

# Impact of Integrated Reporting Disclosure Level on Value Relevance of Accounting Information - Evidence from Listed Companies in Sri Lanka

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## Abstract

The introduction of Integrated Reporting Framework by IIRC addressing the need of governing the disclosure of Non – Financial information in corporate annual reports significantly enhanced the accounting information’s value relevance. However, some studies concluded that <IR> disclosures do not enhance the value relevance of accounting information. Hence, the current study validates those contradictory ideas & concludes how <IR> impacts accounting information’s value relevance in the Sri Lankan context. For that purpose, the current study selected 38 listed companies considering four years of study periods. The <IR> disclosure level measured using “<IR> Disclosure checklist” and accounting information’s value relevance measured using proxy measure of the “firm value” by taking the market price per share six months after each financial year ends. This study found that there is an increasing trend among the listed companies in the selected sample in terms of <IR> disclosures. However, the extended price model revealed the increasing level of <IR> disclosures negatively impacted on firm value or accounting information’s value relevance. The signaling theory considered in this study justified that corporate report user’s reaction to the signals provided through integrated reports with increased level of disclosures resulted in such negative impact regardless of the quantity of information provided through <IR>. Hence, this study contributes to the current literature by justifying the negative impact of <IR> disclosures on accounting information’s value relevance from signaling theory perspective.

**Keywords:** *Accounting Information, Firm Value, <IR> Disclosure Level, Value Relevance*

## Introduction

### Background and Problem Identification

Accounting practitioners, policymakers, and corporate report users are attracted to corporate reporting trends due to continuous development in corporate reporting. As part of such development, corporate reporting practices have reached a new stage where value creation disclosure becomes critical with the emergence of sustainability trends (Fernando *et al.*, 2018). Providing directions to corporate reporters to disclose their value creation process concisely, in 2013, the International Integrated Reporting Council (IIRC) issued a framework called Integrated Reporting (<IR>). <IR> provides principle-based guidelines for companies to prepare their Integrated Reports. The said framework includes seven guiding principles to be followed and eight content elements to be included when preparing an Integrated Report (IIRC, 2013) by corporate entities.

However, corporate annual report preparation and presentation based on <IR> are mandatory in some countries, while such preparation is voluntary in other countries. South Africa is a country where preparation and presentation of corporate annual reports in line with <IR> is mandatory, while it’s a voluntary exercise in Asian countries (Fernando *et al.*, 2018). Encouraging mandatory adoption of <IR>, Baboukardos & Rimmel (2016) state that mandatory adoption of <IR> along with the King III report enhanced the quality of corporate reporting in South Africa since one of the primary

purposes of <IR> is to enhance the value relevance of accounting information. As emphasized by Deloitte (2016) the information provided through corporate reports should be relevant for decision-makers. However, such information becomes relevant when corporate reports are provided at the right time with appropriate content. In preparing Integrated Reports, the report's content will be organized according to the eight content elements specified in the <IR> Framework. Since there is no standard structure to be followed when preparing Integrated Reports, reporters' judgment and guiding principles will be taken in to consideration by the reporting entities when deciding what information to disclose and it will depend on the individual organizational circumstances (IIRC, 2013a). Hence, the appropriate content of an Integrated Report will differ among organizations and within the same organization in different years. In this regard, Baboukardos & Rimmel (2016) initiated to assess how far <IR> enhanced the accounting information's value relevance through its eight content elements. Accordingly, a trend emerged to conduct similar studies about the impact of <IR> on the value relevance of accounting information.

However, there are contradictory findings for assessing <IR> disclosures on accounting information's value relevance. As stated previously, a study conducted in the South African context by Baboukardos & Rimmel (2016) concluded that there is a significant impact on the value relevance of accounting information with <IR> disclosures. In contrast, Fernando *et al.*, (2018) concluded that there is no such significant impact on the value relevance of accounting information from <IR> in Asian Firms. Supporting the same idea, a recent research study done by Cooray *et al.*, (2020) in the Sri Lankan context also found that there is no significant impact from the level of <IR> disclosure on the value relevance of accounting information. Hence, all these findings create a debatable research area to analyze whether <IR> enhances the accounting information's value relevance or not. Loprevite *et al.*, (2018) also emphasized that, although many studies have been conducted assessing the value relevance of accounting information under <IR>, it is still unclear as to how Integrated Reporting impacts the value relevance of accounting information.

