

THE IMPACT OF INTEGRATED REPORTING ON VALUE CREATION OF LISTED FINANCIAL FIRMS IN SRI LANKA

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ABSTRACT

Integrated Reporting (IR) demonstrates the connections between a company's financial and non-financial aspects by providing a comprehensive view. The primary goal of any organization is to increase shareholder value, which is reflected in company performance. Firm value is mainly reflected in the performance of a company, and it can be identified when potential investors first look at the company's performance before they invest. A lack of value addition over time can reduce shareholder wealth and create negative perceptions of the organization. The aim of this study is to investigate the effects of integrated reporting levels on the value creation of listed financial companies in Sri Lanka, which attempts to bridge the gaps left by inconsistent findings and gives particular attention to the financial sector because it has never been examined before in the literature, although there is a growing tendency to adopt with integrated reporting in the financial sector in Sri Lanka. A quantitative approach was employed, and data were collected from 21 listed financial companies that prepared annual integrated reports from 2018 to 2022. The independent variable "integrated reporting" was evaluated using three content elements: business model, strategy and resource allocation; risk & opportunity; based on the IR index available in existing literature; and the dependent variable "firm value" was determined by the price model or stock price per share. In this study, firm size and profitability are considered as control variables. The findings reveal that there is a significant positive impact of disclosing information about the business model, strategy, and resource allocation over time on firm value. Nevertheless, there is a negative impact of the risk and opportunity disclosed in the integrated annual report on firm value. This study emphasizes the importance of clarity and communication in IR among Sri Lankan financial companies. Management should focus on transparent disclosures of business models and resource allocation to enhance firm value and investor perception while being careful with risk disclosure. Investors should evaluate these disclosures to assess their value creation potential. Regulators and industry bodies should standardize practices to improve reporting quality. Further, future research is needed across various sectors.

Keywords: Firm value, financial companies, integrated reporting, price model