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Stakeholder Perception on the Usefulness of Annual Reports in Nepal's Stock Market

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ABSTRACT
This study explores stakeholder perceptions regarding the usefulness of annual reports issued by listed companies in Nepal's stock market. Although such reports are legally mandated and serve as vital tools for corporate disclosure, they often fail to meet the practical needs of diverse users due to complexity, lack of clarity, and low engagement. The research adopted a qualitative descriptive design under the interpretivist paradigm, employing Focus Group Discussions (FGDs) with seven participants from key stakeholder groups, including investors, analysts, auditors, students, policy experts, and company representatives. Thematic analysis, based on Braun and Clarke's (2006) six-step framework, was used to analyze the data. The study uncovered six central themes: surface-level engagement with reports, comprehension barriers due to technical language, stakeholder-driven suggestions for user-friendly formats, perceived gaps in trust and transparency, influence of external media on investment decisions, and a strong call for financial education and report literacy. These findings indicate a significant disconnect between formal disclosures and stakeholders' real-world information needs, especially in Nepal's evolving and digitally influenced capital market. The study offers theoretical implications by extending stakeholder theory with an emphasis on practical engagement and behavioral dimensions. Practically, it suggests the need for visual summaries, simplified formats, and education-based policy interventions. Overall, the research contributes to enhancing the relevance, accessibility, and stakeholder-centricity of financial reporting in emerging economies.
Keywords: Stakeholder perception, annual reports, Nepal stock market, Focus group discussion, Interpretivist, thematic analysis.

I. INTRODUCTION

In today's complex and rapidly evolving financial world, information transparency has become not only a regulatory requirement but a strategic necessity. Among the many tools used to communicate with stakeholders, the annual report stands as a critical document for shaping perceptions, building trust, and supporting informed decision-making. It combines both financial and non-financial information to present a holistic picture of an organization's performance, accountability, and strategic direction. While annual reports are commonly seen as instruments of corporate disclosure, their actual usefulness depends on how stakeholders interpret and apply the information they contain. In this emerging financial space, reporting practices, expectations, and stakeholder engagement are still maturing. This study, therefore, explores the concept of stakeholder perception on the usefulness of annual reports, with a particular focus on Nepal's stock market.

The concept of the usefulness of annual reports has developed alongside the evolving expectations of stakeholders. Initially, efforts, such as the Trueblood Committee (1978), emphasized providing decision-useful financial information to external users. By the late 1990s, attention expanded beyond economic data, with the Global Reporting Initiative (GRI) promoting sustainability disclosures (Global Reporting Initiative, 2023). The formation of the International Integrated Reporting Council (IIRC) in 2010 further advanced the integration of financial and non-financial reporting, and recent studies have focused on how stakeholders interpret these reports. Pandit (2021) found that transparent reporting builds investor trust, while Brennan (2021) highlighted the role of clear financial narratives in governance perception. Saraswati et al. (2024) added that stakeholder engagement improves the credibility of disclosures. Together, these developments signal a shift from compliance-based reporting toward communication that reflects stakeholder needs, forming the foundation for this study in Nepal's capital market context.

Recent scholarship highlights that stakeholders in emerging economies, including Nepal, place increasing emphasis on the credibility and relevance of corporate disclosures. Studies on developing Asian markets reveal that non-financial reporting, such as sustainability and stakeholder engagement, is often superficial and driven more by compliance than strategic intent (Amran &Haniffa, 2011; Belal & Owen, 2007; Islam & Deegan, 2008; Sawani et al., 2010). Specifically in Nepal, CSR disclosures tend to be descriptive and limited, particularly in the financial sector, where they often cover only charitable contributions (Adhikari & Gautam, 2020) , However, scholars increasingly argue that meaningful stakeholder involvement enhances the usefulness and trustworthiness of annual reports (Pandit, 2021; Saraswati et al., 2024). For instance, Pandit (2021) notes that improved transparency builds investor confidence, while Saraswati et al. (2024) demonstrate that stakeholder engagement strengthens material disclosures. These findings underscore a growing recognition of the link between disclosure quality and stakeholder trust, thus reinforcing the need to investigate how stakeholders in Nepal perceive the usefulness of annual reports.

Although listed companies in Nepal are mandated to publish annual reports, these documents often fail to serve their intended purpose effectively for diverse users. Prior research has primarily concentrated on the technical structure and compliance aspects of financial disclosures (Nayak, 2012; Biswas & Bala, 2016), offering limited insight into how stakeholders such as investors, analysts, regulators, academicians, and corporate officers interpret and apply this information in practice (Joshi, 2015; Oliveira et al., 2013). In Nepal's emerging capital market, where financial literacy is uneven and expectations for transparency are rising, stakeholders frequently perceive annual reports as lacking clarity, consistency, and decision-relevant content (Pandit, 2020; Adhikari & Gautam, 2020). Therefore, this study aims to explore how different stakeholders in Nepal understand and use annual reports, providing qualitative insights into their practical value and limitations in real-world decision-making.

