

Firm-Specific Characteristics and Quality of Integrated Reports – Evidence from Listed Non-Financial Companies in Sri Lanka

Hulugalla, W.M.D.M.K.¹ and ²Lakshan, A.M.I.²

^{1,2}*Department of Accountancy, University of Kelaniya*

¹*hulugalladinusha12@gmail.com, ²lakshan@kln.ac.lk*

Abstract

Disclosure quality is momentous for all listed entities since they involve in the issue of shares to the general public. In recent years, attention to the new integrated reporting (IR) tool has grown in both academic and professional fields. However, this area is still little explored. The analysis of literature review revealed that there is a lack of literature on IR in developing and developed countries. The main objective of this study is to fill this gap by analyzing the nexus between firm-specific characteristics and quality of integrated reports.

Independent variables of the study include three main categories: Structure-related variables (Firm size, Debt, Firm age); Performance-related variables (profit margin, return on equity and Liquidity); and Market-related variables (Industry type, Audit firm size). The quality of integrated reports calculated by integrated reports disclosure quality index (IRDQI) which considers eight content elements, two fundamental concepts (capitals and value creation process), background, assurance and reliability, and form, is the dependent variable. Control variables comprise board size, board independence and board diversity. The sample consists of 50 non-financial companies. The data collected using annual reports for the period 2015 to 2020. Data are analyzed using descriptive statistics, correlation analysis and regression analysis. This is a significant study that analyses the impact of firm-specific characteristics as a determining factor of integrated reporting quality. The results reveal positive relationship between firm size, debt, firm age, profit margin, return on equity, industry type, audit firm size and quality of integrated reports. No significant relationship was found between liquidity and quality of integrated reports. The findings will assist current and prospective stakeholders in evaluating the expected quality of an integrated report of a company and accordingly help the better investment decisions. Further, management of the companies may understand the factors which are important to improve the quality of the integrated reports.

Key words: : *Integrated reports, Disclosure quality, Integrated reports disclosure quality index (IRDQI), Scoreboard, Firm characteristics*