THE RELATIONSHIP BETWEEN INTEGRATED REPORTING DISCLOSURES AND FIRM PERFORMANCE IN MALAYSIA: THE ROLES OF FAMILY FIRMS AND BOARD GENDER DIVERSITY

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ABSTRACT

Since the beginning of year 2020, Covid-19 pandemic crisis attacks the whole world. The outbreak affects all companies from all sizes across all industry sectors. As a result, global economy is significantly impacted by Covid-19. In order to provide a holistic view on the matters related to impacts faced by companies as well as how the companies create value during the pandemic periods, companies will improve the information disclosures to the stakeholders. As integrated reporting improves quality of information on non-financial information, it is able to provide useful information on future prospects of companies as well as the effects of pandemic. Cross sectional analysis and content analysis will be used in the study. This study suggests that when companies apply integrated reporting to produce the annual reports, there will be an improvement of firm performance. This study also proposes that the roles of family firms and board gender diversity can also influence the association between integrated reporting disclosures and performance of company. The findings of study can give an overall picture to the management on how the integrated reporting disclosures influence firm performance. Results of study can also be employed by regulatory bodies to design policies to promote the adoption of integrated reporting.

Keywords: *Integrated Reporting, Firm Performance, Malaysia, Family Firms, Board Gender Diversity*

RESEARCH HIGHLIGHTS

The focus of this study is:

1. Integrated reporting disclosures enhance firm performance.
2. Family firm weakens the positive relationship between integrated reporting disclosures and firm performance.
3. Board gender diversity improves the positive relationship between integrated reporting disclosures and firm performance.

GRAPHICAL ABSTRACT

The graphical abstract is shown below:

Research Objectives

The objectives in this study are:

1. To examine the association between integrated reporting disclosures and performance of company in Malaysia.
2. To examine if family firm moderates on the association between integrated reporting disclosures and performance of company in Malaysia.
3. To examine if board gender diversity moderates on the association between integrated reporting disclosures and performance of company in Malaysia.

Methodology

Content analysis and multiple regression analysis will be used in the study (Lee & Yeo, 2016). A checklist of eight content elements of integrated reporting disclosures such as business model, performance, governance, strategy and resource allocation, organization overview and external environment, outlook, risks and opportunities, basis of preparation and presentation will be developed. The checklist will be developed based on the guidelines prepared by International Integrated Reporting Council (IIRC). Annual reports of companies will be used to determine the integrated reporting disclosures as well as information related to family firms, board gender diversity and firm performance. Furthermore, random sampling method will be employed as it can ensure that each company across all industry sectors except companies from finance services has the equal chance to be selected as samples in the study.

Results

Prior literatures discovered that integrated reporting disclosures had significant and positive relationship with firm performance (Cosma, Soana & Venturelli, 2018; Lee & Yeo, 2016). Family firms are expected to weaken the positive relationship among integrated reporting disclosures and firm performance. Furthermore, it is expected that the association between integrated reporting disclosures and performance of company will be enhanced through board gender diversity as a moderator.

Findings

According to past researchers, it was found that integrated reporting disclosures improved firm performance (Lee & Yeo, 2016). A better quality of integrated reporting disclosures reduces information asymmetry between management and investors. Thus, firm performance can be enhanced. Family members own greater controlling power in the company and they tend to extract private benefits. They conceal the expropriation activities through reducing information disclosures (Francis, Schipper & Vincent, 2005). Hence, family firms reduce integrated reporting disclosures, increase information asymmetry among non-family and family owners as well as reduce firm performance. Board gender diversity enhances information disclosures as female directors are more socially sensitive and more

ethics (Ibrahim & Hanefah, 2016). Therefore, female directors enhance integrated reporting disclosures, reduce information asymmetry and improve firm performance.

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Author's Biography

Lok Yee Huei, is currently a part-time lecturer. She obtained her Bachelor of Accounting and Master of Economic Management from Universiti Sains Malaysia. She is currently pursue her study in corporate reporting field for a doctorate level in Universiti Sains Malaysia.

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