Research Question:

How do stakeholders perceive and use annual reports in Nepal's stock market for decision-making?

Objective of the Study

- To explore stakeholder perception and decision-making regarding the use of annual reports in Nepal.

II. LITERATURE REVIEW

To review relevant literature on this topic, a search strategy combining "stakeholder perception," AND "Usefulness," AND "Annual Reports" was created; these terms were connected with the Boolean operator and, Google Scholar repository was visited, and the articles published between 2010 to 2025 were consulted, and the most relevant articles were reviewed.

An examination of the reviewed literature reveals a noticeable temporal clustering of studies. A significant number of foundational studies were conducted between 2010 and 2014 (Nayak, 2012; Oliveira et al., 2013; Grace & Ambrose, 2013; Alfraih&Almutawa, 2014), during which the focus on stakeholder perception and voluntary disclosure began to gain traction in emerging markets. There appears to be a research gap in the middle of the decade, with relatively fewer studies published between 2015 and 2018. This research of intermittent interest might reflect broader shifts in academic focus. Research interest resurged after 2019, marked by more integrated approaches that combined financial and non-financial reporting, particularly in the context of sustainability and stakeholder expectations (Elikanah, 2019; Levanti et al., 2020, 2021; Regina & Munasinghe, 2022). This temporal distribution highlights a potential gap in longitudinal analysis, suggesting that stakeholder-related disclosure practices have undergone significant evolution in recent years.

Many of the reviewed studies took an exploratory approach, aiming to understand stakeholder perceptions and the usefulness of annual reports in different contexts. For example, Nsor-Ambala, Ahinful, and Boakye (2019) explored how stakeholders interpret financial disclosures, while Oliveira et al. (2013) examined motivations behind voluntary reporting. Similarly, Joshi (2015) and Nayak (2012) explored user views and expectations in India, contributing to a better understanding of stakeholder-driven disclosure behavior.

Other studies used an explanatory purpose to analyze how specific reporting elements affect stakeholder decisions. Levanti et al. (2020, 2021) explained the growing demand for sustainability reporting and its role in enhancing transparency. Elikanah (2019) examined the value relevance of non-financial disclosures, while Biswas and Bala (2016) focused on how different sections of the report influence investor understanding. These studies help explain the impact of financial and non-financial information on stakeholder behavior.

The reviewed studies used a variety of research methods, mostly qualitative and survey-based. For instance, Joshi (2015) and Nayak (2012) conducted surveys to gather stakeholder opinions, while Oliveira et al. (2013) used content analysis to examine disclosure practices. Biswas and Bala (2016) and Chen et al. (2013) adopted questionnaires to assess investor views. Most of these studies were conducted in developing and emerging markets such as India, Bangladesh, Kenya, Kuwait, and Hong Kong, providing useful comparisons for the Nepalese context.

Early studies focused on the basic usefulness of financial reports. Nayak (2012) found that Indian investors were generally satisfied with financial disclosures but felt narrative parts like the director's report lacked clarity. Grace and Ambrose (2013) noted that Kenyan institutional investors wanted simpler and more summarized reports. Oliveira et al. (2013) emphasized that voluntary disclosure was driven by stakeholder pressure and reputation. Joshi (2015) found that Indian users preferred financial and forward-looking information in annual reports.

Biswas and Bala (2016) found that Bangladeshi investors mainly valued core financial statements like income and cash flow reports, while non-financial parts were less used. NsorAmbala et al. (2019) explored how users interpreted financial information and called for clearer communication. Elikanah (2019) showed that non-financial disclosures significantly shaped investor decisions, especially where transparency was key.

Recent studies highlighted the growing importance of sustainability and integrated reporting. Levanti et al. (2020) found that stakeholders wanted companies to include social and environmental data. In a follow-up study, Levanti et al. (2021) confirmed that combining financial and sustainability information improves decision-making. Regina and Munasinghe (2022) reported a trend toward broader voluntary disclosures, showing that stakeholders now expect accountability beyond numbers.

Research Methodology

This study adopted a qualitative descriptive research design grounded in the interpretivist paradigm to explore how stakeholders perceive the usefulness of annual reports in Nepal's stock market. Data were collected through two structured Focus Group Discussions (FGDs) involving six diverse participants, including investors, analysts, auditors, students, and corporate representatives. Participants were selected using purposive sampling to ensure relevance and knowledge of the topic. The discussions were guided by a semi-structured protocol and audio-recorded with consent. Data were transcribed and analyzed using Braun and Clarke's (2006) six-step thematic analysis process, which involved familiarization, coding, theme development, reviewing, defining, and writing the report. This method enabled the extraction of meaningful themes based on participants lived experiences, offering rich insights into practical barriers, behavioral patterns, and user engagement with annual reports.

