Impact of Integrated Reporting on Firm Value: Empirical Evidence from Licensed Finance Companies in Sri Lanka

Puviyarasan, K. and Sampavi, A.*

University of Jaffna, Sri Lanka

Abstract

This study investigates whether the extent of integrated reporting disclosure is associated with market-based measures of firm value, namely Tobin's Q and the Market-to-Book Ratio (MBR), among licensed finance companies in Sri Lanka during the period 2020-2024 while controlling profitability and firm size. Integrated reporting is measured using an Integrated Reporting Disclosure Index (IRDIN) developed based on the International Integrated Reporting Framework. The study employs pooled, fixed-effects, and random-effects panel regression models for the analysis. The findings indicate that IRDIN is not statistically significantly associated with either Tobin's Q or the Market-to-Book Ratio in the selected fixed-effects models. This may be explained by the limited variation in IRDIN across observations, the inability of a binary disclosure index to fully capture disclosure quality and decision-usefulness, differences in investor awareness and information use, and the developing maturity of integrated reporting practices. In addition, the 2020-2024 period encompasses substantial economic and financial changes in Sri Lanka, including the COVID-19 pandemic, the subsequent economic crisis, and the period of macroeconomic stabilization, which may have affected the extent to which investors incorporated integrated reporting information into market valuation. The study contributes to the limited empirical evidence on integrated reporting and market-based firm value in Sri Lanka's licensed finance sector and highlights the importance of disclosure quality, relevance, credibility, and investor usefulness beyond the extent of disclosure alone.

***Keywords*:** integrated reporting; firm value; Tobin's Q; market-to-book ratio; licensed finance companies; Sri Lanka.

1 Introduction

The corporate reporting landscape has undergone significant transformation in recent decades due to globalization, technological advancements, increasing stakeholder expectations, and the growing emphasis on environmental, social, and governance (ESG) issues. Traditional corporate reporting, which primarily focuses on historical financial performance, is viewed as insufficient to explain how organizations create value over the short, medium, and long term. Consequently, investors, regulators, creditors, and other stakeholders now require organizations to provide comprehensive information that integrates both financial and non-financial aspects of business performance.

* Corresponding author: asampavi09@gmail.com

Proceedings of the 6th Annual International Conference on Emerging Financial Markets and Policy (EFMP 2026)
© 2026 Sri Lanka Finance Association
ISSN 2792-1220, eISSN 2806-514X

To address these evolving information needs, the International Integrated Reporting Council (IIRC) introduced the Integrated Reporting (IR) Framework in 2013. IR is designed to provide a holistic representation of an organization's value creation process by integrating financial information with environmental, social, and governance disclosures within a single report. The framework promotes the connectivity of information, enabling organizations to communicate how their strategy, governance, performance, and prospects contribute to sustainable value creation. By incorporating multiple forms of capital including financial, manufactured, intellectual, human, social, relationship, and natural capital. Integrated Reporting enhances transparency, accountability, and stakeholder confidence while supporting long-term strategic decision-making. Particularly in the banking and finance sectors, integrated reporting can enhance transparency, reduce information asymmetry, and strengthen stakeholder relationships, thereby contributing to improved market perceptions. Nevertheless, the implementation of IR may involve additional costs and organizational challenges, which can influence its effectiveness, particularly in the short term.

The adoption of Integrated Reporting has increased worldwide, particularly among publicly listed companies seeking to improve corporate transparency and sustainability reporting. The growing global emphasis on transparency and stakeholder-oriented reporting encouraged Sri Lankan companies, particularly within the financial sector, to align their reporting practices with the International Integrated Reporting Framework (IIRC). Prior to 2019, integrated reporting practices among Sri Lankan companies were comparatively less structured, with non-financial disclosures often presented separately from financial information. Evidence from Sri Lankan listed companies indicates that the quality and extent of integrated reporting developed over time, although the integration of multiple capitals and broader stakeholder-oriented information remained uneven (Cooray et al., 2020; Sooriyaarachchi & Gamage, 2019). The period after 2019 reflects continued development in integrated reporting practices, with firms increasingly adopting more structured disclosure approaches and linking strategy, governance, performance, and value creation (Ranaweera, 2022; Senani, 2024).

Agency theory and signaling theory suggest that more informative corporate disclosure can reduce information asymmetry and improve the information available to investors. Despite the increasing adoption of Integrated Reporting and its theoretical advantages, empirical evidence regarding its association with firm value remains inconsistent (Radwan & Xiongyuan, 2024; Khatlisi & Mashamba, 2025). . This inconsistency indicates that the market relevance of IR may depend on disclosure quality, institutional context, investor use of information, and the way firm value and IR are measured.

The licensed finance-company sector provides an appropriate setting for this investigation because finance companies operate in an information-sensitive industry in which stakeholder confidence, transparency, risk communication, and access to financial capital are particularly important. Financial institutions also depend on multiple forms of capital and communicate with a broad range of stakeholders, making the integrated presentation of financial and non-financial information especially relevant (Doni et al., 2019; Vitolla et al., 2020). Sri Lankan evidence has nevertheless been concentrated on listed companies, banks and broader financial-sector samples, while a recent study of licensed finance companies examined only ten firms

over 2016-2022 (Hirudika & Gunarathna, 2025). The present study therefore focuses specifically on the licensed finance-company sector and examines a broader recent period.

The period from 2020 to 2024 was selected to capture a five-year period marked by major changes in Sri Lanka's economic and financial environment. The period begins with the COVID-19 disruption, includes the severe economic and financial crisis that intensified in 2022, and ends during the subsequent phase of macroeconomic stabilization. These developments provide important contextual variation for examining whether integrated reporting disclosure is associated with market valuation under changing conditions (Central Bank of Sri Lanka [CBSL], 2020, 2022, 2024). The study therefore examines the association between Integrated Reporting disclosure and firm value during 2020-2024.

