INTERNATIONAL JOURNAL OF PROFESSIONAL BUSINESS REVIEW
ISSN: 2525-3654
OPEN ACCESS

IMPACT OF INTEGRATED REPORTING ON THE VALUE RELEVANCE OF CORPORATE DISCLOSURES

Wijesinghe Arachchilage Nadeesha Priyadarshani[A], Siti Khalidah Binti Md Yusoff[B], Ferdous Azam[C]

ARTICLE INFO

Article history:

Received 21 April 2023

Accepted 18 July 2023

Keywords:

Integrated Reporting;
Value Relevance;
Corporate Disclosures;
Colombo Stock Exchange.

ABSTRACT

Purpose: The integrated reporting (IR) process allows companies to present their business in a clear and concise manner. It was intended to investigate whether corporate disclosures are more beneficial when integrated reporting is adopted.

Theoretical framework: According to agency theory, market value of shares can be increased by providing investors with more concise, useful and relevant information. Integrated reporting which is the most recent advancement in the realm of corporate reporting facilitates to growing information needs of stakeholders. Thereby, this study examines whether integrated reporting enhance the value relevance of corporate disclosures which enhance the market value of firm.

Design/Methodology/Approach: This study was conducted using data collected from Colombo Stock Exchange (CSE) listed companies. There were 121 companies included in the sample, representing each sector proportionately. The data was gathered from corporate annual reports from 2012 to 2019. In the analysis, the return model and price model were both used. Descriptive statistics, correlation and panel regression analysis were conducted for achieving the research objectives.

Findings: The study discovered that Sri Lankan-listed companies had a low level of corporate disclosures, although it has improved significantly over time. Further, results of the study revealed that increasing the level of disclosures in annual reports had no significant impact on improving the firm value, indicating that there is no any value relevance of disclosures. Finally, it also concluded that the IR is not enhancing the value relevance of corporate disclosures.

Research, practical and social implications: The study suggest that financial managers should encourage in communicating more timely and more relevant information in order to increase their market capitalization which represent the value relevance. Further financial reporting guidelines and practices need to be more regulated. At the same time this study highlights the importance of implementing innovative corporate reporting techniques to enhance investor confidence, thereby stimulating economic growth and benefiting a wider range of stakeholders.

Originality/Value: Many researchers have investigated whether integrated reporting enhance the value relevance of accounting information. Still, existing research on the value relevance of corporate disclosures has not extensively explored the effects of adopting integrated reporting (IR) on this aspect.

Doi: https://doi.org/10.26668/businessreview/2023.v8i7.3029

[A] *Master of Science in Applied Finance. University of Sri Jayewardenepura. Graduate School of Management, Management & Science University. Malaysia. E-mail: nadeesha@wyb.ac.lk*
Orcid: https://orcid.org/0000-0002-0429-8081
[B] *PhD in Management. Professor. Graduate School of Management, Management & Science University. Malaysia. E-mail: khalidah@msu.edu.my*
[C] *PhD in Management. Associate Professor. Graduate School of Management, Management & Science University, Malaysia. E-mail: drferdous@msu.edu.my Orcid: https://orcid.org/0000-0002-0001-3595*

IMPACTO DA EMISSÃO INTEGRADA DE RELATÓRIOS SOBRE A RELEVÂNCIA DO VALOR DAS DIVULGAÇÕES CORPORATIVAS

RESUMO

Objetivo: O processo integrado de emissão de relatórios (IR) permite que as empresas apresentem seus negócios de forma clara e concisa. Pretendia - se investigar se as divulgações de informações empresariais seriam mais benéficas quando a emissão de relatórios integrada fosse adotada.

Quadro Teórico: De acordo com a teoria da agência, o valor de mercado das ações pode ser aumentado fornecendo aos investidores informações mais concisas, úteis e relevantes. A emissão integrada de relatórios, que é o avanço mais recente no campo da emissão de relatórios corporativos, facilita as necessidades crescentes de informações das partes interessadas. Assim, este estudo examina se o relato integrado aumenta a relevância da divulgação de informações corporativas que aumenta o valor de mercado da empresa.

Design/Metodologia/Abordagem: Este estudo foi realizado utilizando dados coletados de empresas cotadas na Bolsa de Valores de Colombo (CSE). Foram incluídas na amostra 121 empresas, representando cada setor proporcionalmente. Os dados foram coletados a partir de relatórios anuais corporativos de 2012 a 2019. Na análise, foram utilizados o modelo de retorno e o modelo de preço. Foram realizadas estatísticas descritivas, correlação e análise de regressão do painel para atingir os objetivos da pesquisa.

Constatações: O estudo descobriu que as empresas listadas no Sri Lanka tinham um baixo nível de divulgações corporativas, embora tenha melhorado significativamente ao longo do tempo. Além disso, os resultados do estudo revelaram que o aumento do nível de divulgação de informações nos relatórios anuais não teve um impacto significativo na melhoria do valor firme, o que indica que não existe qualquer relevância em termos de valor das divulgações. Por último, concluiu também que as normas de execução não estão a aumentar o valor das divulgações de informações às empresas.

Investigação, implicações práticas e sociais: O estudo sugere que os gestores financeiros devem incentivar a comunicação de informações mais oportunas e relevantes, a fim de aumentar a sua capitalização de mercado, que representam a relevância do valor. É necessário regulamentar mais as orientações e práticas adicionais em matéria de prestação de informações financeiras. Simultaneamente, este estudo salienta a importância da implementação de técnicas inovadoras de prestação de informação por parte das empresas, a fim de reforçar a confiança dos investidores, estimulando assim o crescimento econômico e beneficiando um leque mais alargado de partes interessadas.

Originalidade/Valor: Muitos pesquisadores investigaram se a geração de relatórios integrados melhora a relevância do valor das informações contábeis. Ainda assim, a pesquisa existente sobre a relevância do valor das divulgações corporativas não explorou amplamente os efeitos da adoção de relatórios integrados (IR) sobre esse aspecto.