Research Design

This study employs a qualitative descriptive research design within the interpretivist paradigm to investigate stakeholders' perceptions of annual reports in Nepal's stock market. This design is suitable for capturing participants' experiences and contextual understanding through Focus Group Discussions (FGDs). Thematic analysis is used to analyze the data, following six sequential steps: familiarization with the data, systematic coding, development of initial themes, reviewing and refining themes, defining and naming themes, and finally, writing the report based on identified patterns. This process enables the researcher to describe and organize meaningful insights drawn directly from stakeholder narratives, without applying external theoretical models.

Research Paradigm

This study is conducted within the interpretivist paradigm, which assumes that reality is socially constructed and shaped by human experiences and interpretations. Since the purpose of the research is to explore how different stakeholders, such as investors, analysts, and corporate representatives, perceive and interpret the usefulness of annual reports in Nepal's stock market, the interpretivist worldview is considered appropriate. It allows the researcher to understand participants' views in their contexts, through dialogue and interaction. Using Focus Group Discussions (FGDs), shared meanings are co-constructed, and practical insights into stakeholder understanding are captured in depth.

Research Methods

This study used a Focus Group Discussion (FGD) method to collect qualitative data from six purposely selected stakeholders involved in Nepal's stock market. The interactive setting encouraged participants to share and reflect on their experiences with annual reports, providing rich and diverse insights aligned with the research objectives.

Study Area

The study is focused on the Kathmandu District, the financial hub of Nepal, where major institutions like the Nepal Stock Exchange (NEPSE), the Securities Board of Nepal (SEBON), brokerage firms, and corporate headquarters are concentrated. This concentration of key stakeholders provided an ideal setting to conduct a Focus Group Discussion (FGD), enabling face-to-face interaction among participants actively involved in the stock market. The Kathmandu location enhanced the feasibility and richness of the FGD by allowing diverse stakeholders, such as regulators, investors, analysts, academicians, and corporate representatives, to come together in one place. This setting not only supported access to informed participants but also fostered a dynamic group environment, essential for capturing varied perspectives on the usefulness of annual reports in real decision-making contexts.

Participants

This study involved six participants selected through criterion-based purposive sampling, ensuring their direct relevance to the research objectives. Eligible participants had experience with annual reports, either through preparation, analysis, or regulation, in Nepal's stock market. The group included individual and institutional investors, stockbrokers, financial analysts, academicians, company finance officers, and officials from regulatory bodies like NEPSE and SEBON. This carefully selected mix enabled a well-rounded Focus Group Discussion, drawing on diverse but informed perspectives. As noted by Patton (2002), such sampling is effective in qualitative research when participants meet predefined criteria that support deep exploration of the topic.

Data Collection

Focus Group Discussion (FGD) method to explore stakeholder perceptions of annual reports in Nepal's stock market. The FGD was conducted in Kathmandu, chosen for its concentration of key financial institutions and accessibility to relevant participants. Institutional approval was obtained, and access to the venue was facilitated by gatekeepers from regulatory and financial organizations. Participants were selected through purposive sampling based on their direct involvement with the use, analysis, or regulation of annual reports. The session was guided by a thematic discussion outline, with a voice recorder used to capture detailed responses, supplemented by field notes for non-verbal cues and group dynamics. Ethical practices, including informed consent and confidentiality, were strictly observed.
Data were collected through a Focus Group Discussion (FGD) held in Kathmandu with six purposely selected participants, including investors, analysts, academicians, regulators, and corporate officers. The FGD facilitated an interactive discussion, allowing for deeper insights into shared and differing views. Ethical protocols, including informed consent and confidentiality, were maintained throughout the process.

Ethical Consideration

This study strictly adhered to ethical research standards to protect the rights and dignity of all participants. Before data collection, informed consent was obtained from each participant, ensuring they were fully aware of the study's purpose, their voluntary participation, and their right to withdraw at any time without consequence. Confidentiality was maintained by anonymizing responses and securely storing all recorded and written data. Institutional approval was acquired in advance, and the Focus Group Discussion (FGD) was conducted in a respectful and non-coercive environment. Ethical guidelines were followed throughout to ensure transparency, respect, and trustworthiness in the research process.

Quality Standard: Credibility

Credibility was prioritized in this study to ensure the accuracy and trustworthiness of participants' perspectives regarding the usefulness of annual reports in Nepal's stock market. To achieve this, the researcher used a well-prepared discussion guide, recorded the entire Focus Group Discussion (FGD), and took detailed field notes to capture both verbal and non-verbal cues. Member checking was applied by summarizing key points during the session to confirm participants' views. Prolonged engagement, peer debriefing, and careful thematic analysis further enhanced the credibility of the findings, ensuring that they truly reflect stakeholder experiences and interpretations.

