FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTING

RESEARCH TOPIC:


BY

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Approval Form

The undersigned certify that they have read and recommend to the Midlands State University for acceptance; a dissertation entitled: “An assessment of the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange”, submitted by Michael Mandingaisa in partial fulfillment of the requirements for the degree of Master of Commerce Accounting Degree.

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Dedication

This research is dedicated to my lovely wife Lizzy and children. I cherish your support and you mean all to me. I love you.
Acknowledgements

I thank Jehovah for his love and mercies that never end. Without the Lord, this project would not have been a success. Jehovah was my source of strength from beginning to the end.

It is difficult to mention everyone, but so many people had a hand in this project to be a success story. You may not be here mentioned, but be assured your assistance was invaluable to me.

I would like to extend my appreciation to my Masters class for the encouragement. Your help was very welcome from start to the end. To my supervisor Mr. K. Mazhindu, thank you for the guidance you availed, without you this project is not worth mentioning. It goes without mentioning the contributions and encouragement by colleague Terence Tembo, you guided me all the way to the end. I would like to thank my family, friends and workmates for your moral support.

It would not have been possible without your help and encouragement. You all so special to me and this far, it’s Ebenezer! – This far the Lord has brought me.
Abstract

Corporate scandals have disturbed the business community world over in the past. The stakeholders now demand specific reports with improved disclosure and transparency to safeguard their interests in any organization. The companies listed on the Zimbabwe Stock Exchange (ZSE) are largely reporting on financial content in their annual reports. In-roads have been made to embrace integrated reporting which is a comprehensive financial reporting framework. Integrated reporting forms part of the non-financial information which has more disclosures and is more transparent about the strategy, risk management and long-term planning of top management. Integrated reporting links together the critical themes of sustainability, corporate governance, strategic planning and social responsibility activities. Organizations have invested into integrated reporting and implemented the reporting framework with the hope of guaranteed financial performance. This research study analyze whether integrated reporting is effective in improving the financial performance of companies listed on the ZSE.
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CHAPTER ONE

INTRODUCTION

1.0 Introduction

Recent studies provide support for the position that the traditional annual report does not provide sufficient insight in the activities and value of a company for its stakeholders (Adams et al., 2011; Eccles & Krzus, 2010; Hahn & Kühnen, 2013; Jensen & Berg, 2012). Based on several studies, it can be argued that financial information only, does not provide companies with the social license to operate anymore (Chan, Watson & Woodliff, 2013; Kolk & Pinkse, 2010). In response to this by development, the International Integrated Reporting Council (IIRC) developed a framework for an ‘Integrated Report’ (IIRC, 2011). Therefore the research is on carrying out an assessment of the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange.

1.1 Background of the study
Following the global financial crisis of 2008, the landscape and competitive environment of business is fast changing each day due to new technologies, globalization and competition. Scandals at corporate level, have disturbed the business community world over. The crisis and collapse of Lehman Brothers in which over USD $680 billion was lost in September 2008 almost brought down the world’s financial system (Richard Wolff, 2011). Corporate scandals and financial crisis, for example, in Enron case investors lost over USD $63.4 billion and WorldCom shares costed investors upwards of USD $175 billion, nearly three times what was lost in the implosion of Enron case. The effects of the crisis are still rippling through the world economy. Eccles et al. (2012) highlight the need for a comprehensive view of financial performance in the wake of continued financial and environmental scandals. Stakeholders demand specific reports with improved disclosure and transparency to safeguard their interests in any organization.

Business, through their management and those charged with governance are not very sure as to how best they may address the various stakeholder-reporting requirements or demands. The Companies Act (Chapter 24:03) and Zimbabwe Stock Exchange Listing Rules 3.23 are silent on the content and disclosures required in annual financial reports as in the amount of financial and non-financial information to be disclosed. This deficiency needs to be addressed. A snap survey of reports published by listed companies, shows that their financial reports are abridged and mainly focus on producing accounts to meet regulatory requirements for the corporate governance framework in place is meant for compliance or explain, hence non-full disclosure. This gives shareholders and the investing public limited access to material company information needed for making investment decisions.

Little is known about how companies are preparing their reports (Marcon and Mancin, 2016). According to Marcon and Mancin (2016), there is a certain resistance from the companies to adhere to the spirit of integrated reporting. The number of entities that adopted integrated reporting increased from 16 in 2010 to 37 in 2014. From assessments made, the adoption of integrated reporting is positive because the entities try to follow the requirements and most of them fully adopted integrated reporting over five years. The uptake of integrated reporting is too slow.

The companies registered on the Zimbabwe Stock Exchange, hereafter, ZSE are largely reporting on financial content in their annual reports (Jere, Ndamba and Mupambireyi, 2014).
The problem is that out of the top 10 listed companies on the ZSE, as illustrated by Table 1 overleaf, 86% of total page content from a total of 664 pages was financial information while 14% were non-financial information. The 14% non-financial information is composed of company profile disclosures, products, services, brands, administration and markets, narrative performance reports, corporate governance, employee welfare, corporate social investment, sustainability report, people and community including sustainable development report (Jere et-al, 2016). The 86% content cover financial highlights and ratios, director’s responsibility for financial statements, independent auditors report, group financial statements, notes to the financial statements and value added statement.

Table 1.1: Distribution of Pages by Financial and Non-Financial Information

<table>
<thead>
<tr>
<th>Report Distribution</th>
<th>Companies</th>
<th>Page Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Information</td>
<td>10</td>
<td>574</td>
<td>86</td>
</tr>
<tr>
<td>Non-Financial Information</td>
<td>10</td>
<td>90</td>
<td>14</td>
</tr>
<tr>
<td>Totals</td>
<td></td>
<td>664</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Jere, Ndamba and Mupambireyi (2014)
Integrated reporting forms part of the non-financial information with more disclosures and transparency. The companies listed on the Zimbabwe Stock Exchange may therefore be labelling their annual reports as integrated reports, without proper understanding of its impact on the financial performance (Jere, Ndamba and Mupambireyi, 2014).

According to the ICSAZ – Adjudication Report (2015), there is evidence of lack of an agreed corporate governance reporting framework as revealed by disparities in disclosures by companies. Companies may have policy documents on many of the governance related issues but they scored badly for failure to disclose. The failure to disclose is a lack of understanding on the impact of integrated reporting on financial performance (ICSAZ: Adjudication Report, 2015). There is need for the regulators, on one side, and stakeholders, especially shareholders on the other, to demand reforms in the disclosure regimes of companies listed on the ZSE.

There is increasing regulatory and stakeholder interest in developing standards, and measures to assist in addressing concerns that continue to dominate the discussion of the sluggish world-wide recovery (LeBlanc, 2012). Much more than simply buying and selling goods and services, business entities have powerful impact on internal and external stakeholders. Hiller (2013) notes that there is growing demand for innovation drive by businesses and management to help achieve the need for comprehensive performance information. The need for comprehensive information puts pressure on organizations. Many organizations invest in integrated reporting without a clear knowledge of its impact on financial performance. The Integrated Reporting Framework appears to support a model of financial reporting and non-financial information to address a complex business environment. The integral part of the reporting framework is to link corporate governance issues to business decision making process. (Starbuck, 2014).

Establishing communicative processes for both the costs and benefits of utilizing integrated financial reporting is an integral next step in the development, adoption, and evolution of integrated reporting in the financial reporting process (Monterio, 2014). The integrated report, brings together all business aspects through the work of the International Federation of Accountants, industry associations, global regulators and investor groups. According to Abeysekera (2013), integrated reporting emphasizes the synthesis and analysis of both financial and non-financial data that is material to stakeholders. More than what traditionally appeared
only in footnote disclosures, integrated reporting quantifies the impact that non-traditional measures can have on financial performance.

1.2 Statement of the problem

Integrated reporting is intended to transform financial reporting, as well as financial performance (Busco, Frigo, Quattrone, & Riccaboni, 2013). There is growing institutional support of an integrated reporting framework (Berndt, Bilolo, & Müller, 2014), and firms viewed as sustainable, with results demonstrating that firms implementing sustainability programs are more highly valued by the marketplace (Lourenço, Callen, Branco, & Curto, 2014. The specific problem is that organizations are investing in integrated reporting research and implementation in order to improve their financial performance without the guarantee that their financial performance will be improved (Roth, 2014). The research and the researcher carries out an assessment of the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange.

1.3 Research Question

This study intends to assess the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange.

1.4 Conceptual Framework

A conceptual framework is defined as a theoretical structure of assumptions, principles, and rules that holds together the ideas comprising a broad concept (www.businessdictionary.com). Independent variables are the variables that the experimenter changes to test their dependent variable. A change in the independent variable directly causes a change in the dependent variable. The effect on the dependent variable is measured and recorded (Helmenstine, 2017). A moderating variable is one that is neutral, i.e. to both independent and dependent variables. A dependent variable is a variable outcome measured to see the effectiveness of a given treatment.
1.4.1 Definition of integrated report
An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term.

1.4.2 Purpose of the Framework
The purpose of the Framework is to establish Guiding Principles and Content Elements that govern an integrated report’s content and to explain the fundamental concepts that underpin these. The guidance provided by the Framework is principles-based, rather than prescriptive.

Figure 1.1 – Conceptual Framework Variables

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Mediating Variables</th>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Integrated Reporting</td>
<td>2. Economic environment</td>
<td>i. Return on Equity (ROE)</td>
</tr>
<tr>
<td>4. Publishing sustainability reports</td>
<td></td>
<td>iii. Earnings Per Share (EPS) - market based</td>
</tr>
</tbody>
</table>
5. Environmental and social responsibility reports

*Source: Author’s Design*

The key variables shown in Figure 1.1 above will be used to analyze the relationship between integrated reporting and financial performance. Financial performance is dependent on the independent variables that are the guiding principles and the content elements of integrated reporting. The mediating variable include the legal framework, economic environment and competition. The research study will look at these variable and the relationship thereon.

1.5 Sub Research Questions

i. To what extent does governance impact on financial performance?

ii. To what extent does integrated reporting affect financial performance?

iii. To what extent does non-financial information (measurable data) have on the financial performance of an entity?

iv. To what extent does publishing sustainability reports impact on financial performance of an entity?

v. To what extent does the environment and social responsibility reports impact on financial performance of an entity?
1.6 Objectives of the Study

i. To establish the extent to which governance impacts the financial performance of an entity.

ii. To assess the impact of integrated reporting on financial performance of an entity.

iii. To assess the impact of non-financial information (measurable data) on the financial performance of an entity.

iv. To assess the impact of publishing sustainability reports on the financial performance of an entity.

v. To assess the impact of environment and social responsibility reports have on financial performance of an entity.

1.7 Hypotheses

A hypothesis test contains a set of two opposing statements about population parameter. The initial hypothesis is called null hypothesis denoted by \( \text{H}_0 \). The null hypothesis always states that the population parameter is equal to the claimed value. To achieve the stated objectives of the study, the following hypothesis has been formulated:

Hypotheses Related to effectiveness of integrated reporting in improving financial performance of entities listed on the ZSE:
Hypothesis I:
H0: Governance impacts on an entity’s financial performance of an entity
H1: Governance does not impact on the financial performance of an entity

Hypothesis II:
Ho: Integrated reporting have an impact on the financial performance of an entity.
H2: Integrated reporting does not impact on the financial performance of an entity.

Hypothesis III:
Ho: Non-financial information has an impact on the financial performance of an entity.
H3: Non-financial information does not impact on the financial performance of an entity.

Hypothesis IV:
Ho: Publishing sustainability reports have an impact on the financial performance of an entity.
H4: Publishing sustainability reports does not impact on the financial performance of an entity.

Hypothesis V:
Ho: Environmental and social responsibility reports have an impact on the financial performance of an entity.
H5: Environmental and social responsibility reports do not impact on the financial performance of an entity.

1.8 Significance of the Study

1.8.1 To the student
The study enhanced the research skills and knowledge on Integrated Reporting and its effects on financial performance. It was also a requirement for the student to successfully complete the Master of Commerce Degree in Accounting.
1.8.2 To the University
The University has additional literature that will be used in the library in future. Future students will use the research findings to get an understanding of how Integrated Reporting affect financial performance.

1.8.3 To listed Companies on the Zimbabwe Stock Exchange
The recommendations from this research study may be considered for adoption by listed companies.

1.9 Delimitation of the study
The study will be delimited to stock listed companies only. No other organizations not listed on the Zimbabwe Stock Exchange shall be considered. The study is to assess the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange. The research shall cover the period from January 2013 to June 2017.

1.10 Limitations of the study
The constraints encountered by the research study are:

i. The methodology to be carried out might be affected by the accessibility to the respondents during the administering or interview processes and hence will act as a limitation. The researcher will however ensure that whenever there is need to adjust instruments, the overall purpose of the study is not lost.

ii. Financial constraint – a reasonable amount of financial resources are required for research work. Stationery and printing services costs may not be avoided. The researcher may have to look beyond personal savings to fulfil the desired results of the research study.

iii. Time constraint – the research study was running concurrently with other work commitments, time maybe scarce. Social activities had to be sacrificed as well as working beyond normal working hours to get the desired result.
1.11 Assumptions

The following assumptions underpin this research study:

i. All elements of the ZSE will remain constant such as the listing requirements and the various Rules of business thereon.

ii. There shall be no significant change to the business model of the listed companies on the ZSE.

iii. The research study maintained a complete independence without affecting the research.

1.12 Abbreviations and Acronyms

CEO – Chief Executive Officer
CPF - Corporate Financial Performance
CRF - Connected Reporting Framework
CSP - Corporate Social Performance
CSR – Corporate Social Responsibility Report
ESG - Environmental, Social, and Governance
FP - Financial Performance
Framework – refers to the Integrated Reporting Framework
GRI - Global Reporting Initiative
IAR - Integrated Annual Report
ICSAZ – Institute of Chartered Secretaries and Administrators in Zimbabwe
IFRS - International Financial Reporting Standard
IIRC - International Integrated Reporting Council
IR – Integrated Reporting
KPI - Key Performance Indicators
1.13 Summary of Chapter
This chapter covered the background, the research problem and purpose of the study. The research cited the objectives, research question, the limitations and delimitations derived from the research problem. The sub research questions will assist in fulfilling the objectives of the study. The null and alternative hypothesis have been formulated from the conceptual framework for each of the research objective. The assumptions, delimitation and limitations of the research study have been here included. The next chapter will focus on literature review.

CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
In this chapter, articles and theories relevant to the research study topic: “An assessment of the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange”. Discussions in this chapter will be on key terms and concepts as defined under the conceptual framework. The theoretical framework will cover findings and evaluation of different researches regarding financial performance and integrated reporting. This chapter will conclude with the empirical evidence and the diverse perspectives of other research studies on the effect of integrated reporting on financial performance.

Premised on the findings of previous researches, a connection will be made with the research question of this research study: assessing the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange. Through this research study, a comparison and analysis will be made to draw a conclusion on the hypotheses.
2.1 Conceptual framework

An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term. (The International <IR> Framework, 2013). The framework prescribes how an integrated report should be prepared. The Integrated Reporting <IR> framework was established due to the increasing demand from the stakeholders to obtain non-financial information from those charged with governance in addition to the financial information to get a better insight of the company activities (Eccles et al., 2011; Dhaliwal et al., 2011)

Inclusion of financial information in a company’s report is a value added act and it is a building block of a company’s reporting. The changes in the business world has caused business to react with more aggression to the stakeholder demands. Non-financial information is one of the greatest demands and it has gained prominence. Non-financial information requirement is gaining importance; resulting in company reports that go beyond the financial metrics, submitting a wider perspective (Kosovic and Patel, 2013). Renneboog et al. (2008) notes the awareness of the investors of non-financial information has significantly increased, mainly as a result of the growth of social responsible investments. Non-financial information may be viewed seen as an intangible asset, which is not retrospective, but instead focusing on the company’s outlook or future, just as the investors like it (Lundgren, 2007; Heal, 2005). Integrated reporting will present additional information about the company’s strategy, governance and performance, all transparent disclosures (Jeroe, 2016:17). Integrated reporting, the financial and non-financial information all in one report is known as a Corporate Social Responsibility (CSR) report.

Integrated reporting is relatively a new term and it attempts to be the future in corporate reporting. Traditional financial reporting stakeholders have an important role in deciding the presentation and content of the financial report of a company; this is the principle of stakeholder inclusiveness (Larsson and Ljungdahl, 2006:70). The Stanford Research Institute was the first to recognize that support from stakeholders, by integration of their interest, could be important to firm success (Hitt et al. 2001:190). Financial reports are presented in the interest of stakeholders, after all.
Freeman (1984) defined stakeholders as “any group or individual who can affect or is affected by the achievement of the activities of an organization”. Westerforst and Vesterberg (2011) argued that “the principle of stakeholder inclusiveness emphasizes that interest and expectations from company’s stakeholders are important to determine the scope and content of a report”. Engagement of stakeholders in diverse activities therefore may assist organization to ensure reporting of information that is critical to its stakeholders. The first and critical motivation of a report in an integrated form is a benefit in the interest of the company’s stakeholders (Jeroe, 2016). The decision usefulness approach to financial reporting is key and it emphasizes on the theory of investor decision making in order to infer the nature and types of information that investors need (Decision Usefulness Approach, 2009). The approach satisfies the information needs of the primary users of financial reports of the reporting entities (investors and creditors).

2.2 Definition of integrated reporting

The simplest explanation to the question “what is an integrated report”, is that it is a single document that contains a company’s financial and non-financial, environmental, social, and governance (ESG) – performance (Eccles and Saltzman, 2011:57). The integrated report provides a composite, organized and cohesive form, information on the company’s strategy, corporate governance, performance and prospects. It also reflects the commercial, social and environmental context in which it operates in such a way it considers the need in satisfying stakeholders (IIRC, 2011). The IIRC went on to define integrated reporting as “Integrated Reporting demonstrates the linkages between organization’s strategy, governance and financial performance and the social, environmental and economic context within which it operates. By reinforcing these connections, Integrated Reporting can help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organization is really performing’ (IIRC, 2011c).

2.3 Objectives of the Integrated Reporting Framework:

Among the objectives of the Integrated Reporting <IR> Framework is the provision of a systematic and integrative or inclusive approach toward financial and non-financial information
disclosure, in which the critical elements are interconnected into one report (Dassen, 2011; Wllage, 2011; Perego et al, 2016).

a. To establish Guiding Principles and Content Elements that govern the overall content of an integrated report and to explain the fundamental concepts that underpin them.
b. Primarily written in the context of private sector, for profit companies of any size, but it can be applied as necessary, by the public sector and not-for-profit organizations.
c. Identification of information to be included in an integrated report for use in assessing an organization’s ability to create value; it does not set benchmarks for such things as the quality of an organization’s strategy or the level of its performance.
d. Reference to the creation of value:
   i. Includes instances when value is preserved and when it is diminished.
   ii. Relates to value creation over time (short, medium and long term)

2.4 Purpose and users of an integrated report

a. The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time. The integrated report therefore contains important and relevant information, both financial and non-financial.
b. An integrated report benefits all stakeholders interested in an organization’s ability to create value over time. The stakeholders include employees, customers, suppliers, business partners, local communities, legislators, regulators and policy makers.

The Integrated Reporting Framework is principles-based and it’s intended to strike an appropriate balance between flexibility and prescription that recognizes the wide variation in individual circumstances of different organizations while enabling a sufficient degree of comparability across organization to meet relevant information needs.

2.5 Theoretical Framework

According to Urquiza et al. (2010), the theories are developed to make an explanation of the reason behind disclosure of information. The theoretical framework is intended to explain
fundamental theories such as the stakeholder theory, the agency theory, and legitimacy theory etcetera, to avail the users of reports with an understanding of the empirical results (Jeroe, 2016).