Palavras-chave: Relatório Integrado, Relevância de Valor, Divulgações Corporativas, Bolsa de Valores de Colombo.

IMPACTO DE LA PRESENTACIÓN INTEGRADA DE INFORMES SOBRE EL VALOR Y LA PERTINENCIA DE LA INFORMACIÓN EMPRESARIAL

RESUMEN

Finalidad: El proceso de informes integrados (IR) permite a las empresas presentar su negocio de una manera clara y concisa. Su objetivo era investigar si la información presentada por las empresas era más beneficiosa cuando se adoptaba la presentación de informes integrados.

Marco teórico: Según la teoría de las agencias, el valor de mercado de las acciones puede incrementarse proporcionando a los inversores información más concisa, útil y relevante. La presentación de informes integrados, que es el avance más reciente en el ámbito de la presentación de informes empresariales, facilita la respuesta a las crecientes necesidades de información de las partes interesadas. Por lo tanto, este estudio examina si la información integrada mejora la relevancia de valor de la información empresarial que aumenta el valor de mercado de las empresas.

Diseño/Metodología/Enfoque: Este estudio se realizó utilizando datos recolectados de empresas que cotizan en la Bolsa de Valores de Colombo (CSE). Se incluyeron en la muestra 121 empresas, que representaban a cada sector proporcionalmente. Los datos se recopilaron a partir de los informes anuales corporativos de 2012 a 2019. En el análisis se utilizó el modelo de retorno y el modelo de precios. Se realizó estadística descriptiva, correlación y análisis de regresión de panel para el logro de los objetivos de investigación.

Hallazgos: El estudio descubrió que las empresas que cotizan en bolsa en Sri Lanka tenían un bajo nivel de información corporativa, aunque ha mejorado significativamente con el tiempo. Además, los resultados del estudio pusieron de manifiesto que el aumento del nivel de información a revelar en los informes anuales no tenía un

efecto significativo en la mejora del valor de las empresas, lo que indicaba que la información a revelar no tenía ninguna importancia para el valor. Por último, también llegó a la conclusión de que la IR no está aumentando la importancia de la información sobre el valor de las empresas.
Investigación, implicaciones prácticas y sociales: El estudio sugiere que los gestores financieros deben fomentar la comunicación de información más oportuna y más relevante con el fin de aumentar su capitalización de mercado, que representan la relevancia del valor. Es necesario reglamentar más las directrices y prácticas de presentación de informes financieros. Al mismo tiempo, este estudio pone de relieve la importancia de aplicar técnicas innovadoras de información empresarial para aumentar la confianza de los inversores, estimulando así el crecimiento económico y beneficiando a una gama más amplia de partes interesadas.
Originalidad/Valor: Muchos investigadores han investigado si los informes integrados mejoran la relevancia del valor de la información contable. Sin embargo, las investigaciones existentes sobre la importancia en términos de valor de la información a revelar sobre las empresas no han explorado exhaustivamente los efectos de la adopción de la información integrada sobre este aspecto.

Palabras clave: Informes Integrados, Relevancia de Valor, Información Corporativa, Bolsa de Valores de Colombo.

INTRODUCTION

Value relevance of corporate disclosures refers to the ability of corporate information to influence the decisions of investors. It is examined by finding the ability of corporate information to explain the underlying differences in stock prices in capital markets (Uyar & Kilic,2012; Bokpin,2013). It looks at the usefulness of corporate disclosures by investigating whether market players (investors) value this information when deciding on share pricing. This strategy presumes that business information is value relevant or decision useful if it has the potential to have an impact on an investor's decision and make a significant change in the share price (Tahat et al., 2016). A company's financial statements are considered to be value relevant if they provide relevant and reliable information to investors. In recent years, there has been a noticeable change in corporate reporting practices, with an increasing number of businesses choosing to disclose information on a voluntary basis. This trend is primarily driven by a desire to enhance accountability as well as transparency, as noted by Dumay et al. (2016). Integrated reporting represents the most recent advancement in the realm of corporate reporting on a global scale. The integration of conventional reporting and corporate social responsibility serves to improve corporate transparency, as posited by Cortesi and Vena (2019). Hence, integrated report facilitates to growing information needs of stakeholders. However, preparers of integrated reports have the main issue of high preparation cost (Chaidali & Jones, 2017). According to MacNally et al. (2017) preparers of integrated annual reports are uncertain that the benefits of an integrated report exceeds the cost or any bearing on operational or internal management issues. Further MacNally et al. (2017) discovered that the usefulness of the integrated report is limited, due to investors do not value the integrated reports. Nevertheless, it is imperative to adequately address the challenges associated with the implementation of integrated reporting in research studies. These challenges primarily stem from the novelty of integrated reporting and necessitate additional research (Shkromyda, 2023). As IR seeks to explain to financial capital providers how a company build value over time, one of the key questions is whether investors find integrated reports more decision-useful than standard annual reports. Thereby, this study is focus on assessing the impact of integrated reporting on users by way of looking at whether the IR enhance the value relevance of corporate disclosures, which enhance the firm's market value.

Many researchers (Basnayaka and Priyadarshani, 2021; Fernando et al., 2017; Cooray, 2020) have investigated whether integrated reporting enhance the value relevance of accounting information. However, there are no studies which look at the impact of IR adoption on the value relevance of corporate disclosures which covers both financial and non-financial information. The emerging market which chosen for this study is Sri Lanka, a country that has seen a high rate of IR diffusion in recent years despite the fact that it is a voluntary exercise (Cooray, 2020).

