

IMPACT OF INTEGRATED REPORTING ON FIRM VALUE: A STUDY OF LICENSED BANKS AND FINANCE COMPANIES IN SRI LANKA

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Abstract

The utmost purpose of this study is to synthesize the impact of integrated reporting on the firm value of licensed banks and licensed finance companies in Sri Lanka. Moreover, this study aims to address the existing knowledge gap in the Sri Lankan context on integrated reporting. This paper develops an informative outcome, covering 20 licensed banks and finance companies for the period from 2015 to 2020. The quantitative approach is employed to generate a multi-dimensional perspective on integrated reporting and firm value. The integrated reporting is measured using content analysis with the support of an integrated reporting index, and the firm value is measured by Tobin's Q and Market to book ratio. This study results reveal that integrated reporting has a significant negative relationship with firm value. As an emerging voluntary disclosure requirement, Sri Lankan licensed banks and finance companies showed a strong motive to follow the International Integrated Reporting Framework in their integrated reporting disclosure during 2015-2020. However, Sri Lankan banks and finance companies have not yet received the supreme benefits of integrated reporting. Even though there are a few studies regarding integrated reporting and firm value, this study becomes one of the dominant studies which strive to explore the impact of integrated reporting on firm value using market-based performance indicators to measure firm value with reference to Sri Lanka. Moreover, this study used a self-constructed scoring index to measure integrated reporting in Sri Lanka based on literature. The findings facilitate the practitioners and policymakers about rethinking and revisiting the adoption and the use of integrated reporting.

Keywords: Firm value, Integrated report, Integrated reporting, Tobin's Q