Data Analysis

The data collected through Focus Group Discussions (FGDs) were analyzed using thematic analysis following the six-step process outlined by Braun and Clarke (2006). The steps included familiarization with the data, generating initial codes, developing potential themes, reviewing and refining those themes, defining and naming the themes, and finally producing the report. This approach helped identify key patterns and insights from stakeholder responses regarding the usefulness of annual reports in Nepal's stock market.

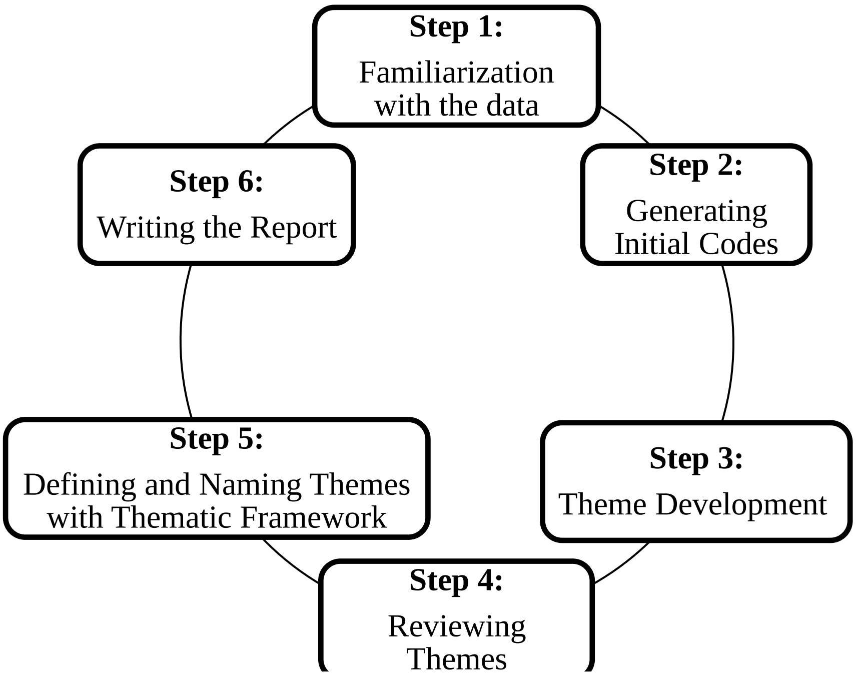

Figure 1: Process of Data Analysis (Braun and Clarke, 2006)

Step 1: Familiarization with the data

The thematic analysis process involved familiarizing oneself with the data obtained from two Focus Group Discussions (FGDs) conducted with seven participants representing a range of stakeholders, including investors, analysts, company representatives, regulators, and academic professionals. The audio recordings of both FGDs were transcribed verbatim and reviewed multiple times by the researcher to develop a deep understanding of the participants' voices, context, and perspectives. During this familiarization phase, special attention was given to the tone, repetition, emphasis, and shared experiences expressed in response to key guiding questions. For example, when participants were asked how useful annual reports are in their roles, responses varied from appreciation of their importance in decision-making to concerns about overly technical language, inconsistency, and delayed publication. One participant emphasized that annual reports are often limited to fulfilling compliance requirements, while another noted that the inclusion of financial ratios like EPS and NAV helped in evaluating company performance. Similarly, participants raised issues about understandability, clarity, and the lack of stakeholder-oriented summaries. This stage helped the researcher become intimately familiar with the diversity of viewpoints and emotional undertones in the responses, laying the foundation for the coding and theme development phases.

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Step 2: Generating Initial Codes

The second step of Braun and Clarke’s (2006) thematic analysis process, coding. Transcripts were read repeatedly and manually coded line-by-line to highlight phrases, expressions, and experiences that were meaningful or recurrent. Participants came from diverse stakeholder roles such as small investors, auditors, company officials, students, analysts, and policy researchers. Through open coding, numerous data segments were labeled to capture significant features such as comprehension difficulties, trust in financial indicators, compliance culture, emotional responses, and user suggestions.

In FGD 1, for example, one participant stated that they "just look at EPS, ROE, and NAV," while another admitted they “only read the chairperson’s message.” These were coded respectively as “financial indicators-focused reading” and “limited engagement with reports.” Participants also raised concerns about the technical language and lack of clarity, with codes such as “language barrier” and “reports too technical.” Similarly, in FGD 2, a policy expert highlighted the usefulness of CSR and governance sections, coded as “non-financial information for policy.” A student explained needing “a dictionary or YouTube tutorials,” coded as “academic struggle with content.” These codes laid the groundwork for broader theme development.