In various areas, this study adds to the existing literature. Initially, this study conducts a comprehensive evaluation of the manner in which companies have disclosed corporate information by employing a meticulous checklist. Check list is comprised with both financial and non-financial information. Furthermore, this research makes a valuable contribution to the existing body of literature on value relevance by investigating the influence of disclosure level on the market value of companies. The analysis incorporated both price and return models. It contributes to the ongoing debate on whether ever increasing volume of corporate disclosures gives any benefit to the corporations. This study is important because prior research (Srivastava and Muharam, 2021; Abdollahi et al., 2020; Ahmadi and Bouri, 2018; Diftar and Elkalla, 2019) focused mostly on the value relevance of financial information. The findings of this study provide additional insights into the relationship between corporate disclosures and the market valuation of a firm. This study investigated the role of integrated reporting as a moderating factor in the association between disclosure level and market value of firms. The findings of the study ascertain whether investors perceive integrated annual reports as more informative for decision-making compared to traditional annual reports. It adds to the ongoing argument about whether the benefits of integrated reporting outweigh the costs. This study highlights the importance of implementing innovative corporate reporting techniques to enhance investor confidence, thereby stimulating economic growth and benefiting a wider range of stakeholders.

THEORETICAL FRAMEWORK

The present study undertakes a comprehensive review of the existing literature in order to gain a deeper understanding of the topic. This section provides a critical review of the current body of literature regarding Integrated Reporting (IR) and the importance of disclosures in relation to their value relevance. It gives a special focus on information provided via integrated reports.

Corporate Disclosures and Integrated Reporting

Corporate disclosures comprise both financial and non-financial information. Modugu (2017) found that disclosures on economic aspects are the most prominent, followed by social and environmental reporting. Corporate disclosure is experiencing a growing emphasis on non-financial information pertaining to intangible assets (Arvidsson, 2011). The voluntary disclosures serve as a means to address the limitations of financial statements in adequately disclosing a company's intangible assets. Ultimately, this results in a reduction of the potential risk associated with the debated impairment of the optimal allocation of resources within the stock market. The evolution of corporate reporting has seen a shift from reports focusing solely on corporate social responsibility to the emergence of integrated reports that encompass both financial and non-financial aspects of performance (Andreu & Martinez, 2017). The concept of integrated reporting represents a significant advancement in the field of sustainability reporting, as highlighted by Abeywardana et al. (2022a). The field of International Relations (IR) has significantly improved the dissemination of sustainability disclosures. In 2013, the International Integrated Reporting Council (IIRC) implemented the inaugural integrated reporting framework. This framework enables companies to divulge both their financial and nonfinancial performance, while also consolidating information from distinct corporate reports into a single report (IIRC, 2013). Consequently, the utilization of this reporting framework enables the dissemination of comprehensive, structured, and integrated information pertaining to the organization's strategy, performance, and future prospects (Rinaldi et al., 2018). Organisations employ integrated reporting as a means of effectively conveying concise and comprehensible information regarding their strategic initiatives, governance practices, operational achievements, and future prospects. Moreover, integrated reports play a crucial role in promoting an organization's integrated thought process, resulting in integrated decision-making and endeavors that encompass the generation, conservation, or erosion of value over the short, medium, and long term. Abeywardana et al. (2022b) have identified a correlation between the concept of integrated thinking and the implementation of integrated reporting. Additionally, the findings of this study indicate that senior executives and board members hold favorable attitudes towards integrated reporting, actively taking the lead in promoting, endorsing, exerting influence on, engaging with, and providing support for it. Despite operating within a voluntary framework, numerous companies are demonstrating a proactive approach towards addressing investor relations by adhering to international guidelines (Islam, 2021). Furthermore, according to Agency theory, IR can increase market liquidity by providing investors with more concise and useful value-relevant information (Abeywardana et al., 2021). Muhi and Benaissa (2023) found that IR effect on the quality of the financial report. Since integrated reporting is the latest reporting model, it has caught the interest of accounting scholars all across the world in recent years.

Value Relevance of Corporate Disclosures

Accounting scholars have applied the value relevance research methodology in a variety of ways to determine whether accounting information has an expected relationship with equity market values. The primary objective of researchers in conducting tests of value relevance is to expand the existing knowledge on the relevance and reliability of accounting information, as evidenced by its impact on equity values. The Ohlson (1995) market valuation model is the most extensively utilized model by value relevance researchers.

Most of the researchers have selected one aspect of corporate reporting when testing the value relevance of those information. Several scholarly investigations (Al-Akra & Ali, 2012; Uyar & Kilic, 2012) have concentrated on examining the significance of voluntary disclosures in terms of their value relevance. The studies conducted by Al-Akra and Ali (2012) as well as Uyar and Kilic (2012) have provided empirical evidence to support the notion that voluntary disclosure possesses value relevance, meaning that it has a significant impact on firm value. However, Belgacerm & Omri (2014) examined empirically whether investors perceive voluntary disclosure to be value relevant and found a negative and insignificant relationship between voluntary disclosure and firm value. According to the study conducted by Wang and Hussainey (2013), it was observed that firms with strong governance practices have forward-looking statements that enhance the stock market's capacity to predict future earnings. Alotaibi and Hussainey (2016) conducted an analysis to investigate the influence of corporate social responsibility (CSR) disclosure quantity and quality on firm value. Their findings revealed a positive correlation between the quality and quantity of CSR disclosure and market capitalization. However, the study yielded different outcomes when Tobin's Q was employed as indicator of firm value. Hermawan et al. (2023) also found a positive impact of CSR on value of Indonesian pharmaceutical companies. Vafaei et al. (2012) discovered that intellectual capital disclosures are positively associated with market price. In their study, Al-Maghzom and Abdullah (2016) investigated the potential value relevance of voluntary risk disclosure in Saudi listed banks. Their findings indicate a lack of association between the levels of voluntary risk disclosure and firm value. In their study, Hassan et al. (2009) conducted an analysis to evaluate the significance of voluntary and mandatory disclosure. Their findings revealed that voluntary disclosure exhibited a positive yet statistically insignificant correlation with firm value, while mandatory disclosures displayed a highly significant but negative association with firm value. The examination of existing literature indicates a dearth of empirical research that specifically investigates the value relevance of corporate disclosures.