Through this study, the researcher attempts to address the research gap which has risen out of the existing contradictory findings at the global level in relation to assessing the value relevance of accounting information under the <IR> approach while providing evidence from the Sri Lankan context through an empirical research study, where <IR> is a voluntary practice. The researcher selected the Sri Lankan context because Sri Lanka has an increasing level of early adopters of <IR> even though there is no mandatory requirement to follow <IR> (Lakshan, et al., 2021). Although Sri Lankan companies are early adopters of <IR>, prior studies concluded there is no significant impact from <IR> disclosure level on value relevance of accounting information. Hence, the researcher was interested to see whether previous findings are still justifiable or not by conducting another study in the Sri Lankan context. For that, the researcher was able to cover an increased number of study periods in terms of financial years compared with previous studies.

This study then answers the question: how does the overall <IR> disclosure level impact the value relevance of accounting information in listed companies in Sri Lanka? with the primary objective of identifying the impact of overall <IR> disclosure level on the value relevance of accounting information in listed companies in Sri Lanka.

Further, this study is significant because, this study validates the existing empirical results by revealing how <IR> disclosure level impacts the value relevance of accounting information in the Sri Lankan context in the perspective of signaling theory. Moreover, based on this study's findings, financial reporting regulators can understand how far <IR> is essential as a reporting approach. Finally, this study will show the worth of adopting <IR> as a reporting approach by the corporate reporters.

## **Literature Review**

### **Integrated Reporting**

With the publication of International Integrated Reporting Framework (IIRF) by IIRC in 2013, it became the primary source of <IR> guidelines. Hence, IIRC (2013a) defined <IR> as “ A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation” (IIRC, 2013a, p. 33). This definition indicates that <IR> is both a management approach and a reporting format. The emphasis on integrated thinking is the reason to identify <IR> as a management approach (Köhler & Hoffmann, 2017). According to IIRC (2013a), the term “integrated thinking” means “The active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects” (IIRC, 2013a, p. 33). The interpretation for the Integrated Report remains the same as the prototype IIRF’s definition as “A concise communication about how an organization’s strategy, governance, performance, and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term” (IIRC, 2013b, p. 7). However, a straightforward interpretation of the term value creation is included in IIRF. IIRC (2013a) defines value creation as “The process that results in increases, decreases or transformations of the capitals caused by the organization’s business activities and outputs” (IIRC, 2013a, p. 33). Through this definition, IIRC provides a complete definition for the <IR>.

### **Value Relevance of Accounting Information**

Various studies have defined this concept of value relevance of accounting information differently. One of the pioneers in providing interpretations for the value relevance of accounting information, Francis & Schipper (1999), provided four main interpretations through the fundamental analysis view, the prediction view, the information view, and the measurement view. The fundamental analysis view, explains that information presented in financial statements becomes value relevant if that information influences the company’s share prices by capturing the intrinsic share values. In that case, value relevance would be measured as the profits generated by implementing accounting-based trading rules. The second interpretation for value relevance of accounting information provided by Francis & Schipper (1999) expresses that financial information becomes value relevant if that information contains variables used in firm valuation models. The third interpretation, the information view, interprets accounting information’s value relevance as the statistical relationship between the accounting information and the share prices or returns. Similarly, the fourth interpretation infers that information should be reflected in share price movements if that information is value relevant irrespective of the sources of influencing (Francis and Schipper, 1999).

However, most of the firm valuation studies used the third and fourth interpretations as suggested by Francis & Schipper (1999) in their value relevance studies to measure accounting information’s value relevance depending on different accounting variables considered in different studies (Davies and Macfubara, 2018). For example, Veith & Werner (2010) identified value relevance as a proxy measure for financial information in financial statements which is usually measured as the association between accounting numbers and market measures.

Beuselinck (2005) explains the Value Relevance of accounting information from the perspective of accounting quality. According to Beuselinck, (2005), value relevance is an instrument used to estimate the quality of accounting information. This explanation is in line with the measurement view specified by Francis & Schipper, (1999). Accordingly, the researcher also considers Value Relevance as a proxy measure for assessing the quality of information outlined in the corporate reports which is reflected through market measures.

