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EMPOWERING STAKEHOLDERS' DECISIONS THROUGH INTERIM FINANCIAL STATEMENTS

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ABSTRACT

Corporate boards are at the centre of policy debate concerning governance reform and financial reporting. Without developing an effective communication to stakeholders through financial statements, it could be difficult to develop an organisational culture satisfying the needs and expectation of the stakeholders (Moneva et al., 2007). In this article, we have evaluated the impact of the interim financial reports published by Nifty 50 companies of quarter 3 (December 2025) for the financial year 2025-26 and the shareholder decisions based on the reports through their price movements.

KEYWORDS: Interim Financial Reporting, Stakeholder Decision-Making, Nifty 50 Companies, Share Price Movement, Corporate Governance

INTRODUCTION

Interim Financial Statements

Both the Indian Accounting Standard (Ind AS) 34 and the International Accounting Standard (IAS) 34 state that Interim financial statements are the financial statements published for the any interim period lesser than one financial year. Ind AS 34 mandates to publish interim financial reports on quarterly basis, by all the entities for whom Ind AS is applicable, consisting of condensed version of all the components of regular financial reports.

One of the objectives of IAS 34 is to improve the ability of creditors, investors and others through reliable and timely interim financial reporting to have a clear knowledge about the entity's capacity to generate cash flows and earnings and its financial liquidity and condition.

Revised clause 41 of listing agreement by Securities Exchange Board of India (SEBI), states that every listed company are required to submit their report on financial performance (income statement), financial position (balance sheet) and cash flow statements on a quarterly basis within 45 days from

end of each respective quarter. Option to submit either audited financial statements or reviewed unaudited financial statements are given by SEBI.

GARCH Model on Nifty index

To understand the existence of herding behaviour and volatility in Nifty index, we applied GARCH (Generalised Auto Regressive Conditional Heteroskedasticity) model where volatility clustering is measured through high beta value and response to new unexpected news is measured through alpha (Bollerslev et al., 1992).

We have worked out GARCH model through R software package on the dataset of hourly Nifty indices for the period of 01 January 2026 to 26 February 2026, (interim financial reporting period of Nifty 50 companies) to understand whether the shareholders are closely following others (Herding behaviour) and to identify the existence of high deviation on indices from its mean value (volatility) during these two months. Summary of our GARCH model analysis is:

Table 1: Description of the data and the results

Data	Nifty index
Frequency	Hourly closing rate
Time period	01 January 2026 to 27 February 2026
Total number of working days	41 working days
Hourly data considered	9:30 am; 10:00 am; 11:00 am; 12:00 noon; 1:00 pm; 2:00 pm; 3:00 pm; 3:30 pm
Total hourly points	41 days X 8 hourly points = 328 points
Source of data	Refinitiv database
Results	
Stationarity	p value < 0.01
Error Distribution	p value < 0.05
Persistence (β) level	0.970
Persistence (α) level	0.000
Weighted ARCH LM test	p value ~ 0.81
Ljung Box test	p values ~ 0.980

Lower 'p' value of stationarity and error distribution shows that the dataset is ready for GARCH model. The persistence (β) level of 0.970 means that Nifty once enters the period of high volatility, it remains there for long period of time. With (α) level close to 0.000, the volatility is entirely driven by long-term trend rather than sudden spikes due to unexpected things. With weighted ARCH LM Tests



(p value ~ 0.81) and Ljung box tests (p values ~ 0.980), there is no “predictable noise” in the datasets. We conclude that there exists herding behaviour in the nifty indices due to high (β) level and volatility clustering exists due to lower (α) level.

From the above data table and discussion, we are inferring that individual company’s interim financial reports published on a trading day is not affecting the overall market.

EMPOWERING STAKEHOLDERS

Published interim financial reports improve the monitoring of managers by the stakeholders and in turn it empowers the stakeholders with adequate data (Kajüter et al., 2022). One of the short-term variables which affect the individual stock prices is the quality of information and the way it is shared (Sturm, 2003). We have noticed that individual company share price movements in the Indian National Stock Exchange (NSE) are impacted on the day of announcement of their interim financial results. Based on that individual impacted share price movements of all the nifty 50 companies, after the announcement of their interim financial results for Quarter 3 of financial year 2025-26, we have categorised into five:

Table 2: Categorisation of share price movements for Nifty 50 companies during January & February 2026.