2.5.1 Voluntary disclosure
The two major categories of disclosure are: mandatory and voluntary disclosure. Information disclosed in order to comply with requirement of laws and regulations fall under mandatory disclosure. Management consider using voluntary disclosure because dissatisfaction with mandatory financial reporting will lead to investors, financial markets and other key stakeholders to demand companies to voluntarily provide more comprehensive information about their long-term strategies and performance. The increasing popularity of the stakeholder approach have enhanced the demand for disclosures. Companies are not just limited to shareholders though, there are other stakeholder groups who have a right to be provided with information about how the activities of the company impact on them. According to Healy and Palepu (2001), voluntary disclosing companies are transparent on the amount of information that is demanded by providers of capital to enable them to attain the efficient level of disclosing information. The Financial Accounting Standards Board (FASB) has encouraged companies to make such disclosures in the Management Discussion and Analysis (MD&A) section of the annual reports (www.fasb.org).

Voluntary disclosure may be explained as additional information that is availed by companies on a voluntary basis to meet the information requirements of users for their decision making (Meek et al. (1995). The FASB (2000) describes voluntary disclosures as “information primarily outside of the financial statements that are not explicitly required by accounting rules or standards”. Shehata (2014) notes voluntary disclosure is any information disclosed in addition to mandatory disclosure.

Voluntary disclosure of information may be divided into three groups according to Meet et al. (1995). Non-financial information such as CSR reports are for the broader group of stakeholders whilst investors are more concerned in the strategic and financial information. Swift (2001) notes that companies or management must account for their operations through CSR disclosure to stakeholders and society. The main aim of voluntary disclosures is to reduce the information asymmetry among managers and investor groups. Milgrom (1981) and Grossman (1981) noted
that companies must voluntarily publish all information accessible, since if providers of capital believe that the company withhold information; the investors shall assume the information to be negative, and hence lead to a fall in the company’s market share value. It is therefore clear, voluntary disclosures are done to attract investors.

Dragu and Tiron-Tudor (2014) notes the three main theories about integrated reporting practices are: the stakeholder theory versus the shareholder theory, new institutional and legitimacy theory and finally the innovation diffusion theory.

2.5.2 Political economy theory
The theories that have been derived from the political theory include the legitimacy theory, stakeholder theory and the institutional theory. Gray et al. (1996) notes that the political economic theory include the political, social and economic framework in which life takes place. Deegan and Unrman (2006) argue that difficult to investigate economic matters in isolation without the political, social and institutional theory. In a political economy theory, management gain legitimacy by reporting CSR information. Management perceives the social information of society and discloses the information strategically, considering that the information is aligned by with the desired perception of society (Dowling and Pfeffer, 1975).

2.5.3 Stakeholder theory
One of the motivators to voluntary disclosure of CSR information is the stakeholder theory. According to Freeman (1984) a stakeholder is an individual or group that can affect the achievements of the organization’s objectives or is or are affected by these objectives. To Clarkson (1995) stakeholders are persons or groups that have, or claim ownership, rights or interest in a company and its activities. Some of the stakeholder groups include suppliers, customers, society government and non-governmental organizations. The stakeholder theory acknowledges the dynamic and complex relationships between organizations and their stakeholder and that these relationships involve responsibility and accountability (Gray et al., 1996)

2.6 Socially responsible corporate practices.
Chen et al. (2006) takes note of that the constant advancements and expanding multifaceted nature of the world today for specific influences the way business works, which thus additionally
impact the environment around the firm. Since the 1990s, there has been a developing interest for firms to submit more on environmental and social welfare issues as opposed to the conventional business idea fixated on profit making (Carroll, 1991; Deegan, 2002).

Sustainability is looked at as an important facet from a managerial point of view (Junior et al., 2014). Chen et al., 2006 notes the diverse agreements, protocols and regulations has been signed and supported to ensure a more sustainable future. The Paris Agreement of 2015 reflects the will power of countries worldwide to further take actions towards a more sustainable future on a world-wide level. Each country is to further operationalize the agreement at a national level. It is essential that firms communicate the achievements made to respond to stakeholder’s areas of concern (Perrini and Tencati, 2006).

Corporate governance issues have been on the spotlight because of the accounting scandals of considerable proportion from well renowned companies, for example the Enron and WorldCom. Since such scandals, corporate governance mechanisms had been topical in the public as well as stakeholder’s criticism and media spotlight. There has been increased interest in order to review the current corporate governance mechanisms, to separate ownership and control of the firm. Consequently, the management control of the firm can strive for their own interest which is usually different from that of the shareholders (Jensen and Meckling 1976; Ho et al., 2008). It is argued that improved disclosure can enhance the transparency that will potentially mitigate the issues covering corporate governance (Ho and Wong, 2001).

2.7 Voluntary disclosure of non-financial information

The not very old reality that organizations should operate in and the related challenges to be overcome include the ability of management to convey useful information to the various stakeholders with respect to the different factors that influence the operations of the firm. Firms should manage the dynamics of the many different factors that affect the firm’s performance, whether directly or indirectly, that cannot always be measured into numbers or figures (non-financial information).

Being the primary and critical source of communication for and to the stakeholders, the annual reports as Kothari et al. (2009) notes, the management shall also willingly publish information via other channels of communications also, for example through conference calls. The customary corporate yearly reports concentrated basically on monetary performance of the organization and
are retrospective in nature (Kothari et al. (2009). Because of the expansion enthusiasm from partners to get data past the money related divulgences of the firm (Eccles et al., 2011; Dhaliwal et al., 2011; Steyn, 2014; Cohen et al., 2015) that can't be completely passed on through the current reporting framework (King, 2011; Clayton et al., 2015; Simnitt and Huggins, 2015), the management is regularly disposed to uncover supplementary data on a deliberate basis.

Information asymmetry between management and stakeholder’s results from separation between the shareholders and management (Francis et al., 2005; Kothari et al., 2009; Hassan and Marston, 2010). The stakeholders demand the management to disclose additional relevant information from management who are considered to have more critical knowledge and information of the company’s operations and this enhances transparency (Healy and Palepu, 2001). The legitimacy of these type of voluntary disclosures is also questionable. It can be contended that the voluntary disclosures often avail the incomplete picture of the firm altogether. The management are inclined to cherry pick the best aspects of the firm and leave out the less favorable aspects (Owen et al., 2000).

Management are required to avail non-financial information (O’Donovan, 2002; Marcuccio and Steccolini, 2005; Cohen et al.2015). Extra non-financial information disclosures can complement the mandatory disclosures and possibly provide better insight into the firm’s performance. McKinsey (2014) indicated that one of the most critical reasons for the management to address sustainability issues is to be perceived in good light by the stakeholders.

The Legitimacy Theory as employed by research studies in the area of social and environmental disclosure, is the basic and simple fact that the decisions and actions of the firm are deemed acceptable within the boundaries and norms of the society in which it operates (Suchman, 1995). According to Tilling (2004), legitimacy is defined as a very important resource for the continued operation of the firm. The ability of the firm to lure other important resources is influenced by the degree of legitimacy. Management therefore avails information disclosures voluntarily with respect to decisions and actions of the firm to the stakeholder to maintain this legitimacy. Legitimacy may be jeopardized if stakeholders are not aware of the intentions underlying the actions of management. Legitimacy is dynamic and not static in nature for it is affected largely
by the expectations of the society in which the firm operates. The other string of theory is what is known as the stakeholder theory.

There are however a few differences on the degree in which the hypothesis catches and give understanding the basic idea of deliberate non-financial disclosure practice. Some contend that the stakeholder theory isn't as helpful as contrasted with different theories in this field of interest (Deegan, 2002; Orij, 2010). Others trust the stakeholder theory is important in giving understanding to the current issue (Mahadeo et al., 2011). The idea of stakeholder theory may additionally be sub-divided into a moral and administrative perspective (Deegan, 2002; Mahadeo et al., 2011). From a moral point of view, the stakeholder theory gives a normative approach on how the administration ought to deal with the stakeholder. The managerial point of view lays on the presumption that the management ought to deliberately deal with the distinctive stakeholders, particularly the stakeholders that have an incredible level of impact to the company's assets. The management has motivating force to disclose information to these partners to demonstrate that the activities and choices are lined up with the desires from the stakeholders (Campbell, 2007). Despite what has been mentioned earlier, there is an overlap between the two perspectives on willful disclosure. The point of view in this study paper is premised on a mix of stakeholder theory and the legitimacy theory.

2.8 Non-financial disclosures and analyst forecast characteristics

All companies listed on the Zimbabwe Stock Exchange are required to produce annual financial statements within six months after the end of each financial year. (Listing Rule 3.23 – Zimbabwe Stock Exchange). The Companies Act (Chapter 24:03) – Section 141 also requires directors of the companies to present annual financial statements to shareholders at each Annual General Meeting. This requirement should not be treated and viewed as a “tick box” approach. The reporting should not be taken as a mere compliance exercise, but should rather be considered as an exercise that provides material information and disclosures to relevant, existing investors and shareholders. Both the non-financial and the financial aspects of the company’s business should be explained. Annual reporting is a mechanism that gives shareholders and stakeholders an opportunity to assess a company’s performance and profitability, its business strategies and its overall management of shareholder resources, corporate governance and sustainability of the company.
Ndamba (2015) observed a need for companies to improve corporate reporting culture in Zimbabwe. Companies are expected to go beyond the traditional annual report which principally focused on presentation of financial account figures. The annual report should be integrated and contain both financial and non-financial information. The Integrated Reporting Framework requires that a company should disclose to its shareholders and relevant stakeholders the company’s information in terms of both its financial performance and its sustainability as a going concern. The sustainability reporting should therefore be integrated within the company’s financial reporting procedures. Conversely the annual financial statements should also be included in the integrated reporting procedures. The integrated reporting will enable shareholders and key stakeholders to make informed assessment of the company’s current and future economic value.

Traditionally, companies used to produce abridged financial statements or accounts and it was considered sufficient. However, with the development and sophistication of capital markets and financial services, rise in shareholder rights and activism, increased regulatory requirements and the coming up of corporate governance best practices and so on, the disclosure requirements in annual reports has increased. As a requirement of good corporate governance, companies do not simply post annual financial statements or accounts in isolation, instead they are presented in the form of an annual report, with financial and other non-financial information on the company operations.

Corporate reporting as understood in International practices, provides both financial and non-financial information (ACCA, 2007; 2008; 2012; 2013). The annual reports should not be mere narrative reports outlining the company’s financial performance during the period under review, but these should instead give shareholders, regulators and relevant stakeholders a detailed overview of the company, its performance, profitability, management of shareholder resources, its conduct of business as a corporate citizen, compliance with laws and its sustainability as a going concern.

The annual reports are often referred to as “the principal disclosure documents” of companies. The annual reports are required to meet the disclosure requirements stipulated in terms of the laws and regulations, corporate governance best practices, international accounting and audit
standards. Without adequate disclosure requirements, it is difficult to hold directors and senior management accountable for their actions and performance. The Organization for Economic Co-operation and Development (OECD) has Principles of Corporate Governance that contain guidelines on what should be in the company annual report. The following are some of the details that should be included in the annual reports as recommended in the OECD guidelines:

a) Company objectives
b) Major shareholding structures
c) Financial and operating results for the company
d) Shareholder voting rights
e) Members of the board and key executives. Disclosure should also include directors’ qualifications, selection processes, other company directorships and whether they are regarded as independent or not.
f) Directors and key executive remuneration (including perks and share options).
g) Business strategies
h) Related party transactions
i) Material foreseeable risk factors
j) Material factors regarding employees and other stakeholders
k) Corporate governance structures and policies
l) Outlook (i.e. forward looking) information.
m) Human capital management
n) Community, environment and social activities
o) Integrated sustainability reporting
p) Compliance with laws and regulations.

In the wake of corporate scandals and corruption, shareholders are now demanding more transparency and disclosure of all material information, both financial and non-financial. Globally, corporate reporting has been implicated in the global financial crisis (Anorld, 2009). The directors and key executive remuneration should also be disclosed in a tabular format to give shareholders a complete picture of how company resources are being applied. All this is done to
safeguard the investments by shareholders and investing public. [Allen Choruma – Financial Gazzette – 2016].

The companies listed on the Zimbabwe Stock Exchange report financial information predominantly in comparison with non-financial information (Jere, Ndamba and Mupambireyi, 2016). Jere, Ndamba and Mupambireyi (2016) concluded that 86% of the total page contents of the company reports were predominantly financial information. The extent of the usage of international standards for non-financial information reporting was limited in the corporate annual reports. Corporate reporting in Zimbabwe therefore is predominantly financial reporting rather than corporate reporting as widely known, therefore resulting in the conclusion that the corporate reporting by public listed companies may not be legitimate when evaluated against internal practices and attributes of corporate reporting which provide for a balance of financial and non-financial information (Jere, Ndamba and Mupambireyi, 2016).

2.9 The formation and growth of Integrated Reporting

In the 1960s, the traditional corporate reporting involved and largely prevailed only of financial statements. The idea to disclose non-financial information, supplementing the financial information, became more interesting at this period of time (IIRC, 2011). Focus upon shareholders increased and the financial information was constructively criticized to be lagging behind, not providing a realistic picture of a company or predicting its future performance. Non-financial information was held in the positive light, availing insights of the company’s future performance and intangible assets. The reporting of environmental, social and governance issues was additionally invented at this time. To supplement the financial information, non-financial information, denoted as “corporate social responsibility” or “sustainability” reports to stakeholders and not only the shareholders, was seen as an obligation by the reporting companies. The focus to inform stakeholders was of great interest, which ensued that, information was not always of importance to the shareholders (Eccles and Serafeim, 2011).

During the 1980s, the corporate reporting developed further, including financial statements, management comments, governance and remuneration as well as environmental reporting. In 1997, Elkington introduced triple bottom line. This meant that economic, environmental and social performance was disclosed into the company reports (Eccles and Serafeim, 2011). This
was the starting point for the Global Reporting Initiative (GRI) with the objective; “to make sustainability reporting standard practice by providing guidance and support to organizations.” (Eccles and Serafeim, 2011: 75).

There had been significant changes in the business environment in the past decades, with globalization interconnecting various factors being drivers of the evolution. Given the changes in the business environment, the corporate reporting has to keep pace with the changes in order to reflect the reality of the business environment. Focus is now moving from historical financial information towards non-financial and future oriented information that should reflect changing laws, regulations, standards, governance codes and exchange’s requirements. The development has embraced the concept of integrated reporting, which is the new way to inform stakeholders (IIRC, 2011; Eccles and Serafeim, 2011).

**2.10 Evolution of Integrated Reporting**

The traditional corporate reporting model originated way back in the 1930’s and according to many, it provides a backwards-looking review of performance and does not provide enough relevant information for the current decision making. Krzus (2011) notes the demand for non-financial information, supplementing the financial information therefore became more interesting. Financial information had been criticized on not providing a realistic picture and not giving enough information of a company or predicting it future performance, no connection was made between Environmental, Social and Governance (ESG) issues to business strategy and financial performance (Joroe, 2016:19). IIRC wishes to clarify the objectives of an integrated report as companies continued to criticize financial information and continuous upholding of non-financial information. Krzus (2011) argues that the integrated report enables the reader or user of report to better understand the cause and effect relation between financial and sustainability performance for example.

As mentioned already, reporting information to stakeholders on social, environmental and governance was an additional idea invented at this time because the current financial reports fail
to make the connection between these concepts, the business strategy and financial performance (www.sustainabilitysa.org). Corporate reporting in the 1980s included a step further by availing the financial statements, management commentary, governance and remuneration as well as environmental reporting. The triple bottom line concept was later introduced by Elkington (1997) and this meant that economic, environmental and social performance was disclosed into the company reports as mentioned by Eccles and Serafem (2011). Yet still this reporting did not match the concept idea of an integrated report.

Dragu and Tudor (2013) carried out an analysis on the evolution of the integrated reporting. The researchers mention that the history of the IR started before the initiative of the IIRC, they argue it started the moment that companies disclosed sustainability and CSR information. Dragu and Tudor (2013) note that these reports were presented separately from the annual financial report. The researchers stated that the evolution of IR has three (3) stages namely: the non-financial reporting initiatives, the sustainability era and the revolution of the IR. Durak (2013) analysed the factors that could affect a company’s preference on IR and he noted country-specific factors and firm-specific factors. The country-specific factors involve the political system, legal system and financial system, education, cultural, economic system and labour system of a country, whilst on the other hand the firm-specific factors include ownership structure, corporate governance, firm size, profitability and growth opportunities as well as the industry (Jeroe, 2016).

2.11.1 Other frameworks and the emergence of Integrated Reporting

With regards to the inclusion of non-financial information in a financial report, the Global Reporting Initiative (GRI) guidelines released in 2000 have become the most common guidelines used within sustainability reporting (GRI, 2011b). The goal was to develop guidelines for companies to measure and report their economic, environmental and social performance. Prince’s Accounting for Sustainability Project (A4S) was initiated in 2004 and this was the main initiator behind the IIRC of 2010. The A4S culminated in the development of a Connected Reporting Framework (CRF).
Kruzus and Hopwood et al. (2010) concluded that reporting information should show and explain the connection between the organization’s strategic objectives and its context, risks and opportunities, relationships, governance and remuneration structures. The A4S CRF’s objective is to guide companies to define what and how to report the connection between a company’s strategy, financial performance and regard of social and environmental issues (A4S, 2011). The CRF was a separate framework, building on the International Financial Reporting Standard (IFRS) and GRI. Hopwood et al. (2010) argues that there was a need for a new connected and integrated reporting model supported by governments the finance and accounting community and stakeholder groups.

### 2.11.2 South Africa and the draft framework for integrated reporting

A discussion paper entitled: “The Framework for Integrated Reporting and the Integrated Report” (IIRC, 2011b), was released in South Africa. South Africa therefore is on the frontier of integrated reporting by demanding all listed companies to publish integrated reports for financial years starting on or after the March 1st 2010 (or to explain why their report is not integrated) (Jeroe, 2016). The recommendations of the framework are using the GRI guidelines and suggests similar elements, with the addition of for example, the identification of risks and opportunities, strategic objectives and performance measured by Key Performance Indicators (KPIs) and Key Risk Indicators (KRIs), remuneration policies and forward looking information (IIRC, 2011a).

The discussion paper entitled: Towards Integrated Reporting-Communicating Value in the 21st Century, in 2011 sought feedback on the new approach to reporting Integrated Reporting. The rationale behind the move towards integrated reporting was availed, and initial proposals for the development of an International Integrated Reporting Framework, with possible steps for creation and adoption were laid. The main purpose of the discussion paper was to prompt input from producers and users of reports. There were diverse views to the discussion paper, others felt that there was need for regulatory support of one kind or another, whilst others were for flexibility of a voluntary approach and with a feeling that the IIRC should not advocate embedding Integrated Reporting into legislation.
2.11.3 King III

The first King Report (King I) on corporate governance was released in 1994. The King I Report was issued by the King Committee on corporate governance and chaired by Professor Mervyn E. King. The King I Report consisted of standard recommendations on conduct and was applicable to listed companies, banking institutions and state run enterprises. The focus of the King I Report was on the stakeholders’ interest with an aim to improve the financial, social, ethical and environmental practice (SAICA, 2010).

King I Report took its inspiration from the Cadbury Report of 1992, with indications of similarities within the recommendations. The weaknesses of the King I Report led to the second King II Report which was applicable to certain companies listed on the Johannesburg Stock Exchange, financial, insurance and banking institutions. The Report was applicable on a voluntary basis giving companies the option to comply or explain (Ntim, 2011; SAICA, 2010).

The King III Report on governance and the King Code of Governance Principles were published in 2009 and this was viewed as the first attempt to release a code of corporate governance with requirements of integrated reporting (IoDSA, 2013). King III came into effect after the aftermath of the changes within the corporate governance changes in South Africa and this created business opportunities. The core values of King III revolves around sustainability, leadership and corporate citizenship. King III has become the milestone in the development of corporate governance in South Africa and has attempted to be at the forefront of governance internationally (PwC, 2013). The moving trends in international governance and the Companies Act in South Africa is the motive for why it was essential to emit King III (SAICA, 2010).