## **Value Relevance of Accounting Information under <IR>**

Taking the first step to address value relevance of accounting information under the <IR> approach, Baboukardos & Rimmel (2016) carried out a study in South Africa to understand market valuation implications of financial reporting under <IR>. They revealed a sharp increase in the earnings' valuation coefficient under IR (Baboukardos and Rimmel, 2016). Following such an initiative, a study conducted by Fernando & Hermawan (2018) comparing the value relevance of accounting information pre and post introduction of <IR> found that the adoption of <IR> affects the firms' value relevance which is also reflected through the Book Value per Share (BVS). Then the research interest for assessing value relevance of accounting information with <IR> disclosures shifted to the European context with the study conducted by Loprevite, *et al.*, (2018) with a sample of European companies. They found that there is a significant difference among earnings' degree of value relevance between the "IR Reporters" and "Non – IR Reporters. And finally, Loprevite, *et al.*, (2018) concluded that the Integrated Reporting Framework's disclosures improved the accounting earnings quality.

However, with time researches conducted in this area shifted to the Asian countries from South Africa and the European context. As one of the pioneering work conducted in an Asian context, a study conducted by Fernando *et al.*, (2018b) concluded that accounting information's value relevance does not significantly enhance after adopting <IR> practices in Asian countries. In the same manner, a study conducted by Cooray *et al.*, (2020) in Sri Lanka found that although the disclosure level of IR

is increased it does not significantly impact the value of the firm. The above findings then point out that the findings within the research context is contradictory and that further research work is necessary to conclude how IR disclosure level impacts the value relevance of accounting information.

## **Hypothesis Development**

### ***Theoretical Foundation: Signaling Theory***

Since the notion of signaling theory explains how signals are applied to reduce information asymmetry among the two parties, this can be viewed as one way of addressing the problems identified in the agency theory (Jeroe, 2016). The signaling theory talks about how signals are sent to the parties who are interested in specific information to reduce information asymmetry. "Signals" contain messages, pictures, or descriptions to communicate information from one entity to another entity (Connelly *et al.*, 2011). Further, Connelly *et al.*, (2011) mentioned that the quality of such signals' would highly depend on the information sender's ability to convey the correct signals to the information receiver. In the corporate context, information asymmetry exists among agents and the principle. The insiders or company executives take necessary action to communicate the entity's fundamental qualities to reduce the information asymmetry among the outsiders or the principles (Jeroe, 2016). Also, Ross (1977) states that through the signaling theory voluntary financial disclosure provides signals to reduce information asymmetry.

Then, the <IR> Framework can be identified as an ideal means of providing quality information to outside parties. It was justified by Fernando *et al.*, (2018), and in their study, they mentioned that <IR> and its credibility would provide a signal that various stakeholders are getting the required information regarding the value creation process of the entity. As a result, investors may estimate the firm's value, which reflected the value relevance of accounting information.

As identified above, signals may contain several descriptions such as pictures, or messages. Then the <IR> disclosures made by companies also fall into one of those means. Hence, <IR> disclosures made by reporting entities can be viewed as signals. Those signals support corporate report users to estimate the firm value, which is termed as a proxy measure for the value relevance of accounting

information. Based on the idea that increased disclosure level in <IR> may provide more signals to the corporate report users, the following hypothesis was developed for this study.

H<sub>1</sub> – There is a positive association between overall <IR> disclosure level & firm value.

## **Methods**

### **Population and Sample of the study**

The study’s population consists of all the entities listed in Colombo Stock Exchange (CSE) who published integrated annual reports for the last six years from 2015/2016 to 2018/2019. According to the Colombo Stock Exchange (n.d.), there are 99 listed companies which published at least one Integrated Annual reports during the last six years. Then, study’s population identified 99 listed companies (n=99)

The sample for this study was selected following the process specified in Table I.

**Table I: Sample Selection Process**

Integrated Reporters for last six years	99
(-) Listed companies with unavailable consecutive Integrated Reports from 2015/2016 to 2018/2019	(44)
Listed companies with available integrated reports from 2015/2016 to 2018/2019	55
Excludes: Firms with Financial year ended 31st December	(17)
The selected number of companies for the Study	38

*Source: Author’s Construction*

Then the sample of this study contained 38 listed entities who published Integrated Reports for four consecutive years starting from 2015/2016 to 2018/2019 financial year.