Impact of IR on the value relevance of Corporate Information

There is a dearth of scholarly research that has examined the effects of integrated reporting on the value relevance of corporate information. The research conducted by Thili et al. (2019) investigates the importance of organisational capital in relation to its value relevance following the compulsory adoption of integrated reporting in South Africa. The results of this study suggest that the implementation of integrated reporting has a notable and positive impact on the value relevance of organisational capital.

Numerous scholars conduct research on the ramifications of integrated reporting by utilizing data from South Africa, a jurisdiction where the practice of integrated reporting is obligatory. Baboukardos and Rimmel (2016) enhanced the comprehension of the market valuation consequences associated with financial reporting within the context of an Integrated Reporting (IR) framework. This study employed the linear price-level model and utilized a sample of 954 firm-year observations from the Johannesburg Stock Exchange (JSE). The findings indicate a significant rise in the valuation of earnings, accompanied by a decrease in the value relevance of net assets. The study conducted by Fernando and Hermawan (2018) examined the impact of the adoption of integrated reporting on the value relevance of accounting information. The assessment of the impact was conducted by analyzing the relative and incremental value relevance. The results of the study indicate that the implementation of integrated reporting in South Africa has a significant influence on the value relevance of accounting information.

The study conducted by Loprevite et al. (2018) aimed to assess the influence of the adoption of Integrated Reporting (IR) on the value relevance of summary accounting information within the European context. Their findings indicate a significant disparity in the level of value relevance of earnings between organizations that publish an Integrated Report and those that adhere to conventional financial reporting practices. Several studies have been conducted in the Asian region. The study conducted by Fernando et al. (2017) examined the impact of integrated reporting on the relevance of accounting information, drawing upon empirical evidence from companies in Asia. The study's findings indicate that the implementation of integrated reporting does not have a significant impact on the value relevance of accounting information. Same findings have been obtained by Basnayake & Priyadarshanie (2021) in their study based on the Sri Lankan context. But according to Coory et al. (2020), IR enhances the value relevance of accounting information for Sri Lankan listed companies. Research on the impact of integrated reporting on the value relevance of corporate disclosures is, however, lacking. Previous research has primarily focused on examining the value relevance of accounting information exclusively. Thereby, the aim of this research is to ascertain how integrated reporting affects the value relevance of corporate disclosures which include both financial and non-financing information in the Sri Lankan context.

METHODOLOGY

The purpose of this study is to examine whether the value relevance of corporate disclosures of listed companies in Colombo Stock Exchange (CSE) has enhanced due to adoption of IR. In order to do so, the relationship between corporate disclosures and firm value was examined using IR as a moderating variable. The corporate disclosure – firm value relationship is not the same for all companies, but instead differs depending on whether they apply IR practice or not. Rather than checking the explanatory power (R^2) of the models (IR adopters and Non adopters), introducing a moderator can be seen as a means to account for heterogeneity in the data (Hair et al., 2016). Hence, IR serves as a moderator variable that accounts for heterogeneity in the corporate disclosure – firm value relationship.

Data and Sample

All the listed companies in CSE were the population of the study. 121 companies were proportionately selected from those listed companies representing all the industries in order to eliminate the industrial effect. In 2012, Sri Lanka experienced new IFRS convergence. Thereby, data was collected for the period 2012 to 2019. Then 968 firm year observations were considered in the study.

Analytical Models

The price model and return model, which links a firm's market value of equity with its book value of equity and profits, is used in a manner similar to earlier studies in the value relevance literature (Khidmat et al., 2019; Cooray et al., 2020).

Model 01: Price Model:

$$P_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + \beta_3 IR_{it} + \beta_4 INDEX_{it} + \beta_5 IR_{it} * INDEX_{it}$$

Model 02: Return Model:

$$R_{it} = \beta_0 + \beta_1 EPS_{it} + \beta_2 BVPS_{it} + \beta_3 IR_{it} + \beta_4 INDEX_{it} + \beta_5 IR_{it} * INDEX_{it}$$

P_{it} - Stock price per share for firm i at time t.
R_{it} - Stock price return for firm i at time t.
EPS_{it} - the earnings per share of firm i at time t.
$BVPS_{it}$ - the book value per share of firm i at time t.
IR_{it} - the IR score of firm i.
$INDEX_{it}$ - the level of corporate disclosure of firm i at time t

RESULTS AND DISCUSSION

This section organizes the study's findings into two basic categories: First, descriptive statistics were used to demonstrate the level of corporate disclosures made by Sri Lankan listed firms; second, its influence on market value and the impact of IR on this relationship were explored using correlation and regression analysis.

Descriptive Statistics

This study evaluates the extent of corporate information disclosure among listed companies in Sri Lanka using descriptive statistics. The disclosure scores are calculated based on a disclosure index. This study employs an un-weighted index that incorporates financial and non-financial data to assess the extent of corporate disclosures. Researchers utilized the GRI guidelines, a voluntary disclosure checklist developed by Hamrouni et al. (2015), and the SAFA guideline for annual report awarding for developing the index.

Table 01: Descriptive Statistics of Disclosure Index

Year	Minimum	Maximum	Mean	Standard Deviation
2012	16	98	39	15.17
2013	17	98	40	15.69
2014	17	98	42	16.94
2015	18	98	46	17.7
2016	18	98	48	18.08
2017	18	98	48	17.62
2018	18	99	50	18.59
2019	18	99	50	18.88

Source: Output – Eviews (2023)

The mean value of the index increased from 39 to 50 between 2012 to 2019, showing a steady increase in the level of corporate disclosures made by sample companies. However, there is a significant increase in the standard deviation of mean score, indicating that, despite the increasing trend toward more information sharing, there is significant heterogeneity in the disclosure score among listed companies. This is also supported by gap between maximum and minimum disclosure index. Maximum disclosure index is very close to 100% which means some listed firms have disclosed more information and be more transparent. However minimum score is around 18% indicating that some companies disclose only the minimum requirement. This might be linked to the voluntary nature of reporting non-financial information in the Sri Lankan environment, as well as a lack of guidelines for publishing corporate disclosures. This may provide management a lot of flexibility in determining what disclosures to include in the annual report.