In summary, the King III Report highlights the importance for companies to annually report their impact on the economic environment where they operate, encouraging the disclosure of both negative and negative externalities. More-so, companies are advocated to report on how to increase the positive effects respectively decrease the negative effects on the economic life within their community (PwC, 2009).
2.12 Governance Framework

King III Report governance framework is premised upon an “apply or explain” approach, meaning that companies can choose to apply to the recommendations or explain their deviations from them. The possibility to implement what is best suited for the company is contingent, beneficiary for the company (ACCA and Net Balance Foundation, 2011). The recommendations of King III Report do not give a “one size fits all” solutions, rather it is based on principles of corporate governance. The circumstances that come along with nature, size and complexity of each organization is taken into consideration and hence the principles can be altered in accordance to each company.

2.12.1 Applicability of the King III

The King III Report recommendations are applicable to all forms of entities without constrains regarding manner or form of corporation, in contrast to King I and King II. The application of the King Code of governance for South Africa 2009 (King III Code) should lead to a good governance practice in every entity, were the principles are elaborated (King III Code, 2009). The vision that the interaction of governance, strategy and sustainability should not be separated is one of the indispensable principles of King III (IoDSA, 2013). The disclosure of how the company applies to or explains the King III Code will give the stakeholder a broader opportunity to share their opinions regarding the governance of the company (Deloitte, 2009; King III Code, 2009).

All companies listed at the Johannesburg Stock Exchange with effect from March 2010, were required to comply with the King III Report, the enforcement of reporting requirements are mandatory and full disclosure of non-financial matters is a part of the listing rules. The King III Code acknowledged GRI to be accepted international standard for reporting non-financial information.

2.12.2 Responsibilities attached by the King III Code
2.13 The Capitals

The IR framework outlines the fundamental concepts that form the basis for the requirements and guidance found in the whole framework. Value is explained as not created by the organization alone, but it is influenced by other externalities like the environment, relationships with stakeholders and also other various resources. The integrated report aims to provide insight on these factors of the value creation process. The IIRC’s concept of value is both value for the organization and value for others i.e. stakeholders and the society at large. Interactions, activities and relationships that are material for an organization’s value creation capabilities should be included in an integrated report. An important point is that this includes factors that are externalized i.e. when value has been created or destroyed outside of the reporting organization because of actions that the reporting organization took (IIRC, 2013)

The IIRC (2013) uses the term capitals to refer to the resources and relationships that are used or affected by an organization. The IR framework identified six different types of capitals: financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital and natural capital. Capital may also be known as stocks of value that an organization uses, creates or affects when doing business. The IIRC does not view the capitals as zero-sum game, meaning the overall value of the capitals in not constant/fixed over time. The IIRC’s value creation model as adopted from the IR framework is presented in Figure 2.1.

Figure 2.1 shows the role played by capitals in the value creation process. The IR framework does not make it mandatory for companies to adopt its classification of the capitals when preparing an integrated report. The capitals in the IR framework serve as a theoretical base for the discussion of value creation. Companies should not overlook any form of capital that they use or affect.

Figure 2.1: IIRC’s value creation model
The Framework defines six capitals as follows:

i. Financial
ii. Manufactured
iii. Intellectual
iv. Human
v. Social and relationship and
vi. Natural

2.14 The Corporate Social Responsibility (CSR) Report
The GRI defines a CSR report as “the process of providing information designed to discharge social responsibility”. Companies disclose their publicity by communicating their performances on economic, environmental and social impacts, resulting from its day-to-day operations, to stakeholders. The CSR disclosures are provided in a non-financial report, a standalone report – CSR report also known as the triple bottom line report or as known recently as the integrated report.
Douglas et al. (2004) highlights some of the benefits of the CSR report, including improving the corporate image towards the stakeholders and CSR reporting provides more information about the social performance of an organization towards the stakeholders which also improve the relation between the organization and its stakeholders. Morsing and Schultz (2006) notes reporting companies through CSR reporting, will better respond to the needs of the stakeholders. The stakeholder involvement enables companies to stay in tune with the constantly and concurrently changing shareholder expectations.

Through the CSR report, companies are able to control their own legitimacy. Douglas et al. (2004) notes the difference in CSR reporting behavior depending on the policies by government, culture diversity and the phase of development. Sutantoputra (2009) argues that social performance of organizations is judged on the level of CSR reporting and this is based on the GRI framework.

Fiori et al. (2007) says that there are some concerns in measurement of CSR activities. It is actually no easy task for management to determine what the key performance indicators are of the social responsibility. Fiori et al. (2007) notes that CSR reflects an approach to internal decision making and therefore its presence or absence may not easily be determined by the external public. The indicators of CSR aim to avail social investors with accurate information that makes transparent the extent to which the company’s behavior are socially responsible (Chatterji et al., 2007). The five (5) approaches to measuring CSR are: the content of annual reports, pollution indicators, questionnaire surveys, indicators of reputation and the data produced by specialized agencies (Igales and Gond, 2003). Turker (2009) however discussed four other approaches to measuring CSR and these are: reputation indices and databases, single or multiple issue indicators, content analysis of corporate publications, and scales measuring CSR performance of individuals. The important tools used by agencies to decide the firm’s social ranking are their annual reports, sustainability reports, environmental reports, or corporate social responsibility reports in addition to their financial indicators. Interviews with management also provide critical information on the social activities of the company.

2.15 Theories that explain the spreading of reporting
2.15.1 Institutional Theory

This theory is useful in explaining why there seem to be a convergence of forms, characteristics and practices among firms in the same organizational field. According to Deegan and Unerman (2011), this theory tries to explain how a practice becomes an institution within a field. An institution can be defined as “a set of rules that governs human behavior and shapes social relations” (Lichtenstein, 1996 p.224). The rules referred to here do not necessarily be laws or regulation, these maybe unwritten rules, rules of social construct that are institutionalized over time. According to DiMaggio and Powell (1983), there are powerful forces that govern the process of institutionalization and they describe three mechanisms of isomorphism through which the convergence occurs.

Coercive isomorphism
This is caused by pressures from society or from other organization or regulatory bodies that the organization in question is dependent on. An example will be complying with laws or mandatory financial reporting standards usually belongs with this category as is a requirement to conduct business. (DiMaggio and Powell, 1983)

Mimetic isomorphism
It’s when companies imitate the practices, forms or products offered by their competitors or other companies in general. Companies will be trying to achieve competitive advantage in the process or to bridge the gap of an existing competitive disadvantage. Mimetic isomorphism can be understood as competitive pressures that can cause convergence as companies seek to become more successful and legitimate by adopting best practice, even if that brings similarity. Uncertainty is understood to be a fundamental driver of convergence according to DiMaggio and Powell (1983). If a company is uncertain of its own methods and a competitor is doing great, it makes sense to at least try to understand the basis for the competitor’s success, even in the when a cause and effect chain has not been identified (DiMaggio and Powell, 1983).

Normative isomorphism
This is thought of as professional pressure that results from a formal education and networking among professionals. Education tends to bring fairly normative thinking alike and tackling problems in a similar way. Networking between professionals with the same, normative educational background, will also increase the normative pressure for convergence (DiMaggio and Powell, 1983).

### 2.15.2 Diffusion of Innovations Theory

The diffusion of innovations theory can be used to study the adoption or likely adoption of integrated reporting as done by Robertson and Sam (2015) for UK companies. According to Rogers (2003), diffusion is the process where innovations are communicated through certain channels over time among members of a social system. The characteristics that determine the rate of adoption which were also described by Robertson and Samy (2015) are as follows:

a) **Relative Advantage**
   
   It is the degree to which an innovation is considered to be better than the idea it could replace. The concept of relative advantage measures the extent to which a new product or service is more advantageous compared to other competing products or services.

b) **Comparability**
   
   It is the degree to which an innovation is considered to match the existing values and the experiences and needs of the potential adopters. Comparability entails an innovation having features being common with something else to enable comparisons.

c) **Complexity**
   
   It is the degree to which the innovation is considered as difficult to understand and use. Complexity characterizes the behavior of a system or model whose components interact in multiple ways and follow local rules, meaning there is no reasonable higher instruction to define the various possible interactions (Johnson and Steven, 2001; 19)
d) **Trialability**

It is the degree to which an innovation may be tested or tried. It is the quality or degree of being trialable.

e) **Observability**

It is the degree to which the results of the innovation are visible to others. Observability is a measure of how well internal states of a system can be inferred from knowledge of its external outputs.

Two more determinants were inspired by Moore and Benbasat (1991) and these are as follows:

a) **Image**

It is defined as the degree to which the innovation is believed to enhance one’s image or social status. It is a measure of how one’s status is viewed as favourable or unfavourable, good or bad.

b) **Voluntariness**

It is the degree to which the innovation is considered to be voluntary. The degree of being done or brought out of one’s own accord or by free choice, for example a voluntary contribution.

Robertson and Samy (2015) found that there is a lack of linkage between financial and non-financial reports. They argue that this hampers the usefulness of the reports as they fail to provide clear connection between the two types of information required by stakeholders who wish to assess the organization’s performance, strategy and prospects. This suggests that integrated reporting might have a relative advantage over the existing reporting practices, which would be beneficial for the diffusion or integrated reporting. Robertson and Samy (2015) note that many leading companies are positive or integrated reported and that they are starting to integrate their reporting along the IR framework.
2.16 Previous studies on integrated reporting

Setia et al. (2015) investigated capital disclosure in South Africa when they compared the annual reports of 2009/10 with the integrated reports of 2011/12 for 25 companies listed on the JSE. In 2010, a regulatory change which included integrated reporting as a listing requirement on the JSE came into effect, forcing companies to present integrated reports on a comply or explain basis. The capitals included in the study were: human capital, natural capital, intellectual capital, and social and relationship capital. The study by Setia et al. (2015) found a significant increase in the disclosures of information on social and relationship capital in integrated reports compared with annual reports. Setia et al. (2015) question whether corporate behavior has improved because of integrated reporting or whether it is empty rhetoric.

Setia et al. (2015) found out that companies that had disclosed relatively less information prior to the regulation were those that had improved the most. This showed that the regulation had lowered the dispersion of the extent of disclosures. The study therefore suggested that the regulation had been successful in causing companies to disclose more non-financial information which should be of interest for policymakers who are considering mandating integrated reporting (Setia et al.2015).

Eccles and Serafeim (2014) used a sample of 124 integrated reports produced by companies that took part in the IIRC’s pilot programme or that are listed on the JSE to provide an overview of the disclosure of information related to capitals. Eccles and Serafeim (2014) observed that manufactured and intellectual capital were the two capitals for which the least amount of information was disclosed. The results for manufactured capital could be attributed to the relative decline in the importance of manufactured assets in the modern, knowledge based economy (Eccles and Serafeim, 2014). The strong reporting of financial capital is attributed to the longstanding regulation and emphasis on it, while the state of natural capital is attributed to the rising pressure on companies to disclose environmental performance. Eccles and Serafeim (2014) finish by stating that “a significant number of companies are still providing little capital-specific information even though these companies are considered leaders in integrated reporting” (Eccles and Serafeim, 2014, p.11).
2.17 Hypotheses discussion

2.17.1 To what extent does governance impact on financial performance?

**Hypothesis I:**

**H0: Governance impacts on an entity’s financial performance of an entity**

One of the most striking differences between countries’ corporate governance systems is the difference in the ownership and control of firms that exist across countries (Maher and Andersson, 1999). Maher and Andersson (1999) went on to note that systems of corporate governance distinguish themselves according to the degree of ownership and control as well as the identity of the shareholders. The corporate governance framework affects the development of equity markets and economic growth.

One key element of improving microeconomic efficiency is corporate governance (OECD, 1999). OECD (1999) also noted that governance affects the development and functioning of capital markets and governance has a strong influence on resource allocation. However it was noted that there is no single model of governance, as governance vary across companies and industry sectors. Governance systems may be distinguished according to degree of ownership and control and the identity of controlling shareholders. According to Maher and Anderson (1999), some systems are characterized by wide and dispersed ownership structures, also known as outsider systems, while some systems are characterized by concentrated ownership or control structures, also known as insider systems.

Corporate governance has traditionally been associated with the “principal-agent” or “agency” Problem (Maher and Anderson, 1999). The principal – agent relationship separates ownership and control. The distinct models brought about in relation to governance are the shareholder and stakeholder theories. The shareholder theory is narrow in sense and focuses on a formal system of accountability of management to shareholders. On the other hand, the wider perspective of
stakeholder approach emphasizes the contributions by stakeholders that can contribute to the long term performance of the firm and shareholder value (OECD, 1999)

In order for boards to effectively fulfil their monitoring role they must have some degree of independence from management. This summarizes the role of board of directors, whilst the role of market mechanisms is perhaps a much more effective disciplinary device than either monitoring by investors or by the board of directors.

Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation.

It is widely acclaimed that good corporate governance enhances a firm’s performance (Brickley et al, 1994; Brickley and James, 1987; Byrd and Hickman, 1992; Chung et al, 2003; Hossain et al, 2000; Lee et al, 1992; Rosenstein and Wyatt, 1990; Weisbach, 1988).

**H1:** Governance does not impact on the financial performance of an entity

In spite of the generally accepted notion that effective corporate governance enhances firm performance, other studies have reported negative relationship between corporate governance and firm performance (Bathala and Rao, 1995; Hutchinson, 2002) or have not found any relationship (Park and Shin, 2003; Prevost et al. 2002; Singh and Davidson, 2003; Young, 2003).

**H1:** Governance does not impact on the financial performance of an entity

The study by Vo and Phan (2013) indicate that elements of corporate governance such as the presence of female board members, the duality of the CEO, the working experience of board members, and the compensation of board members have positive effects on the performance of firms, as measured by the return on asset (ROA). However, board size has a negative effect on the performance of firms. This study also presents that ownership of board members has a non-linear relationship with a firm’s performance.
2.17.2 To what extent does integrated reporting impact on the financial performance of an entity?

**Hypothesis II:**

**Ho:** Integrated reporting have an impact on the financial performance of an entity.

An integrated report tells the story of a company’s journey towards achieving its vision and provides information about its historical performance, but also about the expected one (Laptes and Soflan, 2016). In order for organizations to meet these demands, they are required to focus on more than just profit maximization. Longer-term value of the firm is increasing in importance (Hertgers, 2016). Social and environmental disclosures have been made in separate stand-alone reports in addition to other media, such as websites (Cho et al., 2009).

Using inputs from several studies and publications (Kanzer, 2010; IIRC 2011; Eccles and Krzus, 2010 and Deloitte, 2011), Roth (2014) compiles a list of potential advantages of using integrated reporting. Roth (2014) argues that integrated thinking will become valuable in evaluating the long-term sustainability of a firm. The main benefit of integrated reporting is integrated thinking. Eccles and Serafeim (2014) notes that the full value of integrated reporting can only be reached once it has succeeded in articulating the links that exist between financial and non-financial performance and outcomes. The integration of various sources of data will make, companies adopt a more long-term view of the impacts of their decisions to the various capitals (Roth, 2014).

Tweedie (2014) argues that integrated reporting has a progressive side to it since it promotes a longer-term focus than what is currently present within our capitalism. Tweedie (2014) notes that short term investors are one group with least incentive to consider the effects of their companies’ actions on other stakeholders. Tweedie (2014) calls for regulatory incentives to promote long-term investments, hence integrated reporting might not be able to bring about a change on its own.

Roth (2014) states that integrated reports would put corporate sustainability information in front of analysts and highlight its importance for financial decisions. Ferns, Emelianova and Sethi
(2008) supports Roth (2014) by arguing that many analysts simply ignore separate corporate sustainability reports. Ferns, Emelianova and Sethi (2008) notes that a few people actually refer to the sustainability reports for meaningful information. Ferns et-al (2008) argue that companies might have lost sight of the positive side of the sustainability disclosures. Instead of using them as a way to build trust, they are issued as responses to the corporate pressures of not being worse than rivals.

Switching from separate reporting to integrated reporting could assist in advancing the understanding among senior management on the issue of sustainability performance (Roth, 2014). The engagement between different business functions that would be the result of companies trying to figure out how to integrate a range of information would also be beneficial for the overall organization (Eccles and Serafeim, 2014).

Flower (2015) states that the idea of IR replacing other forms of reporting has been dropped for the 2013 framework, although it is not explicit. This argument notes that the IR risks becoming just another reporting requirement that would add instead of replace. Flower (2015) argues that in accepting that firms will issue specialized reports on social and environmental accounting, the need for an integrated report to cover those areas is greatly reduced.

Roth (2014) lists several communication benefits of integrated reporting, for example, bringing better alignment between the reported information and the investor need. Eccles and Serafeim (2014) argues that investors will require a better understanding of how financial and non-financial performance is managed by companies and this cannot be provided by separate reporting. Roth (2014) mentioned that integrated reporting could become a catalyst in developing a common language for reporting. Roth (2014) continues to note that there is a benefit of increased disclosures, which include better relations with stakeholders and possibly lower the cost of capital. There is improved risk management as a result of integrated reporting. This is brought about by the assessments of connections between the capitals that companies would have to undertake. Risk management under integrated thinking would therefore include factors that might not have been thought of earlier.
Focus is on a discussion on Integrated Reporting (IR) and Financial Performance (FM). Given that IR is a relatively new management practice and only a few companies have been practicing it for a few years, much research on this topic was hard to find (Jeroe, 2016).

Dragu and Tiron-Tudor (2013a) examined the financial and non-financial disclosure in IR. A sample of 16 Asian-Pacific companies were used as IIRC’s pilot program. It was found out that a direct correlation between financial [Return on Equity (ROE) and Return on Asset (ROA)] and non-financial (NFI) disclosure indices. Dragu and Tiron-Tudor (2013) also concluded that there appears that there is either an indirect or no correlation between the matters.

In a study by Churet et al. (2014) research was performed in order to give answer if integrated reporting leads to better financial performance, partly through better ESC management, or vice versa (Jeroe, 2016). The Return on Investment Capital (ROIC) was used as a measure of financial performance. A sample was derived from the RobecoSAM Corporate Sustainability Assessment (CSA) with 2000 companies from all over the world. The analysis revealed a systematic search for a number of specific indicators of IR in the 2011 and 2012 annual financial reports form publicly traded companies. The method employed looked for examples of environmental or social initiatives that led to either cost savings or revenue streams. The following proxy for IR was used: management decisions to include, in the main section of the AR, specific examples of sustainability initiatives and how they impact financial performance. Second, the assessment was strictly confined to the main section of the AR, in most cases the Management Discussion Section (Churet et al., 2014).

According to Eccles et al. (2011), the explanation for a weak relation between IR and FP is time lag. There is a significant time lag before better ESG performance result in superior FP since the benefits are not immediate (Jeroe, 2016). To note also is that there is also a time lag between implementation of IR and getting the benefit associated from it.

H2: Integrated reporting does not impact on the financial performance of an entity.
2.17.3 To what extent does non-financial information impact on the financial performance of an entity

**Hypothesis III:**

**Ho:** Non-financial information has an impact on the financial performance of an entity.

Non-financial information is defined as any quantitative measure of either an individual’s or an entity’s performance that is not expressed in monetary units. This includes any ratio-based performance measure in that a non-financial performance measure that is ratio-based omits any monetary metric in either the numerator or denominator of that ratio (www.financialtimes.com, 2017).

Inadequacies in financial performance measures have led to innovations ranging from non-financial indicators of “intangible assets” and “intellectual capital” to “balanced scorecards” of integrated financial and non-financial measures (Ittner and Larcker, 2000). Non-financial information is often used for policy decision and providing information to help in the allocation of resources across the public sector. It is also a key aspect of public accountability for the activities of public sector bodies. Users of the nonfinancial information include Parliament, government departments, other public bodies, special-interest groups and members of the public. Users of non-financial information therefore have a reasonable expectation that the information they use will be reliable. Past experience has shown that this is not always the case. On occasion, material errors have been identified in publicly reported nonfinancial information. There is also a risk that non-financial information may be deliberately misstated when reporting performance or in connection with funding arrangements (Byrne, 2012).

