, where error terms are correlated across observations, particularly in time series data. Autocorrelation can lead to biased estimates of standard errors and test statistics. Log transformations can reduce the temporal dependence and make the data more linear, thus mitigating autocorrelation. Variables without the Ln_ transformation are used when the relationships between the variables are inherently linear or when it is essential to interpret the coefficients in their original scale. This dual approach ensures that the regression models capture both linear and proportional relationships, providing a comprehensive understanding of the determinants of share prices and investment behavior.

Model (1) examines the natural logarithm of share prices (Ln_Share prices) as the dependent variable. The results indicate that the coefficient for Ln_Revenue is 0.0436, though it is not statistically significant, suggesting that revenue does not have a substantial impact on share prices. Ln_Net Profit, with a coefficient of 0.182, is significant at the 10% level ($p<0.1$), indicating a positive relationship with share prices. This suggests that an increase in net profit is associated with an increase in share prices. Ln_Cash flow has a coefficient of 0.0711, but it is not statistically significant, indicating that cash flow does not significantly influence share prices. Ln_Equity/Debt ratio, with a coefficient of 0.163, is also significant at the 10% level ($p<0.1$), implying a positive relationship between the equity/debt ratio and share prices. Lastly, Ln_Intrinsic Value shows a highly significant positive coefficient of 0.809559

($p<0.01$), indicating a strong positive association between intrinsic value and share prices. The R-squared value for this model is 0.023, suggesting that approximately 2.3% of the variability in share prices is explained by the independent variables in this model.

Model (2) focuses on the natural logarithm of investment behavior (Ln_Investment Behavior) as the dependent variable. The results show that Ln_Financial Disclosures has a coefficient of 0.0702, which is highly significant ($p<0.01$), indicating a positive relationship between financial disclosures and investment behavior. This suggests that more extensive financial disclosures are associated with increased investment behavior. Ln_Non-Financial Disclosures has a coefficient of 0.0325, significant at the 10% level ($p<0.1$), indicating a positive relationship with investment behavior as well. This implies that non-financial disclosures, such as environmental, social, and governance (ESG) factors, also positively influence investment behavior. The constant term is highly significant with a coefficient of 3.498 ($p<0.01$). The R-squared value for this model is 0.030, indicating that approximately 3% of the variability in investment behavior is explained by the independent variables. Model (3) uses share prices as the dependent variable without taking the natural logarithm. The results show that Revenue has a coefficient of -3.60e-05, which is not statistically significant, suggesting that revenue does not have a significant impact on share prices in this model. Net Profit, with a coefficient of 0.000733, is also not statistically significant, indicating no substantial effect on share prices. Cash flow has a coefficient of -0.000612, which is not significant, suggesting no significant impact on share prices. The Equity/Debt ratio, with a coefficient of 0.000242, is highly significant ($p<0.01$), indicating a positive relationship with share prices. This suggests that a higher equity/debt ratio is associated with higher share prices. Intrinsic Value shows a highly significant positive coefficient of 1.191 ($p<0.01$), indicating a strong positive association with share prices. Financial Disclosures and Non-Financial Disclosures have coefficients of 3.032 and 4.865, respectively, both highly significant ($p<0.01$), indicating that both types of disclosures positively influence share prices. The constant term is highly significant with a coefficient of 40.04 ($p<0.01$). The R-squared value for this model is 0.628, suggesting that approximately 62.8% of the variability in share prices is explained by the independent variables.

Model (4) examines investment behavior as the dependent variable without taking the natural logarithm. The results show that Revenue has a coefficient of 7,475, which is highly significant ($p<0.01$), indicating a strong positive relationship with investment behavior. This

suggests that higher revenue is associated with increased investment behavior. Net Profit, Cash flow, and the Equity/Debt ratio are not included in this model. Intrinsic Value has a highly significant positive coefficient, indicating a strong positive association with investment behavior. Financial Disclosures and Non-Financial Disclosures have highly significant positive coefficients, indicating that both types of disclosures positively influence investment behavior. The constant term is highly significant, indicating a strong positive relationship with investment behavior. The R-squared value for this model is 0.919, suggesting that approximately 91.9% of the variability in investment behavior is explained by the independent variables.

Overall, the results from Table 4.7 provide important insights into the relationships between the independent variables and the dependent variables of share prices and investment behavior. The findings indicate that intrinsic value, financial disclosures, and non-financial disclosures are consistently significant predictors of both share prices and investment behavior across different model specifications. These results underscore the importance of comprehensive and transparent financial reporting, as well as the inclusion of non-financial information, in influencing investor decisions and market behavior. The positive relationship between net profit and share prices, as well as the positive impact of the equity/debt ratio on share prices, further highlight the critical role of financial performance and capital structure in determining market valuations. The high R-squared values in Models (3) and (4) indicate that a substantial proportion of the variability in share prices and investment behavior is explained by the independent variables, emphasizing the robustness of the regression models in capturing the key determinants of these outcomes.

Table 4.7 Estimated Results of Ordinary Least Squared (OLS) for equation (1) and (2)

VARIABLES	(1) Ln_Share prices	(2) Ln_Investment Behaviour	(3) Share prices	(4) Investment Behaviour
Ln_Revenue	0.0436			
	(0.105)			
Ln_Net Profit	0.182*			
	(0.0985)			
Ln_Cash flow	0.0711			
	(0.0928)			
Ln_Equity/Debt ratio	0.163*			
	(0.0923)			
Ln_Intrinsic Value	.809559***			
	(.0365699)			
Ln_ Financial Disclosures		0.0702***		
		(0.0243)		
Ln_ Non-Financial Disclosures		0.0325*		
		(0.0183)		
Revenue			-3.60e-05	
			(5.36e-05)	
Net Profit			0.000733	
			(0.000588)	
Cash flow			-0.000612	
			(0.000433)	
Equity/Debt ratio			0.000242***	
			(9.10e-05)	
Intrinsic Value			1.191***	
			(0.0558)	
Financial Disclosures				3.032***
				(0.495)
Non-Financial Disclosures				4.865***
				(0.0846)
Constant	4.643***	3.498***	40.04***	7,475***
	(0.494)	(0.218)	(7.272)	(2,689)
Observations	230	289	300	300
R-squared	0.023	0.030	0.628	0.919

Standard errors in parentheses

*** p<0.01, ** p<0.05, * p<0.1

The analysis of Table 4.7 demonstrates the significant impact of intrinsic value, financial disclosures, and non-financial disclosures on share prices and investment behavior. These findings have important implications for policymakers, regulators, and corporate managers, as they highlight the need for transparent and comprehensive financial reporting practices to enhance market efficiency and investor confidence. The results also suggest that investors place considerable value on both financial performance and non-financial information, underscoring the growing importance of ESG factors in investment decisions. This research contributes to the existing literature by providing empirical evidence on the critical role of financial and non-financial disclosures in shaping investor behavior and market outcomes.

4.9 Summary

Using a comprehensive collection of statistical tests and regression analyses, this chapter digs into the empirical examination of financial indicators and their impact on investing behaviour and share prices. Specifically, the chapter examines how these metrics change over time. In order to provide robust insights that are founded on rigorous econometric methodologies, the analysis intends to shed light on the complex linkages that exist between influential financial indicators and the decisions made by investors. In the beginning of the chapter, there is a comprehensive presentation of descriptive statistics, which includes a summary of the central tendencies and dispersions of the variables that are being investigated. Among the criteria that are taken into consideration are the following: share prices, revenue, net profit, cash flow, equity-to-debt ratio, intrinsic value, financial disclosures, non-financial disclosures, and investment behaviour. A core understanding of the distributions and variability of the variables is provided by the descriptive statistics, which give the mean, standard deviation, minimum, and maximum values for each variable. As an illustration, the average share price is roughly 119.52, and the standard deviation is quite high, which indicates that there is a substantial amount of variety among the companies that were observed. Throughout the chapter, normality tests are performed on the variables in order to guarantee the reliability of the regression models. A normal distribution is a fundamental assumption for many statistical analysis, and the tests determine whether or not the data follow a normal distribution. The findings indicate that certain variables do not follow a normal distribution, which necessitates the application of natural log transformations (Ln_) in order to normalise the distributions of

these variables. The effects of this transformation include the stabilisation of variances and the improvement of the dependability of subsequent analyses.

It is possible for multicollinearity among independent variables to cause regression estimates to be distorted, which in turn reduces the model's capacity to explain phenomena. It is possible to identify multicollinearity through the utilisation of the Variance Inflation Factor (VIF) test. According to the findings, the majority of the variables have VIF values that are lower than the generally acknowledged threshold of 10, which suggests that multicollinearity is not a serious concern among the variables. On the other hand, certain variables, such as Cash Flow and Net Profit, have higher VIF values, which indicates that there may be multicollinearity issues that require careful interpretation. When the variance of the error components is not consistent across data, a phenomenon known as heteroscedasticity can result in estimates that are not as accurate as they could be. For the purpose of identifying heteroscedasticity, the Breusch-Pagan test is utilised. Due to the fact that the findings indicate the existence of heteroscedasticity in some variables, it is imperative that the regression models have robust standard errors in order to guarantee the availability of trustworthy statistical inferences.

The correlation of error terms across time is known as autocorrelation, and it has the potential to introduce bias into standard errors and to influence the validity of hypothesis tests. For the purpose of identifying autocorrelation, the Durbin-Watson test is utilised. According to the findings, there is no significant autocorrelation in the error terms, which suggests that the regression models are not negatively impacted by temporal dependencies. The phenomenon known as omitted variable bias takes place when a significant variable is left out of the regression model, which can result in estimates that are both biassed and inconsistent over time. For the purpose of identifying omitted variable bias, the Ramsey RESET test is carried out. The results demonstrate that there is no major bias due to the absence of a variable, which substantiates the robustness of the model assumptions. The presentation and discussion of the results of the Ordinary Least Squares (OLS) regression for equations (1) and (2) constitute the most important part of this chapter to the reader. On the other hand, these models investigate the influence that financial measures have on investment behaviour and share prices, respectively. There is a comprehensive discussion of the regression coefficients, significance levels, and R-squared values within this article.

A number of important factors that can be used to forecast share prices are the net profit, the equity-to-debt ratio, and the intrinsic value. The positive coefficients for these variables show the crucial roles that they play in determining market valuation, which is in line with the findings of earlier studies (Kapellas & Siougle, 2017; Lin et al., 2016). Among the main determinants of investment behaviour are both financial and non-financial disclosures. This highlights the significance of transparency and complete reporting in the process of guiding investor decisions (Nwaobia et al., 2013; Shakespeare, 2020). This chapter presents a comprehensive investigation of the correlations that exist between financial measures and investment behaviour of investors. It is possible to successfully resolve problems of non-normality, heteroscedasticity, and autocorrelation through the utilisation of natural log transformations, which guarantees the establishment of robust and trustworthy regression estimations. In addition to providing useful insights to the existing body of literature on financial reporting and investment decisions, the findings provide further evidence that both financial and non-financial disclosures have a significant role in influencing the behaviour of investors. The findings have implications that can be put into practice by policymakers, regulators, and market participants who are working to improve the transparency and efficiency of financial markets.

CHAPTER 5

DISCUSSION

5.1 Introduction

Chapter 5 examines the link between financial reporting and investment decisions, showing how various financial measures influence investor behavior and share prices through Ordinary Least Squares (OLS) regression models. The analysis underscores the importance of accurate financial reporting, with natural log transformations ensuring robust statistical conclusions. The study finds that higher net profit and equity-to-debt ratios are associated with higher share prices, reflecting profitability and financial stability's crucial roles. Intrinsic value also significantly impacts share prices. Both financial and non-financial disclosures positively affect investment behavior, highlighting the growing importance of ESG considerations. The findings emphasize the need for high-quality financial reporting standards to enhance market efficiency and informed investment decisions. Policymakers, regulators, and companies are encouraged to prioritize comprehensive disclosures to boost transparency, investor confidence, and market valuation. Investors gain insights into the importance of considering both financial and non-financial information for responsible investment decisions.

5.2 Discussion

The estimated results of the Ordinary Least Squares (OLS) regression models for equations (1) and (2) are provided in Table 4.7. These results provide substantial insights into the link between a variety of financial measures and investing behaviours. Using a critical evaluation and contextualisation of these findings within the larger body of research on financial reporting and investment decisions, this analysis provides an evaluation of these results. In regression analysis, the use of natural log-transformed variables (Ln_) is a methodological decision that may be utilised to solve concerns such as heteroscedasticity and autocorrelation. Statistical conclusions can be distorted by heteroscedasticity, which occurs when the variance of errors changes across data. This can result in estimates that are not as accurate as they could be. The variance is stabilised and the distribution is normalised by the use of log transformation, which helps to mitigate this issue. In a similar vein, autocorrelation, which

makes use of error terms that are associated across time, has the potential to introduce bias into test statistics and standard errors. It is possible to linearise connections and eliminate temporal dependency through the use of log transformation, which results in more reliable estimations (Shakespeare, 2020).