## **Measurement of Variables**

### ***Independent Variables***

The main independent variable of this study, “<IR> Disclosure Level,” was measured using a detailed <IR> Index which contained 38 disclosure checklist items, which resulted in a total score of 74 through a dimensional analysis of integrated annual reports. Any score out of 74 is identified as the overall integrated reporting disclosure level. Further, this index was initially introduced by Stent & Dowler (2015) and further developed by Gunarathne & Herath (2016). Moreover, this index was developed further by Cooray *et al.* (2020) based on the suggestions given by Kılıç & Kuzey (2018) in their study. A summarized version of the index is stated in Table II.

**Table II: Summarized <IR> Disclosure Index**

Content Element	No of Disclosure Items	Score
Organizational overview and external environment	7	16
Governance	7	12
Business model	5	10
Risk and opportunities	3	8
Strategy and resource allocation	4	6
Performance	6	13
Outlook	3	4

Basis of preparation and presentation	3	5
Total	38	74

Source: Cooray et al., (2020)

In addition to the above discussed independent variable, another two independent variables considered in this study. The other two independent variables are earnings per share (EPS) and the book value per share (BVS). The use of extended price model in this study encourage researcher to consider these two variables as independent variables since these two variables are inherent variables in the original price level model introduced by Francis & Schipper (1999).

### Dependent Variable

The dependent variable of this study is the value relevance of accounting information. In line with prior researchers' practices, the value relevance of accounting information was measured using the proxy measure of "Firm Value" (Fernando and Hermawan, 2018; Fernando et al., 2018; Cooray et al., 2020). In those studies, the firm value was measured using share price and market return. The share price was used in this study to measure the firm value as a proxy measure for accounting information's value relevance.

Stock price per share for a particular firm taken six months after the financial year-end since market participants take some time to react to published data through Integrated Reports (Fernando and Hermawan, 2018). Cooray et al. (2020) also justified that six months after the financial year-end is a reasonable time to capture Integrated Reports' value.

### Control Variables

In line with prior researchers like Fernando & Hermawan, (2018) & Cooray et al. (2020) this study used two controlling variables; firm size and corporate loss. The firm size measured using the value of each firm's total assets each year. The total asset value converted into a natural logarithm value and taken to the analysis (Cooray et al., 2020). The corporate loss considered as a dummy variable. It was 1 if the company achieved negative earnings or loss and 0 if the company gets positive earnings or profits (Cooray et al., 2020).

### Analytical Models of the Study

The Regression model applied in this study can be stated as follows.

$$P_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVS_{it} + \beta_3 IR_{it} + \beta_4 EPS_{it} * IR_{it} + \beta_5 BVS_{it} * IR_{it} + \beta_6 size_{it} + \beta_7 Loss_{it} * EPS_{it} + \varepsilon_{it} \quad (1)$$

### Extended Price Model

Table III: Components of the Extended Price Model

No	The component in the model	Description of the Component
01	$P_{it}$	Stock price per share for the firm $i$ at time $t$ , Six months after the fiscal year-end of time $t$ .
02	$EPS_{it}$	The earnings per share of the firm $i$ at time $t$ .
03	$BVS_{it}$	The book value per share of firm $i$ at time $t$ .
04	$IR_{it}$	The integrated reporting score
05	$size_{it}$	The natural logarithm of total assets of firm $i$ at time $t$ .
06	$Loss_{it}$	Dummy variable that equals 1 if the firm achieves negative earnings and 0 otherwise.

Source: Cooray *et al.*, (2020)

Most of the research carried out testing the value relevance of accounting information under the <IR> approach used mainly two regression models. Such models were initially identified as the price model and return model.” However, Cooray *et al.*, (2020) highlighted that the original version of the price model and return model was extended in their study to reflect the effect of <IR> disclosures on firm value. Research studies carried out by researchers like Baboukardos & Rimmel (2016) & Loprevite *et al.*, (2018) also followed the same method previously by extending the price model to reflect the effect of level <IR> disclosure on firm value. Hence, only the extended version of the price model used by Cooray *et al.* (2020) mentioned above used in this study.

## Findings of the Study

This section provides findings of the study under two analysis techniques mainly, descriptive statistics and regression.

### Overall <IR> Disclosure Level

Overall <IR> disclosure level of the selected listed entities in Sri Lanka during 2015/2016 to 2018/2019 was assessed using a detailed <IR> checklist. The checklist can make each company’s <IR> disclosure level into a score out of a maximum score of 74.