Sample Coding

a. Financial indicator-focused reading
b. Academic struggles with content
c. Use of non-financial info in policy

d. Compliance-driven content
e. Difficulty tailoring to all users
f. Lack of risk transparency
g. Limited report engagement
h. Need for financial education
i. Questioning report credibility

Step 3: Theme Development

The involved developing broader themes by organizing related codes based on patterns, meanings, and stakeholder perspectives. Themes were generated inductively by examining how the codes connected and what they revealed about the stakeholders' perception of annual reports. Each theme reflects a major area of discussion raised by participants during the Focus Group Discussions (FGDs).

Table 1

Expanded thematic coding

Category / Description	Surface-Level Engagement	Comprehension Barriers	Format & Usability Suggestions	Trust & Transparency Gaps	External Influences on Decisions	Call for Education & Literacy
Example Code	Reads only EPS/NAV	Needs a dictionary or YouTube	Need a video summary	Unreliable sector reports	Trust TikTok over reports	Investment literacy workshop
Participant Quote	"I only check EPS, ROE, NAV…"	"We need YouTube or a dictionary …"	"QR codes linking to short videos…"	"Some sector reports aren't reliable."	"I trust TikTok more than the report."	"There should be report-reading workshops."
Stakeholder Type	Investor, Analyst	Student, Small Investor	Company Rep, Investor	Analyst, Policy Expert	Student, Retail Investor	Student, Investor, Academic
Interpretation / Meaning	Skim content, focus on highlights	Difficulty with financial terms	Desire for an interactive presentation	Doubts about reliability & fairness	Decisions based on outside sources	Request for structured learning
Supplementary View	Only reads the top 3 pages of the report	Can't understand ratios and notes	Requests for an app-based version	Doubts about profits and losses	Follow group chat and Facebook tips	Wants sessions at the university
Behavioral Impact	Invests with partial understanding	Feels frustrated/confused	Engages more when the info is visual	Avoids investing in unclear firms	Decides based on hearsay	More confidence after training
Suggestion from Stakeholders	Add a one-page summary	Include a glossary for key terms	Add video QR and visuals	Add risk and future outlook details	Media literacy in finance is needed	Organize literacy workshops
Real-Life Implication	Misses important disclosures	Misinterprets key numbers	Doesn't read if not visually engaging	Overlooks warning signs	Follows trends blindly	Learns to evaluate reports critically

Step 4: Reviewing Themes

The initially developed themes were systematically reviewed to ensure they were internally coherent, conceptually distinct, and appropriately represented the coded data. The researcher carefully re-examined each theme against the original FGD transcripts to assess whether all codes fit meaningfully within their assigned categories. This process involved identifying overlapping, ambiguous, or misaligned codes that needed to be either redefined or reclassified. While the majority of codes remained consistent within their original themes, a few required adjustments due to thematic overlap or clearer alignment with another category.

These revisions helped strengthen the reliability and conceptual clarity of the thematic framework. The table below outlines the codes that were reconsidered and reassigned during the review process:

Table 2
Reclassified or Refined Codes in Theme Review

Code / Subcategory	Original Theme	Issue Identified	Final Placement	Justification
Only checks dividend info	Surface-Level Engagement	Action is driven more by bonus rumors	External Influences on Decisions	Reflects peer pressure and market noise more than reading habit
Request infographic guides	Format & Usability Suggestions	The suggestion was educational	Call for Education & Literacy	Aims to simplify reports for learning, not just design
Figures change unexpectedly	Trust & Transparency Gaps	Ambiguous: may reflect confusion	Possibly Comprehension Barriers	Could arise from a lack of financial literacy rather than mistrust
Proposes simplified explanations	Comprehension Barriers	Suggests structured guidance for users	Call for Education & Literacy	Rooted in the need for education, not only difficulty understanding

This critical review of themes and their supporting codes ensured that the final thematic map is both conceptually rigorous and grounded in the lived experiences of the stakeholders.

Step 5: Defining and Naming Themes with Thematic Framework

Braun and Clarke's (2006) thematic analysis process involved refining each theme to clearly define and name it, reflecting the stakeholder perceptions and experiences gathered through Focus Group Discussions.

Table 3
Interrelationship of Key Themes in Stakeholder Perceptions of Annual Reports

S.N	Theme Title	Definition	Relevance to Study Objective
1	Surface-Level Engagement	Describes stakeholders' tendency to engage only with selected parts of the annual report, such as EPS or the chairman's message.	Reveals limited interaction and underuse of key information in decision-making.
2	Comprehension Barriers	Captures difficulties experienced by users in understanding technical terms, financial jargon, and complex data.	Highlights the gap in accessibility and financial literacy among non-expert users.
3	Format & Usability Suggestions	Reflects participant suggestions for improving report design through visuals, infographics, summaries, and mobile-friendly tools.	Indicates practical enhancements to make reports more user-friendly and appealing.

