

**The Value Relevance of Integrated Reporting: A Quantitative Study of Listed Companies in the Colombo Stock Exchange, Sri Lanka**

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**Abstract**

This paper investigates the value-relevance of information disclosures, particularly non-financial information presented in Colombo Stock Exchange (CSE) listed company integrated reports, under a voluntary setting. To draw meaningful comparisons, the sample size for this study contains 103 companies (cross-sector) “adopting” and “not adopting” integrated reporting for the period 2016. The research is based on the linear regression analysis. A modified Ohlson (1995) valuation model was used to test the value relevance of accounting information (i.e., book value of equity and net income) and non-financial information.

To quantify non-financial information a self-constructed disclosure index was developed, and measured using the partial compliance approach. The empirical results implicate both book value of equity and net income are positively and significantly related to market value. However, in contrast to many findings, voluntary non-financial information disclosures of integrated reporting show positive yet insignificant association with market value.

On the basis of these results, it is presumed to be due in parts to the large portion of ill-informed investors in the CSE incapable of incorporating disclosure of non-financial information when screening firm performance. Hence, it is recommended integrated reporting be made mandatory, on a “comply or explain” basis to alter investor perceptions in paying more