

Association Between Integrated Reporting Quality and Corporate Performance: Evidence from India

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Abstract

This study assesses the effect of firm performance on the Integrated Reporting Quality (IRQ). The sample period covers four years, i.e., 2018 to 2021, with 84 Indian companies that have adopted Integrated Reporting. The analysis utilized panel data estimation with a two-Stage Least Square (2SLS) method using Environmental, Social and Governance (ESG) index as instrumental variable to account for the endogeneity issues. The results are also robust to multicollinearity based on the VIF analysis. The results support the hypothesis that companies with higher ESG score are expected to improve the standard of integrated reporting. Further, this research has shown that profitability, firm age, and solvency have significant positive relationship with the Integrated Reporting Quality disclosure, which is in conformity with the theoretical assumptions. On the contrary, this study did not find any effect of firm size and Covid-19 on IRQ. The present study may be the first research to empirically examine IRQ in the Indian context using ESG disclosure as an instrumental variable in a panel 2SLS framework. The findings of this study may be useful for regulators in drafting rules, and framing guidelines on matters related to IRQ and ESG.

Key Words

Covid-19, ESG, Firm characteristics, Integrated reporting quality, Two-stage least square

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