Impact on share price movements	No of Companies
Continued with the existing increase in prices	7
Continued with the existing decrease in prices	9
Reversal of existing increase in prices	16
Reversal of existing decrease in prices	11
No change in existing price movements	7
Total	50

From the above categorisation, we have noticed that on publication of interim financial results, stakeholders are empowered with adequate data to take individual decision against the herd behaviour available in nifty index. Out of 50 companies, 27 companies’ stakeholders are taking different decisions which make the share price move in ‘reverse’ direction.

Substantial information about the company is released in management forecast and in analyst forecast, which is getting confirmed through interim financial reports (Ball & Shivakumar, 2008). For 16 companies, which ‘continue’ with existing price movement, stakeholders are getting confidence over their existing information and continuing with the existing price movements. Only for 7 companies,

there is no impact by interim financial results. Hence, it can be concluded that through interim financial reports, stakeholders are empowered to take their individual decision through the available data in interim financial reports.

We are presenting our analysis for each category of above price movements through sample of one company under each category:

1) Continued with increase in prices - Apollo Hospitals Enterprises Limited

Table 3: Selected ratios from interim financial reports of Apollo Hospitals Enterprises Limited published on 10.02.2026

Selected Ratios	QoQ Dec 2025 – Dec 2024	YoY Dec 2025 – Dec 2024
Revenue	117.19%	114.95%
Gross Profit	120.88%	116.38%
EBITDA	126.51%	122.51%
Net Profit	136.15%	133.12%

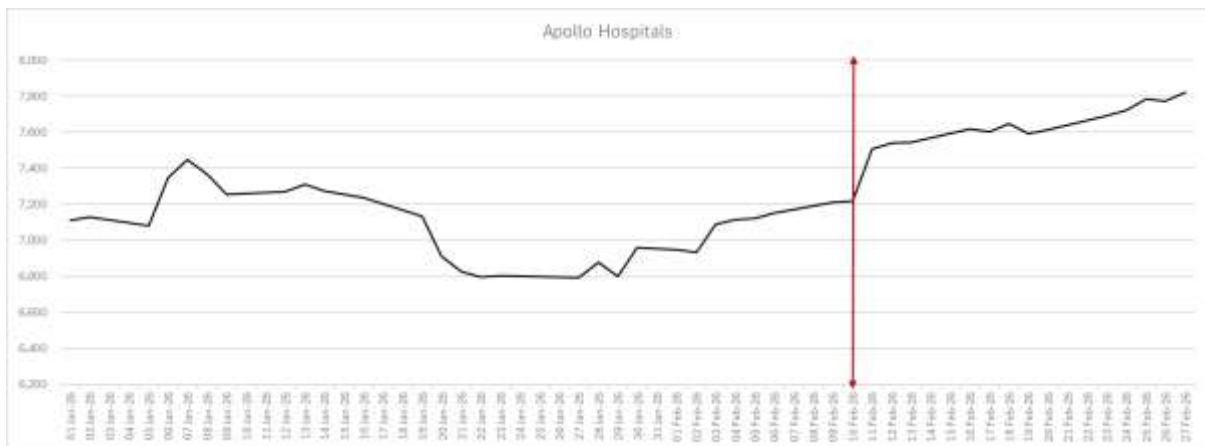


Figure 1: Daily closing prices of Apollo Hospitals in NSE Market

Higher gross profit margin confirms the reduction in operating cost. Higher EBITDA & Net profit margin as against gross profit margin shows that indirect costs are reduced during the nine months. Board presentation shows that the Average Revenue Per Patient (ARPP) has grown between 6% in Telangana region and 20% in Karnataka region on quarterly basis.

Lower beta of 0.381 for Apollo Hospital against Nifty shows that Apollo Hospital share prices are

having least impact from the movement of Nifty indices.

It can be inferred that with positive data from interim financial reports, share prices of Apollo Hospitals continued with the increase as the stakeholders are confident.

2) Continued with decrease in prices - ITC Limited

Table 4: Selected ratios from interim financial reports of ITC Limited published on 29.01.2026

Selected Ratios	QoQ Dec 2025 – Dec 2024	YoY Dec 2025 – Dec 2024
Revenue	107.14%	108.01%
Gross Profit	108.34%	106.12%
EBITDA	109.81%	104.99%
Net Profit	104.33%	104.48%



Figure 2: Daily closing prices of ITC Limited in NSE Market

During September, 2025, 56th GST council proposed for increase in GST rate from 28% to 40% for cigarettes as part of punitive taxation. This increased GST alongwith hike in excise duty on cigarettes, created a fear among stakeholders over the revenue of ITC Limited. Competition from NewGen Channels like e-Commerce, quick commerce and modern trade, has increased the indirect cost of conventional FMCG distribution companies. This is evident from the reduced EBITDA & Net profit margins for the nine month period. These impacted the share prices to continue the decreasing trend, though the beta of ITC Limited was 0.021.