This reviews studies concerning the relationship between non-financial information and financial performance. Many a studies used the Corporate Social Responsibility (CSR) report as the variable for non-financial information.
Margolis and Walsh (2001) noted that CSR has been treated as an independent variable used to predict financial performance in 109 of the 127 studies. Out of the 109, 54 reports found a positive relation between Corporate Social Performance (CSP) and financial performance. 7 reports found a negative relation, whilst 20 reports gave mixed findings. Margolis and Walsh (2001) in another case, noted Corporate Social Performance has been treated as a dependent variable, being then predicted by financial performance in 22 out of the 127 studies. This case showed results that 16 studies pointed to a positive relationship. Four of the studies gave the relation in both directions and this explained why there are more results than studies. Margolis and Walsh (2001) conclude that there are more positive associations, and little evidence of a negative association between a company’s social performance and its financial performance (Jeroe, 2016:37).

According to Orlitzky et al (2003), the same substantive conclusion was reached by the study regarding the meta-analysis of 52 Corporate Social Performance (CSP)-Corporate Financial Performance (CFP) studies. Orlitzky et al (2003) used a meta-analysis of 52 studies and found a positive correlation between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). Orlitzky et al (2003) used two different conceptualizations of Corporate Social Performance (CSP), one using a narrow definition of social performance (excluding measures of environmental performance) and secondly corporate environmental performance which shows that corporate environmental performance has a smaller relation with Corporate Financial Performance (CFP). Orlitzky et al (2003) concluded that the association is stronger as a result of the accounting-based measure for CPF compared to the market-based measure.

Nelling and Webb (2009) had their own study which showed the casual relation between CSR and financial performance. Nelling and Webb (2009) remarked that there is no association between CSR and financial performance. These researchers used accounting and market based measurements for financial performance. The size of the firm and its leverage were used as control variables. No evidence was found that CSR influences a company’s financial performance.

Karagiorgos (2010) investigated the association between CSR and financial performance for companies listed on the Athens Stock Exchange – Greece. A positive association between CSR
and financial performance was established and it was concluded that there is a positive and significant association between CSR and stock returns.

Another study by Thao Trang and Yekini (2010) found through the use of regression analysis a significant and positive association between CSR and financial performance. Thao Trang and Yekini (2010) established also that the age of long term assets is highly correlated with CSR. The research study was carried on the companies listed on the Vietnamese Stock Exchange.

The difference between the studies is that different methods to investigate the relation between CSR and financial performance were used (Jeroe, 2016). Karagiorgos (2010) used the market-based measurement tool to measure financial performance (Jeroe, 2016:38).

Ahamed et al. (2013) researched on the association between CSR and Corporate Financial Performance (CFP). Their study in Malaysia noted a positive association between CSR and CFP. The control variable they employed were company size and company revenue. Most studies used the regression analysis. In this research study, companies CSR or sustainability reports based on the Global Reporting Initiative (GRI) guidelines are used to measure environmental and social disclosures and for financial performance, the accounting based and market based measurement method is used. Therefore, the regression analysis used by the studies is relevant for this research study.

**H3:** Non-financial information does not impact on the financial performance of an entity.

2.17.4 To what extent does publishing sustainability reports have an impact on the financial performance of an entity.

**Hypothesis IV:**

**Ho:** Publishing sustainability reports have an impact on the financial performance of an entity.

As firms worldwide have embraced sustainability reporting, the most widely adopted framework has been the GRI Sustainability Reporting Framework (GRI Framework or framework). The
GRI framework is a collection of reporting guidance documents — all of which were developed through global, multi-stakeholder consultative processes — designed to assist companies in preparing sustainability reports and ESG disclosures (Ernst & Young, 2016). Concerns including climate change, pollution, human rights issues and economic crises, have prompted the ongoing public discourse on the role of business in society and the need for greater and improved transparency, sustainability and responsibility in the day-to-day running of business.

In many countries some type of sustainability reporting is mandated, either by exchanges or by the government, and every year brings new laws and guidelines to countries throughout the world. Stock exchanges in at least 20 countries across six continents require or strongly encourage companies to provide sustainability reports or similar disclosures (Initiative for Responsible Investment, 2012). Research suggests that the value of disclosure extents to the firm’s balance sheet (Ernst & Young, 2016). A 2009 analysis of the results of more than 200 independent empirical studies examining the relationship of corporate social and environmental performance to corporate financial performance suggested that companies might benefit from increased communication of their good deeds (Margolis et al., 2009). A 2012 finance study indicated that a large institutional shareholder’s successful interventions in corporate social responsibility increased share price by an average of 4.4% a year (Dimson et al., 2012).

Critic and discussion of sustainability reporting and integrated reporting

2.17.4.1 Integrated Reporting and the business perspective

Brown and Dillard (2014) critically discussed integrated reporting and its ability to drive change and foster sustainable business practices. There is pressure on businesses and their accounting function, to undergo fundamental changes to help addressing the issues. Sustainability issues are complex and filled with uncertainty and contested. The changes for accounting and businesses and related changes are equally complex. Integrated reporting is faced with different and contesting perspectives, interest and values. Brown and Dillard (2014) note integrated reporting views are mixed. Some see it as a useful tool to introduce sustainability thinking into
organizations, while other think that it will prevent such a development (Brown and Dillard, 2014).

Cheng et al (2014) explain first the concept of integrated reporting and outline the key and future research opportunities concerning integrated reporting. Cheng et al (2014) was a response to the consultation draft of the IIRC (2013), but as explained by de Villiers et al. (2014), the issues are still valid, even after the IIRC made its publication in 2013. The main issues identified include the primary users of an integrated report in the IR framework, taken to be providers of financial capital, i.e. lenders and investors. This argument lead to criticism stating that other stakeholders might be just as important as shareholders and lenders. A clarity was made that the integrated report would benefit all stakeholders that are interested in the value creation capabilities of a firm. However, the authors note that there is still concern that the focus on investors and creditors might be to the detriment of the demands by other stakeholders (Cheng et al. 2014).

Brown and Dillard (2014) argue that it is a mistake of the IIRC to push for the business case understanding of sustainability. Its common practice using a business rationale to appeal to and get traction with powerful business people. Financial success may be achieved through win-win situations or promoting sustainability as necessary to achieve financial success. Incremental changes have been achieved, but it has failed to achieve more fundamental changes to established assumptions, processes and techniques. IIRC takes a business perspective since the purpose of IR is to explain the true value creation to providers of financial capital (although that information would be useful to other stakeholders as well) (IIRC, 2013). Brown and Dillard (2014) put up an argument that the IIRC blocks out other solutions and perspectives.

The lack of coverage of stakeholders is criticized by Flower (2015), arguing that the IIRC allows for too much of a business perspective in integrated reporting. Flower (2015) notes it is evident from the framework that the interests of other stakeholders are only interesting for a company insofar as they are useful for ensuring the prosperity of the company. The IR framework takes a business case perspective, leaving the interests of other stakeholders secondary (Flower, 2015). Lack of obligations in the framework is also criticized by Flower (2015). The IIRC has retreated
from imposing obligations on firms reporting under IR and therefore the ability of IR to have much of an impact on the financial reporting of companies today is questioned.

The shortcomings of the IR framework are caused by the composition of the IIRC’s governing council, according to Flower (2015). The governing council is dominated by the accountancy profession and by multinational enterprises. Those considered to be the advocates of social and environmental accounting, such as representatives from the GRI, are in minority in the council. There are political powers in play that want to keep the current ways of doing business, so as to keep power and authority with corporate managers and the accounting profession (Flower, 2015). “It would not be an exaggeration to claim that the IIRC has been “captured” by the preparers and the accountancy profession” (Flower, 2015, p.17).

2.17.4.2 A discussion on capitals
Coulson et al. (2015) explore the capital metaphor and the development and potential of IIRC’s six capitals concept. The IIRC’s agenda involves aiding a change from financial capital markets to inclusive capital markets. Inclusive should be taken to mean that resources other than those covered by traditional accounting are instrumental to long-term financial performance. The IIRC is an advocate for a shift from short-termism to long-term thinking and from silo reporting to integrated reporting. To encourage companies to consider all forms of capitals that they use and the interconnectedness between is one way in which the IIRC helps this development (Coulson et al. (2015). It is also not the intention of the IIRC to push for a monetization of all the capitals. Coulson et al. (2015) believe that monetization could be a useful tool, and the quantitative measures will be necessary alongside qualitative information to gain an understanding of the capitals.

Coulson et al. (2015) argue that one should be careful about how to use the capital metaphor. It seems most companies do not report fully on the trade-offs between capitals, at least not according to the IIRC. Coulson et al. (2015) stresses that firms need to develop their internal reporting systems for management to be able to assess trade-offs. In addition, transparency is seen as important in addressing the challenges and opportunities of the connectivity of the capitals (Coulson et al. 2015).
Barter (2015), Coulson et al. (2015) highlight the risk of commodification of resources. Whenever a monetary value is assigned, there is risk of placing resources into the economic system that is partially responsible for destroying them. Barter (2015) discusses the relative roles of capitals and the risks of bringing natural capital into the boardrooms. Barter (2015) argues that natural capital is not to be seen as just one of the six capitals, rather is should be seen as a master set of which the other capitals are subjects. This is so because there is not a perfect substitutability between natural capital and the other, human-made, capitals.

**H4**: Publishing sustainability reports does not impact on the financial performance of an entity.

Though the merits for having non-financial performance measures are many, they are not without their own drawbacks. Research has identified five primary demerits or limitations. Time as well as cost has been a problem for some companies. Some companies have found the costs of a system that tracks a large number of financial and non-financial measures can be greater than its benefits. Development can consume considerable time as well as costs, not least of which is selling the system to skeptical employees who have learned to operate under existing rules. A greater number of diverse performance measures frequently requires significant investment in information systems to draw information from multiple (and often incompatible) databases.

2.17.5 To what extent does environmental and social responsibility reports have an impact on the financial performance of an entity?

**Hypothesis V:**

**Ho**: Environmental and social responsibility reports have an impact on the financial performance of an entity.

Palmer (2012) explores and tests the relationship between CSP and corporate financial performance (CFP) by using time series regression. The results showed a positive relationship in both directions, supporting the view that increased CSR programs have a positive impacts on the
bottom-line. Results also indicate that increased CSP leads to increases in gross margin, indicating that some customers are willing to pay a premium for the products and/or services of a company with CSR initiatives. Lastly, results also indicate that increases in CSP leads to a decrease in sales, which implies a decrease in customer base because less people are willing to buy the products at premium (Palmer, 2012)

**H5**: Environmental and social responsibility reports do not impact on the financial performance of an entity.

Tran (2015) undertook a qualitative approach to argue that there is little flexibility for a firm to engage in social impact projects if these programs do not provide an adequate financial return for the company. The determinants of the success of a CSR campaign are varied but key factors at play, especially in consumer facing industries, include the relevance of the social initiative to the company itself, the ownership structure of the firm, and the criteria by which consumers screen products for potential purchase (Tran, 2015).

**2.18 Gap analysis**

A comparison of the approaches above on their differences, similarities and explanations is here summarized. Nelling and Webb (2009) found no evidence that there is a relation between Corporate Social Responsibility (CSR) and Financial Performance (FP). The study contacted by Karagiorgos (2010) found a positive and significant relation between Corporate Social Responsibility (CSR) and Financial Performance (FP). The CSR reports were measured in accordance to the GRI guidelines. Financial performance was measured through the market-based method. Karagiorgos (2010) and Nelling and Webb (2009) both used regression analysis. Thao Trange and Yekini (2010) employed content analysis method to find the nexus between Corporate Social Responsibility (CSR) and Corporate Financial Performance (CFP). The control variables that were employed were size and risk. The findings: a modest relation between CSR and CFP among companies in Vietnam (Jeroe, 2016).

Based on the studies summarized here-on, the hypotheses of this research study are formulated. A meta-analysis of 52 studies was conducted by Orlitzky et al. (2003) and a positive correlation
between Corporate Social Performance (CSP) and Corporate Financial Performance (CFP). In Greece, Karagiorgos (2010) investigated the association between Corporate Social Responsibility (CSR) and Financial Performance (FP). From this study by Karagiorgos (2010), it was also concluded that there is a positive and significant association between Corporate Social Responsibility (CSR) and stock returns. The research study by Nellling and Webb (2009) show the casual relation between Corporate Social Responsibility (CSR) and Financial Performance (FP) and that there is no association between CSR and FP. Thao Trang and Yekini (2010) however found through the use of regression analysis that a significant and positive association exist between CSR and FP. Dragu and Tudor (2013) found a direct correlation between financial (Earnings Per Share and Return On Asset) and non-financial disclosure indices were found.

There is growing institutional support of an integrated reporting framework (Berndt, Bilolo, & Müller, 2014), and firms viewed as sustainable, with results demonstrating that firms implementing sustainability programs are more highly valued by the marketplace (Lourenço, Callen, Branco, & Curto, 2014). According to Roth (2014), the specific problem of special focus is that organizations are investing in integrated reporting research and implementation in order to improve their financial performance without the guarantee that their financial performance will be improved. This research study therefore, aims to carry out an assessment of the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange.

2.19 Chapter Summary

This chapter covered the conceptual framework, theoretical framework, the formation and growth of integrated reporting, the evolution of integrated reporting, governance framework, the capitals and the value creation model and theories that explain the spreading of reporting innovations. Previous studies on integrated reporting were summarized, giving rise to the hypotheses discussion and finally the research gap analysis which paints towards areas of special focus for this research study. Research instruments will be used in the next chapter in making an assessment of the effectiveness of integrated reporting in improving the financial performance of companies listed on the Zimbabwe Stock Exchange.
CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction
This chapter presents the research strategy or methodology that was adopted for this study. The research methodology approach used to address the objectives of the study comprises methodological framework which explores the philosophies behind this research, research design and type of research, population, sampling, data collection, data analysis, reliability and validity of the study.

3.1 Research philosophies

3.1.1 Positivism
According to Vermeulem (1998), in positivism, the social and physical reality is independent of those who observe it, and that observations of this reality may constitute scientific knowledge. Positivism searches for causal explanations and the creation of fundamental laws through scientific analysis. Gill and Johnson (1997) as cited by Saunders, Lewis and Thornhill (2003:83) say that, with positivism, there is an emphasis on a highly structured methodology to facilitate replication and on quantifiable observations that lend themselves to statistical analysis. Positivists believe that reality is stable and can be seen and explained from an objective viewpoint. This usually involves changing of reality with variations in only a single independent variable so as to isolate and pick regularities in, and to form the relationships between some of the constituent elements in the social world.
3.1.2 Interpretivism

The difference to positivism is known as Interpretivism and its authors argue that the subject matter of the social sciences, people and their institutions is fundamentally different from that of the natural sciences, hence the need for a different research procedure (Bryman and Bell, 2003). Interpretivism provides that only through the subjective interpretation of and intervention in reality can that reality be fully understood.

Saunders et al. (2003:84) argue for the view that the social world of business and management is far too complex to lend itself to theorizing by definite ‘laws’ in the same way as the physical sciences. The argument is that if such complexity is reduced to a series of law-like generalizations, rich insights into this complex world would be lost. Saunders et al. (2003) notes that this argument would be persuasive for business and management cases because business situations are complex and are also diverse to each particular situation. They are a function of a particular set of circumstances and individuals (Saunders et al., 2003:84). The researcher took into account this approach in taking the Interpretivism approach in this research. Gilbert (1993), cited in Lancaster (2005), affirms that this approach builds theories based on gaining knowledge of the world. Thus theory is built through observation of phenomena in the real world. The author notes that this theory which follows observation.

Marshall and Rossman (1999) explained qualitative research as intrigued with the complexity of social interactions as expressed in the day to day life and with the meaning the participants themselves attribute to these interactions as they come. It emphasizes on the perspective of the individual being studied. Leedy and Ormrod (2001) argue that quantitative research is used to answer questions about relationships among measured variables, with the purpose of predicting and explaining the phenomena currently at hand. Leedy and Ormrod (2001:102) provide a summary of the differences between these two research approaches.
Table 3.2: Distinguishing Quantitative and Qualitative Approaches to research

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Quantitative</th>
<th>Qualitative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The purpose of the research</strong></td>
<td>To explain and predict</td>
<td>To describe and explain</td>
</tr>
<tr>
<td></td>
<td>To confirm and validate</td>
<td>To explore and interpret</td>
</tr>
<tr>
<td></td>
<td>To test theory</td>
<td>To build theory</td>
</tr>
<tr>
<td><strong>The nature of the research process</strong></td>
<td>Focused</td>
<td>Holistic</td>
</tr>
<tr>
<td></td>
<td>Known variables</td>
<td>Unknown variables</td>
</tr>
<tr>
<td></td>
<td>Established guidelines</td>
<td>Flexible guidelines</td>
</tr>
<tr>
<td></td>
<td>Static design</td>
<td>Emergent design</td>
</tr>
<tr>
<td></td>
<td>Context-free</td>
<td>Context-bound</td>
</tr>
<tr>
<td></td>
<td>Detached view</td>
<td>Personal view</td>
</tr>
<tr>
<td><strong>The methods of data collection</strong></td>
<td>Representative large sample</td>
<td>Informative, small sample</td>
</tr>
<tr>
<td></td>
<td>Standardized instruments</td>
<td>Observations, interview</td>
</tr>
<tr>
<td><strong>Type of reasoning</strong></td>
<td>Deductive analysis</td>
<td>Inductive analysis</td>
</tr>
<tr>
<td><strong>Communication of findings</strong></td>
<td>Numbers</td>
<td>Word</td>
</tr>
<tr>
<td></td>
<td>Statistics, aggregated data</td>
<td>Narrative individual quotes</td>
</tr>
<tr>
<td></td>
<td>Formal voice, scientific style</td>
<td>Personal voice, literary style</td>
</tr>
</tbody>
</table>

Adopted Source: *(Leedy and Ormrod, 2001)*

The contrast between the two approaches to research is that qualitative research is inductive and quantitative research is deductive. Bryman and Bell (2003:25) argue that, “... quantitative researchers employ measurement and qualitative researchers do not”. In qualitative research, a hypothesis is not needed to begin research. However, in all quantitative research, a hypothesis is before research can begin (Miles and Huberman, 1994). The other major difference is that the
underlying assumptions about the role of the researcher. In quantitative research, the researcher is ideally an objective observer that neither participates in nor influences what is being studied while in qualitative research, the researcher can learn about a situation by participating or being immersed in it (Miles and Huberman, 1994).

Qualitative research at times focuses too closely on individual results and fails to make connections to larger situations or possible causes of the results. Quantitative research, on the other hand, often forces responses or people into categories that might not fit in order to make meaning (Miles and Huberman, 1994). Although some authors feel that one method is better (or rather more scientific) than the other, Miles and Huberman (1994) argue that, the two research methods are complimentary to each other. This argument was supported by Hathaway (1995) who argued that the methods may be used in combination only by alternating between them. According to Hathaway (1995), qualitative research may be taken as more appropriate to answer specific types of questions in specific conditions and the quantitative research will be appropriate for other conditions.

Mostly those who advocate for qualitative methods often argue that qualitative data allows one to precisely follow events sequentially in a way that allows one to establish relationships between such events as they occur. Good qualitative data help researchers to get beyond initial conceptions and to generate or revise conceptual frameworks (Miles and Huberman, 1994). Each approach has its own merits and demerits depending on what the research objectives are. Miles and Huberman (1994) argue that both methods can be used to complement each other for a thorough analysis of questions. Miles and Huberman (1994) notes that rather than discounting each approach for its draw backs, researchers should find the most effective ways to incorporate elements of both to ensure that their studies are as accurate and as thorough as possible. As noted by Hathaway (1995), the choice of which approach to use may reflect the interests of those conducting or benefiting from the research and the purposes for which the findings will be applied. The findings of research projects often guide important decisions about specific practices and policies. Decisions about which kind of research method to use may also be based on the researcher's own experience and preference, the population being researched, the proposed audience for findings, time, money, and other resources available (Hathaway, 1995).
This study adopted the explorative and descriptive approach. Literature on integrated reporting was studied. Quantitative data was collected through content analysis of the annual reports of the companies listed on the ZSE to implement the theoretical part. To measure the financial performance of companies, two methods can be used. The accounting-based method and the market-based method are applicable. In order to measure the non-financial information, meaning environmental and social aspects, according to Turker (2009), four approaches may be employed. Reputation indices and databases, single or multiple issue indicators, content analysis of corporate publications and scales measuring CSR performance of individuals (Jeroe, 2016:14). The research study is more quantitative in nature and being less qualitative hence, the development of the research proposition as opposed to the research hypothesis of the quantitative approach. Hurmerinta-Peltomaki and Nummela (2004) contend that, if just a single strategy is utilized, some critical components of the research study will stay uncertain so the combined approach was utilized to exploit the quality of the two strategies. Quantitative research is utilized as a part of this research to make valuable depictions of observed phenomena and clarifying the conceivable connection between descriptive reviews. The qualitative approach conveys access to all well-grounded, rich descriptions and clarifications of procedures in identifiable setting that statistical analysis often misses.