This study contributes to the literature in three specific ways. First, it provides sector-specific evidence on the IR–firm value relationship for licensed finance companies in Sri Lanka. Second, it examines a recent 2020-2024 period that includes pandemic-related disruption, economic crisis, and subsequent stabilisation, extending the earlier Sri Lankan finance-company evidence based on 2016-2022 data. Third, it examines two market-based measures of firm value, Tobin's Q and the Market-to-Book Ratio, while controlling for profitability and firm size. These features allow the study to assess whether the extent of IR disclosure is associated with market valuation in a specific financial-sector and emerging-market context.

2 Literature Review

The International Integrated Reporting Framework defines integrated reporting as a process through which an organization communicates how its strategy, governance, performance, and prospects contribute to value creation over the short, medium, and long term (International Integrated Reporting Council [IIRC], 2013). Accordingly, IR represents an evolution in corporate disclosure practices by providing a more connected view of organizational performance and value creation. It also supports transparency, accountability, and stakeholder-oriented communication by linking information about different forms of capital and the value-creation process (Adams, 2015; Cooray et al., 2020). Unlike conventional reporting approaches, integrated reporting is multidimensional and brings together financial and non-financial information to explain how an organisation creates value over time (IIRC, 2013; Gorshkova, 2022). This comprehensive approach can help stakeholders understand how organisations use different resources and capitals in creating value.

The primary objective of integrated reporting is to provide a connected representation of organisational value creation. Traditional financial reporting focuses largely on historical financial outcomes, whereas integrated reporting also considers future prospects and the non-financial drivers of value creation (Needles, 2018). In contrast, IR integrates quantitative and qualitative information and considers multiple forms of capital, including financial, human, intellectual, social and relationship, and natural capital (IIRC, 2013). This broader perspective is relevant to firm value because market valuation can reflect both tangible and intangible resources and expectations about future performance. Furthermore, the integration of information can improve communication between organisations and stakeholders and reduce

information asymmetry (De Luca, 2020). However, the extent and effectiveness of IR adoption may vary according to institutional, economic, and organisational conditions (Dragu, 2018).

At the global level, the adoption of integrated reporting reflects a broader development toward more connected corporate disclosure and accountability (Kılıç, 2021). South Africa is frequently discussed as an important jurisdiction for IR because integrated reporting has been incorporated into its corporate reporting environment (Dumay et al., 2017). In other regions, including Asia and Europe, adoption has generally remained more voluntary, although IR has increasingly been encouraged as a reporting practice (Petcharat, 2019).

The IIRC has played a central role in promoting a framework that connects financial and non-financial information and focuses on value creation over time (IIRC, 2013). Integrated reporting can also influence internal decision-making by encouraging integrated thinking, which connects strategy, governance, performance, and resource allocation with longer-term value creation (Adams, 2015). This strategic alignment may support organisational performance and improve the quality of corporate disclosures. However, the effectiveness of IR depends on whether integrated thinking is embedded in organisational processes rather than treating reporting solely as a compliance exercise. In the Sri Lankan context, integrated reporting has gained increasing attention, particularly among companies listed on the Colombo Stock Exchange. Empirical evidence suggests that firm characteristics and organisational factors influence IR practices (Abeywardana, 2024; Senani, 2024). Sri Lankan firms have increasingly aligned their reporting practices with the IIRC framework, although the extent and quality of adoption vary across organisations (Ranaweera, 2022). Challenges such as resource constraints, limited expertise, and institutional conditions may also affect implementation (Bananuka, 2019).

The relevance of integrated reporting is particularly pronounced in the financial sector because financial institutions depend on multiple forms of capital and on stakeholder confidence. Doni et al. (2019) illustrate the relevance of multiple-capital reporting in the banking industry, while Vitolla et al. (2020) show that financial and organisational characteristics are associated with IR quality in financial institutions. These findings support the relevance of examining IR within Sri Lanka's finance sector, while recognising that the relationship between disclosure and firm value remains context dependent.

Firm value is widely regarded as a key indicator of organizational performance, as it extends beyond traditional accounting measures to include market-based perceptions, making it particularly relevant in studies related to corporate disclosure practices such as integrated reporting. Within the Integrated Reporting (IR) framework, value creation is viewed as a multi-dimensional process involving the effective utilization of various forms of capital, including financial, human, intellectual, social, and natural capital. By disclosing how these resources are managed and transformed over time, organizations provide stakeholders with a more comprehensive understanding of their strategic positioning and long-term sustainability. This enhanced level of transparency is expected to reduce information asymmetry and improve the efficiency of capital markets, thereby positively influencing firm value.

However, literature provides mixed evidence regarding the relationship between integrated reporting and firm value. Some studies report positive associations between IR-related

disclosure and market valuation (Salvi et al., 2020; Grassmann, 2021), while other evidence indicates that the relationship may be insignificant or dependent on the nature and quality of the disclosures (Elshandidy et al., 2022). The differences are particularly visible when studies are compared by country context, reporting regime, IR measurement, and firm-value proxy. Evidence from developed and Asian markets has generally shown that higher-quality or more informative IR can be value relevant, whereas other studies find no significant relationship. These differences suggest that disclosure quality and information usefulness may matter more than disclosure presence alone. Recent evidence supports the importance of IR quality and information characteristics. Radwan and Xiongyuan (2024), using Asian firms from 2015-2022, found that IR quality was positively associated with market reactions. Hossain et al. (2025), using 2,707 firm-year observations across 41 countries, found that readability and tone of integrated reports were positively associated with market value of equity. Hichri (2026) also reported a positive relationship between IR and value relevance in an international sample. These findings indicate that the market may respond to the quality and informational characteristics of integrated reporting rather than simply the extent of disclosure.