3) Reversal of increase in share price – Nestle India Limited

Table 5: Selected ratios from interim financial reports of Nestle India Limited published on 30.01.2026

Selected Ratios	QoQ Dec 2025 – Dec 2024	YoY Dec 2025 – Dec 2024
Revenue	118.58%	111.63%
Gross Profit	117.22%	108.10%
EBITDA	109.07%	104.58%
Net Profit	145.20%	102.31%

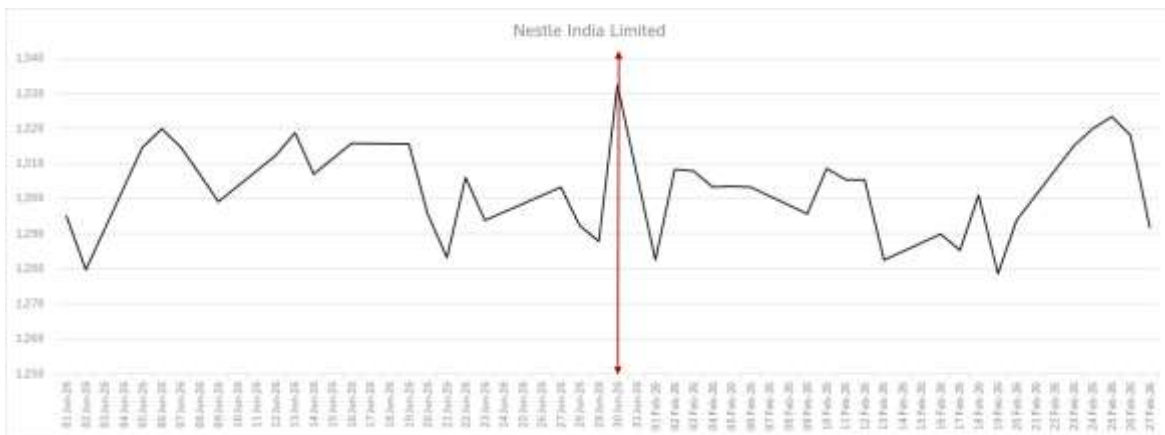


Figure 3: Daily closing prices of Nestle India Limited in NSE market

Growth of profit, upto 46% in comparison with December 2024 quarter, increased the share prices to 52 weeks high. Market reacted on identifying that profit increase was due to the reversal of tax provision. Besides, the inflation pressure on cost of milk products and coffee, led to reduce the gross profit margin on yearly basis.

Due to increase only in net profit margin without having control on cost, stakeholders were sceptical, leading to high volatility during two months with low beta of 0.009.

4) Reversal of decrease in share price - Larsen & Toubro Limited

Table 6: Selected ratios from interim financial reports of Larsen & Toubro Limited published on 28.01.2026

Selected Ratios	QoQ Dec 2025 – Dec 2024	YoY Dec 2025 – Dec 2024
Revenue	110.49%	112.00%
Gross Profit	110.87%	111.05%
EBITDA	116.36%	112.52%
Net Profit	96.25%	111.30%