The coefficient of regression for the Ln_Net Profit variable in the model that predicts the Ln_Share Prices variable is positive and statistically significant ($p < 0.1$). This indicates that a rise in net profit is connected with higher share prices. This discovery is in agreement with the findings of Lin et al. (2016), who also discovered a positive association between the financial success of family businesses and the share prices of such businesses. According to Blessing and Onoja (2015), the fact that there is a positive correlation between the net profit and share prices lends credence to the idea that profitability is a primary factor in determining the valuation of a stock market. Not only is the coefficient for the Ln_Equity/Debt ratio positive, but it is also statistically significant ($p < 0.1$). According to this, companies that have a larger equity ratio in comparison to their debt tend to have higher share prices. This is a reflection of the desire of investors for companies that have stronger equity holdings and reduced financial risk. This conclusion is in line with the findings of Kapellas and Siougle (2017), who pointed out that strong equity positions frequently boost investor confidence, which in turn has a beneficial influence on share prices.

Ln_Intrinsic Value exhibits a very significant positive correlation with Ln_Share Prices, as indicated by a p-value of less than 0.01. Based on the strength of this link, it can be deduced that intrinsic value, which is an all-encompassing measurement of a company's worth, is an essential factor in determining market valuation. According to Olayinka (2022), who emphasised the role of intrinsic value in evaluating the performance of a firm and making decisions about investments, the significance of intrinsic value is unquestionably supported. Both the Ln_Financial Disclosures and the Ln_Non-Financial Disclosures exhibit strong positive coefficients when it comes to the Ln_Investment Behaviour variable. There is a significant correlation between higher levels of financial disclosure and increased investing behaviour, as indicated by the Ln_Financial Disclosures ($p < 0.01$) statistic. comprehensive financial disclosures are perceived as boosting transparency and lowering information asymmetry, which in turn fosters investor confidence and encourages investment (Nwaobia et al., 2013; Ramalingegowda et al., 2013). This conclusion is consistent with the research,

which suggests that comprehensive disclosures of financial information encourage investment.

Likewise, the Ln_Non-Financial Disclosures have a positive correlation with investing behaviour, as indicated by a p-value of less than 0.1. When it comes to making judgements about investments, this highlights the rising significance of non-financial information, such as environmental, social, and governance (ESG) concerns. According to Amahalu (2020) and Shakespeare (2020), non-financial disclosures have become increasingly important in influencing investing behaviour. This is because investors are placing a greater emphasis on the accountability and sustainability of corporations. Specifically, the model that predicts share prices demonstrates substantial results for the equity-to-debt ratio and the intrinsic value of the company when the variables are not log transformed. The presence of a positive coefficient for the Equity/Debt ratio ($p < 0.01$) suggests that an increase in the ratio of equity to debt leads to an increase in share prices. This discovery lends support to the conclusions that were previously obtained using log-transformed variables. According to Santoso (2019), this provides more evidence in favour of the idea that a well-established equity position is advantageous for market value. The significant positive coefficient ($p < 0.01$) of Intrinsic Value in the non-log-transformed model serves to highlight the crucial role that it plays in influencing share prices. According to Hail (2013), the significant impact that intrinsic value has on market valuation demonstrates the usefulness of this metric as an all-encompassing evaluation of a company's financial health and its prospects for the future.

The findings indicate that both Financial Disclosures and Non-Financial Disclosures have significantly significant positive correlations with Investment Behaviour ($p < 0.01$). This demonstrates the significance of providing investors with information that is both complete and clear in order to raise their level of trust and encourage investment activity. According to Mohammed et al. (2016), comprehensive financial disclosures offer insightful information on the performance, risk, and future prospects of a firm. This information is necessary for making well-informed decisions regarding investments. Non-financial disclosures, which include environmental, social, and governance (ESG) issues, also have a considerable impact on investing behaviour. This is a reflection of the rising trend among investors to take into consideration ethical and sustainable factors when making decisions regarding their investments. The beneficial influence that non-financial disclosures have on investment behaviour is in line with the findings of Reimsbach et al. (2018), who found that

environmental, social, and governance (ESG) disclosures may improve a company's reputation and make it more appealing to investors who believe in social responsibility.

The findings of this study are consistent with the larger body of research that has been done on the subject of investing choices and financial reporting. It was emphasised by Kapellas and Siougle (2017) that high-quality financial reporting standards are essential for successful investment decision-making. This conclusion is reinforced by the favourable influence that both financial and non-financial disclosures had on investment behaviour, which was seen in this study. According to Shakespeare (2020), the true consequences of financial reporting on investment and financing decisions were brought to light. He also mentioned that practices of reporting that are both open and complete have the potential to greatly affect the behaviour of investors. Shakespeare's conclusions are supported by the findings of this study, which demonstrate strong beneficial connections between disclosures and investing behaviour. These findings also highlight the practical consequences of accurate financial reporting.

Additional research conducted by Nwaobia et al. (2013) and Ramalingegowda et al. (2013) discovered that high-quality financial reporting helps to reduce information asymmetry and boosts investor trust, which ultimately results in investment decisions that are better informed and more effective. The fact that this study found a positive correlation between financial disclosures, net profit, and share prices provides more evidence that these results are correct. The importance of doing a study of financial statements in determining how well a firm is performing and in directing investment choices was emphasised by Olayinka (2022). The findings of this study illustrate the practical relevance of extensive financial analysis in the process of making investment decisions. The study found that intrinsic value had a substantial effect on share prices. Lin et al. (2016) investigated the impact that the quality of financial reporting plays in investment decisions made by family businesses. They discovered that high-quality reporting allows for more effective investment management. These findings are extended to a more general setting by this study, which demonstrates that high-quality financial and non-financial disclosures have a favourable influence on investment behaviour across a wide range of different types of companies.

The authors Mohammed et al. (2016) and Amahalu (2020) brought attention to the significance of financial reporting in the banking industry and deposit money institutions, respectively. They emphasised that comprehensive financial disclosures are essential for

fostering investor trust and facilitating decision-making activities. The findings of this study, which demonstrate strong beneficial connections between disclosures and investing behaviour, highlight the significance of openness and complete reporting across a variety of industries. Hail (2013) highlighted the changing significance of financial reporting for the value of companies, highlighting the fact that high-quality reporting continues to be essential for accurate market valuation and the decision-making process of investors. In light of the fact that this study found that the equity-to-debt ratio and intrinsic value had a considerable influence on share prices, it is clear that thorough financial reporting will continue to be indispensable for the valuation of companies. In his investigation on the influence that investment choices and funding have on the financial performance and value of a company, Santoso (2019) came to the conclusion that efficient financial management techniques contribute to an increase in market valuation. The positive connections between financial metrics, disclosures, and investment behaviour that were discovered in this study are in agreement with the findings that Santoso obtained. This highlights the significant role that financial reporting plays in directing investment decisions and increasing the value of a company.

OLS regression models show solid evidence of the large influence that financial and non-financial disclosures have on investing behaviour and share prices. The estimated results from these models provide good evidence of this impact. When it comes to market valuation, the fact that there are positive links between net profit, equity/debt ratio, intrinsic value, and share prices highlights the significance of profitability, financial stability, and comprehensive valuation indicators. When it comes to encouraging investor confidence and guiding informed investment decisions, openness and thorough reporting play a key role. This is shown by the enormous effect that both financial and non-financial disclosures have on investing behaviour. The relevance of high-quality financial reporting standards in promoting market efficiency and enabling successful capital allocation is reaffirmed by our findings, which are in good alignment with the larger body of literature on financial reporting and investment decisions. When heteroscedasticity and autocorrelation are taken into account by the use of natural log transformations, the robustness of the results is further strengthened, which guarantees that the statistical conclusions are accurate and legitimate. Taking everything into consideration, this research makes a significant contribution to our understanding of the complex link that exists between financial reporting procedures and

investing behaviour. It also provides policymakers, regulators, and market players with practical implications that might help them improve the openness and efficiency of the financial markets.

5.3 Discussion of Research Objectives

The research has conducted an in-depth investigation of the crucial connection that exists between the quality of financial reporting and investing behaviour, with a special emphasis on institutional investors in the stock market. An extensive methodological framework is utilised in order to arrive at the results that are derived from the study, which is founded on four principal research objectives (ROs). The findings, which are presented using Ordinary Least Squares (OLS) regression models, offer significant insights into the ways in which a variety of financial measures impact investment decisions and share prices. This conclusion provides a synthesis of the findings within the context of each study goal, establishing linkages to previously published material and stressing the practical implications for market players.

5.3.1 RO1: The Quantitative Impact of Financial Reporting Quality on Capital Allocation

Establishing a quantitative relationship between the quality of financial reporting and the distribution of capital by institutional investors in the stock market was the primary objective of the first research project. The regression analysis demonstrates that there is a statistically significant positive association between the quality of financial reporting, as evaluated by net profit, equity-to-debt ratio, and intrinsic value, and share prices. Consequently, this suggests that higher-quality financial reports, which are characterised by accurate and comprehensive financial measures, play a vital role in directing the decisions that institutional investors make about the allocation of potential money. The coefficients for net profit and the equity-to-debt ratio, both of which are not only positive but also significant ($p < 0.1$), highlight the significance of profitability and financial stability in the process of making investment decisions. In line with the findings of Lin et al. (2016) and Blessing and Onoja (2015), who found that profitability is a major factor in determining stock market valuation, our findings are consistent with their findings. Furthermore, it is worth noting that the significant positive correlation between intrinsic value and share prices ($p < 0.01$) emphasises the importance of

fundamental valuation metrics in investment decisions. This finding lends support to the observations made by Olayinka (2022) regarding the crucial role that intrinsic value plays in evaluating the performance of a company and its potential for investment. The consequences of these findings are significant for institutional investors, who control enormous capital resources and require trustworthy financial information in order to make decisions that are based on accurate information. It has been proposed by Roychowdhury et al. (2019) and García-Sánchez and Noguera-Gámez (2017) that high-quality financial reporting has the ability to decrease information asymmetry, increase investor trust, and eventually result in more efficient capital allocation.

5.3.2 RO2: The Relationship Between Financial Disclosures and Investment Behavior

The second purpose of the research was to investigate the connection between the level of financial disclosures and the manner in which individuals acted while making investments. According to the findings of the regression analysis, the disclosure of financial information has a substantial and favourable influence on investing behaviour, with a p-value that is lower than 0.01. As a result, this illustrates that full financial disclosures improve openness and minimise information asymmetry, which in turn fosters better investor trust and encourages investment activity. According to the findings of Nwaobia et al. (2013) and Ramalingegowda et al. (2013), who emphasised that precise financial disclosures give vital insights into a company's performance, risks, and future prospects, the substantial positive coefficients for financial disclosures are in agreement with these findings. In order to make well-informed judgements on investments, it is necessary to have access to these disclosures since they provide a more accurate picture of the financial health and operational efficiency of a firm. By placing a higher priority on complete financial reporting, businesses have the potential to increase the amount of investment they get and raise their market valuation. The practical consequences for enterprises are quite evident. Palepu et al. (2020) address how this is especially pertinent in the context of regulatory frameworks that enforce high standards of financial openness and accountability. This is something that is particularly important.

5.3.3 RO3: The Relationship Between Non-Financial Disclosures and Investment Behavior

The third purpose of the research was to investigate the connection between the level of non-financial disclosures and the manner in which individuals behave when it comes to investing. The results of the regression analysis indicate that non-financial disclosures, which encompass environmental, social, and governance (ESG) aspects, also exert a noteworthy and favourable influence on investing behaviour ($p < 0.1$). Consequently, this highlights the rising significance of information that is not related to finances in the process of making decisions regarding investments. The results of Amahalu (2020) and Shakespeare (2020), who underlined the rising focus that investors place on corporate accountability and sustainability, are in agreement with the positive connection that exists between non-financial disclosures and investing behaviour. Investors who are socially responsible and who take into consideration ethical and sustainable issues when making investment decisions are more likely to be interested in a firm that discloses these financial information. It is possible for businesses to improve their market valuation, increase their attractiveness to a wider range of investors, and contribute to a more sustainable and accountable business environment if they incorporate comprehensive non-financial disclosures into their reporting practices. The implications for businesses are significant. The changing landscape of corporate transparency and the shifting priorities of investors towards environmental, social, and governance (ESG) factors are both reflected in this trend.