Correlation Analysis

The Pearson's correlation coefficient analysis results for the price model and the return model are shown in Tables 2 and 3, respectively.

Table 02: Correlation Analysis – Price Model

	BVPS	**EPS**	**INDEX**	**IR**	**MARKET_PRICE _OF_SHARE**
BVPS	1				
EPS	-0.613**	1			
INDEX	-0.148**	0.063*	1		
IR	-0.080**	0.036	0.478**	1	
MARKET_PRICE_OF_ SHARE	0.218**	0.008	-0.115**	-0.057*	1

** p < 0.05, * p < 0.10
Source: Output – Eviews (2023)

The correlation analysis results of the price model indicate that Book Value Per Share (BVPS) has a positive significant correlation ($p<0.05$) with market price of share. Earnings Per

Share (EPS) has a week positive relation with the market price of share. However, it is not statistically significant. Disclosure index showed a statistically significant negative relation ($p<0.05$) with the market price of share. IR also has a negative correlation with market price of share which is statistically significant at 90 confidence level. Specially, correlation coefficient of all the variables are less than 0.8 indicating there no multicollinearity among variables.

Table 03: Correlation Analysis– Return Model

	LN_MKTP	BVPS	EPS	INDEX	IR
LN_MKTP	1				
BVPS	0.066**	1			
EPS	0.067**	-0.614**	1		
INDEX	0.054	-0.148**	0.063*	1	
IR	0.124**	-0.080**	0.036	0.476**	1

** $p < 0.05$, *$p < 0.10$

Source: Output – Eviews (2023)

Table 03 shows the correlation analysis of return model and it indicates that BVPS, EPS and IR have a significant positive correlation ($p < 0.05$) with the market return of share. However, disclosure index has no significant correlation ($p > 0.10$) with the market return of share. In this particular model, it is observed that the correlation coefficients of all the variables are below 0.8, suggesting the absence of multicollinearity among the variables.

Regression Analysis

Since this study used panel data, panel regression analysis was conducted to obtain the results. Hausman test was utilized for the selection of most fitted model among fixed effect model and random effect model. The hypotheses tested under the Hausman test are as follows:

H_0 – Random effect model is appropriate.

H_1 – Fixed effect model is appropriate

Table 04: Result of Hausman Test – Price Model

	Chi Sq Stat	Chi sq d.f	Prob.
Cross section random	48.89	5	0.000

Source: Output – Eviews (2023)

At a 5% level of significance, the chi-square statistic's probability value is significant. The alternative hypothesis is accepted and the null hypothesis was rejected. Thus, according to the Hausman test the fixed effect model is better suitable for assessing the panel data.

Price Model

Table 05 displays the findings of the regression analysis conducted on the price model, with a significance level of 95 percent.

Table 05: OLS Multivariate Regression Analysis—Price Model

Variable	Coefficient	P value
C	36.980	0.000
EPS	2.206	0.000
BVPS	0.244	0.000
IR	24.525	0.045
INDEX	-0.140	0.389
IR*INDEX	-0.451	0.069
R- Squared	0.857	
F-statistic	33.59	
Prob(F-statistic)	0.000	

Source: Output – Eviews (2023)

The R^2 value indicates that 85.7% of the variation in the market price of the share can be explained by the independent variables. The F value of 33.59 is statistically significant, as indicated by the p-value of 0.000 ($p< 0.05$). The regression analysis indicates that the coefficients of EPS and BVPS have a statistically significant positive effect on the market price of shares. IR also displays a significant positive association with the market price of shares. The estimated coefficient of INDEX is negative and the relationship is insignificant ($p > 0.05$). The coefficient of the interaction between INDEX and the IR adoption is negative and the relationship is insignificant ($p > 0.05$). Results indicate that there is no moderation impact of IR on the relationship between INDEX and the market price of shares confirming that IR does not effect on the value relevance of corporate disclosures.

Return Model

Results of the Hausman Test are presented in the table 06.

Table 06: Results of the Hausman Test – Return Model

	Chi Sq Stat	Chi sq d.f	Prob.
Cross section random	48.89	5	0.000

Source: Output – Eviews (2023)

Results suggest that the fixed effect model is appropriate ($p < 0.05$). The results of the regression analysis under the fixed effect model are given in the table 07.

Table 07: Multivariate Regression Analysis - Return Model

Variable	Coefficient	P value
C	3.510	0.000
EPS	0.025	0.000
BVPS	0.001	0.046
IR	-0.012	0.938
INDEX	-0.006	0.003
IR*INDEX	-0.0004	0.880
R- Squared	0.922	
F-statistic	65.62	
Prob(F-statistic)	0.000	

Source: Output – Eviews (2023)

Table 07 shows the regression results of the return model. Independent variables of the model explain the 92.2 percent of the variations in the stock return. And also model has significant explanatory power (P value of F statistic < 0.05). Estimated coefficient of EPS and BVPS shows that those have positive significant impact on the market return confirming the findings of the price model. IR shows an insignificant negative association with market return. Further, results indicate that, there is a significant negative impact of INDEX on the market return which is contradicts with the findings of the price model. This result suggests that corporate disclosures lead to deteriorate the firm value. The results proposed the irrelevance of the information disclose by the listed companies from the investors' perspective. However, coefficient of interaction between INDEX and IR adoption is negative and statistically insignificant ($p > 0.05$). Results confirmed that there is no any moderation effect of IR on the relationship between INDEX and the market return. Both price model and the return model confirmed that IR has no any impact on the value relevance of the corporate disclosures.

Overall, the findings of the study suggest that there is a steady increase in the level of corporate disclosures made by Sri Lankan listed companies. However, this increase has not significantly lead to enhance the firm value of those listed companies. Instead, high disclosure level has effect on long run deterioration of the market value indicating the irrelevance of disclosures made by the companies. Both models confirmed that IR does not have any impact on the value relevance of the corporate disclosures.