Empirical evidence from developed countries generally supports the view that integrated reporting (IR) has a positive impact on firm value, mainly through improving transparency, enhancing information quality, and strengthening stakeholder confidence. Comprehensive disclosure of both financial and non-financial information enables investors to better evaluate organizational performance and long-term value creation. For example, Salvi et al. (2020), in a study of Italian companies, found that intellectual capital disclosure in integrated reports was associated with firm value. Similarly, Grassmann (2021) examined the moderating role of integrated reporting in the relationship between corporate social responsibility expenditures and firm value. These studies provide evidence that the market consequences of IR may depend on the information disclosed and the context in which it is communicated. Recent studies further demonstrate the importance of measurement and context. Khatlisi and Mashamba (2025), however, found no significant relationship between voluntary IR and firm value in the UK.

Furthermore, empirical evidence suggests that the relationship between integrated reporting and performance can differ according to the measure of performance used. Evidence from Sri Lanka indicates that market-based indicators may respond differently from accounting-based measures (Fernando & Jeewanthi, 2021; Senani, 2024). The evidence also indicates that disclosure quality may be more important than disclosure quantity. Steenkamp and Maroun (2022) emphasise the importance of internal processes supporting material value-creation information, while recent evidence by Hossain et al. (2025) indicates that textual characteristics such as readability and tone can affect market value. Thus, a binary disclosure index may capture the presence of information without fully reflecting its quality or decision-usefulness. Moreover, qualitative evidence suggests that the adoption of integrated reporting alone is not sufficient to ensure value creation. This highlights the importance of disclosure quality and organisational integration rather than disclosure volume alone.

In contrast, empirical evidence from developing countries shows a less consistent relationship between integrated reporting (IR) and firm value. This variation can largely be

attributed to differences in institutional frameworks, regulatory enforcement, and the level of maturity in integrated reporting practices. Some studies indicate that integrated reporting does not yet play a significant role in influencing firm value in developing regions. For instance, Nurkumalasari (2019), examining evidence from Asian countries, reported no statistically significant relationship between IR disclosure and firm value. This suggests that the market consequences of IR may depend on the maturity of reporting practices and the extent to which stakeholders use integrated information in decision-making. However, other studies provide evidence of positive relationships between integrated reporting and firm performance. Islam (2021), examining non-financial firms listed on the Dhaka Stock Exchange, reported a positive association between integrated reporting and operational, financial, and market growth. These contrasting findings suggest that the effectiveness of IR in developing economies may depend on adoption quality, institutional conditions, and stakeholder awareness.

In the Sri Lankan context, empirical evidence on the relationship between integrated reporting (IR) and firm value remains mixed and inconclusive, reflecting the evolving stage of IR adoption within the country. While integrated reporting has gained increasing attention, its effectiveness in enhancing firm value appears to depend on the measurement approach and the extent to which it is meaningfully implemented. Some studies report negative or insignificant relationships between integrated reporting and firm performance. For instance, Ranaweera (2022), examining listed companies in Sri Lanka, reported a negative relationship between IR and accounting-based performance measures. Similarly, Sooriyaarachchi and Gamage (2019) argued that some Sri Lankan firms had incorporated elements of integrated thinking before formal IR adoption, suggesting that changes in reporting structure do not necessarily represent substantive changes in value creation. In contrast, evidence from Sri Lanka also indicates that IR can be associated with market-based measures of firm value. Senani (2024) reported significant relationships between IR disclosures and market-based indicators, including share price and Tobin's Q, while accounting-based measures did not show the same pattern. This suggests that the association between IR and firm value may differ according to the performance measure used.

Further evidence highlights the complexity of the relationship within the Sri Lankan financial sector. Fernando and Jeewanthi (2021) reported a significant negative relationship between integrated reporting and firm value measured using Tobin's Q and the Market-to-Book Ratio in licensed banks and finance companies in Sri Lanka. Rajapaksha and Kehelwalatenna (2022) also examined the relationship between integrated reporting and information asymmetry in Sri Lanka. Senani (2024) f reported significant effects for selected market-based indicators but not for accounting-based measures. This suggests that IR may influence market perceptions differently from immediate accounting performance, particularly in an emerging-market context. Overall, the evidence from Sri Lanka indicates that the relationship between integrated reporting and firm value is complex and context dependent. Although IR has the potential to enhance transparency and influence market valuation, its effectiveness is constrained by factors such as the voluntary nature of adoption, variations in disclosure quality, and the limited integration of reporting practices into strategic decision-making.

The literature reviewed here indicates several unresolved issues concerning the relationship between integrated reporting and firm value. First, empirical findings remain inconsistent across developed and developing countries, suggesting that institutional context and reporting regimes matter. Second, recent studies indicate that IR quality and informational characteristics may be more relevant to investors than disclosure quantity alone. Third, studies differ substantially in their IR measurement approaches and firm-value proxies, limiting comparability across findings.

This study addresses these gap by focusing specifically on licensed finance companies because these institutions depend heavily on stakeholder confidence, communicate information about financial and non-financial risks, and operate within a regulated financial environment and extending the analysis to 2020-2024. It also examines two market-based measures Tobin's Q and MBR so that the relationship can be assessed from complementary valuation perspectives. Further inclusion of ROA and firm size enables this study to examine the IR and firm value association while accounting for these firm-specific characteristics.