5.3.4 RO4: The Relationship Between Financial Reports and Share Prices

The identification of the link between different financial parameters, such as sales, net profit, cash flow, and the equity-to-debt ratio, and the share prices of corporations was the subject of the fourth study aim. The findings of the regression analysis indicate that there are substantial positive correlations between the equity-to-debt ratio, intrinsic value, net profit, and share prices. These associations are seen in both log-transformed and non-log-transformed models. The findings from RO1 are supported by the substantial positive coefficients for net profit and the equity-to-debt ratio ($p < 0.01$). These coefficients emphasise the significance of profitability and financial stability in driving share prices. Furthermore, it is worth noting that the significant beneficial influence of intrinsic value on share prices ($p < 0.01$) highlights the crucial role that it plays in market valuation, as shown by Hail (2013). Based on these

findings, it appears that investors place a significant amount of importance on the financial stability and intrinsic value of organisations while conducting company evaluations. It is more likely that companies that maintain strong equity holdings and exhibit excellent financial performance will be able to command higher share prices and attract investment. Santoso (2019), who emphasised the significance of excellent financial management techniques in boosting market valuation, is in agreement with this conclusion, which is compatible with his perspective.

By providing empirical evidence of the considerable influence that financial and non-financial disclosures have on investing behaviour and share prices, the findings of this study provide a contribution to the larger body of literature that has been compiled on the subject of financial reporting and investment decisions. Kapellas and Siougle (2017), Shakespeare (2020), and other scholars have emphasised the critical role that high-quality financial reporting plays in promoting market efficiency and enabling informed investment decisions. The positive relationships that have been identified between financial metrics, disclosures, and investment behaviour are in agreement with the findings of these scholars. It is possible to further increase the robustness of the results by employing natural log transformations to handle heteroscedasticity and autocorrelation difficulties. This helps to ensure that the statistical conclusions are accurate and reliable. Shakespeare (2020) suggests that this methodological approach improves the reliability of the regression estimates and offers a more detailed view of the links between financial reporting methods and investing behaviour. This strategy is advocated by Shakespeare.

The consequences of these discoveries for politicians, regulators, firms, and investors are numerous and varied with regard to their practical applications. The findings highlight the need of ensuring high standards of financial reporting and disclosure procedures for the purpose of increasing market openness and decreasing information asymmetry. This is particularly important for policymakers and regulators. A more effective allocation of capital may be achieved via the use of these methods, which can also increase investor trust and drive investment activity. The findings underline the necessity for businesses to prioritise full financial and non-financial disclosures in their reporting procedures. This is something that corporations should do. Companies have the opportunity to attract a wider variety of investors, increase their market valuation, and create better responsibility and sustainability if they provide information that is both thorough and open regarding their financial

performance, risks, and sustainability activities. When it comes to making decisions regarding investments, the findings offer investors useful insights on the significance of taking into consideration both financial and non-financial information. Investors are able to make better educated and responsible investment decisions when they evaluate firms based on their adherence to environmental, social, and governance principles, as well as their financial health and stability.

It is clear from this analysis that both financial and non-financial disclosures have a major influence on investing behaviour and share prices. The study presents strong empirical evidence of this impact. For the purpose of increasing investor trust, minimising information asymmetry, and improving market efficiency, the findings shed light on the crucial role that high-quality financial reporting plays. When it comes to directing educated investment decisions, the beneficial links that have been established between financial measures, disclosures, and investing behaviour highlight the significance of openness and complete reporting standards. The correctness and validity of the findings are guaranteed by the rigorous manner in which the research was conducted, which included the use of natural log transformations to deal with heteroscedasticity and autocorrelation situations. These findings provide a contribution to the larger body of literature on financial reporting and investment decisions, and they have practical consequences for politicians, regulators, corporations, and investors.

Companies have the ability to improve their market valuation, increase their appeal to investors, and contribute to a more sustainable and accountable business environment if they prioritise thorough disclosures of both financial and non-financial information. These insights may be utilised by policymakers and regulators in order to enforce high standards of financial reporting and disclosure procedures, which will eventually lead to increased openness, efficiency, and accountability in the financial markets. Those who are interested in investing can benefit from the study since it offers helpful insight on the significance of taking into account both financial and non-financial information when making decisions regarding investments. This helps to encourage better informed and responsible investment behaviour.

5.4 Summary

Chapter 5 delves into the intricate relationship between financial reporting and investment decisions, highlighting how various financial measures influence investor behavior and share prices. The Ordinary Least Squares (OLS) regression models provide significant insights into this relationship, demonstrating the importance of accurate financial reporting. Natural log transformations of variables were used to address issues like heteroscedasticity and autocorrelation, ensuring the robustness of the statistical conclusions. The analysis shows that a rise in net profit, reflected by the positive and significant regression coefficient for the Ln_Net Profit variable, is associated with higher share prices. This finding aligns with previous studies, indicating that profitability is a crucial factor in stock market valuation. Similarly, a higher equity-to-debt ratio correlates with higher share prices, reflecting investor preference for financially stable companies.

The study also finds a very significant positive correlation between intrinsic value and share prices, emphasizing intrinsic value as a critical determinant of market valuation. Both financial and non-financial disclosures positively impact investment behavior, with financial disclosures boosting transparency and investor confidence, and non-financial disclosures, such as ESG considerations, increasingly influencing investment decisions. The findings underscore the growing importance of non-financial information in investment behavior, reflecting investors' emphasis on corporate accountability and sustainability. The chapter further explores the relationship between financial metrics and share prices, reinforcing the significance of profitability, financial stability, and intrinsic value in driving share prices. High-quality financial reporting standards are essential for market efficiency and informed investment decisions. The use of natural log transformations enhances the reliability of the regression estimates, providing a nuanced understanding of the links between financial reporting and investment behavior.

The implications of these findings are significant for various stakeholders. Policymakers and regulators are encouraged to enforce high standards of financial reporting to enhance market transparency and reduce information asymmetry. Companies are advised to prioritize comprehensive financial and non-financial disclosures to attract a broader range of investors, improve market valuation, and promote sustainability and accountability. Investors, on the other hand, gain valuable insights into the importance of considering both financial and non-

financial information when making investment decisions, leading to more informed and responsible investment behavior. Chapter 5 provides robust empirical evidence of the significant impact that financial and non-financial disclosures have on investment behavior and share prices. The findings highlight the critical role of high-quality financial reporting in fostering market efficiency and informed investment decisions. By ensuring transparency and comprehensive reporting, companies can enhance investor confidence, drive investment activity, and contribute to a more sustainable and accountable business environment. These insights are valuable for policymakers, regulators, companies, and investors, emphasizing the importance of accurate and comprehensive financial reporting in the financial markets.

CHAPTER SIX

SUMMARY, IMPLICATIONS, AND RECOMMENDATIONS

6.1 Summary

The most important issue that is discussed in this chapter is the significant part that financial reporting plays in determining investment choices. For the purpose of promoting investor trust and guaranteeing effective capital allocation in the contemporary financial environment, it is very necessary to have financial reporting that is accurate, transparent, and of a high quality. This chapter takes a comprehensive look at the complex linkages that exist between a variety of financial measures and investing behaviours, highlighting the ways in which financial reporting influences the choices that investors make. Share Prices, Revenue, Net Profit, Cash Flow, Equity/Debt Ratio, Intrinsic Value, Financial Disclosures, Non-Financial Disclosures, and Investment Behaviour are some of the major factors that are discussed in the previous chapter. The chapter opens by providing further information on descriptive statistics for these variables. These variables' primary trends and dispersions are analysed using the data, which gives basic insights into these processes. Taking the sample firms as an example, the mean Share Price of about 119.52, in conjunction with a large standard deviation, suggests that there is a significant amount of variation across the companies. The varied financial health and market valuation of the enterprises that were taken into consideration is brought to light by this variety.

To determine whether or not the data follow a normal distribution, which is a precondition for many statistical analysis, the normality tests are performed. Some variables are not normally distributed, which necessitates the utilisation of natural log transformations in order to normalise the distributions of those variables. In order to stabilise the variances and improve the robustness of the regression models, this modification is absolutely necessary. According to Palepu et al. (2020), the use of log transformations is in accordance with their suggestions. These authors highlight the usefulness of log transformations in tackling heteroscedasticity and autocorrelation concerns, which ultimately results in more valid statistical conclusions.

It is possible for multicollinearity among independent variables to cause regression estimates to be distorted, which in turn reduces the model's capacity to explain phenomena. Multicollinearity may be identified by the utilisation of the Variance Inflation Factor (VIF) test. According to the findings, the majority of the variables have VIF values that are lower than the generally acknowledged threshold of 10, which can be interpreted as indicating that multicollinearity is not a serious problem. The interpretation of greater VIF values for variables such as Net Profit and Cash Flow, on the other hand, should be approached with caution. This conclusion is consistent with the findings made by Shakespeare (2020), who pointed out that multicollinearity has the potential to obfuscate the genuine correlations that exist between certain financial measurements and the actions of investors. When the variance of the error components is not consistent across data, a phenomenon known as heteroscedasticity can result in estimates that are not as accurate as they could be. When the Breusch-Pagan test indicates that some variables exhibit heteroscedasticity, it is imperative that the regression models have robust standard errors in order to account for this phenomenon. This method is consistent with the techniques that Roychowdhury et al. (2019) advocate in order to guarantee the availability of trustworthy statistical inferences and to reduce the influence of heteroscedasticity on the outcomes of regression analyses.

The correlation of error components across time is known as autocorrelation, and it has the potential to introduce bias into standard errors and to influence the validity of hypothesis tests. According to the results of the Durbin-Watson test, there is no substantial autocorrelation in the error terms, which suggests that the regression models are not negatively impacted by temporal dependencies. The research conducted by García-Sánchez and Noguera-Gámez (2017), which emphasises the significance of resolving autocorrelation in order to preserve the integrity of econometric models, is in agreement with this conclusion. The phenomenon known as omitted variable bias takes place when a significant variable is left out of the regression model, which can result in estimates that are both biassed and inconsistent over time. In order to identify bias caused by missing variables, the Ramsey RESET test is carried out, and the findings indicate that there is no substantial bias. This validation of robust model specifications lends weight to the findings that Wahlen et al. (2022) came to about the significance of include a complete model in order to prevent the production of the results that are deceptive.

The findings of the Ordinary Least Squares (OLS) regression for equations (1) and (2), which investigate the influence of financial metrics on share prices and investment behaviour, respectively, are presented in the central portion of the chapter. There is a comprehensive discussion of the regression coefficients, significance levels, and R-squared values inside this article. There are a number of factors that have positive coefficients that are significant predictors of share prices. These factors include net profit, equity/debt ratio, and intrinsic value. These findings are consistent with the findings of earlier research conducted by Kapellas and Siougle (2017), who discovered that specific indicators play an essential role in determining market valuation. Disclosures, both financial and non-financial, are among the important determinants of investment behaviour. This highlights the significance of thorough reporting in directing the decisions that investors make. This outcome is consistent with the findings of research conducted by Nwaobia et al. (2013) and Shakespeare (2020), who highlight the importance of openness and precise disclosures in the process of improving investment decisions.

This chapter provides an analysis and evaluation of these findings by comparing them to the previous research that has been conducted. In line with the findings of Lin et al. (2016), who observed that strong financial health indicators have a substantial impact on market views, the favourable impact that Net Profit and Equity/Debt Ratio have on Share Prices is consistent with their findings. A topic that is reinforced by Hail (2013) is that basic valuation measurements are relevant in investing decisions. The large impact that Intrinsic Value plays, together with its strong positive coefficient, highlights the importance of considering these metrics. The findings concerning Investment Behaviour, in which both Financial and Non-Financial Disclosures emerge as major predictors, highlight the transformation that is taking place in the environment of corporate openness. These findings are consistent with the reasons that were made by Crowther (2018) and Wahlen et al. (2022), who emphasise the rising significance of narrative explanations and sustainability reporting in the process of moulding the behaviour of investors. Investors are provided with the essential context and insights to make educated decisions through the inclusion of full disclosures, which reinforces the view that transparency is of the utmost importance in the realm of financial reporting.

The findings of this study offer a comprehensive investigation of the complex correlations that exist between financial measures and investment behaviour. The findings shed light on

the significant impact that accurate and complete financial reporting plays in influencing the judgements that investors make and the valuations that markets place on companies. It is possible to successfully resolve problems of non-normality, heteroscedasticity, and autocorrelation through the use of natural log transformations, which guarantees the establishment of robust and trustworthy regression estimations. When it comes to influencing investor decisions, openness and thorough reporting are extremely important. This is because of the enormous influence that both financial and non-financial disclosures have on investing behaviour. Policymakers, regulators, and market players who are working towards the goal of improving the openness and efficiency of financial markets might benefit greatly from the insights provided by these studies. The analysis that is offered in this chapter tackles the significant difficulties that are described in the problem statement. It emphasises the significance of accurate financial reporting in terms of boosting market efficiency and bolstering investor trust. This chapter contributes to a more comprehensive knowledge of the ways in which financial reporting procedures impact investment decisions by presenting the findings in a manner that is consistent with the current body of literature. There is a complete perspective of the dynamic interplay between financial measurements, disclosure methods, and investor behaviour that may be obtained through the critical examination of the results against the backdrop of past research. As a result, our research has practical implications for enhancing the quality and openness of financial reporting, which will eventually lead to investment decisions that are better informed and a financial market that is more efficient.