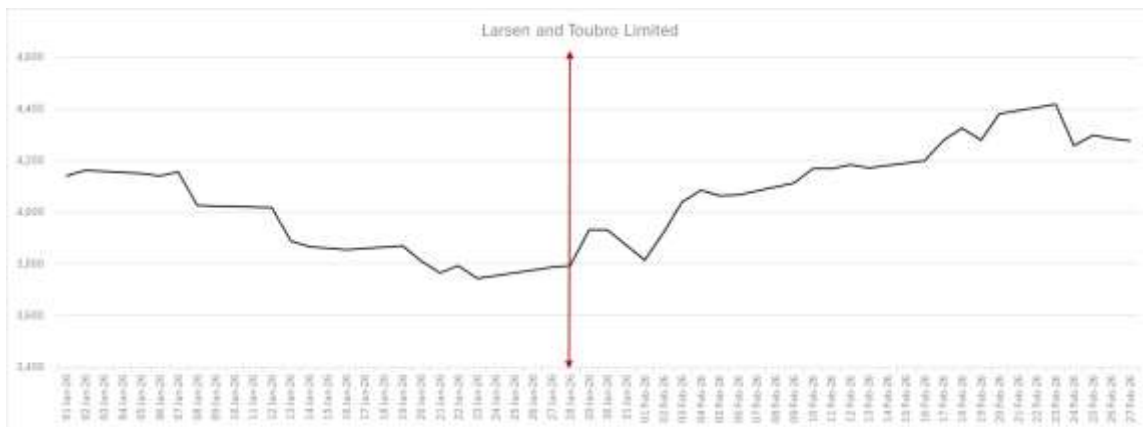


Figure 4: Daily closing prices of Larsen and Toubro Limited in NSE Market

Stakeholders were doubtful about the impact on profit due to new labour code and geo-political crisis specifically from middle east orders. This led to decreasing trend in share prices. With confirmed orders from middle east and loss of new labour code ascertained at Rs. 1,343 crores through interim financial reports, scepticism among the stakeholders got relieved and lead to increase in share prices. With beta level of 0.313, share prices of L & T did not follow the Nifty indices but recovered from the decrease through publication of interim financial reports.

5) No change in prices - HCL Technologies Limited

Table 7: Selected ratios from interim financial reports of HCL Technologies published on 12.01.2026

Selected Ratios	QoQ Dec 2025 – Dec 2024	YoY Dec 2025 – Dec 2024
Revenue	113.32%	110.78%
Gross Profit	107.53%	106.14%
EBITDA	106.27%	100.90%
Net Profit	88.86%	92.91%

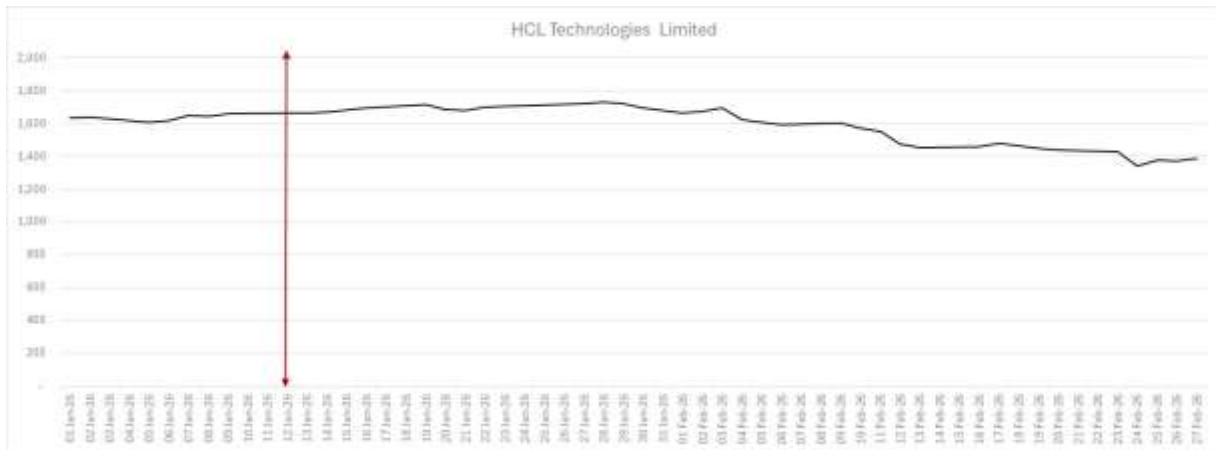


Figure 5: Daily closing prices of HCL Technologies Limited in NSE Market

Though there were QoQ increase in revenue by 13% and YoY growth in revenue by 10%, the profit reduced by 12% on QoQ basis and reduced by 8% on YoY basis. This mixed impact of increased revenue even during the Artificial Intelligence invasion in IT sector but reduced profit of Rs. 4,082 crores against the market expectation of Rs. 4,700 crores for the quarter led to flat reaction in the share prices. Stakeholders’ confidence was retained with clear information from interim financial reports with negative beta of 0.072.

SUGGESTIONS

Enhanced transparency in reporting will preserve shareholder wealth and prevents the stakeholder value destruction (Silva et al., 2013). From our above analysis and interpretation, we are concluding that through transparent interim financial reports, we can enhance the confidence of stakeholders and our suggestions for further improvements are



- 1) Like Vietnam and Philippines, period to publish interim financial results can be reduced to 30 days from quarter end
- 2) The option to publish audited interim financial reports can be mandated
- 3) Industry specific metrics like ARPP for hospitals, can be mandated in explanatory notes
- 4) Review of cost records can be mandated on half yearly basis
- 5) Review of legal and tax compliance can be mandated on half yearly basis

With these suggestions, we can move towards enhancing the stakeholders' decisions through interim financial reports as rightly concluded by Ball & Shivakumar that primary role of financial reports is to discipline the prior voluntary information provided by the managers (Ball & Shivakumar, 2008).

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