3 Methods

The population of the study consists of all finance companies licensed by the Central Bank of Sri Lanka (CBSL) during the study period from 2020 to 2024. According to the CBSL records, there were 32 licensed finance companies included in the study population. Since the population was relatively small and manageable, a census sampling approach was adopted. Accordingly, all 32 licensed finance companies were included in the study rather than selecting a sample. Since the study covers a five-year period from 2020 to 2024, the use of all 32 licensed finance companies over the five-year period resulted in a balanced panel dataset comprising 160 firm-year observations. The inclusion of the entire population reduces the possibility of sampling bias and provides comprehensive sector-specific evidence on the relationship between integrated reporting disclosure and firm value among licensed finance companies in Sri Lanka.

The companies were identified using the official records of licensed finance companies maintained by the Central Bank of Sri Lanka. Annual reports and other relevant corporate disclosures of the 32 companies were reviewed to obtain information required for measuring integrated reporting disclosure, firm value, and the control variables. The required financial and market-related information was collected consistently for each company for each year of the study period. The census approach was considered appropriate because it enables the study to capture the reporting practices and firm-value characteristics of the entire population of licensed finance companies during the selected period. Consequently, the study provides sector-wide evidence rather than evidence based on a selected subset of finance companies.

The research focuses on two key constructs: integrated reporting and firm value.The measurement of integrated reporting has been approached in various ways within the literature, with many studies using disclosure-based indices to assess the extent or quality of IR practices. For example, Cooray et al. (2020) developed an index to assess the quality of integrated reports among Sri Lankan listed companies, while Liu (2019) examined integrated reporting using a normative benchmark. Other studies have also evaluated IR using content elements, capitals,

and guiding principles derived from the IIRC framework (Adhikariparajuli, 2021; Liu, 2019). In this study, integrated reporting is measured using the Integrated Reporting Disclosure Index (*IRDIN*), which captures the extent of disclosure based on the IIRC framework. . The *IRDIN* is developed based on the main components of the integrated reporting framework, including capitals, content elements, and guiding principles (IIRC, 2013). Following the IIRC framework and prior disclosure-index approaches (Cooray et al., 2020; Liu, 2019), the index is operationalized using the eight content elements of the framework. Each content element is evaluated based on its disclosure, where a score of 1 is assigned if the element is disclosed and 0 otherwise. In this study, each of the eight content elements is further divided into five sub-elements, resulting in a total of 40 disclosure indicators. Therefore, each firm can obtain a maximum score of 40. The binary scoring method (0–1) is adopted to enhance objectivity and consistency in measuring integrated reporting practices. In this study, each of the eight content elements is further divided into five sub-elements, resulting in a total of 40 disclosure indicators. Therefore, each firm can obtain a maximum score of 40. The binary scoring method (0–1) is adopted to enhance objectivity and consistency in measuring integrated reporting practices.

Firm value is commonly measured using both accounting-based and market-based indicators; however, market-based measures are considered more appropriate for capturing external stakeholder perceptions. Among these, Tobin's *Q* and the Market-to-Book Ratio (*MBR*) are widely used. For listed companies, the market value of equity is determined using the relevant market price and the number of ordinary shares outstanding. Tobin's *Q* is calculated using the market value of equity together with the relevant accounting values of the firm, while the Market-to-Book Ratio is calculated as the market value of equity divided by the book value of equity. In this study, these two measures are employed to assess firm value, as they effectively capture market-based performance and investor responses to corporate disclosures. These measures are selected because they capture market valuation and external stakeholder perceptions relevant to corporate disclosure research.

In addition, the study incorporates two control variables - profitability (*ROA*) and firm size (*FS*) - which are recognized as important determinants of firm value. Profitability is measured using Return on Assets (*ROA*). Profitability is included as a control variable because it can influence firm value and the relationship between integrated reporting and market performance. It reflects a firm's ability to generate earnings from its resources and affects investor perceptions and cash flows. Controlling profitability helps identify the specific impact of integrated reporting on firm value.

Firm size is included as a control variable as it may influence both integrated reporting practices and firm value. Larger firms generally have more resources, greater stakeholder visibility, and stronger incentives to adopt comprehensive reporting practices, which can enhance reputation and market valuation. In the context of licensed finance companies in Sri Lanka, controlling for firm size helps isolate the effect of integrated reporting on firm value. Firm size is measured as the natural logarithm of total assets (FS = ln Total Assets) to reduce skewness and improve the reliability of statistical analysis.

The study is conducted within the Sri Lankan finance sector, focusing on licensed finance companies. This sector is particularly relevant because financial institutions rely on multiple forms of capital and stakeholder confidence, while prior research has examined the use of integrated reporting in financial institutions (Doni et al., 2019; Vitolla et al., 2020). By concentrating on this context, the study provides a sector-specific assessment of the relationship between integrated reporting and firm value in an emerging economy. Based on the theoretical framework and empirical evidence discussed in the preceding sections, the following hypotheses were formulated.

H_1: Integrated Reporting (IRDIN) has a significant impact on Tobin's Q.

H_2: Integrated Reporting (IRDIN) has a significant impact on the Market-to-Book Ratio.