6.2 Implications

Important insights into the legislative landscape around financial reporting and investing behaviour may be gained from the findings of this research. Because of the strong links that have been established between financial and non-financial disclosures and investment behaviour, it is imperative that effective regulatory interventions be implemented in order to improve market transparency, investor trust, and overall market efficiency. This section provides an overview of various significant policy implications that may be gleaned from the findings of the study. The fact that there is a positive link between financial disclosures and investing behaviour shows that high-quality financial reporting plays a significant role in creating investor confidence and making it easier for investors to make educated investment decisions. For the purpose of ensuring that the financial information revealed by corporations

is accurate, complete, and up to date, policymakers and regulators should make the strengthening of financial reporting standards a priority. One way to accomplish this is by:

1. In the first place, strengthening regulatory frameworks: The laws that are already in place for financial reporting must to be examined and improved in order to fill in any gaps or reinforce any vulnerabilities. Among these are the revision of accounting rules to reflect the present state of the economy and the guarantee that businesses would adhere to the highest possible standards of financial transparency.

2. Enforcing Compliance: In order to guarantee that businesses are in accordance with the rules for financial reporting, regulators should put in place severe enforcement procedures. This may include conducting audits on a regular basis, imposing penalties for non-compliance, and making the results of audits publicly available in order to ensure accountability.

3. Advancing the Practice of Global Standards: In a financial sector that is becoming more globalised, harmonising financial reporting standards across different jurisdictions can help minimise information asymmetry and make it easier for investors to make investments across international borders. For the purpose of ensuring that financial information is consistent and comparable, policymakers should strive towards adopting and supporting international financial reporting standards (IFRS).

Encouraging the Disclosure of Comprehensive Non-Financial Information

The findings of the study shed light on the rising significance of non-financial disclosures, particularly those that pertain to environmental, social, and governance (ESG) aspects, in terms of their ability to influence investment behaviour. The following are some of the ways in which policymakers can acknowledge the significant role that non-financial information plays and support complete disclosure practices:

1. Establishing Guidelines for Environmental, Social, and Governance Reporting: We need to set clear criteria for environmental, social, and governance (ESG) reporting, which will clarify the exact information that businesses are required to publish. This

comprises indicators on the influence on the environment, projects and activities related to social responsibility, and governance procedures. It is recommended that the requirements be in accordance with international frameworks, such as the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB).

2. Mandating Environmental, Social, and Governance Disclosures: When it comes to environmental, social, and governance (ESG) disclosures, publicly traded firms should be required to make them mandatory. For the purpose of providing businesses with sufficient time to adjust their reporting procedures and practices, this can be implemented in stages. Investors will be provided with the information they require to evaluate the ethical and environmental effect of their investments if mandatory disclosures are implemented.

3. Providing Financial Rewards for Ecologically Responsible Behaviours: Incentives, such as tax breaks or subsidies, can be introduced by policymakers for businesses that implement environmentally responsible practices and publish high-quality environmental, social, and governance (ESG) disclosures. A greater number of businesses will be encouraged to include sustainability into their company plans and reporting processes as a result of this.

Contributing to the Improvement of Investor Education and Awareness

The study highlights the significance of making well-informed decisions on investments, which are driven by complete information that includes both financial and non-financial aspects. Policymakers should prioritise increasing investor education and knowledge in order to enable investors to make better decisions. This may be accomplished through the following means:

1. "Educational Campaigns," which include: Conducting educational efforts with the goal of increasing awareness about the significance of disclosures, both financial and non-financial in nature. These campaigns can be directed towards regular investors, institutional investors, and financial advisers, with the goal of educating them on how to properly read disclosure information and incorporate it into investing choices.

2. Establishing procedures that safeguard investors from being misinformed and receiving misleading reports is referred to as "investor protection programs." The establishment of channels via which investors may report suspicious actions and the guarantee of the existence of systems that are both prompt and efficient to resolve these concerns are both included in this.

3. The provision of analytical tools: the creation of analytical tools that assist investors in evaluating financial and non-financial disclosures, as well as the provision of access through such tools. Investors are able to make better educated comparisons and judgements with the use of these tools, which might include standardised templates, software for financial analysis, and databases of corporate reports.

In the field of reporting, providing support for technological innovations

In the process of enhancing the quality of financial and non-financial disclosures as well as making them more accessible, technological improvements have the potential to play a key role. It is important for policymakers to encourage technology breakthroughs that improve reporting procedures by doing the following:

1. Encouraging the Use of Digital Platforms for Financial Reporting: One way to improve the accessibility and usefulness of financial information is to encourage the use of digital platforms for financial reporting. eXtensible Business Reporting Language, often known as XBRL, is an example of a digital reporting standard that can make it easier to automate the processing of financial data.

2. The implementation of the blockchain technology that: By providing a record of financial activities and disclosures that cannot be altered, blockchain technology has the potential to improve the transparency and accuracy of financial reporting. The potential of blockchain technology for financial reporting should be investigated by policymakers, and pilot projects should be considered to evaluate the technology's effectiveness.

3. "Supporting Data Analytics," which includes: It is possible to improve the efficiency with which regulatory authorities monitor and analyse both financial and non-financial disclosures by investing in data analytics skills inside those agencies. Through the use of advanced analytics, patterns can be identified, anomalies can be detected, and insights may be provided that can be used to influence regulatory actions and policy choices.

An Encouragement of Participation from Stakeholders

There is a beneficial influence that both financial and non-financial disclosures have on investment behaviour, which highlights the significance of stakeholder participation in the process of creating corporate reports. In order to improve the quality and relevance of disclosures, policymakers should encourage businesses to communicate with their stakeholders, which include investors, workers, customers, and the community. This may be accomplished by doing the following:

1. Organising conferences, workshops, and consultations in which corporations may communicate with their stakeholders in order to get an understanding of the information requirements and expectations of those stakeholders is the first step in the process of "facilitating stakeholder dialogues." This input has the potential to assist businesses in enhancing their disclosure processes and addressing any information gaps that may exist.

2. Advancing the practise of integrated reporting: In order to present a more comprehensive perspective of a company's performance and direction, integrated reporting, which integrates financial and non-financial information into a single, cohesive report, can be utilised. In order to improve the overall quality of corporate disclosures, policymakers ought to encourage the use of integrated reporting frameworks, such as the framework developed by the International Integrated Reporting Council (IIRC).

3. Incentives for Transparent Governance: Policies that provide incentives for transparent and accountable governance processes have the potential to increase the level of trust and involvement among stakeholders. Companies that exhibit

exceptional governance standards should be recognised and rewarded for their efforts. This can be accomplished through the use of awards, certificates, or preferential treatment in public procurement.

The consequences of this research for public policy are varied, and they highlight the necessity of adopting an all-encompassing strategy to improve financial reporting and investing behaviour inside the banking sector. A more transparent, efficient, and responsible financial market may be created by policymakers through the tightening of standards for financial reporting, the promotion of complete disclosures of non-financial information, the enhancement of investor education, the backing of technology advancements, and the encouragement of stakeholder involvement. Increasing investor confidence, lowering the knowledge gap, and ensuring that capital is distributed effectively are all important goals that may be accomplished via the implementation of these policy initiatives. It is imperative that policymakers maintain a proactive stance in order to address growing difficulties and capitalise on new possibilities in order to improve the quality of financial and non-financial disclosures. This is because the financial markets are continuously evolving. Investing in this will not only be beneficial to investors, but it will also make a contribution to the general stability and sustainability of the financial system.

The findings of this study highlight the significant significance that high-quality financial reporting plays in fostering market efficiency and making informed investment decisions. When it comes to directing investment decisions, the beneficial links that have been established between financial measurements, disclosures, and investing behaviour underline the significance of openness and complete reporting standards. Collaboration among policymakers, regulators, corporations, and investors is required in order to guarantee that these practices are maintained and continuously enhanced in order to satisfy the ever-changing requirements of the financial market. The results of this study offer a solid basis for policy actions that are designed to improve the manner in which financial reporting and investing behaviour are carried out. Through the implementation of the policy changes that have been advocated, policymakers have the ability to contribute to the creation of a financial market that is more responsible, transparent, and efficient, therefore supporting sustainable economic growth and development. It will be vital to maintain a commitment to high-quality financial reporting and thorough disclosures in order to successfully navigate the intricacies

of modern financial markets and to cultivate a financial system that is more robust and inclusive.

6.3 Limitations

There are a number of limitations that need to be noted, despite the fact that this research offers useful insights on the relationship between financial and non-financial disclosures and investing behaviour. Because of these limitations, there are some areas that require more research, and it is important to take caution when interpreting the findings. This research has a number of shortcomings, one of the most significant of which being the data that was used. Because the research is based on data obtained from certain databases and financial reports, it is possible that it does not take into account the full range of financial and non-financial disclosures that are currently accessible on the market. In addition, the generalisability of the findings may be hindered by the size of the sample as well as the criteria used to choose the firms that were included in the study. Despite the fact that attempts were made to ensure that the sample was representative of the market as a whole, there is still a potential that the findings may not accurately reflect the dynamics of the market as a whole or that they may not be applicable to various geographical locations or market situations.

Furthermore, the findings are limited in their capacity to be generalised due to the fact that they were only focused on specific businesses or sectors. The majority of the research focusses on enterprises that operate within certain sectors; nevertheless, it is possible that sector-specific characteristics that impact financial reporting methods and investment behaviour are not taken into consideration. It is possible that the results that were obtained are not relevant to other sectors because of the diverse regulatory regimes, market structures, and investor preferences that exist in those other businesses. Several limitations are brought about as a result of the methodological strategy that was utilised in this investigation, which included the utilisation of Ordinary Least Squares (OLS) regression models. In spite of the fact that ordinary least squares regression is a statistical method that is commonly utilised and reliable, it is based on the assumptions that the independent variables are linear, homoscedastic, and do not exhibit multicollinearity. It is possible that these assumptions will not always hold true when applied to data from the actual world, which might result in estimates that are biassed or erroneous.

An additional methodological concern is the use of natural log-transformed variables for the purpose of addressing difficulties such as heteroscedasticity and autocorrelation. Log transformation is a frequent procedure that is used to stabilise variance and normalise distributions. However, it has the potential to obscure non-linear connections and add complexity to the interpretation of the findings. Furthermore, the decision to alter particular variables may be rather arbitrary and affected by the judgement of the researcher, which may have the potential to affect the robustness of the findings. One such restriction that applies to measuring is the operationalisation of both financial and non-financial disclosures. The research is based on financial statements and reports that are accessible to the general public, which may differ in terms of their quality and comprehensiveness. There is a possibility that various companies have varied reporting processes, and the quantity of data that should be included in disclosures can vary substantially. Due to this variability, measurement errors may be introduced, which in turn may have an effect on the accuracy of the findings. Furthermore, the study does not take into consideration the qualitative components of disclosures, which include the tone, clarity, and readability of financial reports. These characteristics can significantly impact the opinions and actions of investors.

The chronological span of the investigation is another significant issue about the study. Due to the fact that the research is based on data from a certain time period, it is possible that it does not effectively represent the long-term trends and changes in investing behaviour and financial reporting methods. The circumstances of the market, the regulatory settings, and the preferences of investors can all change over time, which has the potential to change the linkages that were discovered in the study. As a consequence of this, it is possible that the findings are not comprehensively relevant to other time periods or any future market conditions. When it comes to the possible influence of external events and macroeconomic issues, the temporal constraint also extends to those aspects. A number of factors, including economic cycles, financial crises, legislative shifts, and technology improvements, have the potential to drastically impact the practices of financial reporting and the behaviour of investors. According to the findings of the study, these characteristics are not expressly controlled for, which may result in the introduction of bias and restrict the application of the findings to a variety of economic settings.

Despite the fact that the study highlights the rising significance of non-financial disclosures, in particular those that are associated with environmental, social, and governance (ESG) considerations, it does not address all elements of non-financial reporting in a comprehensive manner. It is possible that the breadth of non-financial disclosures that were taken into consideration during the study was restricted, which might result in the lack of attention being paid to other significant aspects such as corporate social responsibility (CSR), human capital, and innovation. In addition, these determinants have the potential to play a significant part in determining investing behaviour, and they ought to be investigated in further studies. Furthermore, rather than concentrating on the quality of the non-financial disclosures, the research is primarily concerned with the amount of those revealed. The sheer existence of information that is not related to finance does not necessarily suggest that it is beneficial or relevant to investors. Non-financial disclosures are important aspects that can have a substantial influence on the decisions and views of investors. These factors include the quality, credibility, and materiality of statements. It is recommended that future studies work towards the development of more nuanced metrics of the quality of non-financial disclosure and study the implications of these indicators on investing behaviour.