CONCLUSION

This study examined the relationship between the value relevance of corporate disclosures which enhance the firm value of the listed companies and the impact of IR on the value relevance of corporate disclosures. Annual reports were content-analyzed after a detailed disclosure index was constructed to determine the level of disclosures. The relationship between disclosure level and firm value was investigated using price and return models that were expanded to allow for the impact of disclosure level on firm value. First, in terms of the extent of corporate information disclosed by listed companies, the study discovered that Sri Lankan-listed companies had a low level of corporate disclosures, although it has improved significantly over time. The findings are consistent with those of other countries such as Zimbabwe (Betah, 2013), the United States, and the United Kingdom (Bhatia & Tuli, 2018). In the Sri Lankan context, this rising trend can be traced primarily to the use of IR when producing annual reports and awarding ceremonies organised by professional accounting bodies in recognition of excellence in preparing annual reports. Consultancy firms and annual report preparation companies may also contribute to the growing trend in disclosures through their provision of support services.

Second, this study discovered that increasing the level of disclosures in annual reports had no significant impact on improving firm value, indicating that there is no any value relevance of disclosures. Instead, the level of disclosure has a significant negative impact on firm value. While the pricing model suggests an insignificant negative association in this study, the return model indicates a significant negative impact of disclosure level on firm value.

This goes against the conclusions of the research, which demonstrated that disclosures is value relevant (Al-Akra & Ali(2012); Uyar & Kilic(2012)). All of these studies, however, have only taken into account one facet of corporate disclosures, namely voluntary disclosures. However, Maghzom et al. (2016) found no correlation between Saudi listed banks' firm values and their levels of voluntary risk disclosure. Uyar & Kilic (2012) found that the model utilized had a different impact on the relationship between disclosure level and company value. Hassan et al. (2009) found that mandatory disclosure has a significant however negative, relation with company value. This result may be the product of a deliberative process that balanced the advantages and disadvantages of disclosures.

Further, corporate disclosures not being able to impact significantly on the firm value of listed companies in Sri Lanka may have resulted from the producing of irrelevant information for the investors. Most of the companies use GRI guidelines when they are preparing annual reports however, GRI indicators may not be fully applied for all the industries. The findings of this study prompt an inquiry into whether the information presented in the annual report possesses value-relevant attributes for investors, or if investors lack the ability to effectively integrate corporate information into their estimations of firm value.

This study expands on the analysis by demonstrating the influence of adopting IR on the value relevance of corporate disclosures. Both models found no significant impact of IR on the value relevance of corporate disclosures. The lack of influence of IR on the value relevance of disclosures may be attributed to the intricate nature of its principle-based framework. The obstacles that emerge from the IR framework, such as the challenge of identifying relevant information on both financial and non-financial aspects while accommodating the diverse requirements of various stakeholders, as well as the intricate nature of reporting capital components, could also influence this outcome. Empirical findings of the studies (Abhayawansa et al., 2018 and Slack and Tsalavoutas, 2018) also pointed out the irrelevance of integrated reporting According to the findings of Abhayawansa et al. (2018), the enhancements derived from the implementation of integrated reporting lack significance for analysts due to insufficiently detailed or preferred format of the information provided in the reports. In their study, Slack and Tsalavoutas (2018) conducted an evaluation of the decision usefulness of integrated reporting by examining the perspectives of key participants in the mainstream equity market. Their findings indicate that the adoption of integrated reporting among fund managers and equity analysts is limited. According to Okwuosa and Atkins (2022), the study's results indicate that the International Integrated Reporting Council (IIRC) adopts a preparer-centered approach, wherein it interprets integrated reporting (IR) as significant from the standpoint of information preparers. Consequently, this approach is deemed meaningful to fund managers and analysts. Nevertheless, fund managers and analysts adopt a user-centered perspective, wherein they perceive IR as lacking significance from their standpoint as consumers of information. Mirsadri et al. (2021) discovered that the existing IR framework should be modified to cater different types of organizations.

The study's findings have numerous ramifications for theory and practice. Furthermore, a checklist comprising financial and non-financial information, as well as voluntary and mandatory information, was constructed in this study to measure the corporate disclosure level. As several researchers have proposed different techniques of evaluating the level of corporate disclosures, it will be fascinating to utilize these metrics to see how the relationship between the level of corporate disclosures and firm value evolves.

This study possesses several implications for practical implementation. First and foremost, it is imperative for policymakers and regulators to acknowledge the importance of improving IR in order to enhance the value relevance of corporate information disclosed by companies. This, in turn, will facilitate the growth and advancement of capital markets. In order to enhance its utility, it is imperative to adapt the current framework of IR to cater to the diverse needs of various organizational entities. There is a requirement for additional policy initiatives to enhance the disclosure and dissemination of corporate information within the capital market. Hence, the findings would encourage financial managers in communicating more timely and more relevant information in order to increase their market capitalization. Financial reporting guidelines and practices need to be more regulated.

The study's findings can be utilized by standard setters and regulatory bodies, including professional accounting bodies, to assess the degree to which corporate disclosures and integrated reporting practices have fulfilled their intended objectives in addressing the informational requirements of investors and other providers of financial capital regarding the overall value generation of firms. Regulatory bodies play a crucial role in supporting policy initiatives aimed at enhancing transparency in corporate practices within capital markets and fostering a conducive culture within these markets.

By analyzing the findings and the limitations of the study, several areas for future research have been identified. This study focused solely on the influence of the overall adoption of IR on firm value, without examining the quality of IR adoption or considering individual content element scores. Further analysis of the relationship between the adoption of IR or individual content elements and firm value could provide valuable insights. Therefore, future research should consider analyzing the impact of adopting IR on firm value and the individual impact of each content element. Since IR is still infant concept, in the future researchers may check the long run effect of adopting IR. Future researches may be conducted to evaluate the impact of corporate disclosers not only on the market performance but also on firm financial performance. Since the GRI standards on which the non-financial information of the disclosure index is established are not applicable to all sectors in a same way, an industry wise analysis may be undertaken by deleting inappropriate criteria for that particular business.