3.1.3 Deductive and Inductive Theories

Durrheim (1999) notes that an inductive method proposes an immersion in the details and specifics of the data to discover important categories, dimensions and interrelationships and begins by exploring genuinely open questions rather than testing theoretically derived (deductive) hypothesis. Deductive approach to research therefore uses empirical observation to test a theory or hypotheses. According to Lancaster (2005:22), the first step in deductive research is the generation of theory or hypotheses. Leedy and Ormrod (2001) argue that deductive logic starts with one or more premises which are self-evident and widely accepted truths. From the premises reasoning then proceeds logically toward true conclusions. The theory can be generated in several ways that include a desire to work out a solution from a given problem or from an idea based on previous experience or from a literature search. The generation of theory is then
followed by data collection, testing and the confirmation or rejection of the hypotheses (Bryman and Bell, 2003).

The opposite theory to deductive theory is known as inductive theory. It also begins with an observation, which is then used to draw conclusions about entire classes of objects or events (Leedy and Ormrod, 2001). Lancaster (2005:25) argues that, a researcher develops hypotheses and theories with a view to explaining empirical observations of the real world scenario. Leedy and Ormrod (2001) argue that separate and individual facts observed by the researcher leads to a single conclusion. For this research, the starting point is a deductive approach. According to Saunders et al. (2003:389), this approach “….will link your research into the existing body of knowledge in your subject area, help you to get started and provide you with an initial analytical framework”. The study used the deductive approach because it allows an exploration of the theory underpinning the subject area of the research. The approach links the research into the existing body of knowledge in the subject area. An inductive approach then follows through data analysis.

3.1.4 Nomothetic versus Ideographic Research Approaches

An observation by Lancaster (2005:27), nomothetic methods, “…include the more highly structured research methodologies which can be replicated and controlled, and which focus on generating quantitative data with a view of explaining causal relationships”. Nomothetic research approaches uses correlation, hypothesis testing, significance levels, random sampling, correlation, test reliability and validity for data analysis (Vermeulen, 1998).

The basic methodological enquiry is whether the business world is a solid genuine, objective reality, external to the individual or a softer, personal internal to the subjective experience of the individual. The former methodology relates to nomothetic approach and searches for universal laws which explain and govern the reality which is being observed. The latter relates to ideographic research methodology, which is much less structured and is focused more on getting to understand and explain the phenomena with more emphasis on qualitative data (Lancaster, 2005).
According to Vermeulen (1998), ideographic research involves an intensive study of the behavior and characteristics of individuals as a way of understanding and evaluating them in the situation in which they live. Ideographic research involve small numbers of subjects including case studies.

3.2 Research Design

The research design defines the structure to the study and the phenomenon. The research design gives a beginning for the selection of case, the developing a working definition as well as the empirical data collection process. This study analyzed both early and contemporary approaches to research so as to establish the appropriate approach to the development of knowledge and theory and determine a testing process in the research. According to Lancaster (2005:21), the two earliest approaches are epistemological and ontological schools of thought. They encompass the concepts of positivism and interpretivism and the qualitative and quantitative debates. The other approaches to be considered are Deductive versus Inductive theory as well as Nomothetic versus Ideographic approaches.

3.2.1 Research Methods

Mourton (2001) highlights that a research design serves the purpose of planning the research project and enhancing the validity of the research findings by providing the research project with a specific structure to be followed. A research design is therefore a roadmap or plan used to gather data and answer the research question. These include case studies, experiments, forecasting, subjective research, action research and surveys.

3.2.1.1 Case studies

Case studies attempt to describe relationships that exist in reality, quite and very often in a single organization (Zikmund, 2003). Case studies are considered to be viable where it is necessary to study the phenomenon in its natural set up. Bryman and Bell (2003) suggests that the disadvantage of case studies is that they are typically restricted to a single organization and it is difficult to generalize the findings thereof.
3.2.1.2 Experiments
Bryman and Bell (2003) note that in a laboratory experiment, the researcher is permitted to identify precise relationships between a small numbers of given variables. The variables are studied intensively using quantitative analytical techniques with a view to make general statements applicable to real-life situations or events. One of the demerits of using experiments is that it is not easy to come up with a simulation that is perfectly real so that it mirrors the actual situation. It can therefore remain as a hanging experiment that becomes near irrelevant in real world events.

3.2.1.3 Forecasting
Forecasting research employ methods like regression analysis as well as time series analysis in making predictions on the likely expected future events (Neuman, 2003). Forecasting is important as it attempts to cope with the rapid changes that are taking place on a day-to-day basis. Forecasting research has the disadvantage that its users may fail to build correct visions about the future, save for mere cases of possible futures (Bryman and Bell, 2003).

3.2.1.4 Subjective Research
Subjective research demand the user to make use of speculative or creative or scenarios other than just being an observer of events (Zikmund, 2003). Subjective research has the merit that new findings may be built, together with new ideas created and afterward tested to add to the pool of research knowledge. The method is not structured and very subjective method of research and so therefore bias is very prevalent.

3.2.1.5 Action research
Lancaster (2005) observed that, in action research, the researcher attempts to develop results or a solution that is of practical value to the people with whom the researcher is working, and develops theoretical knowledge available. Action research is usually restricted to a single
organization making it difficult to generalize findings. There is an opportunity for researcher bias in this type of research study.

3.2.1.6 Surveys

Bryman and Bell (2003) takes note of that a study empowers the analyst to get information on the practices, circumstances or perspectives at one point in time through interviews or questionnaires. Quantitative logical methods are then used to make inductions from this assembled information with respect to existing connections. When utilizing the review technique, there are sources of bias, for example, the conceivably self-choosing nature of respondents, the point in time when the overview is directed and in the analyst through the design of the study itself. A key inconvenience is that it is exceptionally hard to acknowledge bits of knowledge identifying with the reasons for or forms associated with the phenomena measured (Neuman, 2003; Lancaster, 2005).

Through the use of surveys, the researcher grants the study to access more variable factors at once as compared to what may be achieved in a field or laboratory set up. Information can be gathered about certifiable situations. In comparison with other research systems, this has demonstrated the most appropriate when managing a causal impact relationship. It elucidates the dependent and independent factors. This research study employed the survey technique given its merits mentioned above.

3.3 Research design and hypotheses development

The hypotheses of this research study have been formulated based on the preceding chapter on literature review. The methodology used will be presented here-on as well as the discussion of the variable of interest and control used in this particular research. The formulated regression models will be used to test the hypotheses for the study. Libby boxes will be presented after the hypothesis.
3.3.1 Dependent variables

The dependent or variables of interest are the financial performance (FP) of a company and these are the ratios of Return on Asset (ROA) and the Earnings per Share (EPS). The ROA and EPS in this research study represent the financial information. Financial performance as in some previous studies is the dependent or variable of interest. The financial performance of a company is measured through the Return on Asset (ROA) which is an accounting-based method and the Earnings per Share (EPS) which is a market-based measurement. The sample for this research study was taken from companies listed on the ZSE.

3.3.2 Independent variables

The independent variables are the non-financial information (NFI) presented by the social and environmental performance and the Integrated Annual Reports (IAR). The first independent or control variable is Integrated Report which is a dummy variable, 1 meaning the company integrates its financial and non-financial information and 0 stands for no integration. The next and second independent variable is non-financial information which is measurable data, sustainability reports or Corporate Social Responsibility (CSR) reports prepared in accordance with the Global Reporting Initiative guidelines, GRI G3.1 and G4. In this research study, Environmental and Social activities of the reporting companies are measured.

3.3.3 Control variables

The control variable are used as a control tool in order to eliminate biased results. The control variable may have effect on the variables of interest / dependent variable – financial performance in this particular research study. The environment which comprises of the firm size, risk and industry are the most used control variables in prior research studies regarding financial performance and non-financial information. Each organization has its own core and each attract more or less attention from their stakeholders (Jeroe, 2016:42). Waddlock and Graves (1997) defined size of a firm as “a variable of great importance since the socially responsible behavior that is disclosed by the larger firms tend to be more than those disclosed by smaller firms”. This means that smaller firms are rarely to use CSR reports or are concerned with CSR performances after all. Is it easier for larger companies to implement SCR strategies faster as a result of their financial resources and the growing interest from the stakeholders (Jeroe, 2016).
A summary of the conceptual framework variables shown in Figure 3.1 below will be examined in detail and linked to the hypothesis and the related testing of the hypothesis.

**Figure 3.1 – Dependent (Variables of interest) and Independent (Control variables)**

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Mediating Variables</th>
<th>Dependent Variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Integrated Reporting</td>
<td>2. Economic environment</td>
<td>i. Return on Equity (ROE)</td>
</tr>
<tr>
<td>4. Publishing sustainability reports</td>
<td></td>
<td>iii. Earnings Per Share (EPS) - market based</td>
</tr>
<tr>
<td>5. Environmental and social responsibility reports</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Source: Author’s design

In this research study, the IR will be measured as a dummy variable, it will take the value of 1 if the company has an Integrated Annual Report (IAR) and 0 if other. In this research study, the content analysis technique will be employed to measure environmental and social performance, after which the SPSS data processing will be used to present and analyze the data.

3.4 Research Assumptions

3.4.1 Ontological Considerations

According to Lancaster (2005), an ontological approach consists of development of views on a phenomena without relating them to some knowledge base. It focuses on the nature of social entities, whether they are objective and independent from social actors or are built up from perceptions and actions of social actors (Bryman and Bell, 2003).

3.4.2 Epistemological Considerations

Vermeulen (1998) defines epistemology as a branch of philosophy which studies the nature of knowledge and the process by which knowledge is acquired and validated. “An epistemological issue concerns the question of what / or should be regarded as acceptable knowledge in a discipline” (Bryman and Bell, 2003:13). The focal issue by the authors of this approach is whether the social world can be studied using the methods, principles and procedures used in the natural sciences. The reason for the selection of these approaches stems from the understanding that the business world is real and one can get into it, investigate and draw up conclusions. The epistemological position would be known as positivism where strategies for the characteristic sciences are connected to the investigation of social reality.

The truth is thought to be a socially built item in light of people's comprehensions. The ontological supposition of this study is that the truth is subjective and different. Participants in the research study may see it in various ways. Discernments are vital, on the grounds that they
are the reason for business entrepreneurs' activities. The epistemological assumption of this study is that the world can be seen just from the perspective of the people straightforwardly engaged with the activities in question. Accordingly, in accordance with this assumption, the little firm proprietor/director apparently is the most fitting source in this research study. The examination technique utilized is accepted to give legitimate data about the research phenomena.

3.6 Population
Saunders et al. (2003) define population as the whole set of items or cases out of which the sample is taken. Welman and Kruger (2002) define population as an object which is being studied. It can be organizations, events, individuals, human products or the conditions to which they are exposed to. The research population in this study consists of the 61 actively trading companies, including individuals in the knowhow of how companies on the ZSE trade and perform.

3.7 Sampling and sample period
According to Wegner (1999:17) sampling is, “…the process of selecting a representative subset of observations from a population to determine the characteristics (that is, the population parameters) of the random variable under study”. Cooper and Schindler (2003) argue that with sampling, there is a greater opportunity to conduct quality interviews, achieve better supervision of the research team, investigate and verify any missing, wrong or suspicious information. Sampling enables the research study to be carried out with speed and information is available and it plays an important role in the process of designing a questionnaire. Saunders et al. (2003) affirmed that a sample may be appropriate where there are budgets or time constraints or where it would be impossible to survey the whole population for the research study.

3.7.1 Sample Size
With regards to the size of the sample, Leedy and Ormrod (2001) note that the bigger the sample the much better results thereon. A good sample is a representative that will enable the researcher to come up with reasonable conclusions, with minimal bias. Leedy and Ormrod (2001) also
noted the other variables that shall be considered in order to have an appropriate sample. The guidelines below were proposed by Leedy and Omron (2001) in coming up with a sample:

- If population is less than one hundred \((N \leq 100)\), the population will be small and so there is little reason to do. The entire population may be the sample (that is, population size equals sample size).
- For a population size of approximately 500, sample 50% of the population.
- For a population size of around 1500, sample 20% of the population.
- For a population that is approximately \(N=5000\), the population size is almost irrelevant, and a sample size of 400 will be adequate.

Leedy and Omron (2001) notes these guidelines remain subjective in far as how the percentages of population sizes are determined. Leedy and Omron (2001) notes that in bringing on an appropriate sample; certain factors need to be looked at. These incorporate the level of exactness with which the researcher wishes to make inferences or makes expectations about the populace under research and the heterogeneity or homogeneity of the populace (Leedy and Omron, 2000). A sample ought to along these lines be sufficiently illustrative to empower the researcher to keep predispositions at negligible and reaching sensible and sound inferences. The actual sample size therefore remains very subjective. From the above arguments, a sample of 61 actively trading companies on the ZSE and individuals with the knowhow of how listed companies operate and report their performance was used.

### 3.7.2 Sampling Techniques


### 3.7.3 Non-Probability Sampling
Saunders et al. (2003) argues that as common with non-probability sampling, the chance of each one case of being chosen from the total population is uncertain. Non-probability sampling techniques involve snowball, purposive, convenience and quota sampling methods. Quota sampling requires the choice of representatives of the various elements in the proportions in which they occur in the population. Saunders et al. (2003) observes that the population is divided into specific groups from which a quota of each category is selected. Silverman (2005) notes the judgmental sampling reveals some feature or system of interest and requires researcher to critically think on the population parameters under being examined and chooses the case on premised on that basis. One is allowed to make judgment in selecting cases that may best be suitable for the research study on hand.

Snowball sampling technique is used when it is difficult to identify members of the desired population. Robson (1997) illustrates that one or more cases are identified which then act as informants in identifying other cases. The cases identified will also identify others. This sampling technique has a bias in of representativeness and it may prove difficult to identify the initial contact cases. Leedy and Ormrod (2001) are of the view that Convenience sampling involves selecting those cases which are easiest to obtain for the sample. It makes no pretense of identifying a representative subset of a population. It is prone to bias and is suitable for less demanding research problems.

3.7.4 Probability Sampling

Wegner (1999) stated that, in probability sampling, sample observations are selected on a purely random chance or basis. Simple random sampling is when all the members have an equal probability of selection. This method has got the advantage that the introduction of any bias is unlikely and it is free from human intervention. However, it is not practical in the sense that it requires a population list which may not be available (Emory, 1980). Systematic random sampling begins by selecting the first observation and then subsequently selecting observations at uniform intervals relative to the first (Wegner, 1999). Crawshaw and Chambers (1994) argue
that this method is easy to check for errors and is quick to use. This method may fail to give consistent results if different intervals are used where there are periodic cycles within the survey frame. Saunders et al. (1997) describes stratified random sampling as a modification of random sampling in which one divides the population into two or more relevant and significant strata based on known attributes. Random samples are then selected from each stratum. The sampling units in each stratum should be fairly homogenous. Stratified random sampling enables the researcher to study in detail the behavior of elements in each stratum (Leedy and Ormrod, 2001). This has the advantage of improving the accuracy of the results. The challenge with the stratified random sampling is in the determination of the stratus and the basis for stratification.

This study used probability sampling (simple random sampling) because it reduces researcher bias. The initial sample consists of all ZSE listed companies which produced Integrated Reports for the period ending December 2013 to June 2017. The ZSE has 64 listed companies and 61 are actively trading as at 30th of June 2017. The researcher used random sampling method from 64 listed companies. The sample was selected given that it is manageable and the accessibility of respondents to the researcher who had limited means to conduct a massive sample research beyond the selection used. Table 3.1 below represent the final sample of ZSE listed companies as at 30th June 2017:

3.8 Types of data

Data sources for statistical analysis can be primary or secondary data (Wegner, 1999).

3.8.1 Secondary Data

Wegner (1999) argues that secondary data is data acquired and processed into meaningful information by someone for a purpose other than the current problem. Such information is accessible inside or outside the organization. Auxiliary information has the favorable position that it can be gotten to in a moderately brief time and it is for the most part more affordable to procure. The disservice is that the information may not be significant to the particular issue close by and it might be hard to survey its precision. In this study, secondary data was collected from publications from various organizations, such as the published financial statements. Secondary
data was also collected using books, journals, internet and print media. Secondary source of information have been used for comparative analysis of tax incentives and investment statistics from the Zimbabwe Investment Authority, the Reserve bank of Zimbabwe, the Zimbabwe Revenue Authority and the Ministry of Finance. Investment regulations indigenization legislation and agreements were also reviewed.

3.8.2 Primary Data

Wegner (1999) defines primary data as raw information which is captured at the point of generation. Primary data is acquired for the first time and for a specific purpose for which it is intended. It is easy to come up with structured or unstructured questions that focus on the study topic using primary data. Data accuracy is enhanced by using primary data. The use of primary data therefore is a control over accuracy of research study. However the disadvantage of using primary data lies in the expense associated with its collection time. In this study, primary data was collected from the website and annual integrated reports of stock exchange listed entities.

3.8.3 Research instruments

There are various data collection techniques that may be used and these include interviews, questionnaires and observations. In a given research study, these methods may be employed in isolation or as a combination.

3.8.3.1 Observations

Emory (1980) expressed that perception includes seeing what is happening around the researcher, through orderly perception, recording, description, examination and elucidation of individuals' behavior. Observation entails listening or reading. Observation may be divided into two categories: behavioral and non-behavioral observation (Emory, 1980:314). Behavioral
observation involves looking at linguistics, non-verbal analysis, spatial analysis and also extra-linguistic analysis. Non-behavioral observation involves observing of non-human phenomena and involves activities such as similar records, activities and processes. Both behavioral and no-behavioral methods of observation are useful techniques used in acquiring data in a research study.

Gill and Johnson (1997) grouped perception into member and organized perception. In member perception, the specialist takes an interest completely in the lives and exercises of subjects and consequently turns into an individual from their gathering. The value of this method is that it gives the specialist a superior perspective of the social setting of the subject under investigation. However the detriment is that it can posture troublesome moral issues for the scientist. In an organized perception the specialist is separated from the members who are the subject of the examination and the legitimacy is that the analyst can do concurrent perceptions in various areas. The negative mark is that the information is ease back and costly to gather. Leedy and Omron (2001:195), take note of that the specialist ought to be as goal as could be expected under the circumstances, in spite of the technique for perception being utilized.

### 3.8.3.2 Interviews

Robson (1997) takes note that in an interview one has to talk whilst the other listens. Interviews are important in establishing relevant information for the research focusing on details specified by the interviewer. Interviews may be structured or unstructured in nature. Interviews may be handled through face-to-face and/or conversations over the phone. During an interview the researcher can observe non-verbal communication and this enables the making of inferences as people talk to each other. The interview has an increased rate of response since the interviewer will be in control of the whole process of gathering information (Wegner, 1999). Interviews in general may consume a lot of time though the information will be very useful. Bias can creep in if interviews are not properly handled. Much experience is needed to avoid the possible bias as a result of the use of this data collection technique both on the side of the interviewer and interviewee.
In a fully structure interview, a pre-determined set of questions and a standard answer sheet is used whilst the interviewer fills in the responses (Robson, 1997). A semi-structure interview is when the interviewer has pre-set inquiries, however is at freedom to change either their order or format. In an unstructured interview, the interviewer keeps up enthusiasm for a specific theme of study, while enabling the interview process to create insight wide and around the theme of core interest. A formal structure is accordingly not followed in an unstructured interview.