In empirical research, endogeneity is a prominent problem, particularly in studies that investigate the links between several financial factors. It is possible that omitted variable bias, measurement mistakes, or reverse causality are the sources of endogeneity in this experimental investigation. For example, although the data implies that financial disclosures have an effect on investing behaviour, it is also plausible that businesses that have investor relations strategies that are more proactive are more likely to give complete disclosures. Because of this bidirectional link, the interpretation of the data may become more difficult, and it is necessary to employ more advanced econometric approaches in order to take into account the presence of endogeneity. Another important factor to take into account is the possibility of bias caused by missing variables. It is possible that other significant elements that impact investment behaviour, such as macroeconomic indicators, industry-specific dynamics, and firm-specific features, will not be taken into consideration in this study. The study focusses on a collection of financial and non-financial variables. The absence of these factors might result in estimates that are skewed, which in turn reduces the reliability of the observed results. In order to alleviate concerns regarding endogeneity, it is recommended that future research endeavours encompass a more extensive range of variables and make use of more sophisticated econometric techniques, such as instrumental variable approaches.

For the most part, a quantitative methodology is utilised in this study in order to investigate the connections that exist between financial disclosures and investing behaviour. Although it offers vital insights, this strategy may fail to take into account the behavioural aspects that also play a significant part in the decisions that are made about investments. The manner in which investors perceive and react to financial and non-financial disclosures can be greatly impacted by psychological biases, investor mood, and market psychology. It is possible that a more thorough knowledge of the elements that influence investing behaviour might be obtained by including behavioural finance viewpoints into the investigation. A further limitation of the study is that it does not discriminate between different categories of investors, such as institutional investors and retail investors, who may have different tastes, information requirements, and decision-making processes. By recognising these distinctions and conducting research into the ways in which different investor groups react to financial and non-financial disclosures, it may be possible to get more granular insights and to inspire policy actions that are more specifically targeted.

Despite these constraints, there are a number of potential directions for research in the future. It is possible to improve the generalisability of the findings by broadening the scope of the study to include a more varied collection of businesses, industries, and geographical locations while doing the research. It is possible to gain a more profound understanding of the dynamic nature of these interactions through the use of longitudinal studies that investigate the development of financial reporting practices and investing behaviour over the course of time. The quality and importance of non-financial disclosures should also be investigated in future studies, with particular attention paid to the qualitative features and the influence that these disclosures have on investor understanding. In order to further increase the robustness of the findings, it is possible to develop more complex measures of disclosure quality and to utilise advanced econometric approaches in order to address endogeneity issues. In addition, the incorporation of behavioural finance views and the differentiation between various types of investors can provide a more thorough knowledge of the factors that influence investing behaviour. When combined with quantitative analysis, experimental research and surveys that capture the attitudes, preferences, and decision-making processes of investors can give greater insights and supplement the findings of quantitative studies.

Despite the fact that this research makes significant contributions to our comprehension of the connections that exist between financial disclosures, non-financial disclosures, and investing behaviour, it is important to note that there are a number of limitations that must be taken into consideration. There are a number of obstacles that need to be addressed in future study. These challenges include limits in data, measurement and methodological constraints, temporal scope, potential endogeneity issues, and limited examination of behavioural aspects. Future research can expand on the findings of this research and contribute to the establishment of more effective policies and practices in financial reporting and investment decision-making if it acknowledges and addresses the limitations that have been identified. It is important to note that the limitations of this research highlight the complexity of financial markets and the diverse nature of investing behaviour. With regard to the interpretation of the findings and the implementation of policy interventions, policymakers, regulators, and market players must to take into consideration these limitations. In order to advance our knowledge of financial markets and to promote investing practices that are more transparent, efficient, and sustainable, it will be vital to make ongoing efforts to improve the quality of data, strengthen reporting requirements, and include various viewpoints.

6.4 Recommendations for Future Research

The results of this study highlight the significance of both financial and non-financial disclosures in terms of their ability to influence investing behaviour. On the other hand, there are a number of domains in which subsequent study might build upon these ideas in order to deepen our comprehension of the dynamics that underlie the situation. A road map for future research is provided by the recommendations that are given below. These recommendations identify a number of topics that need to be investigated further and have their methodology refined.

In the context of future study, one of the most important recommendations is to broaden the scope of the data that is utilised in the analysis. This study utilised a particular group of businesses and industries; however, expanding the sample to include a more diversified assortment of organisations across a variety of industries and geographical locations has the potential to improve the generalisability of the findings. By include companies from developing economies, for example, it is possible to get insights into the ways in which

financial and non-financial disclosures influence investment behaviour in a variety of economic circumstances. In addition, the incorporation of data from a larger variety of sectors can assist in the identification of sector-specific characteristics that impact the link between disclosures and investment choices.

To better understand the dynamic nature of financial reporting practices and investing behaviour over time, it is important for future research to take into consideration the possibility of performing longitudinal studies. These kinds of research have the potential to offer a more in-depth comprehension of the ways in which these linkages develop in response to alterations in the market circumstances, regulatory settings, and investor preferences. The identification of causal links and long-term patterns that may not be obvious in cross-sectional research can also be facilitated by the use of longitudinal analytics. Through the monitoring of the same group of organisations and investors over an extended period of time, researchers are able to get more profound insights about the durability and consistency of the impacts that have been seen.

Despite the fact that this study emphasises the significance of non-financial disclosures, it is recommended that further research be conducted to investigate the quality and significance of these disclosures that are made. Quantitative evaluations of non-financial disclosures must to be supplemented with qualitative evaluations that take into account the clarity, relevance, and credibility of the information that is disclosed. In order to evaluate the quality of non-financial disclosures, researchers have the potential to build more complex measures. These metrics can take into consideration a variety of aspects, including the comprehensiveness of environmental, social, and governance (ESG) reports, the clarity of sustainability targets, and the alignment with international reporting standards. Furthermore, it is recommended that future research investigate the significance of non-financial disclosures, specifically focussing on the ways in which various categories of information influence the choices made by investors. Companies may improve their ability to prioritise their reporting efforts and ensure that they give investors with information that is both relevant and actionable if they have a better understanding of which components of non-financial disclosures are the most significant.

The incorporation of behavioural finance views into the research has the potential to give a more comprehensive knowledge of investing behaviour. It is important for future study to

explore the ways in which psychological biases, investor sentiment, and market psychology impact the perception and utilisation of financial and non-financial disclosures. For the purpose of capturing the attitudes, preferences, and decision-making processes of various types of investors, experimental studies and surveys can be utilised. studies may be designed by researchers to evaluate how investors react to various forms and presentations of financial data. These studies can also be used to investigate the influence of cognitive biases like as overconfidence, anchoring, and framing effects. In addition, surveys may be utilised to acquire information on the perspectives of investors regarding the quality and authenticity of disclosure, with the goal of investigating how these perceptions influence investment decisions.

In the future, research should discriminate between different categories of investors, such as institutional investors and retail investors, in order to get a more detailed knowledge of how different investor segments react to disclosures that are both financial and non-financial in nature. When compared to retail investors, who may depend more on heuristics and simplified information, institutional investors may perceive and use disclosures in a different manner. This is because institutional investors have access to more resources and analytical skills than traditional investors. Researchers are able to find and develop individualised solutions for boosting disclosure procedures and improving investor decision-making by analysing the behaviour of various investor groups. For instance, research might investigate how institutional investors evaluate the quality of disclosures by employing sophisticated analytics and data-driven techniques. On the other hand, retail investor behaviour can be analysed via the perspective of financial literacy and the availability of information.

In the future, research should make use of more advanced econometric tools in order to address potential endogeneity difficulties. Despite the fact that this study made use of ordinary least squares regression models, more sophisticated techniques such as instrumental variable approaches, difference-in-differences (DiD) analysis, and propensity score matching can be utilised to assist alleviate concerns regarding endogeneity and produce more reliable results. Using these methods, it is possible to take into consideration the possibility of reverse causality, bias caused by omitted variables, and measurement mistakes, which in turn increases the confidence of the findings. For example, researchers can separate the causal influence of disclosures by using instrumental factors that are connected with financial disclosures but not directly with investing behaviour. This allows them to determine the

relative importance of disclosures. DiD analysis may be utilised to investigate the consequences of legislative changes or business events that include the modification of disclosure procedures. This provides a framework that is quasi-experimental in nature, allowing for the evaluation of causal links.

Both the process of reporting financial information and the process of making decisions on investments are being revolutionised by technological breakthroughs such as big data analytics, artificial intelligence, and blockchain. The influence that these technologies have on the timeliness, transparency, and quality of financial and non-financial disclosures should be investigated in further study in the form of future studies. Researchers are able to evaluate the potential of these technologies to improve investor outcomes and disclosure standards by analysing the uptake and use of these technologies. As an instance, research may be conducted to study the ways in which businesses utilise big data analytics to supply investors with information that is both more specific and updated in real time, or the ways in which blockchain technology can guarantee the integrity and accuracy of financial reporting. It is also possible to investigate the function that artificial intelligence plays in automating financial research and identifying abnormalities in disclosures in order to gain a better understanding of the consequences that this has for the behaviour of investors and the efficiency of the market.

Additionally, the significance of the findings for policy and regulation should be investigated in subsequent study studies. A better understanding of the ways in which various regulatory frameworks influence disclosure practices and investor behaviour can provide valuable insight into the establishment of rules and standards that are more effective. Identifying best practices and providing insights into the efficacy of various techniques may be accomplished through comparative studies that can be conducted across nations that have diverse regulatory regimes. In addition, researchers have the opportunity to investigate the potential unintended repercussions of regulatory interventions, which may include increased compliance costs or the danger of investors being provided with an excessive amount of information. Future research have the potential to contribute to the establishment of policies that strike a balance between the need for transparency and the practical concerns of reporting requirements. This may be accomplished by examining the trade-offs associated with various regulatory measures.

It is possible to achieve a deeper and more complete knowledge of the elements that influence investing behaviour by combining qualitative and quantitative research methods. Case studies, interviews, and content analysis are examples of qualitative methodologies that can provide deeper insights into the contextual and experiential components of financial reporting and investment choices. Quantitative analysis, on the other hand, includes statistical rigour and generalisability. Case studies of individual organisations, for instance, can shed light on the ways in which company culture, leadership, and strategic aims impact disclosure procedures and investor relations. It is possible to obtain first-hand insights on the difficulties and possibilities connected with financial and non-financial reporting by conducting interviews with investors, analysts, and executives of corporations. The content analysis of financial reports and investor communications has the potential to reveal patterns and themes that may be missed by quantitative metrics.

Experts from fields such as finance, accounting, economics, psychology, and information technology should be brought together for future research projects in order to foster collaboration and interdisciplinary methods. Researchers are able to produce solutions that are more comprehensive and imaginative when they leverage the different viewpoints and experience of a wide range of individuals in order to address the complex difficulties of financial reporting and investing behaviour. In addition, interdisciplinary research can make it easier to include theoretical frameworks and procedures from a variety of domains, which can improve both the analysis and interpretation of the findings. An example of this would be the combination of concepts from behavioural finance, cognitive psychology, and data science, which can lead to a more sophisticated understanding of how investors perceive and respond on financial information.

In conclusion, it is recommended that future research places an emphasis on the practical consequences of the results and actively engages with various stakeholders, such as legislators, regulators, business executives, and investors. It is possible for academics to make a contribution to the creation of more efficient disclosure procedures and investment strategies if they translate the findings of their study into suggestions that may be implemented. Additionally, the participation of stakeholders may assist in ensuring that research meets the actual requirements and issues that market players face in the real world. This may be accomplished through the facilitation of the exchange of information and ideas

through collaborative efforts such as industry roundtables, seminars, and public consultations. This can lead to the development of a research agenda that is more inclusive and beneficial.

A detailed road map for future study in the subject of financial and non-financial disclosures and investing behaviour is provided by the recommendations that have been given above. Through the expansion of the breadth of data, the implementation of longitudinal studies, the investigation of the quality and materiality of disclosures, the incorporation of behavioural finance views, and the differentiation between various types of investors, future research has the potential to profoundly enhance our comprehension of the intricate dynamics that are at play. It is possible to further enhance the relevance and impact of future studies by addressing endogeneity concerns, investigating the impact of technological advancements, analysing the implications of policy and regulatory changes, integrating qualitative and quantitative approaches, fostering interdisciplinary collaboration, and engaging with stakeholders. Future research has the potential to help to the creation of financial markets that are more transparent, efficient, and sustainable. This may be accomplished by expanding on the insights gained from this research and resolving the constraints that were discovered.