Table 1: Operationalization of variables

Concept	Variable	Indicator	Measurement	Reference
Independent Variable	Integrated Reporting (IR)	Disclosure of IR elements in annual reports	Integrated Reporting Disclosure Index (IRDIN): 8 content elements × 5 sub-elements; each item scored 0 or 1. Maximum score = 40.	Liu (2019) and the IIRC framework.
Dependent Variables	Market-to-Book Ratio (MBR)	Comparison between the market value and book value of equity	$\frac{Market\ Value\ of\ Equity}{Book\ Value\ of\ Equity}$	Damodaran (2018)
	Tobin's Q	Firm valuation based on market and asset values	$\frac{(The\ book\ value\ of\ total\ assets + market\ value\ of\ equity - the\ book\ value\ of\ equity)}{Total\ assets}$	Cardao-Pito and Tiago (2022)
Control Variables	Firm Size	Log value of Total Assets	Ln (Total Assets)	Cumming et al. (2017)
	Profitability (ROA)	Efficiency in using assets to generate earnings	$\frac{Net\ Profit\ After\ Tax}{Total\ Assets}$	Habib (2019)

The annual reports of the selected finance companies were used to assess integrated reporting disclosure and obtain relevant financial information to calculate Tobin's Q, the Market-to-Book Ratio, Return on Assets (*ROA*) and Firm Size (*FS*), was obtained from company annual reports and relevant market and financial databases. For listed finance companies, market-related information was obtained from the Colombo Stock Exchange (CSE) and relevant company disclosures.

To test the hypotheses, the following panel regression models are developed. In the equations, TQ_{it} represents Tobin's Q of firm *i* at time *t*, MBR_{it} denotes the Market-to-Book Ratio of firm *i* at time *t*, and $IRDIN_{it}$ refers to the Integrated Reporting Disclosure Index. ROA_{it} represents Return on Assets, while FS_{it} denotes firm size, measured as the natural logarithm of total assets. The term β_0 represents the constant term, whereas β_1, β_2, and β_3 represent the coefficients of the independent and control variables. ε_{it} is the error term.

$$TQ_{it} = \beta_0 + \beta_1 IRDIN_{it} + \beta_2 ROA_{it} + \beta_3 FS_{it} + \varepsilon_{it} \quad \text{----------(1)}$$

$$MBR_{it} = \beta_0 + \beta_1 IRDIN_{it} + \beta_2 ROA_{it} + \beta_3 FS_{it} + \varepsilon_{it} \quad \text{----------(2)}$$

4 Results and Discussions

The descriptive statistics of the study variables are presented in Table 7. Tobin's *Q* records a mean value of 0.9937, which is close to unity, indicating that, on average, firms' market valuation is approximately equal to their asset replacement cost. However, the wide range suggest substantial variation in firm valuation across the sample. The standard deviation of 0.3969 indicates moderate dispersion among firms. The Market-to-Book Ratio (*MBR*) suggests that, on average, firms are slightly undervalued relative to their book value. The presence of a wide range along with a relatively high standard deviation (1.0934), indicates significant heterogeneity in market valuation across firms.

Table 2: Descriptive statistics

Variables	Mean	Median	Maximum	Minimum	Standard Deviation
Tobin's Q	0.9937	0.9483	4.4042	0.3814	0.3969
MBR	0.9425	0.6969	6.2618	0.0205	1.0934
IRDIN	0.9025	0.9250	1.0000	0.7750	0.0678
ROA	0.0148	0.0163	0.0878	-0.1574	0.0288
FS	17.0613	16.9117	19.8787	14.3448	1.1572

The Integrated Reporting Disclosure Index (*IRDIN*) records a high mean value of 0.9025 with a very low standard deviation (0.0678), indicating that firms exhibit a consistently high level of integrated reporting disclosure. This suggests limited variation in disclosure practices across the sample. Return on Assets (*ROA*) shows a low mean value of 0.0148, indicating relatively weak overall profitability among firms. The presence of a negative minimum value (-0.1574) indicates that some firms experienced losses during the study period. However, the low standard deviation (0.0288) suggests relatively stable profitability patterns across firms. Firm Size (*FS*), measured by the natural logarithm of total assets, records a mean value of 17.06 with a standard deviation of 1.1572, indicating moderate variation in firm size across the sample, without extreme dispersion. Overall, the descriptive results indicate that while market-based measures (Tobin's *Q* and *MBR*) exhibit considerable variation, integrated reporting disclosure remains relatively uniform across firms. Profitability levels are generally low with limited variation, whereas firm size shows moderate heterogeneity. These patterns suggest that the dataset is sufficiently stable and appropriate for further econometric analysis.

Table 3 Correlations

Correlation Probability	TQ	MBR	IRDIN	ROA	FS
TQ	1.0000				
MBR	0.8843	1.0000			
	0.0000				
IRDIN	0.0187	-0.0110	1.0000		
	0.8145	*0.8905*			
ROA	-0.0482	-0.1065	-0.0087	1.0000	
	0.5452	*0.1801*	*0.9139*		
FS	-0.0186	-0.0242	0.0188	0.4052	1.0000
	0.8151	*0.7615*	*0.8136*	*0.0000*	

Note: p-values are in italics

The correlation results presented in Table 8 reveal a strong positive and statistically significant relationship between Tobin's Q (*TQ*) and Market-to-Book Ratio (*MBR*) (r = 0.884,

$p < 0.01$), indicating that both measures consistently capture similar aspects of firm value. This suggests that firms with higher valuation under one measure tend to exhibit similarly higher valuation under the other. In contrast, the relationship between the Integrated Reporting Disclosure Index (*IRDIN*) and firm value proxies (*TQ* and *MBR*) is weak and statistically insignificant. This indicates that, at the bivariate level, integrated reporting disclosure does not have a direct linear association with market-based firm value in the sample. Similarly, Return on Assets (*ROA*) shows weak and statistically insignificant relationships with both *TQ* and *MBR*, suggesting that profitability does not exhibit a strong direct correlation with market-based firm value in this context. However, Firm Size (*FS*) shows a statistically significant positive relationship with *ROA* ($r = 0.405$, $p < 0.01$), indicating that larger firms tend to achieve higher profitability, possibly due to economies of scale and more efficient resource utilization. However, the relationships between Firm Size and firm value measures (*TQ* and *MBR*) are weak and statistically insignificant, suggesting that firm size does not have a direct linear association with market valuation in this sample. Overall, the correlation matrix indicates low pairwise correlations among most explanatory variables, suggesting the absence of serious multicollinearity concerns. This confirms that the dataset is suitable for further regression analysis.

