

INTEGRATED REPORTING IN INDIA

– A STUDY OF PRIVATE AND PUBLIC SECTOR COMPANIES IN INDIA

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Abstract of the Thesis

The amalgamation of a company's financial report and its corporate social responsibility or sustainability report into a single document is known as integrated reporting. Given its multi-dimensional nature, integrated reporting is assuming quintessential importance in today's business environment and is also garnering the requisite curiosity, as it is a relatively newer concept in the Indian forefront.

PURPOSE: From the Indian perspective, we find very limited research had gone in to the aspect of Integrated Reporting, owing to it being a nascent concept. Thus, in light of the above, our main aim was to investigate the extent to which the companies in India are integrating financial and non-financial data in their reporting and to assess the impact of Integrated Reporting on firm performance.

RESEARCH METHODOLOGY: An empirical and analytical study was undertaken for the financial years 2010-11 to 2019-20 to give us an overview about Integrated Reporting for the said period. Top five hundred most valuable companies were selected from the ET 500 list as on 31st March 2020. We thus constructed an Integrated Reporting Index comprising of 14 parameters in order to get an empirical overview of integrated reporting for the said time period. Thereafter, Factor analysis and Multiple Regression analysis were performed. The variables for factor analysis were obtained through Longitudinal Qualitative Document Analysis.

Exploratory Factor Analysis was applied for extraction of factors. Multiple Regression analysis was then performed in order to assess the impact of the factors so extracted on firm performance and thereby understand if there exists any association between the various Integrated Reporting factors and firm performance. The research was conducted through secondary sources, i.e., by meticulously analysing the company's annual reports.

RESEARCH FINDINGS: From our analysis we observed that only a few organisations report on all of the 14 parameters. But the study also demonstrates that, even if Integrated Reporting isn't fully embraced, the selected companies are moving in that direction. Further, we ran Factor Analysis, with PCA as the method used. We employed 14 variables in our analysis and have thus ended up with three such factors, suggesting a three-factor solution. For Public sector companies, we observed a KMO of 0.543 and for Private sector companies, we observed a KMO of 0.634. In all scenarios, we observed the variable loadings to be positive and hence moving in the same direction. To assess the association between Integrated Reporting factors and firm performance, seven dependent variables were considered and thus, seven models were developed to gauge the impact of independent variables on the firm's performance. We observed that variables like Strategy and Resource allocation, Future Outlook, Intellectual Capital, Manufactured Capital and Natural Capital have a positive p value consistently over the 10 years and is shown to have an impact on all the seven profitability ratios taken for our study namely PB Ratio, PE Ratio, Return on Net Worth, Return on Capital Employed, Return on Asset, Net Profit Margin and Debt Equity Ratio.

Keywords: integrated reporting, integrated reporting index, business responsibility report, firm performance

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