

Perception of Investors on Integrated Reporting: Evidence from Sri Lanka

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Abstract:

Integrated Reporting (IR) has gained considerable popularity among companies worldwide, with many organisations adopting IR to provide a holistic view of their performance and value creation. Investors are one of the key stakeholders of integrated reports; however, previous studies have raised doubts about their perceptions and usage of such reports. Sri Lanka stands out as a prominent country in IR adoption, with nearly 31% of listed companies producing integrated reports. This study aims to explore the perceptions of Sri Lankan investors on IR and their usage of integrated reports in investment decision-making.

A qualitative methodology was employed, involving semi-structured interviews with ten investors. The interviews, ranging from 30 to 45 minutes, were thematically analysed using NVivo software. Findings reveal that all investors held positive perceptions of IR and appreciated the transparency and disclosures provided in these reports. Participants highlighted the value of IR in offering a comprehensive understanding of a company's long-term value creation. However, despite their favorable impressions, their investment decisions were primarily based on financial information and market sentiments. The reliance on financial disclosures was attributed to several factors, including the lack of assurance on non-financial data, concerns over management exaggeration, and suspicions of "rainbow washing" – the practice of overstating sustainability efforts in reports.

Moreover, Sri Lanka's volatile economic conditions exacerbate the focus on short-term financial gains, with many investors prioritising immediate returns over long-term benefits. The study also found that investors tended to follow market trends and sentiments rather than adopting a rational, analytical approach to decision-making. Some participants expressed a lack of confidence in the credibility of non-financial disclosures, pointing out that integrated reports were often perceived as tools for award competitions rather than genuine efforts to communicate corporate value.

The findings have significant implications for policy and practice. Enhancing investor education is critical to improving understanding and trust in non-financial disclosures. Regulatory reforms aimed at standardising and assuring non-financial reporting could also strengthen the credibility of integrated

reports. Establishing robust assurance mechanisms is vital to mitigate concerns over the validity and reliability of non-financial data. Furthermore, aligning IR frameworks with the realities of emerging markets can encourage broader adoption and effective usage of integrated reports.

This study contributes to the growing body of literature on Integrated Reporting by providing insights into investor perceptions in an emerging market context. It underscores the need for tailored strategies to address market-specific challenges and enhance the practical relevance of IR. Future research should focus on exploring mechanisms to foster greater investor engagement with IR and on developing frameworks that balance global standards with local market dynamics. By addressing these gaps, IR can become a more effective tool for promoting sustainable corporate practices and fostering investor confidence in capital markets.

Keywords:

Integrated Reporting, Investor Perception, Non-Financial Disclosures, Challenges.