The stationarity of the variables was examined using the Phillips-Perron (PP) Fisher Chi-square panel unit root test. The results show that *TQ, MBR, IRDIN*, and *ROA* are stationary at level (I (0)), with probability values below the 5% significance level ($p < 0.0001$). In contrast, FS is non-stationary at level ($p = 0.7641$) but becomes stationary after first differencing ($p < 0.0001$), indicating that it is integrated of order one (I (1)). Thus, the dataset contains a mixture of I(0) and I(1) variables, with no variable integrated of order two (I (2)). Since panel regression techniques such as fixed effects and random effects models can accommodate this combination of integration orders, the data is considered suitable for further panel regression analysis.

Table 4: Summary of Preliminary Diagnostic Tests

Test	Variable	Test Statistic / VIF	Probability	Conclusion
Unit Root Test (PP Fisher Chi-square)	TQ	127.493	0	Stationary at level, I(0)
	MBR	171.739	0	Stationary at level, I(0)
	IRDIN	316.144	0	Stationary at level, I(0)
	ROA	128.484	0	Stationary at level, I(0)
	FS	55.5829 (Level) / 166.974 (1st Difference)	0.7641 / 0.0000	Stationary at first difference, I(1)
Multicollinearity (VIF)	IRDIN	1.0007	—	No significant multicollinearity
	ROA	1.1968	—	No significant multicollinearity
	FS	1.1972	—	No significant multicollinearity

The Variance Inflation Factor (VIF) test was conducted to examine multicollinearity among the independent variables in the Tobin's Q (*TQ*) and Market-to-Book Ratio (*MBR*) models. The results show that all centered VIF values are below the threshold of 10, with *IRDIN* (1.0007), *ROA* (1.1968), and Firm Size (1.1972), indicating no significant multicollinearity among the explanatory variables. These low VIF values confirm that the variables provide

distinct information, ensuring stable coefficient estimates and reliable regression results. Therefore, both models are free from multicollinearity issues, supporting the robustness and validity of the subsequent panel regression analysis.

Table 5: Fixed effect Panel regression result for TQ

Variable	Coefficient (*B*)	Std. Error	t-Statistic	Prob.
C	0.8521	0.3487	2.4439	0.0159
IRDIN	0.0752	0.0880	0.8533	0.3951
ROA	0.3090	0.5782	0.5345	0.5940
FS	0.0006	0.0232	0.0275	0.9781

However, the individual coefficient results indicated that integrated reporting disclosure (*IRDIN*), profitability (*ROA*), and firm size (*FS*) did not have statistically significant effects on Tobin's Q*,* as their respective p values exceeded the .05 significance level. Specifically, *IRDIN* (B = 0.075, p = .395), ROA (B = 0.309, p = .594), and FS (B = 0.001, p = .978) were not statistically significant predictors of Tobin's *Q*. This implied that, although the model explained a large proportion of the variation in firm value, these specific variables did not independently provide significant explanatory power for Tobin's *Q* within the selected sample. The findings suggested that other firm-specific characteristics and external factors might have a greater influence on market-based firm value. Therefore, based on the overall model performance, the fixed effects model is selected as the preferred estimation technique for analyzing the relationship between integrated reporting, profitability, firm size, and firm value. The results indicate that while integrated reporting practices, profitability, and firm size may contribute to organizational characteristics, their direct impact on Tobin's *Q* is not statistically significant in the context of the selected firms.

Table 6: Panel regression results for MBR

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.8775	1.6015	1.7967	0.0748
IRDIN	0.6598	0.4046	1.6306	0.1055
ROA	3.0349	2.6561	1.1426	0.2554
FS	-0.1626	0.1064	-1.5286	0.1289

The fixed-effects model demonstrated strong explanatory power, with an R^2 value of 0.8194, indicating that a substantial proportion of the variation in the Market-to-Book Ratio was explained by the included independent variables and firm-specific effects. The model was statistically significant (F = 16.68, p < .001), confirming that the explanatory variables jointly contributed to explaining variations in firm value. In addition, the Durbin–Watson statistic of 1.58 suggested that autocorrelation was not a major concern in the model.

However, the individual coefficient results indicated that integrated reporting disclosure (*IRDIN*), profitability (*ROA),* and firm size (*FS*) did not have statistically significant effects on the Market-to-Book Ratio. Specifically, *IRDIN* (B = 0.660, p = .106), *ROA* (B = 3.035, p = .255), and *FS* (B = −0.163, p = .129) were not statistically significant at the .05 significance level. This suggested that, although the model exhibited strong explanatory power, these variables did not independently explain variations in firm value measured by the Market-to-Book Ratio. Instead, other firm-specific characteristics and external factors might have a

greater influence on market valuation. Therefore, based on the overall model performance, the fixed effects model is selected as the preferred estimation technique for analyzing the relationship between integrated reporting, profitability, firm size, and firm value measured by the Market-to-Book Ratio. The findings indicate that integrated reporting practices, profitability, and firm size do not have a statistically significant direct impact on firm value within the selected sample.