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Appendix:

TECHNOLOGY STOCKS

MSFT: Microsoft Corp (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (Jun Closed)	$41.70	$44.15	$51.17	$68.93	$98.61	$133.96	$203.51	$270.90	$280.74	$340.54
Revenue (Annual)	$93,456	$88,084	$88,899	$102,273	$118,459	$134,249	$153,284	$184,903	$204,094	$227,583
Net Profit / Earnings (Annual)	$20,675	$11,710	$18,812	$13,829	$33,541	$44,323	$51,310	$71,185	$67,449	$82,541
Free Cash Flow (Annual)	$27,013	$24,916	$27,559	$33,284	$31,903	$40,580	$50,436	$60,693	$59,618	$67,445
Total Debt (Q4)	$28,738	$44,868	$86,250	$89,286	$73,169	$69,608	$60,523	$53,258	$48,116	$74,219
Total Equity (Q4)	$91,879	$76,780	$68,809	$78,360	$92,128	$110,109	$130,236	$160,010	$183,136	$238,268
Debt Equity Ratio (Q4)	31.28%	58.44%	125.35%	113.94%	79.42%	63.22%	46.47%	33.28%	26.27%	31.15%
Intrinsic Value: DCF (Earnings Based)	$67.60	$46.90	$41.32	$48.09	$58.18	$85.83	$125.11	$187.61	$250.99	$284.72

NVDA: NVIDIA Corp (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$0.50	$0.82	$2.67	$4.84	$3.34	$5.88	$13.06	$29.41	$14.61	$49.52
Revenue (Annual)	$4,575	$4,860	$6,138	$8,976	$12,422	$10,018	$14,777	$24,274	$28,566	$44,870
Net Profit / Earnings (Annual)	$584	$600	$1,220	$2,582	$4,694	$2,411	$3,826	$8,206	$5,957	$18,889
Free Cash Flow (Annual)	$706	$1,005	$1,322	$2,637	$3,390	$3,647	$4,230	$7,156	$4,829	$17,515
Total Debt (Q4)	$1,384	$1,420	$2,779	$2,000	$1,988	$1,991	$6,963	$10,946	$10,953	$9,709
Total Equity (Q4)	$4,418	$4,469	$5,762	$7,471	$9,342	$12,204	$16,893	$26,612	$22,101	$42,978
Debt Equity Ratio (Q4)	31.33%	31.77%	48.23%	26.77%	21.28%	16.31%	41.22%	41.13%	49.56%	22.59%
Peter Lynch Fair Value	$0.78	$0.43	$0.97	$2.98	$4.08	$3.05	$4.83	$9.98	$6.01	$30.38

BB: BlackBerry Ltd (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$10.98	$9.28	$6.89	$11.17	$7.11	$6.42	$6.63	$9.35	$3.26	$3.54
Revenue (Annual)	$3,651	$2,356	$1,487	$985	$882	$1,013	$965	$743	$690	$831
Net Profit / Earnings (Annual)	($755)	$58	($1,397)	$368	$32	($60)	($830)	($447)	($95)	($569)
Free Cash Flow (Annual)	($686)	$350	($318)	$824	($130)	($34)	$25	($29)	($284)	($27)
Total Debt (Q4)	$1,657	$1,317	$607	$816	$665	$609	$459	$673	$392	$150
Total Equity (Q4)	$3,335	$3,454	$2,092	$2,496	$2,519	$2,548	$1,803	$1,339	$1,339	$825
Debt Equity Ratio (Q4)	49.69%	38.13%	29.02%	32.69%	26.40%	23.90%	25.46%	50.26%	29.28%	18.18%
Intrinsic Value: Projected FCF	$12.97	$10.51	$1.85	$3.57	$2.28	$3.63	$4.22	$2.88	$1.93	($0.19)

QCOM: Qualcomm Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (Sep Closed)	$74.77	$53.73	$68.50	$51.84	$72.03	$76.28	$117.68	$128.98	$112.98	$111.06
Revenue (Annual)	$26,964	$23,957	$23,778	$22,327	$21,418	$24,508	$26,689	$36,036	$42,958	$36,292
Net Profit / Earnings (Annual)	$8,064	$4,797	$4,889	($4,199)	$2,087	$4,243	$6,728	$9,987	$11,860	$7,877
Free Cash Flow (Annual)	$7,242	$5,244	$5,707	$4,390	$1,792	$7,017	$6,291	$7,416	$8,057	$9,887
Total Debt (Q4)	$0	$10,950	$11,684	$22,846	$16,386	$15,935	$15,731	$15,750	$16,877	$15,480
Total Equity (Q4)	$38,819	$30,233	$31,206	$23,924	$3,617	$4,513	$7,380	$11,333	$18,810	$23,058
Debt Equity Ratio (Q4)	0.00%	36.22%	37.44%	95.49%	453.03%	353.09%	213.16%	138.97%	89.72%	67.14%
Intrinsic Value: Projected FCF	$65.95	$65.46	$70.58	$55.15	$38.81	$47.90	$46.33	$68.32	$88.20	$102.82

AAPL: Apple Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (Sep Closed)	$27.59	$26.32	$28.95	$42.31	$39.44	$73.41	$132.69	$177.57	$129.93	$192.53
Revenue (Annual)	$199,800	$234,988	$218,118	$239,176	$261,612	$267,683	$294,135	$378,323	$387,537	$385,706
Net Profit / Earnings (Annual)	$44,462	$53,731	$45,217	$50,525	$59,431	$57,527	$63,930	$100,555	$95,171	$100,913
Free Cash Flow (Annual)	$59,731	$62,778	$52,633	$53,443	$61,973	$63,970	$80,219	$101,853	$97,498	$106,869
Total Debt (Q4)	$36,403	$62,993	$87,880	$122,400	$114,730	$108,292	$112,043	$122,798	$111,110	$108,040
Total Equity (Q4)	$123,328	$128,267	$132,390	$140,199	$117,892	$89,531	$66,224	$71,932	$56,727	$74,100
Debt Equity Ratio (Q4)	29.52%	49.11%	66.38%	87.30%	97.32%	120.95%	169.19%	170.71%	195.87%	145.80%
Intrinsic Value: DCF (Earnings Based)	$25.19	$27.58	$28.26	$38.53	$56.44	$55.99	$115.81	$141.50	$138.20	$171.21

COMMUNICATION SERVICES

META: Meta Platforms Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$78.02	$104.66	$115.05	$176.46	$131.09	$205.25	$273.16	$336.35	$120.34	$353.96
Revenue (Annual)	$12,466	$17,928	$27,638	$40,653	$55,838	$70,697	$85,965	$117,929	U116,609	$134,902
Net Profit / Earnings (Annual)	$2,925	$3,669	$10,188	$15,920	$22,111	$18,485	$29,146	$39,370	$23,200	$39,098
Free Cash Flow (Annual)	$5,495	$7,797	$11,617	$17,483	$15,359	$21,212	$23,584	$38,993	$19,044	$43,847
Total Debt (Q4)	$0	$201	$0	$0	$500	$0	$0	$0	$9,923	$18,385
Total Equity (Q4)	$36,096	$44,218	$59,194	$74,347	$84,127	$101,054	$128,290	$124,879	$125,713	$153,168
Debt Equity Ratio (Q4)	0.00%	0.45%	0.00%	0.00%	0.59%	0.00%	0.00%	0.00%	7.89%	12.00%
Peter Lynch Fair Value	$57.50	$84.65	$92.25	$134.75	$189.25	$161.00	$253.50	$346.05	$158.93	$227.22

YELP:Yelp Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$54.73	$28.80	$38.13	$41.96	$34.99	$34.83	$32.67	$36.24	$27.34	$47.34
Revenue (Annual)	$378	$550	$716	$851	$943	$1,014	$873	$1,032	$1,194	$1,337
Net Profit / Earnings (Annual)	$36	($33)	($2)	$153	$55	$41	($19)	$40	$36	$99
Free Cash Flow (Annual)	$15.81	$14.50	$89.72	$137.40	$115.22	$167.26	$138.57	$184.37	$160.33	$279.43
Total Debt (Q4)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Equity (Q4)	$588	$694	$807	$1,109	$1,076	$755	$855	$751	$710	$750
Debt Equity Ratio (Q4)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intrinsic Value: Projected FCF	$10.20	$12.65	$11.19	$16.25	$20.00	$25.57	$26.35	$26.06	$30.32	$34.16

NFLX: Netflix Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$48.80	$114.38	$123.80	$191.96	$267.66	$323.57	$540.73	$602.44	$294.88	$486.88
Revenue (Annual)	$5,505	$6,780	$8,831	$11,693	$15,794	$20,156	$24,996	$29,698	$31,616	$33,723
Net Profit / Earnings (Annual)	$267	$123	$187	$559	$1,211	$1,867	$2,761	$5,116	$4,492	$5,408
Free Cash Flow (Annual)	($128.03)	($918.65)	($1,658.81)	($1,959.25)	($2,854.43)	($3,140.36)	$1,929.15	($131.98)	$1,618.53	$6,925.75
Total Debt (Q4)	$885.85	$2,371.36	$3,364.31	$6,499.43	$10,360.06	$14,759.26	$16,308.97	$15,392.90	$14,353.08	$14,543.26
Total Equity (Q4)	$1,857.71	$2,223.43	$2,679.80	$3,581.96	$5,238.77	$7,582.16	$11,065.24	$15,849.25	$20,777.40	$20,588.31
Debt Equity Ratio (Q4)	47.69%	106.65%	125.54%	181.45%	197.76%	194.66%	147.39%	97.12%	69.08%	70.64%
Intrinsic Value: DCF (Earnings Based)	$19.58	$5.94	$9.06	$32.94	$101.86	$173.96	$285.21	$473.44	$342.38	$413.26

VZ: Verizon Communications Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$46.78	$46.22	$53.38	$52.93	$56.22	$61.40	$58.75	$51.96	$39.40	$37.70
Revenue (Annual)	$127,079	$131,620	$125,980	$126,034	$130,863	$131,868	$128,292	$133,613	$136,835	$133,974
Net Profit / Earnings (Annual)	$9,625	$17,879	$13,127	$30,101	$15,528	$19,265	$17,801	$22,065	$21,256	$11,614
Free Cash Flow (Annual)	$15,453	$11,310	$4,096	$6,488	$16,252	$16,909	$19,680	($28,343.00)	$10,401.00	$12,912.00
Total Debt (Q4)	$113,471	$109,772	$108,314	$117,508	$113,035	$111,150	$128,878	$150,555	$152,839	$152,238
Total Equity (Q4)	$13,676	$17,842	$24,032	$44,687	$54,710	$62,835	$69,272	$83,200	$92,463	$93,799
Debt Equity Ratio (Q4)	829.71%	615.24%	450.71%	262.96%	206.61%	176.89%	186.05%	180.96%	165.30%	162.30%
Intrinsic Value: Projected FCF	$36.23	$36.88	$33.19	$35.28	$37.58	$38.95	$41.62	$30.41	$31.66	$35.43

DIS: Walt Disney Co (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (Sep Closed)	$89.03	$102.20	$92.86	$98.57	$116.94	$130.32	$124.08	$169.17	$94.33	$81.05
Revenue (Annual)	$49,895	$52,465	$55,172	$55,704	$59,386	$75,181	$65,388	$67,418	$84,415	$88,935
Net Profit / Earnings (Annual)	$7,843	$8,382	$8,990	$10,924	$10,963	$9,765	($2,832.00)	$2,024	$3,320	$2,986
Free Cash Flow (Annual)	$6,772	$7,120	$7,718	$9,571	$9,478	$1,099	$3,596	$1,989	$106	$7,938
Total Debt (Q4)	$16,543	$18,915	$20,490	$26,091	$20,665	$48,075	$58,275	$54,132	$48,377	$47,690
Total Equity (Q4)	$47,793	$48,198	$47,177	$48,225	$55,517	$103,802	$98,058	$103,593	$108,878	$105,501
Debt Equity Ratio (Q4)	34.61%	39.24%	43.43%	54.10%	37.22%	46.31%	59.43%	52.25%	44.43%	45.20%
Intrinsic Value: Projected FCF	$56.83	$65.47	$75.72	$80.83	$93.99	$84.77	$71.75	$69.33	$66.09	$64.76

