

## The Impact of Integrated Reporting Quality on Cost of Equity and Financial Performance: Evidence from Listed Insurance Companies in Sri Lanka

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### Abstract

**Introduction:** This research seeks to empirically establish the connection between Integrated Reporting Quality (IRQ) and the financial performance as well as the Cost of Equity (Ke) within the realm of listed insurance companies in Sri Lanka.

**Methodology:** Data for the study was extracted from the annual reports of these listed insurance companies, covering the period from 2013 to 2022. The gathered data underwent analysis using statistical tools to assess Integrated Reporting Quality and financial performance and in relation to the cost of equity. The study employs panel regression analysis to explore the interplay between Integrated Reporting Quality (IRQ), financial performance metrics, and cost of equity within the specific context of Sri Lankan insurance companies.

**Findings:** The findings reveal a statistically significant negative correlation between Integrated Reporting Quality (IRQ) and the cost of equity (Ke) at a 1% significance level. Furthermore, positive relationships are identified between Integrated Reporting Quality (IRQ) and both Return on Assets (ROA) at a 5% significance level and Return on Equity (ROE) at a 1% significance level.

**Conclusion:** The outcomes of the study offer valuable insights into the role of integrated reporting in evaluating the financial performance and cost of equity within the Sri Lankan insurance sector. Future research endeavors could consider to provide a more comprehensive understanding of the subject. The study holds the potential to assist and inspire insurance organizations to adopt robust Integrated Reporting Quality (IRQ) disclosure practices, benefiting policyholders, regulators, and stakeholders by showcasing governance capabilities and disclosure standards.

**Keywords:** Integrated reporting quality, Cost of equity, financial performance, Sri Lankan Insurance Companies, Panel Regression