Table 7: Hypotheses Testing Summary

Hypothesis	Relationship	Result	Estimation Method	Interpretation with Literature
H_1	IRDIN → Tobin's Q	Insignificant	Fixed Effects Model	Contradicts Salvi (2020) and Grassmann (2021), who reported a positive relationship between integrated reporting and firm value. However, outcome of the study is consistent with Nurkumalasari (2019), who found no significant relationship in emerging market contexts.
H_2	IRDIN → MBR	Insignificant	Fixed Effects Model	Consistent with Fernando (2021), who found that integrated reporting does not enhance firm value in the Sri Lankan context and may even exhibit a negative or non-value-relevant effect.

The results indicate that integrated reporting disclosure, measured by IRDIN, is not statistically significantly associated with either Tobin's Q or the Market-to-Book Ratio. Therefore, H_1 and H_2 are not supported. Although integrated reporting is expected to improve transparency and investors' understanding of value creation, the results suggest that a higher extent of disclosure did not correspond to higher market-based firm value in the companies examined. One possible explanation is the limited variation in IRDIN, as the mean disclosure level is high (0.9025) with a relatively low standard deviation (0.0678). This similarity in disclosure levels across companies may have limited the ability to identify a significant relationship with firm value. In addition, the binary IRDIN scoring approach captures whether information is disclosed but does not fully reflect its quality, depth, credibility, relevance, connectivity, or decision-usefulness.

The findings may also reflect differences in investor awareness and the extent to which investors use integrated reporting information in their valuation decisions. During the 2020-2024 period, marked by the COVID-19 disruption, economic crisis, and subsequent stabilization in Sri Lanka, investors may have placed greater emphasis on financial indicators, risk, liquidity, and earnings prospects. Furthermore, the relatively developing maturity of integrated reporting practices may mean that disclosure does not necessarily reflect fully embedded integrated thinking or provide substantial incremental information to investors. The findings are consistent with the mixed evidence in previous studies, suggesting that the market relevance of integrated reporting may depend on institutional context, disclosure quality, measurement methods, and investor use of the information.

Overall, the results do not imply that integrated reporting has no value. Rather, they indicate that the extent of disclosure measured by IRDIN alone was not significantly associated with market-based firm value in the study context. Future research should therefore consider the quality, relevance, credibility, connectivity, and usefulness of integrated reporting information in addition to its extent.

5 Conclusion

The findings of this study indicate that integrated reporting disclosure was not statistically significantly associated with the market-based measures of firm value among the companies examined during 2020-2024. Specifically, IRDIN was not statistically significant in the fixed-effects models for either Tobin's Q or the Market-to-Book Ratio. The results suggest that the extent of integrated reporting disclosure alone may not be sufficient to explain differences in market-based firm valuation. The relatively high and consistent IRDIN scores, together with the binary nature of the disclosure index, suggest that disclosure quality, depth, relevance, and decision-usefulness may be more important than disclosure extent alone. Investor awareness and the extent to which integrated reporting information is incorporated into investment decisions may also influence its market consequences. The findings should therefore be interpreted as evidence concerning the association observed within the selected study context and period, rather than as evidence that integrated reporting itself has no value.

The findings have important implications for companies, regulators, and future researchers. Firms should enhance the quality and strategic relevance of integrated reporting to improve its usefulness for investors and other stakeholders. Regulators may consider strengthening integrated reporting guidelines to promote greater consistency and comparability across companies. Future research could extend this study by including other sectors, a longer study period, or additional variables such as corporate governance, ESG performance, and macroeconomic factors. Employing mixed-method approaches would also provide deeper insights into how integrated reporting influences stakeholder decision-making and firm value in emerging markets.

6. References

Abeywardana, N. L. (2024). Integrated thinking on integrated reporting practice: Evidence from public listed companies in Sri Lanka. *Journal of Financial Reporting and Accounting*, 1085-1118.

Abogazia, A. H. (2024). The moderating effect of external financing on the relationship between integrated reporting and firm value in Egypt. *Journal of Financial Reporting and Accounting*, 1380-1409.

Adams, C. A. (2015). The international integrated reporting council: a call to action. *Critical perspectives on accounting*, 23-28.

Adhikariparajuli, M. H. (2021). Integrated reporting implementation and core activities disclosure in UK higher education institutions. *Administrative Sciences*, 86.

Akisik, O. &. (2020). Integrated reports, external assurance and financial performance: an empirical analysis on North American firms. *Sustainability Accounting, Management and Policy Journal*, 317-350.

Anifowose, A. D. (2020). Effect of financial leverage on firm's performance: Case of listed pharmaceutical firms in Nigeria. *International Journal of Academic Accounting, Finance and Management Research*, 1-9.

Aslanertik, B. E. (2024). The relationship between compliance level and value creation: evidence from integrated reports in Turkey. *Journal of Financial Reporting and Accounting*, 868-893.

Bananuka, J. T. (2019). The adoption of integrated reporting: a developing country perspective. *Journal of Financial Reporting and Accounting*, 2-23.

Cardao-Pito, & Tiago. (2022). Hypothesis that Tobin's q captures organizations' debt levels instead of their growth opportunities and intangible assets. *Cogent Economics & Finance*, vol. 10.

CBSL. (2024). Retrieved from https://www.cbsl.gov.lk/en

Chen and Perrin, C. É. (2017). First scattered-light images of the gas-rich debris disk around 49 Ceti. *The Astrophysical Journal Letters*, 834(2).

Chouaibi, S. C. (2022). Board characteristics and integrated reporting quality: evidence from ESG European companies. *EuroMed Journal of Business*, 425-447.

Conway, E. (2019). Quantitative impacts of mandatory integrated reporting. *Journal of Financial Reporting and Accounting*, 604-634.