Wegner (1999) points out that unstructured interviews have merit since it creates more information that may not have been planned and this helps to bring on diversity in analysis of the research study. Unstructured interviews are viewed as critical given that the researcher would want to interview a lot of respondents at one go. In any case, if distinctive interviewees give unique and assorted information, unstructured interviews may give data that is not easy to examination and making correlations and differentiation among interviewees. They are viable when carried out by seasoned interviewer in order to keep participants concentrated on the theme. (Siwachi, 2015)

**3.8.4.3 Questionnaires**

Wegner (1999) defines a questionnaire as a data collection instrument which consists of questions that the respondents are supposed to answer. The questionnaires maybe structured telephone interviews, face-to-face interviews as well as participant administered questionnaires. Questionnaires can be used for descriptive or explanatory research (Saunders et al., 2003). The use of questionnaires as a survey method has challenges that include a low response rate. Leedy and Ormrod (2001) argue that a mailed questionnaire, for example normally has a response rate of 50% or less. The respondents who return them may not be representative of the originally selected sample for the study. The interviewer has no opportunity to probe further or gather more information when using a questionnaire and therefore the questions must be well structured to meet the objectives of the research study.
The main advantage of using the questionnaire method is that interviewer bias is greatly reduced, reduced administration costs, and questionnaires can be administered to many participants at the same time. Questionnaires can capture information from many people at the same time and this technique makes it possible to organize and group data through structured questions.

The advantages of questionnaires

- They are simple and practical
- So large amounts of information can be gathered from a big number of people in a brief timeframe and in a moderately financially savvy way.
- Can be done by the researcher or by any other individual with a constraint on its legitimacy and dependability.
- The results of the survey can generally be rapidly and effortlessly evaluated either by the researcher of using a package of software.
- Can be broken down in a more 'scientifically' and objective way as compared to other forms of research
- When data has been evaluated, it can be utilized to make comparisons and contrasts with other research studies and changes thereon are measured.
- Positivists trust the quantitative data may be a starting point in creation of new theories or the testing of already available hypotheses

The disadvantages of questionnaires

- It may be contented to be inadequate in helping to understand some forms of information, for example, change in feelings, emotions and behavior and so on.
- Phenomenologists have stated that quantitative research is simply an artificial creation by the researcher, as it asks only a limited amount of information without explanation thereof
- May lack validity
• It’s difficult to tell the truthfulness of the responses by the respondent.
• It is difficult to analyze how much thought a respondent has availed to the research study.
• Respondents may be not careful and hence forgetful and may not be thinking within the full context of the case at hand.
• People read differently into each given question and therefore replies are based on their own interpretation of the question, for example what may be 'good' to someone may be in fact 'poor' to another, therefore subjectivity arises.
• The researcher makes own decisions that are imposed on the respondents. It is the researcher who will come up with own assumption and these may miss critical areas of the research study.
• The coding process in the case of open ended questions for example results in a great possibility of subjectivity by the researcher (Popper, 1959; Ackroyd and Hughes, 1981)

3.8.5 Choice of Data Collection Method

A questionnaire was developed and used as the instrument to collect data from stock exchange listed companies. A questionnaire which was self – administered was employed for this research data in acquiring primary data given its merits as discussed earlier on. Participants encouraged and therefore they were agreeable to give data unreservedly and secretly utilizing a survey than in an interview set up. The questionnaire was observed to be the most suitable strategy to the point, which required some level of confidentiality. Some of the merits of the questionnaire include the ability to capture information from many people simultaneously and the ability to organize and structure data through the usage of structured questions. The questionnaire technique was favored to ensure responses were more objective as compared to personal interview technique for example. Due to time constraints, the questionnaire would provide the most appropriate instrument to be used in the research study given its simplicity and provision of possible answers through the Likert Scale.

3.8.5.1 Structure of the Questionnaire
The structure or the questionnaire was having the first section of the questionnaire ask about the general demographic information of the respondents. Kangasharju (2000) argues that this section is important as statistical significance variance can be checked for all demographic variables that impact business performance.

3.8.5.2 Types of questions
There are three types of questions: open ended, closed and Likert Scale questions

Open-ended questions

Open-ended questions are designed to encourage a full, meaningful answer using the subject’s own knowledge and/or feelings. Open-ended questions are the direct opposite of closed-ended questions which encourage short and usually one-word answers. Open-ended questions have advantages of being objective and less leading as compared to closed-ended questions. Open-ended questions typically begin with words such as "Why" and "How", or phrases such as "Tell me about..." Often they are not technically a question, but a statement which implicitly asks for a response.

Merits of open-ended questions

- Open-ended questions permit an unlimited number of possible answers.
- Respondents to open-ended questions can answer in detail and may qualify and clarify their responses.
- Unanticipated findings can be discovered through open-ended questions
- Open-ended questions permit adequate answers to complex issues asked
- Open-ended questions permit creativity, self-expression, and richness of detail by the respondents
- These open-ended questions reveal a respondents logic, thinking process, and frame of reference
Demerits of open-ended questions

- Different degrees of detail in answers may be provided by the respondents
- Open-ended answers may be irrelevant or buried in useless detail
- It is difficult to draw comparisons and statistical analysis using open-ended questions
- It is difficult to classify or code responses, only those articulate and highly literate respondents have an advantage
- Open-ended questions may be too general for respondents who lose direction in the process of availing answers
- Open-ended questions require thought, time and a lot of effort to answer
- Open-ended questions may be intimidated and the best may not be achieved by the answers thereon.
- Answers take up a lot of space in the questionnaire and this may make the analysis hectic.

Closed-ended questions

Closed-ended questions are designed to limit the respondent to already availed options. The respondent has to pick from the availed answers. The answers do not create room for objectivity and hence they are very subjective in nature. Closed-ended questions which encourage short and usually one-word answers, for example a yes or no type of question.

Merits of closed-ended questions

- It is easier and quicker for respondents to answer.
- The answers of different respondents are easier to compare and make an analysis.
- Answers are easier to code and statistically analyze using programs like SPSS.
- The response choices can clarify question meaning for respondents unlike in open-ended questions.
- Respondents are more likely to answer about sensitive topics compared to open-ended questions.
• There are fewer irrelevant or confused answers to questions, these questions guide the answers expected.
• Less articulate or less literate respondents are not at a disadvantage when answering closed-ended questions
• Replication of answers is easier

Demerits of closed-ended questions

• The questions may suggest ideas that the respondent would not otherwise have
• The respondents with no opinion or no knowledge being asked may just answer anyhow
• The desired answer of the respondents may not be given as a choice and this may frustrate the respondents
• Too many response choices offered maybe confusing to the respondents
• Misinterpretation of a question can go unnoticed through closed-ended questions
• Distinctions between respondent answers may be blurred
• Clerical mistakes or marking the wrong response is possible
• Closed-ended questions usually force respondents to give simplistic responses to complex issues
• Closed-ended questions usually force people to make choices they would not make in the real world

Likert Scale questions

Merits of Likert Scale questions

• They are quick and economical to administer and score.
• They are easily adapted to most attitude measurement situations.
• They provide direct and reliable assessment of attitudes when scales are well constructed.
• They lend themselves well to item analysis procedures.
Demerits of Likert Scale-questions

- Results are easily faked where individuals want to present a false impression of their attitudes (this can be offset somewhat by developing a good level of rapport with the respondents and convincing them that honest responses are in their best interests).
- Intervals between points on the scale do not present equal changes in attitude for all individuals (i.e., the differences between “strongly agree” and “agree” may be slight for one individual and great for another).
- Internal consistency of the scale may be difficult to achieve (care must be taken to have un-dimensional items aimed at a single person, group, event or method).
- Good attitude statements take time to construct (it is usually best to begin by constructing several times as many attitude statements as you will actually need, then selecting only those that best assess the attitude in question).

Wegner (1999) highlights that when designing a questionnaire, attention should be paid to the type of questions to include, order of the questions and wording and structure of the questions to ensure that relevant, unbiased and accurate data of the correct type is gathered in line with the research objectives for the study. In this research study, a questionnaire with a blend of structured and semi-structured questions, closed and open ended questions was used to collect information from the respondents. Closed multiple choice single response questions facilitated data analysis. The advantage of having open ended questions is that it provides respondents with a chance to provide detailed answers to the questions.

The inclusion of option marked ‘other – please specify’ enables the capture of both qualitative and quantitative data would be received. Some questions also asked respondents to indicate their perceptions using a five-point likely scale where 5 = strongly agree and 1 = strongly disagree. Each and every question in the questionnaire was checked for its coverage, whether the respondent would be willing to answer the question. All the questions included in the questionnaire were checked to ensure that they were asking for relevant information to the research study.
3.8.5.3 Pre-testing of the questionnaire

Pretesting of the questionnaire is a critical item in research studies. According to Gilbert and Churchill (1988), a pre-test that is done through an interview enables the researcher to watch and see if people actually remember data requested of them. Pretesting therefore enables the researcher to see if some questions seem confusing or produce resistance and hesitancy among respondents for one reason or the other. Pretesting is done to identify unclear, ambiguous questions and to investigate the reliability of the selected instrument.

3.8.5.4 Questionnaire Administration

Self-administered questionnaires, according to Wegner (1999) may be handed out randomly wherever the target population can best be reached. For this research study, the questionnaires were distributed randomly by hand to the respondents.

This research study employed a qualitative and quantitative approach relying on measurable date from the annual reports of listed companies. This will be the basis for statistical analysis. The main source of gathered quantitative information is through annual reports from the companies’ webpages. A constructed index of the GRI G3 and G4 was used to receive and interpret information companies disclosed, regarding integrated reporting. The GRI G3 and G4 index describes an explicit description and definition of how the term integrated reporting is defined. Categorical data is used and it is the basis of this index which has been transformed into numerical data. Microsoft Excel will be used to enable analysis of data.

The GRI G3 and G4 index and indicators give great possibility of disclosure with the selected items of environmental and social correlate with this research study sample. The King III Report refers to the guidelines of GRI when conducting an annual integrated report (King III, 2009) and this is the reason behind its employment in this research study from the GRI’s G3.1 and G4 principles. The disclosure of the information regarding integrated reporting vary from one company to the other, since the placement of such information is not uniform. In this research
study, the information within the integrated annual reports has been found in the section regarding sustainability.

### 3.9 Data Analysis

Zikmund (2003:74) notes that editing of data involves checking of the data collection forms for omission, legibility and consistency in classification as well as discarding of completed responses that had missing data, identifying potential error in data collection and discussing its implications.

Upon collecting the completed questionnaires, the data had to be classified prior to analysis as either qualitative or quantitative. Qualitative responses were constituted of the open-ended questions whereas the quantitative responses involved the structured questions. The quantitative responses were handled by means of IBM SPSS Statistics software.

Data coding and data cleaning were the first to be done under data analysis. The open-ended responses to the open-ended questions were pre-analysed and then classified according to the most commonly recurrent themes prior to their codification as nominal data using the SPSS. The results were expressed as percentages after being classified into different answer categories.

### 3.10 Data presentation

A qualitative approach was put in place for the data analysis. This enable the use of inferences and induction of findings for this research study. To show comparative and classification of data in a simplified manner, graphs were used with easy. These were used together with histograms, diagrams, tables and charts. Graphs were ideal and useful for illustrating and summarizing data
Graphs made it possible to compare and contrast the opinions of different subjects on the same question. The use of graphs made it possible to plot each item in which the dimensions are enumerated on the x-axis and the corresponding values on y-axis. The use of graphs however has its own disadvantages. The use of graphs can be very involving where several questionnaires are used. They are also not very useful on large data sets. It may be incomprehensible to display all the data items using graphs.

The research study employed the use of tables as well. Tables are concise summaries of huge amounts of information and enables easy comparison of variables. Tables are user friendly in capturing information and presenting it in columns and rows and they save space and time. One of the major demerits of tables however is that they may be difficult to interpret, leading to wrong conclusions altogether. Care must therefore be exercised when interpreting information presented in a tabular form.

**3.11 Validity**

Validity asks the question: are we measuring what we want to measure? Validity is the term used to claim that research results have precisely addressed the given research questions (Somekh and Lewin, 2005). Cooper and Schindler (2008) states that validity measures the degree to which a study succeeds in measuring intended values and the extent to which differences found reflects true differences among the respondents in the research study. Researchers are interested in explanations for the effects and interactions of variables as they occur across a wide variety of different settings (Siwachi, 2015).

To understand these interactions of variables requires special attention to the concept of validity, which highlights the need to eliminate or minimize the effects of extraneous influences, variables, and explanations that might detract from a study’s ultimate findings. What this means is that if you are studying personality through a questionnaire, then the results you gain should actually measure personality rather than an unknown variable different from the objective variable. This can destroy scientific research as experiments have been conducted believing them
to be measuring one thing, but in fact it turns out they were accidently measuring something completely different.

The relationship between the researcher and the respondents may also have an effect on validity of the study. To ensure validity, and to inspire confidence in the respondents, the researcher included a personal letter which was dispatched with each questionnaire pledging that anonymity and privacy would be maintained by both the Midlands State University and the researcher. The researcher afforded respondents the opportunity of discussing the themes of the research and ensured that respondents were aware of the confidentiality afforded to their responses. This was important to ensure that questions were answered honestly without fear of repercussions thereby increasing the validity of the research.

To ensure validity the researcher also made sure that respondents understood what was meant by pre-testing the research tool on a small group prior to the research in accordance with the guidelines set forth by Levine et al., (1994) and was convinced that they measured what they purported to measure.

According to Smith (2003), “validity measures the degree to which our research achieve what it set out to do”. The information regarding the data collection must be made accurately in order to answer the research question (Jeroe, 2016). The Libby boxes in Figure 3.3 capture the variables in the regression models. With regards to accountability, the financial and non-financial variables are ensured since these were directly derived from the company’s reports.

There are three (3) types of validity: internal, external and construct validity. Internal validity refers to how well the study captures a causal effect between the operationalized dependent variable and the independent variable (Maas, 2011). The use of three control variables in this particular research study increases the internal validity of this study. The external validity of this study is therefore low, given the regulatory framework of ZSE. The results of this research study cannot therefore be generalized to other population outside the listed companies on the ZSE. The external validity is to generalize the results of the sample population; it refers to the extent that
the results, based on the sample can be generalized to the general population (Jeroe, 2016: 47). The construct validity refers to the extent to which a measurement captures the construct that it supposes to measure (Jeroe, 2016). A high construct validity means that the abstract idea was better measured (Maas, 2011). The main characteristic of this research study have been to determine if IR and non-financial information influence financial performance. Given the low sample of the research, it implies that the result follows also that it has to be valid and reliable. The construct validity is high in this study since ROA and EPS capture the financial performance of the listed companies on the ZSE, whilst the environmental and social disclosure score captures the non-financial performance of the companies.

3.12 Reliability
Reliability refers to the extent to which test scores are free of measurement error. Neuman (2003) revealed that reliability is the ability to constantly yield the same results under the same conditions. In other words, it refers to the extent to which a questionnaire, test, observation or any measurement technique produces the same results on repeated trials. Fisher (2010), argues that the best research is that done using multiple sources to reflect a great reliability in the research. The greater the number of sources used, the more accurate the findings will be.

Tests of reliability aim to show if the survey can be relied upon to provide the same values if the survey were to be administered repeatedly under similar conditions, and in the context of this research, the Cronbach Alpha statistic was to be employed to measure the reliability of the research instrument (Nunally 1978). To improve on the reliability of the research, the questionnaires were given to the respondents at the same period for completion. The researcher did not vary the questions and administered the questionnaire personally. The researcher made certain that leading and confusing questions were avoided making the study fairly reliable.

3.13 Ethical Considerations
Fisher (2010), argues that when a researcher is doing a research care should be taken not to treat people unfairly or badly. He proceeds to explain that the researcher should not harm people, or use the information discovered in the research to harm them, or allow it to be used to do harm.

Henning et al (2004), agree and add that, to be ethical is to conform to accepted professional practice. One such ethical consideration that guided the study was ensuring informed consent. Informed consent entailed making the prospective respondent fully aware of the purpose of the study, and provided the credentials of the researcher, before they committed themselves to becoming a respondent. To ensure informed consent in answering the questionnaire, a letter to the respondent was used. The letter, introduced the researcher, described the purpose of the study, and requested the respondent to genuinely answer all the questions. In addition, the letter gave the participants the choice to opt out of participating at any stage of the research without fear of reprisal. The researcher also undertook to keep information obtained through the questionnaire in strict confidence, as well as to use the data for purposes of research only.

Another ethical consideration informing this study was the right to privacy. While what constitutes invasion of privacy is obviously subjective (Henning et al 2004), it can be safely argued that questions that arouse feelings of anxiety or guilt in a respondent are an invasion of privacy. To ensure respondents' right to privacy, the questionnaires were delivered and collected directly from the respondent. Individual interviews were conducted on a one-to-one basis, without anyone else present, thus ensuring privacy. No physical harm was envisaged, but to guard against emotional harm, interviewees, where practically possible, were identified and referred to in this study through pseudonyms.

3.14 Conclusion

This chapter provided the description of the methodology applied in this study. In summary this study focused on the research questions posed. The data collected was primarily based on
personal responses and was collected through the research questionnaire. The data processing and analysis attempt to answer the research question through the research findings, which are presented in the following chapter.

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction
In this chapter, the results, findings and discussions of the data that was collected using the research instruments discussed in the preceding chapter will be presented. The research study employed tables, graphs and charts to present, analyze and interpret data. This chapter serves to present, interpret and analyze findings relating to an assessment of the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange. The questionnaire response rate, distribution of respondents to questionnaire by qualifications, effects of integrated reporting on financial performance will be the focus of this chapter.
4.1 Response rate
In this research study, questionnaires and observation were used as the primary sources of data and therefore an analysis was carried out to determine the response rates. A total of 100 questionnaires were administered to respondents. However, two (2) questionnaires were eliminated during the data cleaning process as these had missing values and effectively there were 71 valid responses as illustrated in Table 4.1.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Questionnaires</th>
<th>Count</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administered</td>
<td>100</td>
<td>100.00%</td>
</tr>
<tr>
<td>Returned</td>
<td>73</td>
<td>73.00%</td>
</tr>
<tr>
<td>Invalid</td>
<td>2</td>
<td>2.00%</td>
</tr>
<tr>
<td>Valid</td>
<td>71</td>
<td>71.00%</td>
</tr>
</tbody>
</table>

The effective response rate as per the Table 4.1 was therefore 71.00%. Carter (1984) and Hitt et al (1982), cited in Bryman (2007), the response rate is adequate to carry out an analysis of results as these authors provide a suggestive minimum of 25% response rate. On the other hand, Cooper and Schindler (2003) provide a response rate of 40% to be satisfactory. The research study analysed the results given that the obtained response rate was way above 40%.

4.1.1 Questionnaire response rate
Although the questionnaire is easy and simple method of collecting data, not all questionnaires were responded to as shown on Figure 4.1 below. The chart represents the distribution and responses obtained from the questionnaires used in the research study.

4.2 Demographic Analysis
The characteristics of the respondents have a very substantial role to play in their respective responses about a particular problem, for example, the effects on potential outcomes such as
perceptions, levels of satisfaction and so on (Zedeck and Cascio, 1994). In this research study, the respondent profiles was conducted with respect to educational qualification and length of service.

**Table 4.2: Summary of responses to questionnaires**

<table>
<thead>
<tr>
<th>gender</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>male</td>
<td>49</td>
<td>69.0</td>
<td>69.0</td>
<td>69.0</td>
</tr>
<tr>
<td>female</td>
<td>22</td>
<td>31.0</td>
<td>31.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The number of males who responded to the questionnaire were 49 out of 71 and this constitute 69% of the total respondents. This leave 31% of the respondents being women.