REFERENCES

Abdollahi, A., Rezaei Pitenoei, Y., & Safari Gerayli, M. (2020). Auditor’s report, auditor’s size and value relevance of accounting information. *Journal of Applied Accounting Research*, *21*(4), 721–739. https://doi.org/10.1108/jaar-11-2019-0153

Abeywardana, N.L.E., Ferdous Azam, S.M. and Kevin Low, L.T. (2021). Theoretical review on Integrated Reporting, International Journal of Scientific & Technology Research, 10(5).

Abeywardana, N.L.E., Ferdous Azam, S.M. and Kevin Low, L.T. (2022b), Integrated thinking on integrated reporting practice: evidence from public listed companies in Sri Lanka, Journal of Financial Reporting and Accounting, https://doi.org/10.1108/JFRA-09-2021-0270

Abeywardane, N.L.E., Ferdous Azam, S.M., Kevin Low L. T. (2022a). Towards the Sustainability Enhancement: Identification of Impediments on Integrated Reporting. Universal Journal of Accounting and Finance, 10(2), 591 - 600. DOI: 10.13189/ujaf.2022.100224.

Abhayawansa, S., Elijido-Ten, E. and Dumay, J. (2018). A practice theoretical analysis of the irrelevance of integrated reporting to mainstream sell-side analysts. *Accounting & Finance*, DOI: 10.1111/acfi.12367.

Ahmadi, A., & Bouri, A. (2018). The accounting value relevance of earnings and book value: Tunisian banks and financial institutions. *International Journal of Law and Management*, *60*(2), 342–354. https://doi.org/10.1108/ijlma-11-2016-0131

Al-Akra, M., & Ali, M. J. (2012). The value relevance of corporate voluntary disclosure in the Middle-East: The case of Jordan. Journal of Accounting and Public Policy, 31(5), 533–549.

Al-Maghzom and Abdullah (2016) *The Determinants and Consequences of Risk Disclosure in Saudi Banks.* PhD thesis, University of Gloucestershire.

Alotaibi, K. O., & Hussainey, K. (2016). Determinants of CSR disclosure quantity and quality: Evidence from non-financial listed firms in Saudi Arabia. *International Journal of Disclosure and Governance*, *13*(4), 364–393. https://doi.org/10.1057/jdg.2016.2

Andreu, L. M., & Martínez, E.O. (2018). Non-financial information of Spanish companies and financial evolution. Social Responsibility Journal, 14(4), 782-801.

Arvidsson, S. (2011). Disclosure of non-financial information in the annual report. Journal of Intellectual Capital, 12(2),277-300.

Baboukardos, D., & Rimmel, G. (2016). Value relevance of accounting information under an integrated reporting approach: A research note. *Journal of Accounting and Public Policy*, *35*(4), 437–452. https://doi.org/10.1016/j.jaccpubpol.2016.04.004

Baboukardos, D., & Rimmel, G. (2016). Value relevance of accounting information under an integrated reporting approach: A research note. *Journal of Accounting and Public Policy*, *35*(4), 437–452. https://doi.org/10.1016/j.jaccpubpol.2016.04.004

Basnayaka, S., & P.L.W., P. (2021). Impact of Integrated Reporting Disclosure Level on Value Relevance of Accounting Information - Evidence from Listed Companies in Sri Lanka. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.4117004

Belgacem, I. & Omri, A. (2014). The Value Relevance of Voluntary Disclosure: Evidence from Tunisia Stock Market. *The International Journal of Management*, *1*(5), 353–370.

Betah, T. (2013). An Investigation Into Determinants Of Corporate Disclosure & Transparency Of Listed Companies In Zimbabwe During Financial Crisis (2007-2008), International Journal Of Scientific & Technology Research, Vol. 2 (1), 19-25.

Bhatia, A., & Tuli, S. (2018). Sustainability reporting: an empirical evaluation of emerging and developed economies. *Journal of Global Responsibility*, *9*(2), 207–234. https://doi.org/10.1108/jgr-01-2018-0003

Bin Khidmat, W., Wang, M., & Awan, S. (2019). The value relevance of R&D and free cash flow in an efficient investment setup. *Asian Journal of Accounting Research*, *4*(1), 95–111. https://doi.org/10.1108/ajar-10-2018-0035

Chaidali, P. P., & Jones, M. J. (2017). It's a matter of trust: Exploring the perceptions of Integrated Reporting preparers. *Critical Perspectives on Accounting*, *48*, 1–20. https://doi.org/10.1016/j.cpa.2017.08.001

Cooray, T., Senaratne, S., Gunarathne, A. D. N., Herath, R., & Samudrage, D. (2020). Does Integrated Reporting Enhance the Value Relevance of Information? Evidence from Sri Lanka. *Sustainability*, *12*(19), 8183. https://doi.org/10.3390/su12198183

Cortesi, A., & Vena, L. (2019). Disclosure quality under Integrated Reporting: A value relevance approach. *Journal of Cleaner Production*, *220*, 745–755. https://doi.org/10.1016/j.jclepro.2019.02.155

Dumay, J., Bernardi, C., Guthrie, J., & Demartini, P. (2016). Integrated reporting: A structured literature review. *Accounting Forum*, *40*(3), 166–185. https://doi.org/10.1016/j.accfor.2016.06.001

El-Diftar, D., & Elkalla, T. (2019). The value relevance of accounting information in the MENA region. *Journal of Financial Reporting and Accounting*, *17*(3), 519–536. https://doi.org/10.1108/jfra-09-2018-0079

Fernando, K., & A. Hermawan, A. (2019). Relative and Incremental Value Relevance of Accounting Information under the Integrated Reporting Approach: Evidence from South Africa. *Proceedings of the Asia Pacific Business and Economics Conference (APBEC 2018)*. https://doi.org/10.2991/apbec-18.2019.59

Fernando, K., Dharmawathi,R., Sriani, D., Shaoki, E.R. & Diyanty, V. (2017). Does Integrated Reporting Approach Enhance the Value Relevance of Accounting Information? : Evidence from Asian Firms. Advances in Economics, Business and Management Research, 55, 112-117.