Cooray, T. G. (2020). Does corporate governance affect the quality of integrated reporting? *Sustainability*, 4262.

Coulson, A. B. (2015). Exploring metaphors of capitals and the framing of multiple capitals: challenges and opportunities for. *Sustainability Accounting, Management and Policy Journal*, 290-314.

De Luca, F. (2020). From Voluntary to Mandatory Non-financial Information: The Evolution Path. *Mandatory and Discretional Non-financial Disclosure after the European Directive 2014/95/EU: An Empirical Analysis of Italian Listed Companies' Behavior*, 15-63.

Doni, F. L. (2019). Exploring integrated reporting in the banking industry: the multiple capitals approach. *ournal of Intellectual Capital*, 165-188.

Dragu, I. M. (2018). *Adoption of integrated reporting–an attempt to reduce the gaps between CSR discourse and its implementation.*

Dumay, J. B. (2017). Barriers to implementing the international integrated reporting framework: a contemporary academic perspective. *Meditari Accountancy Research*, 461-480.

Elshandidy, T. E. (2022). Integrated reporting, textual risk disclosure and market value. *Corporate Governance: The International Journal of Business in Society*, 173-193.

Fernando, M. B. (2021). Impact of integrated reporting on firm value of licensed banks and finance companies in Sri Lanka.

Giorgino, M. C. (2023). Experiencing with visuals in accounting education: The case of integrated reports. *The International Journal of Management Education*, 100809.

Gorshkova, N. A.-B. (2022). The role of corporate integrated reporting in the management decision-making conditions of the transport industry. *Transportation Research Procedia*, 896-903.

Grassmann, M. (2021). The relationship between corporate social responsibility expenditures and firm value: The moderating role of integrated reporting. *Journal of Cleaner Production*, 285.

Healy, P. M. (2001). Information asymmetry, corporate disclosure, and the capital markets: A review of the empirical disclosure literature. *Journal of accounting and economics*, 31(1-3), 405-440.

Herath, C. T. (2022). Adoption of integrated reporting in Sri Lanka: coverage and trend. *Journal of Financial Reporting and Accounting*, 389-415.

IIRC, M. C. (2016). *Integrated reporting: the IIRC framework. In Integrated reporting.* London: Palgrave Macmillan UK.

Islam, M. S. (2021). Investigating the relationship between integrated reporting and firm performance in a voluntary disclosure regime: insights from Bangladesh. *Asian Journal of Accounting Research*, 228-245.

Jayalath, C. W. (2020). Factors influencing orderly transition to online deliveries during COVID19 pandemic impact. *Asian Journal of Education and Social Studies*, 10-24.

Jensen and Meckling, J. M. (2019). Theory of the firm: Managerial behavior, agency costs and ownership structure. *In Corporate governance*, 77-132.

Kılıç, M. U. (2021). Does institutional theory explain integrated reporting adoption of Fortune 500 companies? *Journal of Applied Accounting Research*, 114-137.

Liu, Z. J. (2019). Analysing and evaluating integrated reporting: Insights from applying a normative benchmark. *Journal of Intellectual Capital*, 235-263.

Mahran, K. I. (2025). International Journal of Hospitality Management. *Green workforce in tourism and hospitality: A systematic review and future research agenda*, 131.

Mohammed, N. F. (2023). Towards achieving SDGs through integrated reporting in Malaysian public universities. *International Journal of Sustainability in Higher Education*, 1002-1023.

Needles, B. E. (2018). *Integrated reporting and sustainability reporting: A global assessment.*

Nishitani et al, N. K. (2025). Does the economic motivation of firms to address the United Nations' Sustainable Development Goals (SDGs) promote the SDGs or merely SDG-

washing? Critical empirical evidence from Japan and Vietnam. *Review of Managerial Science*, 415-465.

Nurkumalasari, I. S. (2019). Integrated reporting disclosure and its impact on firm value: Evidence in Asia. *International Journal of Business, Economics and Law*, 99-108.

Pavlopoulos, A. I. (2024). The influence of integrated reporting compliance on analyst forecast accuracy and credit ratings. *International Journal of Banking, Accounting and Finance*, 206-246.

Petcharat, N. &. (2019). Sustainability reporting and integrated reporting perspectives of Thai-listed companies. *Journal of Financial Reporting and Accounting*, 671-694.

Rajapaksha, S. &. (2022). Impact of integrated reporting on information asymmetry: evidence from Sri Lanka. *Colombo Business Journal*, 13.

Ranaweera, D. C. (2022). Impact of integrated reporting on firm performance in the listed companies in Sri Lanka. *Wayamba Journal of Management*, 13.

Salvi, A. V. (2020). Intellectual capital disclosure in integrated reports: The effect on firm value. *Technological forecasting and social change*, 160.

Senani, K. G. (2024). Determinants and consequences of integrated reporting disclosures of non-financial listed firms in an emerging economy. *Journal of Financial Reporting and Accounting*, 1336-1355.

Sooriyaarachchi, T. &. (2019). A Study on The Impact Of Integrated Reporting on Corporate Reporting Practices:. *A Case of Two Sri Lankan Companies.*

Steenkamp, N. &. (2022). Managing material value creation matters in integrated reporting. *Meditari Accountancy Research*, 661-675.

Sun et al, S. Y. (2024). The impact of integrated reporting approach on sustainability performance of state-owned enterprises. *Environment, Development and Sustainability*, 1-36.

Vitolla, F. R. (2020). The determinants of integrated reporting quality in financial institutions. *Corporate Governance: The International Journal of Business in Society*, 429-444.