**Figure 4.1: Distribution of respondents to the questionnaire by qualifications**
As shown in the Bar Chart in Figure 4.1, most of the respondents are degree holders accounting for 64.8% of the total respondents. This research study topic required substantial academic knowledge for a respondent to be able to understand and attempt to answer the questions posed. As tabulated in Table 4.3, the next class of respondents are holders of Master degrees, accounting for 18.3% of the total respondents. The results of the research study may therefore be relied on since the level of qualification is reasonably expected to have a better understanding reporting issues, specifically integrated reporting which is gaining world recognition each passing year.

Table 4.3 – Frequency of respondents by highest qualification.
### highest qualification

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid advanced level</td>
<td>4</td>
<td>5.6</td>
<td>5.6</td>
<td>5.6</td>
</tr>
<tr>
<td>diploma</td>
<td>5</td>
<td>7.0</td>
<td>7.0</td>
<td>12.7</td>
</tr>
<tr>
<td>degree</td>
<td>46</td>
<td>64.8</td>
<td>64.8</td>
<td>77.5</td>
</tr>
<tr>
<td>master’s degree</td>
<td>13</td>
<td>18.3</td>
<td>18.3</td>
<td>95.8</td>
</tr>
<tr>
<td>Other</td>
<td>3</td>
<td>4.2</td>
<td>4.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

#### 4.3 Distribution of respondents to questionnaires by length of service

An analysis according to the length of service or period of employment by the respondents was done. This was done in order to balance between working experience and qualifications that were relevant to the study of effectiveness of integrated reporting on financial performance for companies listed on the Zimbabwe Stock Exchange.

**Fig. 4.2: Distribution of length of service / period of employment**

![Bar chart showing distribution of length of service]

**Table 4.3: Tabulation of length of service of respondents**

<table>
<thead>
<tr>
<th>Length of service</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 1 year</td>
<td>10</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>20</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>20</td>
</tr>
<tr>
<td>more than 10 years</td>
<td>20</td>
</tr>
<tr>
<td>Length of service</td>
<td>Frequency</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Valid less than 1 year</td>
<td>7</td>
</tr>
<tr>
<td>1 to 5 years</td>
<td>17</td>
</tr>
<tr>
<td>6 to 10 years</td>
<td>20</td>
</tr>
<tr>
<td>more than 10 years</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
</tr>
</tbody>
</table>

The respondents who had served their organizations for less than a year account for 9.9% of the total respondents, 23.9% being those who had served between a year and 5 years whilst 28.2% account for those between 6 to 10 years of service. 38% of the respondents had served their organizations for more than 10 years. Length of service in general, carries with it the acquired experience by a given respondent. According to Chung (2015), work ability in older employees’ increases with the number of years worked. Given that the majority of the respondents accounting for 38% of the total respondents, the results of this research study is backed with the necessary expertise by the respondents.

4.3 Data Presentation and Analysis

Within this section of the study, the objectives of the study will be revisited to answer the research questions as laid out in Chapter I of the study.

4.3.1 Factors that impact the financial performance of a company

The pie chart that follows shows the factors that impact the financial performance of a company as perceived by the respondents:

Figure 4.3 – Impact of Governance and Integrated Reporting
The pie charts in Figure 4.3 show that the majority of the respondents in percentage terms strongly agree that governance and integrated reporting have an impact on the financial performance of a company. The second highest percentage agree that governance and integrated reporting impact the financial performance of an entity. Smaller percentages of respondents are uncertain, disagree and strongly disagree that governance and integrated reporting have an impact on financial performance of a company.

Figure 4.4 – Impact of non-financial information and publication of sustainability reports
As depicted in Figure 4.4 above also indicate that the majority of the respondents strongly agree that non-financial information have an impact on financial performance. Those who agree follow and lastly a smaller percentage of respondents are uncertain on the impact of non-financial information on financial performance. A greater percentage answered in affirmation that publication of sustainability reports impacts financial performance compared to respondents who answered no.

As per Figure 4.5 overleaf, the majority of the respondents strongly agree that environmental and social responsibility reports have an impact on the financial performance of an entity. The next percentage agree followed lastly by those uncertain.

Figure 4.5 – Impact of Environmental & Social Responsibility Reports
Descriptive analysis using the mean and standard deviation as per Table 4.4 overleaf show the minimum description of 1 representing strongly disagree for each of the determinant of financial performance. The mean and the standard deviations are used to analyze the dispersion from the average. The standard deviation is more accurate compared to the mean. From the statistics shown in Table 4.4, publication of sustainability reports has the least standard deviation of 0.300 compared to the highest standard deviation attached to integrated reporting at 0.924. The impact of publication of sustainability report’s impact on financial performance is therefore statistically so reliable as compared to the other measures given their dispersion from their respective mean values.
## Descriptive Statistics

**Table 4.4 – Descriptive statistics**

<table>
<thead>
<tr>
<th></th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>71</td>
<td>1</td>
<td>4</td>
<td>1.24</td>
<td>.547</td>
</tr>
<tr>
<td>Integrated Reporting</td>
<td>71</td>
<td>1</td>
<td>5</td>
<td>1.49</td>
<td>.924</td>
</tr>
<tr>
<td>Non-financial information</td>
<td>71</td>
<td>1</td>
<td>3</td>
<td>1.44</td>
<td>.603</td>
</tr>
<tr>
<td>Publishing Sustainability Reports</td>
<td>71</td>
<td>1</td>
<td>2</td>
<td>1.10</td>
<td>.300</td>
</tr>
<tr>
<td>Environmental &amp; Social Responsibility Reports</td>
<td>71</td>
<td>1</td>
<td>3</td>
<td>1.58</td>
<td>.625</td>
</tr>
</tbody>
</table>

According to Table 4.4 above, the standard deviation from the mean is not more than 1 and this means that the respondents did not have outliers and hence it is almost a normal distribution. In Table 4.5 where relationships are deduced, the constants or predictors are integrated reporting, governance, environmental and social responsibility reports, publishing sustainability reports and non-financial information. A regression of 0.986 is a strong positive relationship between the variables and financial performance. The adjusted regression square is a more refined measure at 0.71 and the standard error of the estimate stands at 0.111 which is reasonable.
Regression analysis

Table 4.5 - Regression analysis

Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.986a</td>
<td>.973</td>
<td>.971</td>
<td>.111</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Environmental & Social Responsibility Reports, Governance, Non-financial information, Publishing Sustainability Reports, Integrated Reporting

ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>28.357</td>
<td>5</td>
<td>5.671</td>
<td>462.007</td>
<td>.000a</td>
</tr>
<tr>
<td>Residual</td>
<td>.798</td>
<td>65</td>
<td>.012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>29.155</td>
<td>70</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Environmental & Social Responsibility Reports, Governance, Non-financial information, Publishing Sustainability Reports, Integrated Reporting

b. Dependent Variable: Return on Equity (ROE)
### Table 4.6 - Descriptive Statistics – Return on Equity (ROE)

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Std. Error</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>71</td>
<td>1</td>
<td>3</td>
<td>1.59</td>
<td>.077</td>
</tr>
<tr>
<td>Governance</td>
<td>71</td>
<td>1</td>
<td>4</td>
<td>1.24</td>
<td>.065</td>
</tr>
<tr>
<td>Integrated Reporting</td>
<td>71</td>
<td>1</td>
<td>5</td>
<td>1.49</td>
<td>.110</td>
</tr>
<tr>
<td>Non-financial information</td>
<td>71</td>
<td>1</td>
<td>3</td>
<td>1.44</td>
<td>.072</td>
</tr>
<tr>
<td>Publishing Sustainability Reports</td>
<td>71</td>
<td>1</td>
<td>2</td>
<td>1.10</td>
<td>.036</td>
</tr>
<tr>
<td>Environmental &amp; Social Responsibility Reports</td>
<td>71</td>
<td>1</td>
<td>3</td>
<td>1.58</td>
<td>.074</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>71</td>
<td></td>
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</tbody>
</table>

### Table 4.7 - Descriptive Statistics – Return on Asset

<table>
<thead>
<tr>
<th>Descriptive Statistics</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Deviation</th>
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<tbody>
<tr>
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<td>Statistic</td>
<td>Statistic</td>
<td>Statistic</td>
<td>Std. Error</td>
</tr>
<tr>
<td>Return on Assets (ROA)</td>
<td>71</td>
<td>1</td>
<td>3</td>
<td>1.63</td>
<td>.076</td>
</tr>
<tr>
<td>Governance</td>
<td>71</td>
<td>1</td>
<td>4</td>
<td>1.24</td>
<td>.065</td>
</tr>
<tr>
<td>Integrated Reporting</td>
<td>71</td>
<td>1</td>
<td>5</td>
<td>1.49</td>
<td>.110</td>
</tr>
<tr>
<td>Non-financial information</td>
<td>71</td>
<td>1</td>
<td>3</td>
<td>1.44</td>
<td>.072</td>
</tr>
<tr>
<td>Publishing Sustainability Reports</td>
<td>71</td>
<td>1</td>
<td>2</td>
<td>1.10</td>
<td>.036</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>71</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Table 4.6 and 4.7 represent the descriptive statistics of the research study. The tables provide a statistical overview of the dependent and independent variables used in this particular research. The number of respondents used in this research study were 71. The mean of Return on Equity is 0.77 and 0.76 for Return on Asset. This shows the closeness of ROE and ROA resultant impact as a result of the independent variables. Furthermore, the output presents standard deviations regarding all variables as shown in the tables.

Table 4.8 and Table 4.9 show the computations of the correlation of the variables. The correlation shows the strength of the relation between one variable and the other. In this research study Bivariate Pearson correlations between the variables of the regression model. The correlation values in the computations below are significant at 1% and 5% level of significance. In Table 4.8 below, it can be noted that:

- The Pearson correlation between ROE (Return on Equity) and Governance is positively correlated (0.241) and significant (p-value=0.043), level of significance being 0.01.
- The correlation between ROE and Integrated Reporting is positive 0.223 and significant (p-value=0.062).
- Non-financial information is positively correlated to ROE with 0.428, but not significant (p-value=0)
- Publishing Sustainability reports is positively related to ROE at 0.285, and significant (p-value=0.016).
- Environmental and social responsibility reports are positively correlated to ROE at 0.983 and not significant (p-value=0)

In Table 4.9, it can be noted that:
- The Pearson correlation between ROA (Return on Asset) and Governance is positively correlated (0.091) and is very significant (p-value=0.45).
- The correlation between ROA and Integrated Reporting is positive 0.141 and very significant (p-value=0.241).
- Non-financial information is positively correlated to ROA with 0.310, and not significant (p-value=0.008)
- Publishing Sustainability reports is positively related to ROA at 0.042, and significant (p-value=0.728).
- Environmental and social responsibility reports are positively correlated to ROA at 0.753 and not significant (p-value=0).

Table 4.8 - Pearson correlation for ROE

<table>
<thead>
<tr>
<th></th>
<th>Return on Equity (ROE)</th>
<th>Governance</th>
<th>Integrated Reporting</th>
<th>Non-financial information</th>
<th>Publishing Sustainability Reports</th>
<th>Environmental &amp; Social Responsibility Reports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return on Equity (ROE)</td>
<td>Pearson Correlation</td>
<td>.241*</td>
<td>.223</td>
<td>.428**</td>
<td>.285*</td>
<td>.983**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.043</td>
<td>0.062</td>
<td>0</td>
<td>0.016</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Governance</td>
<td>Pearson Correlation</td>
<td>.241*</td>
<td>1</td>
<td>.866**</td>
<td>0.198</td>
<td>.637**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.043</td>
<td>0</td>
<td>0.097</td>
<td>0</td>
<td>0.069</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Integrated Reporting</td>
<td>Pearson Correlation</td>
<td>0.223</td>
<td>.866**</td>
<td>1</td>
<td>.429**</td>
<td>.595**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.062</td>
<td>0</td>
<td>0.097</td>
<td>0</td>
<td>0.068</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Non-financial information</td>
<td>Pearson Correlation</td>
<td>.428**</td>
<td>.198</td>
<td>.429**</td>
<td>1</td>
<td>.311**</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0</td>
<td>0.097</td>
<td>0</td>
<td>0.008</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Publishing Sustainability Reports</td>
<td>Pearson Correlation</td>
<td>.285*</td>
<td>.637**</td>
<td>.595**</td>
<td>.311**</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0.016</td>
<td>0</td>
<td>0.008</td>
<td>0.059</td>
<td>0.059</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
<tr>
<td>Environmental &amp; Social Responsibility</td>
<td>Pearson Correlation</td>
<td>.983**</td>
<td>.217</td>
<td>.218</td>
<td>.421**</td>
<td>0.225</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>0</td>
<td>0.069</td>
<td>0.068</td>
<td>0</td>
<td>0.059</td>
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<tr>
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<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
<td>71</td>
</tr>
</tbody>
</table>

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).
Table 4.9 - Pearson correlation for ROA

Impact of liquidity on financial performance

Table 4.10 – Impact of liquidity on financial performance

<table>
<thead>
<tr>
<th>Liquidity</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid strongly agree</td>
<td>30</td>
<td>42.3</td>
<td>42.3</td>
<td>42.3</td>
</tr>
<tr>
<td>agree</td>
<td>37</td>
<td>52.1</td>
<td>52.1</td>
<td>94.4</td>
</tr>
</tbody>
</table>
With reference to Table 4.10 overleaf, 42.3% of the respondents strongly agree that liquidity influences or impacts on the financial performance of an entity. Those who agree that liquidity impacts on the financial performance of an entity are 52.1% and they constitute the majority. There were no respondents who disagree or strongly disagree and those neutral amounted to 5.6% of the total respondents.

**Asset utilization**

**Table 4.11 – Asset utilization**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid strongly agree</td>
<td>26</td>
<td>36.6</td>
<td>36.6</td>
<td>36.6</td>
</tr>
<tr>
<td>agree</td>
<td>42</td>
<td>59.2</td>
<td>59.2</td>
<td>95.8</td>
</tr>
<tr>
<td>uncertain</td>
<td>3</td>
<td>4.2</td>
<td>4.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The majority of the respondents agree that asset utilization is a factor that impacts on the financial performance of an entity. The highest percentage of 59.2% was followed by those who strongly agree at 36.6% and lastly those uncertain at 4.2%.

**Debt leverage**

**Table 4.12 – Debt Leverage**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid strongly agree</td>
<td>22</td>
<td>31.0</td>
<td>31.0</td>
<td>31.0</td>
</tr>
<tr>
<td>agree</td>
<td>43</td>
<td>60.6</td>
<td>60.6</td>
<td>91.5</td>
</tr>
</tbody>
</table>
Table 4.12 summarizes that 31.0% of the respondents strongly agree that debt leverage is achieved by companies making use of integrated reporting. 60.6% agree, 1.4% were uncertain, 5.6% disagree and 1.4% strongly disagree. The cumulative percentage of those who responded that debt leverage is achieved amounts to 91.5% and therefore it is significant and it may be taken as a merit of using integrated reporting.

**Size of firm**

*Table 4.13 – Size of firm*

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>27</td>
<td>38.0</td>
<td>38.0</td>
<td>38.0</td>
</tr>
<tr>
<td>agree</td>
<td>38</td>
<td>53.5</td>
<td>53.5</td>
<td>91.5</td>
</tr>
<tr>
<td>uncertain</td>
<td>4</td>
<td>5.6</td>
<td>5.6</td>
<td>97.2</td>
</tr>
<tr>
<td>disagree</td>
<td>2</td>
<td>2.8</td>
<td>2.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The size of the firm determines the impact of integrated reporting. The following are the percentages of the respondents on this notion: 38.0% strongly agree, 53.5% agree, 5.6% uncertain and 2.8% strongly disagree. The cumulative percentage of 91.5% agree that the size of the firm determines the impact of integrated reporting and its related impact on the financial performance of a company.
Effect of integrated report on financial performance

Table 4.14 – Effect of Integrated Report on Financial performance

<table>
<thead>
<tr>
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<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>48</td>
<td>67.6</td>
<td>67.6</td>
<td>67.6</td>
</tr>
<tr>
<td>agree</td>
<td>15</td>
<td>21.1</td>
<td>21.1</td>
<td>88.7</td>
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<tr>
<td>uncertain</td>
<td>6</td>
<td>8.5</td>
<td>8.5</td>
<td>97.2</td>
</tr>
<tr>
<td>disagree</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>98.6</td>
</tr>
<tr>
<td>strongly disagree</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The majority of the respondents accounting for 88.7% of the total respondents hold that integrated reporting has an effect on the financial performance of an entity. 67.6% of the respondents strongly agree, 21.1% agree. However, 1.4% of the total respondents disagree with the same percentage of those who strongly disagree that integrated reporting has impact on the financial performance of an entity. The results depicted in Table 4.14 are general and this was the subject of the hypotheses testing in this research study.

Building of trust in business

Table 4.15 – Building of trust in business

<table>
<thead>
<tr>
<th>Building trust in business (Improved credit rating)</th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
In general 78.9% of the respondents strongly agree that integrated reporting helps building of trust in business, whilst 21.1% agree to the same. All the respondents therefore believe that integrated reporting is critical to building of trust and the resultant credit rating of any company.

**Better risk understanding**

**Table 4.16- Risks understanding**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>56</td>
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<td>78.9</td>
<td>78.9</td>
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<tr>
<td>agree</td>
<td>15</td>
<td>21.1</td>
<td>21.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The percentages of respondents who believe integrated reporting results in better understanding of risks faced by companies are 63.4%, 31.0%, 2.8% and 2.8% for those who strongly agree, agree, uncertain and disagree respectively. It may therefore be concluded that integrated reporting results in risks of the companies better understood by the users of the financial statements.

**Improved relations with business analysts**

**Table 4.17 – Improved relations with business analysts**
According to Table 4.17, those who strongly agree that relations with business analysts as a result of integrated reports amount to 60.6%. Those who agree accounted for 35.2% of the total respondents and 4.2% were uncertain. It may be concluded therefore in general that integrated reporting improves relations with business analysts for the Stock Exchange listed companies.

**Financial capital providers have greater confidence in long-term viability of business models**

**Table 4.18 – Confidence & long-term viability of business models**

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid strongly agree</td>
<td>36</td>
<td>50.7</td>
<td>50.7</td>
<td>50.7</td>
</tr>
<tr>
<td>agree</td>
<td>28</td>
<td>39.4</td>
<td>39.4</td>
<td>90.1</td>
</tr>
<tr>
<td>uncertain</td>
<td>6</td>
<td>8.5</td>
<td>8.5</td>
<td>98.6</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

As per Table 4.18, 50.7% responded that financial capital providers have greater confidence in long-term viability of business models, 39.4% agree, 8.5% were uncertain and lastly 1.4% disagree. In general it may therefore be concluded that integrated reporting provides greater confidence in the long-term viability of the business models of companies making use of integrated reports.
Improved disclosure to users of financial statements

Table 4.19 – Improved disclosure to users of financial statements

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>36</td>
<td>50.7</td>
<td>50.7</td>
<td>50.7</td>
</tr>
<tr>
<td>strongly agree</td>
<td>36</td>
<td>50.7</td>
<td>50.7</td>
<td>50.7</td>
</tr>
<tr>
<td>agree</td>
<td>32</td>
<td>45.1</td>
<td>45.1</td>
<td>95.8</td>
</tr>
<tr>
<td>uncertain</td>
<td>3</td>
<td>4.2</td>
<td>4.2</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The majority of the respondents at 50.7% strongly agree that improved disclosure to users of financial statements impacts positively on the financial performance of an entity. 45.1% of the respondents agree that integrated reporting has an impact of making improved disclosure to users of financial statements, whilst 4.2% disagree.

Factors that contribute to the easy adoption of integrated reporting in Zimbabwe

Table 4.20 – Board of Directors composition

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>28</td>
<td>39.4</td>
<td>39.4</td>
<td>39.4</td>
</tr>
</tbody>
</table>
Table 4.20 summarizes the effect of board of directors’ composition impact on integrated reporting. Those who strongly agree that board composition affects the adoption of integrated reporting amount to 39.4% of the total respondents, followed by 46.5% who agree. This leaves a small percentage of 8.5% uncertain and 5.6% strongly disagreeing. The cumulative percentage of those who agree amounts to 85.6% which is quite significant.