Table IV summarizes <IR> disclosure level using year-wise statistics. It revealed that the mean value for the overall <IR> disclosure level increased over the years. It tells that <IR> disclosure content in annual reports became more comprehensive over the last four financial years. Moreover, the standard deviation value keeps reducing continuously. It implicates that the deviation of the Integrated Report’s content among the different listed entities are reducing compared to the mean value of the score.

**Table IV: Year-wise Summary of Overall <IR> Disclosure Level Score**

Year	Mean	Std. Deviation	Minimum	Maximum
2015	44.45	6.829	30	66
2016	49.34	6.373	38	66
2017	53.32	5.686	44	71
2018	56.37	4.812	46	71
Total	50.87	7.420	30	71

Source: STATA Output Data 2021

## Regression Analysis Results

**Table V: Regression Results - Model 01**

P <sub>it</sub>	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
EPS <sub>it</sub>	.629	.26	2.42	.017	.116	1.142	**
BVS <sub>it</sub>	.002	.001	3.01	.003	.001	.004	***
IRS <sub>it</sub>	-.007	.003	-2.32	.022	-.013	-.001	**
EPS <sub>it</sub> * IRS <sub>it</sub>	.007	.031	0.22	.824	-.054	.068	
BVS <sub>it</sub> * IRS <sub>it</sub>	0	0	-0.35	.724	0	0	
Loss <sub>it</sub> * (2)	.197	.409	0.48	.63	-.61	1.005	
Size <sub>it</sub>	-.018	.046	-0.40	.692	-.109	.072	

Constant	1.707	.071	23.96	0	1.566	1.848	***
Mean dependent var	1.711				SD dependent var	0.564	
R-squared	0.723				Number of obs	152.000	
F-test	53.754				Prob > F	0.000	
Akaike crit. (AIC)	-136.575				Bayesian crit. (BIC)	-112.384	

\*\*\* p<.01, \*\* p<.05, \* p<.1

Source: STATA Output Data 2021

Before conducting the regression analysis, the researcher tested regression assumptions for the model applied in this research. The applied model met the expectations of linearity and heteroscedasticity regression assumptions. But, it violated the assumptions of Multicollinearity and Autocorrelation. The mean-centering method was applied as suggested by Iacobucci *et al.*, (2017) to prevent multicollinearity and as practised by Cooray *et al.*, (2020), the Prais – Winsten estimation method was applied to remove the autocorrelation problem in the applied model.

Table V indicates the regression results for model i.e., the extended price model. This model’s R<sup>2</sup> value is 0.723, which shows that this model’s independent variables can explain 72.3% of the dependent variable. The overall model is significant as well (Pro>F = 0.000). The Akaike crit. (AIC) & Bayesian crit. (BIC) reported values of -136.575 & -112.384, showing the model is a well-fitted one. In summary,  $EPS_{it}$ ,  $BVS_{it}$ ,  $IRS_{it}$  & the constant show significant results for this model. However, interaction variables such as  $BVS_{it} * IRS_{it}$ ,  $EPS_{it} * IRS_{it}$ , and the two control variables included in the model do not significantly impact the study’s dependent variable,  $P_{it}$ .

### **Hypothesis Testing**

The only hypothesis developed in this study hypothesizes that there is a positive association between overall <IR> disclosure level & firm value. This hypothesis was tested using the extended price model. However, the regression model results outlined in Table V state that the overall <IR> disclosure level is negatively associated with the firm value. The extended price model shows the coefficient value of -0.007 for  $IRS_{it}$ , and that it is statistically significant ( $p < 0.05$ ). The researcher then concluded that the overall <IR> disclosure level is negatively associated with the firm value and is statistically significant. Hence, the study’s hypothesis is not supported by this model and it thereby confirms the negative impact of  $IRS_{it}$  on the firm value.