4	Trust & Transparency Gaps	Represents concerns about the reliability, completeness, and consistency of annual report content, particularly risk disclosures.	Points to weaknesses in the credibility and clarity of financial reporting.
5	External Influences on Decision-Making	Shows how investors and users often rely on social media, market rumors, or peer suggestions instead of reading full reports.	Reveals behavioral dependence on informal sources rather than verified data.
6	Call for Education & Literacy	Emphasizes the need for training, workshops, and simplified materials to help users understand and apply annual report content.	Demonstrates a collective demand for capacity building and stakeholder empowerment.

The thematic framework below outlines each theme's meaning, scope, and relevance to the research objective. A conceptual figure is also included to visually demonstrate the relationship among themes.

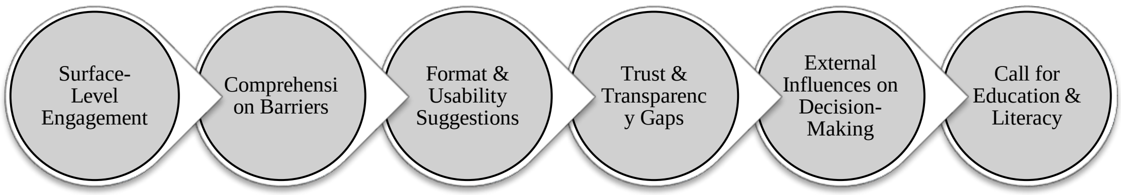

Figure 2: Thematic Framework: Interrelationship of Key Themes in Stakeholder Perceptions of Annual Reports.

This conceptual figure logically links each theme; Surface-Level Engagement and Comprehension Barriers are core user issues. Format & Usability Suggestions and Education & Literacy are solution-oriented responses. Trust & Transparency Gaps and External Influences highlight system-level concerns. All themes interconnect to influence stakeholders' perception and use of annual reports.

Step 6: Writing the Report

The thematic analysis process involved organizing the refined themes into a coherent narrative that accurately reflects the research question and presents meaningful findings. In this stage, the six identified themes were structured logically, supported by participant quotations, and contextualized within the broader issue of how stakeholders perceive the usefulness of annual reports in Nepal's stock market.

The report began with the theme of Surface-Level Engagement, which revealed that most investors engage only with headline financial indicators such as EPS, ROE, or dividend announcements. Many participants admitted to skipping detailed sections such as audit notes, CSR reports, or policy disclosures, highlighting a superficial reading habit that may compromise informed decision-making.

Comprehension Barriers emerged as a strong theme, particularly among students and non-expert investors who struggled with financial jargon, complex ratios, and technical formatting. Many reported needing help from YouTube or peers to interpret even the basic content of annual reports. This theme demonstrated a significant gap between report design and stakeholder financial literacy.

The narrative then explored Format and Usability Suggestions, a theme built on participants' practical recommendations for improving accessibility. Suggestions included the use of infographics, simplified summaries, mobile-friendly designs, and QR-linked video summaries. These inputs reflected a desire for visual and interactive formats to make annual reports more usable and engaging for all stakeholders.

The report then turned to Trust and Transparency Gaps, where participants, especially analysts and policy researchers, expressed skepticism about the completeness and reliability of certain reports. Concerns were raised about vague audit disclosures, missing risk information, and inconsistencies in year-over-year financial data.

These doubts pointed to perceived weaknesses in reporting integrity and disclosure quality.

External Influences on Decision-Making highlighted how many stakeholders rely more on brokers, Facebook groups, or TikTok videos than on the official annual reports themselves. This behavioral reliance on informal sources over verified data underscores the lack of confidence or capacity to analyze financial documents independently.

Finally, the theme Call for Education and Literacy emphasized a strong stakeholder demand for report-reading training and financial literacy programs. Participants recommended conducting workshops, integrating report analysis into academic curricula, and producing simplified materials for public investors. These suggestions were grounded in the belief that empowering users with knowledge would enhance the quality of report utilization and investment decisions.These themes were presented as interlinked factors that collectively shape the stakeholder experience with annual reports. The report writing process ensured that each theme was grounded in authentic participant voices, connected to the research objectives, and framed within a clear, evidence-based structure.