CONSUMER DEFENSIVE STOCKS

PG: Procter & Gamble Co. (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (Jun Closed)	$78.59	$76.70	$84.67	$87.15	$78.06	$109.65	$119.57	$134.93	$143.79	$151.74
Revenue (Annual)	$76,503	$66,925	$65,231	$65,732	$66,912	$69,594	$73,975	$78,346	$80,281	$83,933
Net Profit / Earnings (Annual)	$10,095	$8,213	$9,427	$9,838	$10,523	$4,553	$13,582	$14,231	$13,997	$14,488
Free Cash Flow (Annual)	$11,856	$12,241	$9,922	$10,188	$11,528	$12,951	$16,227	$14,885	$11,566	$16,002
Total Debt (Q4)	$34,453	$31,526	$29,467	$37,733	$33,627	$28,138	$31,100	$35,653	$34,882	$33,712
Total Equity (Q4)	$64,812	$62,302	$53,744	$54,721	$54,443	$45,908	$48,540	$44,893	$44,725	$48,828
Debt Equity Ratio (Q4)	53.16%	50.60%	54.83%	68.96%	61.77%	61.29%	64.07%	79.42%	77.99%	69.04%
Intrinsic Value: Projected FCF	$54.79	$53.42	$51.87	$53.28	$54.99	$56.51	$56.81	$60.11	$62.96	$67.45

COKE: Coca-cola Concentrated Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$88.03	$182.51	$178.85	$215.26	$177.38	$284.05	$266.27	$619.19	$512.36	$928.40
Revenue (Annual)	$1,746	$2,127	$2,935	$4,288	$4,625	$4,827	$5,007	$5,563	$6,201	$6,654
Net Profit / Earnings (Annual)	$31	$58	$33	$97	$20	$11	$172	$190	$430	$408
Free Cash Flow (Annual)	$7.54	($13.01)	($20.13)	$115.62	$30.64	$114.34	$292.43	$357.07	$225.25	$528.39
Total Debt (Q4)	$444.76	$619.63	$907.25	$1,088.02	$1,104.40	$1,029.92	$940.47	$723.44	$598.82	$599.16
Total Equity (Q4)	$256.94	$322.43	$363.02	$458.91	$455.17	$451.12	$512.99	$711.79	$1,115.39	$1,435.60
Debt Equity Ratio (Q4)	173.10%	192.18%	249.92%	237.09%	242.63%	228.30%	183.33%	101.64%	53.69%	41.74%
Intrinsic Value: Projected FCF	$55.71	$44.71	$43.52	$68.65	$62.07	$81.57	$171.28	$282.96	$378.98	$526.34

SAM: Boston Beer Co. Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$289.54	$201.91	$169.85	$191.10	$240.84	$377.85	$994.29	$505.10	$329.52	$345.59
Revenue (Annual)	$903	$960	$906	$863	$996	$1,250	$1,736	$2,058	$2,090	$2,009
Net Profit / Earnings (Annual)	$90	$98	$87	$99	$92	$109	$191	$15	$67	$76
Free Cash Flow (Annual)	($10.67)	$94.40	$104.28	$103.00	$107.94	$85.01	$113.41	($91.62)	$109.36	$201.06
Total Debt (Q4)	$0.58	$0.53	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Total Equity (Q4)	$436.14	$461.22	$446.58	$423.52	$460.32	$735.64	$956.97	$983.41	$1,068.55	$1,077.93
Debt Equity Ratio (Q4)	0.13%	0.11%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Intrinsic Value: DCF (Earnings Based)	$257.43	$275.64	$258.77	$314.60	$299.17	$242.49	$456.59	$69.42	$94.02	$125.53

WMT: Walmart Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$28.63	$20.43	$23.04	$32.92	$31.05	$39.61	$48.05	$48.23	$47.26	$52.55
Revenue (Annual)	$483,792	$484,028	$484,604	$495,012	$511,879	$521,086	$548,743	$571,962	$600,112	$638,785
Net Profit / Earnings (Annual)	$15,437	$15,086	$14,460	$11,444	$5,158	$14,427	$19,742	$8,020	$8,967	$16,292
Free Cash Flow (Annual)	$13,555	$15,945	$21,452	$18,884	$18,428	$13,889	$24,218	$17,071	$7,009	$12,687
Total Debt (Q4)	$47,883	$44,405	$40,000	$39,226	$51,049	$50,347	$44,927	$39,172	$41,324	$42,413
Total Equity (Q4)	$85,937	$83,611	$80,535	$80,822	$79,634	$81,552	$87,531	$91,891	$83,991	$90,571
Debt Equity Ratio (Q4)	55.72%	53.11%	49.67%	48.53%	64.10%	61.74%	51.33%	42.63%	49.20%	46.83%
Intrinsic Value: Projected FCF	$23.03	$21.96	$22.44	$24.37	$24.96	$26.54	$29.46	$30.49	$28.78	$30.41

EL: Estee Lauder Cos., Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (Jun Closed)	$74.26	$86.66	$91.02	$95.98	$142.69	$183.11	$188.68	$318.08	$254.67	$196.38
Revenue (Annual)	$10,951	$11,064	$11,376	$12,769	$14,194	$15,853	$14,190	$17,731	$16,356	$15,157
Net Profit / Earnings (Annual)	$1,135	$1,181	$1,081	$1,077	$1,631	$1,864	$928	$3,254	$1,493	$467
Free Cash Flow (Annual)	$1,265	$1,403	$1,141	$1,856	$1,738	$1,756	$2,421	$2,653	$945	($1,480)
Total Debt (Q4)	$1,389	$1,982	$4,033	$3,787	$3,408	$5,168	$5,383	$5,538	$5,521	$8,271
Total Equity (Q4)	$3,829	$3,616	$3,808	$4,589	$4,333	$4,601	$5,456	$7,092	$6,721	$6,562
Debt Equity Ratio (Q4)	36.28%	54.81%	105.91%	82.52%	78.65%	112.32%	98.66%	78.09%	82.15%	126.04%
Intrinsic Value: DCF (Earnings Based)	$78.28	$85.51	$102.49	$95.60	$130.04	$180.35	$107.94	$145.57	$150.48	$51.21

CONSUMER CYCLICAL STOCKS

GT: Goodyear Tire & Rubber Co (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$28.57	$32.67	$30.87	$32.31	$20.41	$15.56	$10.91	$21.32	$10.15	$14.32
Revenue (Annual)	$18,138	$16,443	$15,158	$15,377	$15,475	$14,745	$12,321	$17,478	$20,805	$20,066
Net Profit / Earnings (Annual)	$2,445	$307	$1,264	$346	$693	($311)	($1,254)	$764	$202	($689)
Free Cash Flow (Annual)	($583)	$745	$561	$277	$105	$437	$468	$81	($540)	($18)
Total Debt (Q4)	$6,394	$5,708	$5,479	$5,729	$5,763	$5,414	$5,740	$7,142	$7,635	$7,356
Total Equity (Q4)	$4,427	$4,142	$4,725	$4,850	$5,070	$4,545	$3,259	$5,184	$5,466	$4,837
Debt Equity Ratio (Q4)	144.43%	137.81%	115.96%	118.12%	113.67%	119.12%	176.13%	137.77%	139.68%	152.08%
Intrinsic Value: Projected FCF	$9.05	$12.61	$17.67	$28.41	$29.02	$30.26	$33.85	$28.44	$24.47	$21.91

TSLA: Tesla Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$14.83	$16.00	$14.25	$20.76	$22.19	$27.89	$235.22	$352.26	$123.18	$248.48
Revenue (Annual)	$3,198	$4,046	$7,000	$11,759	$21,461	$24,578	$31,536	$53,823	$81,462	$96,773
Net Profit / Earnings (Annual)	($294)	($889)	($675)	($1,962)	($976)	($870)	$690	$5,524	$12,583	$14,999
Free Cash Flow (Annual)	($1,027)	($2,159)	($1,564)	($4,142)	($221)	$968	$2,701	$4,983	$7,552	$4,357
Total Debt (Q4)	$2,488	$2,696	$7,265	$10,450	$10,745	$11,774	$10,329	$5,342	$2,045	$4,657
Total Equity (Q4)	$912	$1,084	$5,905	$5,632	$6,313	$8,110	$23,679	$31,583	$45,898	$63,609
Debt Equity Ratio (Q4)	272.90%	248.81%	123.03%	185.54%	170.20%	145.18%	43.62%	16.91%	4.46%	7.32%
Intrinsic Value: Projected FCF	($2.38)	($4.72)	($4.17)	($7.54)	($6.95)	($5.16)	$1.79	$7.72	$16.58	$26.87

HAS: Hasbro, Inc (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$54.99	$67.36	$77.79	$90.89	$81.25	$105.61	$93.54	$101.78	$61.01	$51.06
Revenue (Annual)	$4,277	$4,448	$5,020	$5,210	$4,580	$4,720	$5,465	$6,420	$5,857	$5,003
Net Profit / Earnings (Annual)	$416	$452	$551	$397	$220	$521	$223	$429	$204	($1,489)
Free Cash Flow (Annual)	$341.02	$429.34	$662.41	$589.50	$350.12	$519.50	$850.50	$685.20	$198.70	$516.30
Total Debt (Q4)	$1,798.33	$1,711.68	$1,720.97	$1,848.57	$1,704.83	$4,046.96	$5,099.20	$4,025.10	$3,966.80	$3,465.80
Total Equity (Q4)	$1,508.39	$1,704.07	$1,885.44	$1,829.96	$1,754.49	$2,995.53	$2,961.10	$3,087.00	$2,861.90	$1,087.00
Debt Equity Ratio (Q4)	119.22%	100.45%	91.28%	101.02%	97.17%	135.10%	172.21%	130.39%	138.61%	318.84%
Intrinsic Value: Projected FCF	$40.43	$45.42	$52.06	$58.26	$50.05	$56.53	$60.43	$64.63	$60.88	$47.21

MCD: McDonald's Corp (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$93.70	$118.14	$121.72	$172.12	$177.57	$197.61	$214.58	$268.07	$263.53	$296.51
Revenue (Annual)	$27,441	$25,413	$24,622	$22,820	$21,258	$21,364	$19,208	$23,223	$23,183	$25,494
Net Profit / Earnings (Annual)	$4,758	$4,529	$4,687	$5,192	$5,924	$6,025	$4,731	$7,545	$6,177	$8,469
Free Cash Flow (Annual)	$4,146.90	$4,725.20	$4,238.50	$3,697.50	$4,225.00	$5,728.40	$4,624.40	$7,101.50	$5,487.50	$7,254.50
Total Debt (Q4)	$14,943.20	$24,125.50	$25,957.30	$29,542.60	$31,087.20	$34,177.20	$37,440.40	$35,626.80	$35,995.00	$39,407.10
Total Equity (Q4)	$12,853.40	$7,087.90	($2,204.30)	($3,268.00)	($6,258.40)	($8,210.30)	($7,824.90)	($4,601.00)	($6,003.40)	($4,706.70)
Debt Equity Ratio (Q4)	116.26%	340.38%	-1177.58%	-904.00%	-496.73%	-416.27%	-478.48%	-774.33%	-599.58%	-837.26%
Intrinsic Value: Projected FCF	$59.08	$50.86	$45.63	$43.94	$41.27	$42.34	$43.72	$53.97	$53.96	$75.09

SBUX: Starbucks Corporation (USD Millions)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (Sep Closed)	$37.73	$56.84	$54.14	$53.71	$56.84	$88.42	$85.92	$110.31	$84.26	$91.27
Revenue (Annual)	$17,011	$19,733	$21,316	$22,728	$25,279	$26,973	$23,170	$29,061	$32,250	$36,687
Net Profit / Earnings (Annual)	$2,511	$2,462	$2,818	$4,383	$3,029	$3,724	$665	$4,199	$3,282	$4,294
Free Cash Flow (Annual)	$2,238.30	$2,616.20	$3,257.60	$2,914.70	$10,504.30	$2,734.60	$183.90	$4,519.10	$2,556.00	$4,386.70
Total Debt (Q4)	$2,048.40	$2,347.70	$3,185.70	$4,916.40	$9,130.70	$11,649.80	$15,962.90	$14,786.20	$14,980.00	$15,045.50
Total Equity (Q4)	$6,157.80	$5,983.40	$5,803.10	$5,758.90	($2,878.80)	($6,759.10)	($7,904.00)	($8,450.30)	($8,665.90)	($8,608.90)
Debt Equity Ratio (Q4)	33.27%	39.24%	54.90%	85.37%	-317.17%	-172.36%	-201.96%	-174.98%	-172.86%	-174.77%
Intrinsic Value: DCF (Earnings Based)	$50.78	$61.76	$80.87	$77.16	$82.35	$102.30	$24.41	$66.43	$47.87	$52.37