Table 4.21 - Reporting framework

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
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<td>54.9</td>
</tr>
<tr>
<td>agree</td>
<td>25</td>
<td>35.2</td>
<td>35.2</td>
</tr>
<tr>
<td>uncertain</td>
<td>7</td>
<td>9.9</td>
<td>9.9</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The reporting framework affects the adoption of integrated reporting. According to the research study a cumulative percentage of 90.1% either strongly agree or agree that the reporting framework influence the adoption of integrated reporting. From the interviews, it was highlighted that many companies are adopting the more disclosures encouraged by the reporting framework currently in place.

Table 4.22 – Disclosure of non-financial information

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td>strongly agree</td>
<td>49</td>
<td>69.0</td>
</tr>
<tr>
<td>agree</td>
<td>20</td>
<td>28.2</td>
<td>28.2</td>
</tr>
</tbody>
</table>
Those who strongly agree that the disclosure of non-financial information is a factor in the adoption of integrated reporting in Zimbabwe amounted to 69%, those who agree to the same are 28.2%, making a cumulative percentage of 97.2%. Only 2.8% of the respondents were uncertain of the impact of non-financial information disclosure’s impact on integrated reporting.

Table 4.23 – Legal framework

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>51</td>
<td>71.8</td>
<td>71.8</td>
<td>71.8</td>
</tr>
<tr>
<td>agree</td>
<td>19</td>
<td>26.8</td>
<td>26.8</td>
<td>98.6</td>
</tr>
<tr>
<td>disagree</td>
<td>1</td>
<td>1.4</td>
<td>1.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

According to Table 4.23, the legal framework is a factor that influences the adoption of integrated reporting in Zimbabwe. 71.8% and 26.8%, strongly agree and agree respectively to the notion. Only a small and insignificant percentage of 1.4% are in disagreement.

Table 4.24 – Economic environment

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>49</td>
<td>69.0</td>
<td>69.0</td>
<td>69.0</td>
</tr>
<tr>
<td>agree</td>
<td>20</td>
<td>28.2</td>
<td>28.2</td>
<td>97.2</td>
</tr>
<tr>
<td>uncertain</td>
<td>2</td>
<td>2.8</td>
<td>2.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>
According to the results shown in Table 4.24, the majority of the respondents acknowledge the economic environment is a factor that influences the adoption of integrated reporting. Only a small percentage of 2.8% were uncertain of the impact of the economic environment. The current economic environment is not very conducive in Zimbabwe and companies are forced to adopt integrated reporting in order to add credibility to their annual reports in order to attract investment.

Table 4.25 - Competition

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>42</td>
<td>59.2</td>
<td>59.2</td>
<td>59.2</td>
</tr>
<tr>
<td>agree</td>
<td>24</td>
<td>33.8</td>
<td>33.8</td>
<td>93.0</td>
</tr>
<tr>
<td>uncertain</td>
<td>3</td>
<td>4.2</td>
<td>4.2</td>
<td>97.2</td>
</tr>
<tr>
<td>disagree</td>
<td>2</td>
<td>2.8</td>
<td>2.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

In Table 4.25, the existence of competition was viewed as a strongly agreed and agreed with 59.2% and 33.8% respectively. Integrated reporting is being used by companies listed on the ZSE as a competitive advantage tool given the levels of competition.

Usefulness of integrated reports in Zimbabwe

Table 4.26 – Usefulness on integrated reporting in Zimbabwe

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>strongly agree</td>
<td>49</td>
<td>69.0</td>
<td>69.0</td>
<td>69.0</td>
</tr>
<tr>
<td>agree</td>
<td>15</td>
<td>21.1</td>
<td>21.1</td>
<td>90.1</td>
</tr>
</tbody>
</table>
Table 4.26 summarizes the usefulness of integrated reporting in Zimbabwe. A cumulative percentage of 90.1% either strongly agree or agree that integrated reporting is useful in Zimbabwe.

Are integrated reports influenced by laws in Zimbabwe?

Table 4.27 – Influence of laws / legislation on integrated reporting in Zimbabwe

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>uncertain</td>
<td>3</td>
<td>4.2</td>
<td>4.2</td>
<td>94.4</td>
</tr>
<tr>
<td>disagree</td>
<td>2</td>
<td>2.8</td>
<td>2.8</td>
<td>97.2</td>
</tr>
<tr>
<td>strongly disagree</td>
<td>2</td>
<td>2.8</td>
<td>2.8</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>71</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

According to Table 4.27 above, 14.1% of the respondents strongly agree that legislation influences integrated reporting. 74.6% of the respondents disagree and with 11.3% strongly disagreeing. The responses may mirror the current integrated reporting by stock exchange listed companies in Zimbabwe. Unlike the requirements of the Johannesburg Stock Exchange which have a force of law, integrated reporting in Zimbabwe is not yet backed by any law. The current efforts are just persuasive.
Conclusion

The purpose of this research study was to investigate if there is an effect of integrated reporting on the financial performance of companies listed on the ZSE. The research question of this research study is here stated once again:

“To assess the effectiveness of Integrated Reporting in improving financial performance of companies listed on the Zimbabwe Stock Exchange”.

In answering the research question, five sub questions were formulated. The answer to the effect of integrated reporting in improving the financial performance of companies listed on the Zimbabwe Stock Exchange is based on the results of the hypotheses formulated and tested (as per Table 4.8 and Table 4.9) as follows:

Hypothesis I:

H0: Governance impacts on an entity’s financial performance of an entity
H1: Governance does not impact on the financial performance of an entity

- The Pearson correlation between ROE (Return on Equity) and Governance is positively correlated (0.241) and is significant (p-value=0.043). The significant level was 0.01 significant level.
- The Pearson correlation between ROA (Return on Asset) and Governance is positively correlated (0.091) and is very significant (p-value=0.45). The significant level was 0.05

The null hypothesis, H0 is accepted for both ROE and ROA are positively correlated to governance and they meet the significant levels. The alternative hypothesis should be rejected. Therefore governance impacts on an entity’s financial performance of an entity.

Hypothesis II:

Ho: Integrated reporting have an impact on the financial performance of an entity.
H2: Integrated reporting does not impact on the financial performance of an entity.
The correlation between ROE and **Integrated Reporting** is positive 0.223 and significant (p-value=0.062).

The correlation between ROA and **Integrated Reporting** is positive 0.141 and very significant (p-value=0.241).

Both methods of ROE and ROA avail positive correlations that are significant in measuring financial performance. The null hypothesis, \( H_0 \) is accepted and the alternative hypothesis, \( H_2 \) is rejected. Therefore **Integrated Reporting have an impact on the financial performance of an entity.**

**Hypothesis III:**

\( H_0 \): Non-financial information has an impact on the financial performance of an entity.

\( H_3 \): Non-financial information does not impact on the financial performance of an entity.

- **Non-financial information** is positively correlated to ROE with 0.428, but not significant (p-value=0)
- **Non-financial information** is positively correlated to ROA with 0.310, and not significant (p-value=0.008)

Reject the null hypothesis (\( H_0 \)), although positively correlated at 0.428, it’s not significant using the ROE method which is market based. The accounting-based method of ROA is however nearly significant at 0.008. The alternative hypothesis (\( H_3 \)) is accepted - **Non-financial information does not impact on the financial performance of an entity.**

**Hypothesis IV:**

\( H_0 \): Publishing sustainability reports have an impact on the financial performance of an entity.

\( H_4 \): Publishing sustainability reports does not impact on the financial performance of an entity.
• Publishing Sustainability reports is positively related to ROE at 0.285, and significant (p-value=0.016).

• Publishing Sustainability reports is positively related to ROA at 0.042, and significant (p-value=0.728).

The null hypothesis, (Ho) is accepted since both ROE and ROA methods results in positive correlation and significant levels. The alternative hypothesis, (H4) is therefore rejected and it may be concluded that publishing sustainability reports have an impact on the financial performance of an entity.

Hypothesis V:
Ho: Environmental and social responsibility reports have an impact on the financial performance of an entity.
H5: Environmental and social responsibility reports do not impact on the financial performance of an entity.

• Environmental and social responsibility reports are positively correlated to ROE at 0.983 and not significant (p-value=0)
• Environmental and social responsibility reports are positively correlated to ROA at 0.753 and not significant (p-value=0)

The null hypothesis (Ho) is rejected, although with a positive correlation, the significant levels is not matched. Therefore the alternative hypothesis (H5) is acceptable – environmental and social responsibility reports do not impact on the financial performance of an entity.
CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction
The previous chapter gave a summary of the data collected in the surveys with the purpose to answer the various objective questions. This chapter will cover summary of findings, conclusion and recommendations together with suggested areas for further study in line with the findings presented in Chapter Four.

5.1 Summary of the findings
The research study findings are summarized in this section. These research findings will be presented thematically, with the research objectives in mind. The major objectives that necessitated the research study were:

i. To establish the extent to which governance impacts the financial performance of an entity.

ii. To assess the impact of integrated reporting on financial performance of an entity.

iii. To assess the impact of non-financial information (measurable data) on the financial performance of an entity.
iv. To assess the impact of publishing sustainability reports on the financial performance of an entity.

v. To assess the impact of environment and social responsibility reports have on financial performance of an entity.

The objectives were handy in assessing the impact of integrated reporting on the financial performance of companies listed on the ZSE.

The major findings are highlighted below:

- Governance impacts on the financial performance of an entity

- Integrated reporting have an impact on the financial performance of an entity.

- Non-financial information does not impact on the financial performance of an entity.

- Publishing sustainability reports have an impact on the financial performance of an entity.

- Environmental and social responsibility reports do not impact on the financial performance of an entity.

- The findings here-above resulted from the testing of Hypothesis I – V. The null Hypothesis I, II and IV were accepted, whilst Hypothesis III and V were rejected. The impact of non-financial information and environmental and social responsibility are subject to further research. These in isolation do not impact on the financial performance of an entity.
• The other variables from the research study which impacts on the financial performance of an entity are as follows:

i. Liquidity of an entity

ii. Asset utilization by an entity

iii. Debt leverage of an entity and

iv. Size of an entity

• From the research study, the following are some of the intended benefits of integrated reporting:

i. Building trust in business and improving credit rating

ii. Clearer understanding of the risks faced by companies

iii. Improving relations with business analysts on the ZSE

iv. Providers of financial capital are provided with greater confidence in the long-term viability of business models of companies listed on the ZSE.

v. Improved disclosure to users of financial statements

• The following factors contribute to the easy adoption and usage of integrated reporting in Zimbabwe:

i. Composition of the Board of Directors

ii. The Reporting Framework
iii. Disclosure of non-financial information

iv. The Legal Framework

v. The economic environment

vi. Competition

vii. Organizational structure and
viii. People (their skills and personality)

- The production of integrated reports by companies on the ZSE is not yet fully regulated by law, since the Governance Code in Zimbabwe is still persuasive and it does not carry the force of law. The Companies Act (Chapter 24:03) regulates mandatory duties of company directors and the reports that should be produced. The King III Code is not yet enforceable at law, but companies are persuaded of the Code’s benefits to the company and all its stakeholders.

- 34 out of the 62 actively trading companies listed on the ZSE have complete integrated reports accessible on their websites. The 54% therefore of the total actively trading entities have adopted integrated reporting and due to competition for market share, the remaining 46% with some companies suspended and not actively trading is most likely going to decrease in future and therefore increase the percentage of companies disclosing both financial and non-financial information in their company reports.

- There may be other variables outside the focus of this research study which impacts on the financial performance of companies on the stock exchange. Such variables are subject to further research in future.
5.2 Significance of study to the companies listed on the Zimbabwe Stock Exchange

The study provided insight into how companies may strengthen or improve their governance, integrated reporting and publication of sustainability reports. These three as measured and tested by the hypotheses are critical in impacting the financial performance of an entity. Non-financial information and environmental & social responsibility reports may call for a paradigm shift in the way they have been produced. These two as measured and tested by the hypotheses do not have an impact on the financial performance of an entity. Although financial performance is not all to take to the shareholders, it is held by many that the providers of financial capital want a return for their investment. The economic theory has it that “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own self-interest. We address ourselves not to their humanity but to their self-love, and never talk to them of our own necessities, but of their advantages” (Smith, 1776). By excelling financially therefore, companies satisfy other stakeholders in the process. The adoption of integrated reporting and its implementation and subsequent impact is seemingly positive and not negative. Integrated reporting will unveil the strategy of companies listed on the ZSE and companies will be able to reap its benefits and compete healthy both within and outside the borders of Zimbabwe.

5.3 Conclusion

The research findings indicated that in general, integrated reporting have an impact on the financial performance of an entity. Governance, Integrated Reports and publishing sustainability are all positively correlated (Pearson’s Correlation) to financial performance as measured by the market and accounting-based models of ROE and ROA respectively. Although positively related to performance, non-financial information and environmental & social responsibility reports’ significance could not be fully unveiled. 60% of the hypotheses used in this research study i.e. 3 out of 5, accepted the null hypotheses thereon. Integrated reporting results in the following critical benefits: greater clarity, better decisions, deeper engagement and lower reputational risk. The benefits built into positive and significant impact on the financial performance of an entity.
5.4 Recommendations

In view of the conclusions of this study, the research study makes the following recommendations:

- Continuous study into the exact impact and significance of non-financial information and environmental & social responsibility reports.

- The enactment of legal instruments in Zimbabwe in line with the Global Reporting Initiative (GRI) that envisions that the economic, environmental and social performance shall widely be accepted and standardized as the International Financial Reporting Standards. Integrated reporting has been adopted by the majority of companies listed on the ZSE, but it’s not yet mandatory as with the JSE of South Africa.

- Continuous surveys on the proper content of integrated reports by companies listed on the ZSE. It is one thing to label a report “Integrated” and it’s also another to have it really an “Integrated Report”. Some of the “Integrated Reports” by companies on the ZSE are merely financial reports with more of financial figures than unpacking the company’s strategy to its results.

- Governance, stakeholder requirements and other non-traditional demands i.e more information than what was traditionally expected by stakeholders, should be linked together by companies listed on the ZSE. Only 54% of the companies actively trading on the ZSE have managed to fully integrate. This research study recommends the remaining 46% to come aboard to get the following critical benefits:

  i. Greater clarity
  ii. Better decisions
  iii. Deeper engagement and
  iv. Lower reputational risk
• Besides the obvious benefits to the shareholders, stakeholders and the society at large, companies listed on the ZSE should be ready to manage regulatory risk. Companies in Zimbabwe should be prepared for a possible rush of global regulation that entails responding to requirements from stock exchanges and to participate as frameworks and standards are developed. The ZSE should move in step with the programs of the IIRC.

• Notwithstanding the above recommendations, this research study provides a preliminary, yet valuable insight on the impact of integrated reporting on the financial performance of an entity. This research study paves further inroads on this debatable topic.

5.5 Recommendations for Future Research

• The measurable impact of non-financial information, environment and social responsibility reports other than the use of correlation. These two variables in this research study failed the null hypothesis and held the alternative hypothesis to be true in that non-financial information, environment and social responsibility reports do not have an impact on the financial performance of an entity. What then are the real impacts of both non-financial information and environmental & social responsibility reports? Why then incorporate these in the integrated reports? It’s at whose benefit or at whose cost then? Future research may also consider the various types of variables and the independence of the data values to generalize the conclusions based on a wider sample of various Stock Exchanges.


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APPENDICES

Appendix (I) – Cover Letter

MIDLANDS STATE UNIVERSITY
FACULTY OF COMMERCE
DEPARTMENT OF ACCOUNTING

My name is Michael Mandingaisa a student at Midlands State University doing a Master of Commerce Accounting Degree. My programme entails that I carry out a research project in partial fulfilment of my degree. My research topic is:


Am requesting your input by completing questionnaire. All information you provide will be used solely for the purpose of this study and will be treated with utmost confidentiality. Your cooperation in this regard will be greatly appreciated.

For any further queries feel free to contact me on contact numbers 0772 814 621 or 0715 983 707. E-mail mmikaeri@gmail.com

Yours faithfully

Michael Mandingaisa

Appendix (II) – Questionnaire

3945 Bimha Road
Old Windsor Park
Ruwa

RE: REQUEST TO FILL IN QUESTIONNAIRE

I am Michael Mandingaisa, final semester student at Midlands State University undertaking a Master of Commerce in Accounting Degree. Am undertaking a research study on the topic below:

May you kindly assist by filling in the questionnaire provided. Your responses are to be used for academic purposes and for the purpose of this research study only and shall be treated with maximum confidentiality.

Your co-operation will be greatly appreciated

Yours faithfully

………………………….
Michael Mandingaisa

QUESTIONNAIRE

Instructions

- Please tick with a (✓) in the spaces provided where appropriate.
- Do not write your name on the questionnaire

Q1. Gender: Male ☐ Female ☐

Q2. State your highest qualifications?
(a) O level ☐ (b) A Level ☐ (c) Diploma ☐
(d) Degree  
(e) Masters  
(f) Other  

Q3. You have been employed in your organization for?

(a) Less than 1 year  
(b) 1 to 5 years  
(c) 6 to 10 years  
(d) More than 10 years  

Q4. The following factors have an impact on financial performance of companies

<table>
<thead>
<tr>
<th>Factors that affect financial performance of companies</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Return on Equity (ROE)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Return on Assets (ROA)</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>iii. Liquidity</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>iv. Asset utilization</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>v. Leverage</td>
<td></td>
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</tr>
<tr>
<td>vi. Size of firm</td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Q5. Has integrated reporting been incorporated in the firm? (Give aspects which have been integrated).

………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………
………………………………………………………………………………………………………

Q6. The following are the intended benefits of integrated reporting:
<table>
<thead>
<tr>
<th>Benefits</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Building trust in business and improves credit rating.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Clearer understanding of risks companies face.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iii. Improved relations with business analysts</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>iv. Providers of financial capital have greater confidence in long-term viability of business models</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>v. Improved disclosure to users of financial statements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Q7.** Would you conclude that integrated reporting has an impact on the financial performance of a firm?
Q8. The following factors contribute to the easy adoption of integrated reporting in Zimbabwe?

<table>
<thead>
<tr>
<th>Factors</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Board of directors composition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Reporting Framework</td>
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<tr>
<td>iii. Disclosure of non-financial information</td>
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<tr>
<td>iv. Legal framework</td>
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<td></td>
</tr>
<tr>
<td>v. Economic environment</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>vi. Competition</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Q9 The following factors are determinants of financial performance in Zimbabwe:

<table>
<thead>
<tr>
<th>Determinants</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Capital utilization (Equity)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The following factors have an impact on financial performance of corporate.

<table>
<thead>
<tr>
<th>Factor</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>i. Governance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ii. Integrated Reporting</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>iii. Non-financial information</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>iv. Publishing sustainability reports</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>v. Environmental &amp; Social responsibility reports</td>
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</tr>
</tbody>
</table>

Q.11 Integrated reports are useful in Zimbabwe.

<table>
<thead>
<tr>
<th>Integrated reports are useful in</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
</table>
Zimbabwe.

Q.12 Integrated reports are influenced by laws in Zimbabwe.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integrated are influenced by laws in Zimbabwe.</td>
<td></td>
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Thank you so much for your answers to the questions for this research study.

Appendix (ii) – Interview guide

1. What do you think are the intentions of integrated reporting as done by companies listed on the Zimbabwe Stock Exchange?
2. What are the benefits of integrated reporting in Zimbabwe?

3. What factors do you think will make easy adoption of integrated reporting in Zimbabwe?

4. Can financial performance of corporates in Zimbabwe be improved through integrated reporting? Yes / No

5. What needs to be done in Zimbabwe for integrated reporting to impact positively on the financial performance of companies listed on the Zimbabwe Stock Exchange?

Thank you so much for your time and effort, God bless you

Appendix (iii) – List on companies on the ZSE

<table>
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<tr>
<th>Name of Company</th>
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