Major Findings of the Study:

a. Limited Engagement with Annual Reports: Most stakeholders, particularly retail investors and students, reported that they skim through only key indicators such as Earnings Per Share (EPS), Net Asset Value (NAV), and ROE, while ignoring the broader content of the annual report. This suggests a surface-level engagement with reports rather than a comprehensive understanding.
b. Comprehension Barriers:Participants cited difficulties in understanding technical financial language, complex ratios, and the terminologies used in reports. Many indicated the need for external support, such as YouTube explanations or financial dictionaries, to grasp the content.
c. Demand for Simpler and Interactive Formats:There was a clear stakeholder preference for mobile-optimized versions, visual summaries, videos, and QR-code-based explanations embedded within the reports to enhance accessibility and usability.
d. Trust and Transparency Issues:Stakeholders expressed skepticism about the objectivity and clarity of annual reports, pointing out that some disclosures, especially related to risk and governance, are either incomplete or biased. This erodes stakeholder confidence.
e. External Influences on Investment Decisions:A striking finding was the reliance on informal sources, like social media (e.g., TikTok), brokers, and market rumors, over annual reports for making investment decisions, indicating a gap in the perceived utility of formal disclosures.
f. Call for Financial Literacy and Education:All groups emphasized the urgent need for investor education programs, workshops, and integration of annual report analysis into academic and training curricula to build report literacy among the next generation of stakeholders.

These findings collectively reveal a substantial mismatch between the intended purpose of annual reports and how they are perceived and used in Nepal’s emerging capital market. They highlight the need for a more inclusive, simplified, and stakeholder-oriented approach to financial reporting.

III. DISCUSSION

This study explored the perceptions of diverse stakeholders, including investors, students, company representatives, analysts, and policy experts, regarding the usefulness of annual reports in Nepal’s stock market. Through qualitative data gathered via two Focus Group Discussions (FGDs), key themes were identified that reflect how these reports are accessed, interpreted, and applied in real-world investment and corporate decision-making. The thematic findings, such as surface-level engagement, comprehension barriers, usability suggestions, trust issues, and the influence of informal sources, paint a complex picture of underutilization and misalignment between report design and user expectations. These results align with the broader literature, suggesting that while financial reports are mandated and produced regularly, their practical utility for diverse users remains uneven and often superficial.

In comparing these findings to previous research, strong similarities were observed with studies by Oliveira et al. (2013) and Adhikari and Gautam (2020), who noted that stakeholders often lack the financial literacy or contextual background to fully interpret complex accounting narratives. This study further affirms the point made by Joshi (2015), who emphasized that retail investors in emerging markets like Nepal frequently rely more on peer networks and market hearsay than on official disclosures. The observed call for report simplification and education mirrors global discussions on integrated reporting and inclusive financial communication, making these findings consistent with international discourse.

Conversely, some findings in this study contrast with the assumptions in Western-centric literature, where annual reports are often seen as comprehensive decision-making tools. Unlike studies such as those by Biswas and Bala (2016), which argue that stakeholders increasingly rely on narrative reports and non-financial sections for evaluation, Nepalese stakeholders expressed doubt about the credibility and completeness of such sections. This difference may be explained by lower levels of public trust in corporate governance structures, limited regulatory enforcement, and the lack of investor protection mechanisms in Nepal's stock market. Furthermore, the behavioral tendency to favor informal sources like TikTok or Facebook investment groups highlights a gap in digital literacy and regulatory oversightSurface-Level, specific to Nepal's socio-technical context.

A unique contribution of this study lies in its grounded identification of thematic categories such as "Call for Education and Literacy" and "External Influences on Decision-Making," which have received limited attention in past Nepal-based financial disclosure research. The finding that many stakeholders want QR-code-based video summaries and mobile-friendly formats represents a novel intersection of digital transformation and annual reporting. This suggests an emerging trend where stakeholders are not merely passive recipients of corporate communication but active participants demanding tailored, engaging, and accessible content. Such insights are valuable for regulators, educators, and listed companies aiming to improve financial inclusion and report usability in emerging capital markets like Nepal.

IV. CONCLUSION

This study explored how various stakeholders in Nepal's stock market, investors, analysts, students, policy experts, auditors, and company representatives, perceive and use annual reports for decision-making. Employing a qualitative descriptive research design under the interpretivist paradigm, and using Focus Group Discussions (FGDs) as the primary data collection method, the study uncovered critical insights into both the value and limitations of current annual reporting practices. Thematic analysis following Braun and Clarke's (2006) six-step process revealed six major themes: Surface-Level Engagement, Comprehension Barriers, Format & Usability Suggestions, Trust & Transparency Gaps, External Influences on Decision-Making, and Call for Education & Literacy.

The findings indicate that while annual reports are widely available and technically complete, they are often perceived as inaccessible, overly technical, and underutilized by many stakeholders. Stakeholders tend to engage only with selected financial metrics or general summaries, while the deeper content of reports remains largely unread or misunderstood. Furthermore, reliance on informal information channels such as social media and brokers was found to be high, suggesting that annual reports are not the sole basis for investment decisions.