Godfred A. Bokpin, 2013. "Determinants and value relevance of corporate disclosure: Evidence from the emerging capital market of Ghana," Journal of Applied Accounting Research, Emerald Group Publishing, vol. 14(2), pages 127-146

Hassan, O. A., Romilly, P., Giorgioni, G., & Power, D. (2009). The value relevance of disclosure: Evidence from the emerging capital market of Egypt. *The International Journal of Accounting*, *44*(1), 79–102. https://doi.org/10.1016/j.intacc.2008.12.005

Hermawan, S., Sari, Y. A., Biduri, S., Rahayu, D., & Rahayu, R. A. (2023, February 15). Corporate Social Responsibility, Firm Value, and Profitability: Evidence from Pharmaceutical Companies in Indonesia and Malaysia. *International Journal of Professional Business Review*, *8*(2), https://doi.org/10.26668/businessreview/2023.v8i2.625

Islam, M. S. (2020). Investigating the relationship between integrated reporting and firm performance in a voluntary disclosure regime: insights from Bangladesh. *Asian Journal of Accounting Research*, *6*(2), 228–245. https://doi.org/10.1108/ajar-06-2020-0039.

Loprevite, S., Ricca, B., & Rupo, D. (2018). Performance Sustainability and Integrated Reporting: Empirical Evidence from Mandatory and Voluntary Adoption Contexts. *Sustainability*, *10*(5), 1351. https://doi.org/10.3390/su10051351

Loprevite, S., Rupo, D., & Ricca, B. (2018). Integrated Reporting Practices in Europe and Value Relevance of Accounting Information under the Framework of IIRC. *International Journal of Business and Management*, *13*(5), 1. https://doi.org/10.5539/ijbm.v13n5p1

McNally, M. A., Cerbone, D., & Maroun, W. (2017). Exploring the challenges of preparing an integrated report. *Meditari Accountancy Research*, *25*(4), 481–504. https://doi.org/10.1108/medar-10-2016-0085

Mirsadri, S. M., Evraert, F. B., & Evraert, S. (2021). To what extent are the underlying concepts of integrated reporting applicable for hi-tech knowledge-based organizations? *Research Papers in Economics*. https://ideas.repec.org/p/hal/journl/hal-03227162.html

Modugu, K. P. (2018). Corporate Disclosure: A Synthesis of Literature, International Journal of Accounting and Financial Reporting, 8 (3), 1 – 28.

Muhi, M.A. & Benaissa, M. (2023). The impact of integrated reporting on improving the quality of financial reporting. *International Journal of Professional Business Review*, 8(5). doi:10.26668/businessreview/2023.v8i5.1737.

Nwaobia, A. N., Ogundajo, G. O., & Abe, P. O. (2022). Value Relevance of Integrated Reporting and Protection of Financial Capital Providers in Nigerian Deposit Money Banks. *European Journal of Business and Management Research*, *7*(3), 57–62. https://doi.org/10.24018/ejbmr.2022.7.3.1321

Okwuosa, I. and Atkins, J. (2022), "Exploring the meaningfulness of integrated reporting: a framing perspective", Journal of Applied Accounting Research, Vol. ahead-of-print No. ahead-of-print. https://doi.org/10.1108/JAAR-03-2022-0075

Rinaldi, L., Unerman, J., & de Villiers, C. (2018). Evaluating the integrated reporting journey: insights, gaps and agendas for future research. *Accounting, Auditing &Amp; Accountability Journal*, *31*(5), 1294–1318. https://doi.org/10.1108/aaaj-04-2018-3446

Setia, N., Abhayawansa, S., & Joshi, M. (2022). The Role of Integrated Reporting in Advancing Sustainability: Reflections from Academic Literature and a Future Research Agenda. *Exploring the Latest Trends in Management Literature*, *1*.

Shkromyda, V., Gnatiuk, T., Shkromyda, N., Vasylyuk, M., & Zorina, O. (2023, May 12). Organizational and Methodological Determinants of Integrated Reporting Development: A Case Study of Ukraine. *International Journal of Professional Business Review*, *8*(5), https://doi.org/10.26668/businessreview/2023.v8i5.1919.

Slack, R., & Tsalavoutas, I. (2018). Integrated reporting decision usefulness: Mainstream equity market views. *Accounting Forum*, *42*(2), 184–198. https://doi.org/10.1016/j.accfor.2018.01.005

Srivastava, A., & Muharam, H. (2021). Value relevance of accounting information during IFRS convergence period: comparative evidence between India and Indonesia. *Accounting Research Journal*, *35*(2), 276–291. https://doi.org/10.1108/arj-04-2020-0070

Tahat, Y., Dunne, T., Fifield, S., & Power, D. (2016). The value relevance of financial instruments disclosure: evidence from Jordan. *Asian Review of Accounting*, *24*(4), 445–473. https://doi.org/10.1108/ara-11-2014-0115

Tlili, M., Ben Othman, H., & Hussainey, K. (2019). Does integrated reporting enhance the value relevance of organisational capital? Evidence from the South African context. *Journal of Intellectual Capital*, *20*(5), 642–661. https://doi.org/10.1108/jic-02-2019-0034

Uyar, A. and Kılıç, M., 2012. Value relevance of voluntary disclosure: evidence from Turkish firms. *Journal of Intellectual Capital*, 13(3), pp.363-376.

Vafaei, A., Taylor, D., & Ahmed, K. (2011). The value relevance of intellectual capital disclosures. *Journal of Intellectual Capital*, *12*(3), 407–429. https://doi.org/10.1108/14691931111154715

Wang, M., & Hussainey, K. (2013). Voluntary forward-looking statements driven by corporate governance and their value relevance. *Journal of Accounting and Public Policy*, *32*(3), 26–49. https://doi.org/10.1016/j.jaccpubpol.2013.02.009.