

The Impact of Integrated Reporting Quality on Cost of Equity and Financial Performance: Evidence from Licensed Commercial Banks in Sri Lanka.

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Abstract

Introduction: This empirical study examines the influence of Integrated Reporting Quality (IRQ) on the Cost of Equity (KE) and financial performance within the context of listed Commercial banks in Sri Lanka spanning the years 2013 to 2022. Despite existing research and literature exploring the link between IRQ, cost of equity, and financial performance in the banking industry, uncertainties persist.

Methodology: The study focuses on the top 10 Licensed Commercial Banks in Sri Lanka that adhere to integrated reporting practices. Adopting a quantitative, deductive approach grounded in positivism philosophy, the research utilizes secondary data. Analysis employs quantitative techniques such as descriptive statistics, correlation analysis, and regression analysis to assess hypotheses formulated in response to the research question. STATA software is employed for data analysis, with panel data utilized for the study.

Findings: The study incorporates three models: the Return on Assets (ROA) model, Return on Equity (ROE) model, and Cost of Equity (Ke) model. The findings, based on various statistical methods, reveal a positive and statistically significant relationship between IRQ and ROA at the 1% significance level. Additionally, a negative and statistically significant relationship is observed between IRQ and ROE in Licensed Commercial Banks in Sri Lanka at the 5% significance level, along with a negative and statistically significant relationship between IRQ and Ke at the 1% significance level.

Conclusion: To enhance Integrated Reporting (IR) practices in Licensed Commercial Banks, recommendations include fostering regular stakeholder engagement, demonstrating value creation through the use of technology, and developing mechanisms for effective communication.

Keywords: Integrated Reporting Quality, Cost of Equity, Financial Performance, Licensed Commercial Banks.