Reporting Intellectual Capital in Annual Reports: Evidence from Sri Lanka

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Abstract

This study is aimed at investigating the relationship between a firm's characteristics and intellectual capital disclosure. Intellectual capital reporting is mostly unregulated in Sri Lanka, due to the fact that it is voluntary disclosure. In the recent past, there has been a growing dissatisfaction with traditional financial reporting. Further, Intellectual Capital (IC) performs an increasingly more important position in sustaining competitive advantages and creating corporate value for a corporation. Therefore, there is a strong need to study whether firm characters influence the extent and variety of disclosures presently made by the firms in Sri Lanka. The dependent variable in this research is intellectual capital disclosure and it is measured by the content analysis method. Content analysis is supported by a disclosure index that measured a variety of intellectual capital disclosure. The independent variables in this research are a firm's characteristics, industry type, firm size, leverage, and auditor type. Data was collected from the annual reports of 100 non-financial firms listed in the Colombo Stock Exchange (CSE) for three years from 2016/2017 to 2018/2019 and data was analyzed by using EViews statistical package. This study used descriptive statistics, correlation, and regression analysis to find out the association between independent and dependent variables. The findings of the study have important implications for regulatory organizations (policymakers), stakeholders, and non-governmental organizations.

Keywords: Annual Reports, Content Analysis, Firm Characteristics, Intellectual Capital Disclosure Index.