### **Discussion and Recommendations**

Although descriptive analysis revealed that there is an increasing trend of <IR> disclosures over the four-year study period, the regression model employed in this study shows a significant negative impact on the overall <IR> disclosure level on the firm value. This significant negative coefficient shows that the <IR> disclosures made available in the Integrated Reports by the Integrated Reporters negatively impact investors’ firm valuation decisions. Hence, this result is opposite to the findings of the studies conducted by Baboukardos & Rimmel (2016), Fernando & Hermawan (2018) & Loprevite *et al.*, (2018). These studies concluded that <IR> disclosures enhanced investors’ firm valuation abilities through enhancing accounting information’s value relevance. However, all these studies were conducted in a context where <IR> is a mandatory requirement when preparing corporate annual reports. Hence, there is less comparability among the present study’s findings with the previously mentioned study because the present study was conducted in a context where <IR> is a voluntary practice among corporate entities. The findings of the study do not conform to the findings of studies carried out by Fernando *et al.*, (2018) & Cooray *et al.*, (2020), which have identified that there is no significant impact arising from <IR> disclosures when valuing a firm but, the present study confirms that significant impact is there and that it is negative.

All these conclusions clarify that the overall <IR> disclosure level has a significant negative impact on firm value. However, this significant result is an unexpected one because the general belief is that there will be a positive association between increased <IR> disclosure levels and firm value (Ghorbel and Triki, 2016). The negative association between IR disclosure levels and firm value can be supported through the underpinning theory selected for the study, which is the signalling theory. As per the signalling theory, the disclosures made on annual reports provide signals to the information users to reduce information asymmetry (Ross, 1977). The increased disclosure level in corporate annual reports makes less information asymmetry among principals and agents, providing more information and creating more signals. However, through Integrated Reports, entities provide both negative and positive signals that impact the investors' decisions on valuing the firm (Nurkumalasari, Restuningdiah and Sidharta, 2019). Investors react positively to the positive signals and negatively to the negative signals (Machmuddah *et al.*, 2020). Therefore, it can be concluded that this significant negative association resulted from negative signals coming from increased disclosure levels for the investors. Investors' decisions highly rely on the ultimate meaning of the information provided instead of the quantity of information provided. Disclosed information regarding the future direction of the entity, strategies to meet long term goals, actions to face corporate risks and past and expected future performance disclosed as part of the requirement of IIRF can have an impact on firm valuation decisions depending on whether those provide positive or negative implications. Hence, this study's findings implied that the ultimate meaning of the information matters rather the quantity of information disclosed by integrated reporters when valuing a firm based on the signaling theory perspective.

However, this negative coefficient value does not mean <IR> is something to be avoided by the Integrated Reporters. This statistically significant negative coefficient may be due to some other factors other than the fact emphasized through the underpinning theory of this study. The voluntary nature of the <IR> in the Sri Lankan context, fashionable nature of adopting <IR> by the late adopting listed companies in Sri Lanka without understanding the ultimate purpose and benefits of making <IR> disclosures and investors inability to incorporate these <IR> disclosures into their firm valuation decisions may also be reasons to this negative coefficient value (Cooray *et al.*, 2020) & (Vijitha & Nimalathasan, 2014)

However, based on the above conclusions & findings, although this study found that <IR> disclosure level negatively impacts firm value. Thus, it is recommended that Integrated Reporters should continue with the application of IIRF in their corporate annual report preparation process. The rationale behind this recommendation is, as discussed previously by taking the underpinning theory of this study, that the continuation of <IR> will provide both positive and negative signals to the corporate report users and it will result in reducing information asymmetry among the principal and the agent. Hence, it is also further recommended that non-Integrated Reporters apply IIRF to their corporate annual report preparing procedure to increase the quality in reporting. To the investors, this study recommends that, they should become familiar with making investment decisions based on the information provided through Integrated Reports. Finally, this study emphasizes that it is the corporate reporting regulator's responsibility to encourage <IR> among listed entities in Sri Lanka by various means. It is also recommended to promote <IR> with the awareness programs and knowledge-sharing program among corporate reporters.

In terms of limitations of this study, the researcher removed listed entities from the banking industry sector due to differences in their financial year-end compared with the other listed entities. Besides, the study only considered listed entities that published integrated annual reports for four consecutive years. The researcher did not consider 2019/2020 for this study due to the unavailability of market data. Hence, this study contains these limitations in relation to the study sample. Further, this study was conducted in Sri Lanka where <IR> is a voluntary practice. Hence, there is a limitation of

applying this study's findings to the other countries where <IR> is a mandatory practice. To overcome these limitations future researchers are encouraged to take into account the banking sector listed entities left out in this study due to differences in the financial year-end. Finally, more researchers are encouraged to validate the findings of the current study.

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