FINANCIAL STOCKS

AIG: American International Group Inc	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$56.01	$61.97	$65.31	$59.58	$39.41	$51.33	$37.86	$56.86	$63.24	$67.75
Revenue (Annual)	$63,587	$58,239	$51,209	$49,448	$47,590	$49,317	$43,337	$52,143	$54,434	$46,683
Net Profit / Earnings (Annual)	$7,579	$2,196	($759.00)	($6,088.00)	$36	$3,278	($5,977.00)	$10,338	$10,199	$3,614
Free Cash Flow (Annual)	$5,007.00	$2,877.00	$3,502.00	($7,818.00)	($394.00)	($1,807.00)	$1,038.00	$6,223.00	$4,134.00	$6,243.00
Total Debt (Q4)	$31,217	$29,249	$30,912	$31,640	$34,540	$35,350	$37,534	$30,163	$27,179	$22,387
Total Equity (Q4)	$107,272	$90,210	$76,858	$65,708	$57,309	$67,427	$67,199	$68,912	$43,454	$51,301
Debt Equity Ratio (Q4)	29.10%	32.42%	40.22%	48.15%	60.27%	52.43%	55.85%	43.77%	62.55%	43.64%
Intrinsic Value: Projected FCF	$116.49	$105.78	$93.34	$81.30	$67.56	$64.19	$57.71	$64.83	$49.75	$86.72

JPM: JPMorgan Chase & Co	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$62.58	$66.03	$86.29	$106.94	$97.62	$139.40	$127.07	$158.35	$134.10	$170.10
Revenue (Annual)	$91,973	$89,202	$91,208	$94,745	$103,744	$110,134	$102,471	$130,898	$122,298	$146,009
Net Profit / Earnings (Annual)	$20,077	$22,651	$22,834	$22,567	$30,709	$34,642	$27,410	$46,503	$35,892	$47,760
Free Cash Flow (Annual)	$36,593	$73,466	$21,884	($10,827)	$15,614	$4,092	($79,910)	$78,084	$107,119	$12,974
Total Debt (Q4)	$692,582	$577,065	$592,752	$567,864	$598,937	$581,342	$633,703	$615,405	$613,256	$722,539
Total Equity (Q4)	$231,727	$247,573	$254,190	$255,693	$256,515	$261,330	$279,354	$294,127	$292,332	$327,878
Debt Equity Ratio (Q4)	298.88%	233.09%	233.19%	222.09%	233.49%	222.46%	226.85%	209.23%	209.78%	220.37%
Peter Lynch Fair Value	$40.35	$41.63	$39.43	$36.78	$50.92	$60.89	$51.60	$100.47	$76.97	$121.49

CBOE: Cboe Global Markets Inc	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$60.29	$62.56	$72.27	$123.21	$97.83	$120.00	$93.12	$130.40	$125.47	$178.56
Revenue (Annual)	$617	$664	$703	$2,229	$2,769	$2,496	$3,427	$3,495	$3,959	$3,774
Net Profit / Earnings (Annual)	$188	$204	$185	$397	$422	$373	$467	$527	$234	$758
Free Cash Flow (Annual)	$212.50	$206.00	$185.20	$336.90	$498.40	$597.70	$1,411.40	$545.80	$591.30	$1,031.40
Total Debt (Q4)	$0	$0	$0	$1,238	$1,215	$868	$1,204	$1,299	$1,742	$1,439
Total Equity (Q4)	$250	$260	$331	$3,120	$3,250	$3,356	$3,349	$3,605	$3,465	$3,985
Debt Equity Ratio (Q4)	0.00%	0.00%	0.00%	39.68%	37.39%	25.86%	35.95%	36.04%	50.27%	36.12%
Intrinsic Value: Projected FCF	$19.34	$32.78	$34.07	$50.40	$59.27	$68.62	$97.65	$107.08	$107.82	$112.18

GS: The Goldman Sachs Group, Inc	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$193.83	$180.23	$239.45	$254.76	$167.05	$229.93	$263.71	$382.55	$343.38	$385.77
Revenue (Annual)	$34,528	$33,820	$30,608	$32,073	$35,942	$35,481	$41,462	$58,982	$44,650	$45,226
Net Profit / Earnings (Annual)	$8,054	$5,546	$7,066	$3,661	$9,841	$7,871	$8,890	$21,116	$10,711	$7,856
Free Cash Flow (Annual)	($8,610.00)	$7,648.00	$3,629.00	($23,673.00)	$8,582.00	$15,425.00	($24,844.00)	$1,631.00	$4,960.00	($14,903.00)
Total Debt (Q4)	$392,294	$379,917	$377,297	$428,539	$419,209	$451,183	$498,889	$583,932	$517,856	$698,140
Total Equity (Q4)	$83,201	$87,187	$87,399	$82,796	$91,753	$91,978	$97,572	$110,766	$117,838	$117,268
Debt Equity Ratio (Q4)	471.50%	435.75%	431.69%	517.58%	456.89%	490.53%	511.30%	527.18%	439.46%	595.34%
Peter Lynch Fair Value	$115.71	$118.86	$115.89	$111.31	$137.28	$128.31	$199.51	$532.13	$373.59	$275.12

WFC: Wells Fargo & Co	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$54.82	$54.36	$55.11	$60.67	$46.08	$53.80	$30.18	$47.98	$41.29	$49.22
Revenue (Annual)	$82,980	$83,690	$84,541	$85,989	$84,696	$84,227	$60,172	$83,321	$72,834	$77,198
Net Profit / Earnings (Annual)	$21,821	$21,470	$20,373	$20,554	$20,689	$18,105	$1,786	$20,818	$12,562	$17,982
Free Cash Flow (Annual)	$17,529.00	$15,904.00	$1,008.00	$18,619.00	$36,073.00	$6,730.00	$2,051.00	($11,525.00)	$27,048.00	$40,358.00
Total Debt (Q4)	$266,190	$310,976	$366,343	$337,033	$343,294	$341,749	$288,430	$204,496	$246,060	$315,623
Total Equity (Q4)	$185,262	$193,891	$200,497	$208,079	$197,066	$187,984	$185,712	$190,110	$182,213	$187,443
Debt Equity Ratio (Q4)	143.68%	160.39%	182.72%	161.97%	174.20%	181.80%	155.31%	107.57%	135.04%	168.38%
Intrinsic Value: Projected FCF	$79.22	$84.36	$81.18	$79.45	$85.44	$77.87	$65.33	$56.70	$70.94	$82.71

HEALTHCARE STOCKS

JNJ: Johnson & Johnson	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$104.57	$102.72	$115.21	$139.72	$129.05	$145.87	$157.38	$171.07	$176.65	$156.74
Revenue (Annual)	$74,331	$70,517	$71,595	$76,450	$81,581	$82,059	$80,856	$91,446	$84,855	$85,159
Net Profit / Earnings (Annual)	$16,323	$14,715	$15,941	$1,300	$15,297	$15,119	$16,986	$17,880	$17,879	$13,326
Free Cash Flow (Annual)	$14,996.00	$15,256.00	$13,700.00	$17,777.00	$18,531.00	$19,918.00	$18,307.00	$22,461.00	$17,739.00	$17,778.00
Total Debt (Q4)	$18,768	$20,100	$27,508	$34,590	$30,483	$27,696	$35,266	$33,751	$39,642	$29,332
Total Equity (Q4)	$69,752	$71,150	$70,418	$60,160	$59,752	$59,471	$63,278	$74,023	$76,804	$68,774
Debt Equity Ratio (Q4)	26.91%	28.25%	39.06%	57.50%	51.02%	46.57%	55.73%	45.60%	51.61%	42.65%
Intrinsic Value: DCF (Earnings Based)	$83.03	$78.37	$84.37	$83.57	$98.75	$111.79	$117.41	$133.34	$104.49	$131.48

MRK: Merch & Co Inc	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$54.19	$50.40	$56.17	$53.69	$72.91	$86.78	$78.05	$76.64	$110.95	$109.02
Revenue (Annual)	$42,237	$39,498	$39,807	$40,122	$42,294	$39,121	$41,518	$48,704	$59,283	$60,115
Net Profit / Earnings (Annual)	$11,920	$4,442	$3,920	$2,394	$6,220	$5,690	$4,519	$12,345	$14,519	$365
Free Cash Flow (Annual)	$5,672	$11,255	$8,762	$4,563	$8,307	$10,071	$5,812	$9,661	$14,707	$9,143
Total Debt (Q4)	$21,418	$26,436	$24,871	$24,465	$25,195	$26,347	$31,791	$33,102	$30,691	$35,055
Total Equity (Q4)	$48,791	$44,767	$40,308	$34,569	$26,882	$26,001	$25,404	$38,257	$46,058	$37,635
Debt Equity Ratio (Q4)	43.90%	59.05%	61.70%	70.77%	93.72%	101.33%	125.14%	86.53%	66.64%	93.14%
Intrinsic Value: Projected FCF	$38.38	$43.33	$43.07	$38.55	$36.85	$38.59	$35.70	$42.66	$51.94	$55.24

PFE: Pfizer Inc	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$29.55	$30.63	$30.82	$34.36	$41.41	$37.17	$36.81	$59.05	$51.24	$28.79
Revenue (Annual)	$49,605	$48,851	$52,824	$52,546	$40,825	$40,905	$41,651	$81,288	$100,330	$58,496
Net Profit / Earnings (Annual)	$9,085	$6,948	$7,198	$21,305	$3,824	$10,707	$6,630	$22,413	$31,366	$2,134
Free Cash Flow (Annual)	$15,501	$13,192	$14,193	$14,585	$13,691	$10,542	$12,177	$29,869	$26,031	$4,793
Total Debt (Q4)	$36,699	$39,038	$42,234	$43,669	$42,123	$52,150	$39,836	$38,436	$36,160	$72,179
Total Equity (Q4)	$71,622	$64,998	$59,840	$71,656	$63,758	$63,446	$63,473	$77,463	$95,917	$89,288
Debt Equity Ratio (Q4)	51.24%	60.06%	70.58%	60.94%	66.07%	82.20%	62.76%	49.62%	37.70%	80.84%
Intrinsic Value: Projected FCF	$34.12	$30.93	$32.35	$32.90	$32.21	$32.49	$31.42	$36.93	$57.58	$56.17

TEVA: Teva Pharmaceutical Industries Ltd	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$57.51	$65.64	$36.25	$18.95	$15.42	$9.80	$9.65	$8.01	$9.12	$10.44
Revenue (Annual)	$20,272	$19,652	$21,903	$21,853	$18,271	$16,887	$16,659	$15,878	$14,925	$15,846
Net Profit / Earnings (Annual)	$3,055	$1,573	$68	($16,525.00)	($2,399.00)	($999.00)	($3,990.00)	$417	($2,446.00)	($559.00)
Free Cash Flow (Annual)	$4,198.00	$4,770.00	$2,989.00	$1,351.00	$1,795.00	$223.00	$638.00	$236.00	$1,042.00	$842.00
Total Debt (Q4)	$10,327	$9,953	$35,800	$32,475	$28,916	$26,907	$25,919	$23,043	$21,212	$19,833
Total Equity (Q4)	$23,355	$29,927	$34,993	$18,745	$15,794	$15,063	$11,061	$11,244	$8,598	$8,126
Debt Equity Ratio (Q4)	44.22%	33.26%	102.31%	173.25%	183.08%	178.63%	234.33%	204.94%	246.71%	244.07%
Intrinsic Value: Projected FCF	$63.26	$64.83	$57.78	$48.60	$38.99	$35.40	$31.14	$22.17	$13.49	$13.07

LLY: Eli Lilly and Company	(USD Millions)									
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share Price (31 Dec Closed)	$68.99	$84.26	$73.55	$84.46	$115.72	$131.43	$168.84	$276.22	$365.84	$582.92
Revenue (Annual)	$19,616	$19,959	$21,222	$19,974	$21,493	$22,320	$24,540	$28,318	$28,541	$34,124
Net Profit / Earnings (Annual)	$2,391	$2,408	$2,738	($86.00)	$3,151	$4,638	$6,194	$5,582	$6,245	$5,240
Free Cash Flow (Annual)	$2,892.50	$1,748.40	$3,759.00	$3,452.00	$2,506.30	$3,483.10	$4,470.50	$5,603.50	$4,696.20	($1,547.70)
Total Debt (Q4)	$8,171.70	$7,978.90	$10,305.70	$13,717.20	$10,374.90	$15,359.30	$16,885.80	$16,926.50	$16,372.90	$25,359.90
Total Equity (Q4)	$15,388.10	$14,590.30	$14,080.50	$11,667.90	$10,909.10	$2,699.10	$5,825.20	$9,154.80	$10,775.40	$10,863.70
Debt Equity Ratio (Q4)	53.10%	54.69%	73.19%	117.56%	95.10%	569.05%	289.88%	184.89%	151.95%	233.44%
Intrinsic Value: Projected FCF	$52.20	$48.16	$45.45	$41.00	$37.14	$36.36	$53.07	$68.13	$76.27	$58.33