This research contributes to the literature by offering a contextualized, stakeholder-driven understanding of annual report use in an emerging economy. It highlights a clear demand for user-friendly design, transparency, and educational interventions that can bridge the gap between technical reporting and practical usability. The findings also suggest that regulators, listed companies, and educators must collaboratively work to improve not only the format and accessibility of annual reports but also the financial literacy of stakeholders who rely on them.

In sum, annual reports in Nepal are viewed not merely as legal documents but as potentially transformative tools, if made more inclusive, trustworthy, and user-centric. By illuminating these perceptions, this study provides a foundation for reforming corporate disclosure practices and enhancing market transparency in Nepal's evolving financial landscape.

V. IMPLICATIONS

The findings of this study have important theoretical, practical, and policy implications that are particularly relevant for Nepal's developing capital market and its broader financial disclosure ecosystem.

Theoretical Implications: This study contributes to the evolving literature on stakeholder theory and financial disclosure by emphasizing the need to contextualize the usefulness of annual reports within the realities of stakeholder understanding, trust, and behavior. While prior research has focused heavily on the technical and compliance aspects of corporate reporting, this study demonstrates the value of exploring subjective stakeholder experiences. The themes identified, particularly external influences on decisions and the call for education, highlight the importance of bridging the gap between formal disclosures and informal information ecosystems in emerging markets.

Practical Implications: For preparers of annual reports (e.g., listed companies, auditors, financial consultants), the study emphasizes the need for user-friendly formats. Participants expressed preferences for summaries, visual tools, mobile-optimized formats, and even video explainers. Companies that adopt such innovations may improve stakeholder engagement and trust, potentially leading to better-informed investors and stronger reputational capital. Additionally, attention must be given to clarity, transparency, and inclusion of risk and governance disclosures, areas that were commonly flagged as deficient by stakeholders.

Policy Implications: Regulatory bodies such as the Securities Board of Nepal (SEBON) and Nepal Stock Exchange (NEPSE) are encouraged to revisit reporting frameworks and consider mandating simplified disclosures or summary formats tailored for retail investors. Policies that promote financial literacy, such as incorporating annual report reading in business education and organizing investor education campaigns, could be transformative in empowering stakeholders. Moreover, aligning Nepal's reporting standards more closely with stakeholder expectations, beyond compliance, can contribute to a more transparent, inclusive, and robust capital market.

Educational Implications: The strong demand for structured learning programs signals an opportunity for academic institutions and financial training bodies to introduce workshops, certifications, and curriculum modules focused on understanding financial statements and interpreting annual reports. Educational interventions tailored to the Nepali context, offered in the Nepali language and supported by local case studies, can enhance report literacy among the next generation of investors, analysts, and corporate leaders.

In sum, the implications of this study extend beyond corporate boardrooms. They point toward a more stakeholder-centric and democratized approach to financial reporting, where clarity, accessibility, trust, and education are prioritized alongside regulatory compliance.

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Appendix -A

FGD methods: Observational Protocol

Place: Kathmandu University School of Management

Date: 21 June 2025: Time: 5:00 PM, Saturday

Role: As Outsider

Observation: Two FGD (6 participants)

GFDs Interview Guide

Consent Form for Participation in Focus Group Discussion
Title of the Study: **Stakeholder Perception on the Usefulness of Annual Reports in Nepal's Stock Market**
Researcher: Bhim Prasad Bhattarai
Institution: Kathmandu University School of Management (KUSOM)

Purpose: You are invited to participate in a Focus Group Discussion (FGD) that aims to explore your perception and experience regarding the usefulness of annual reports. The session will be recorded for academic purposes. Your participation is voluntary, and you may withdraw at any time.

Confidentiality: All information shared will remain confidential. Your name and identity will not appear in the final report.

☐ I have read and understood the purpose of the study.
☐ I voluntarily agree to participate.
☐ I allow the audio recording of the discussion.

Name:________________________
Signature:____________________
Date: ________________________

1. Perception of Annual Reports / □□□□□□□□□□□□□□□□□□□□□□□□

1. How useful do you find annual reports in your role?
□□?

2. Usefulness of Annual Reports / □□□□□□□□□□□□□□□□□□□□□□□□□□□□□

2. In your experience, how useful are annual reports in evaluating a company's performance?
□□
□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□?

3. Report Clarity and Quality / □□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□
3. Are annual reports presented in a way that is easy to understand and relevant?
□□□ □□□□□□□□?
4. Do you rely more on annual reports or other sources like media or broker insights?
□□□ (□□□□□□, □□□□□□□□□□□□□□□□□□□□□□□□□)?
5. What improvements are needed to make annual reports more useful and understandable?
□□□ छ?

Thank Participants / □□□□□□□□

- Thank you for your participation and valuable insights.
- □□□