

Exploring Integrated Reporting Practices in the Fast-Moving Consumer Goods (FMCG) Sector: Analyzing Financial and Non-Financial Information

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Abstract: *Integrated Reporting IR combines financial and non-financial information to illustrate how organisations create long-term value. This study analyses IR adoption and its influence on financial performance among India's leading Fast-Moving Consumer Goods (FMCG) companies - Hindustan Unilever Ltd, ITC Ltd, Nestlé India Ltd, Dabur India Ltd, and Britannia Industries Ltd - across FY 2019–2023. An Integrated Reporting Disclosure Index (IRDI), developed in line with the International <IR> Framework ("International Integrated Reporting Council (IIRC)" 2013; "International Financial Reporting Standards (IFRS)" 2021), quantifies disclosure integration across eight content elements and six capitals. Financial data Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin (NPM), were drawn from audited reports and Centre for Monitoring Indian Economy (CMIE) Prowess. Correlation and panel-regression analyses (Statistical Package for the Social Sciences (SPSS v28) reveal significant positive relationships between IRDI and profitability and liquidity, and a negative link with leverage - confirming that mature IR practices enhance transparency, stakeholder trust, and financial resilience.*

Keywords: Integrated Reporting, FMCG Sector, Environmental, Social, and Governance (ESG) Disclosure, Financial Performance, BRSR, India

1. Introduction

1.1 Background

Conventional financial reporting fails to capture how firms generate value through sustainability, governance, and stakeholder engagement. The *International Integrated Reporting Council (IIRC, 2013)* introduced the <IR> Framework, linking strategy, governance, and performance via six capitals - financial, manufactured, intellectual, human, social & relationship, and natural. Global pioneers like Unilever and Nestlé demonstrate that integrated disclosure enhances investor confidence and long-term value (Eccles & Krzus, 2018).

In India, SEBI's Business Responsibility and Sustainability Reporting (BRSR, 2023) has institutionalised Environmental, Social, and Governance (ESG) disclosure, making the FMCG sector - a major GDP and employment driver - an ideal context for evaluating IR maturity.

1.2 Rationale

FMCG companies face stakeholder pressure regarding packaging waste, carbon footprint, and ethical sourcing. Yet, empirical evidence on how IR affects financial performance remains scarce. This study addresses that gap within the BRSR-mandated environment.

1.3 Objectives and Hypotheses

Objective	Hypothesis
Measure IR adoption and quality	-
Analyse IRDI vs ROA, ROE, NPM	H ₁ (+), H ₂ (+), H ₃ (+)
Examine IRDI vs Liquidity	H ₄ (+)

Examine IRDI vs Leverage	H ₅ (-)
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2. Review of Literature

IR bridges fragmented disclosures to show value creation over time (Lodhia, 2015; Dimes, 2024). Eccles & Krzus (2010) advocated "One Report," while Gray (2006) warned against symbolic reporting. Empirical evidence (Pistoni et al., 2018; Hossain, 2023) links IR quality to governance strength.

Board diversity and sustainability committees enhance IR (Frias-Aceituno et al., 2013; Adams, 2015). Lee & Yeo (2016) and Majra et al. (2024) find positive ESG-financial links. Berg et al. (2022) note that verified IR reduces ESG rating divergence.

The IIRC value-creation model (Rinaldi et al., 2014) views six capitals as value drivers. Barth et al. (2017) find IR reduces information asymmetry. Bal & Dhal (2021) and Dameri & Ferrando (2022) highlight human and intellectual capital as key profitability factors.

Globally, Europe and Australia lead IR implementation (KPMG 2024); India's BRSR marks progress but still faces assurance and comparability issues (Mishra et al., 2022).

3. Research Design and Framework

A quantitative, descriptive-analytical design was applied to five FMCG leaders (HUL, ITC, Nestlé India, Dabur, Britannia) for FY 2019–2023. Secondary data sources included annual reports, BRSR filings, and CMIE Prowess.

Variables

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- **Dependent:** ROA, ROE, NPM, Liquidity, Leverage
- **Independent:** IR Disclosure Index (IRDI)
- **Controls:** Firm size (log assets), sales growth

Expected signs: $\beta_1 > 0$ for profit and liquidity; $\beta_1 < 0$ for leverage.

Tools

Descriptive statistics, Pearson correlation, panel regressions (Fixed Effects preferred via Hausman test), and diagnostics (VIF, DW, JB).

IRDI Construction

Binary scoring (1 = disclosed, 0 = not disclosed) across 8 content elements + 6 capitals; scores normalised (0–1).

Model

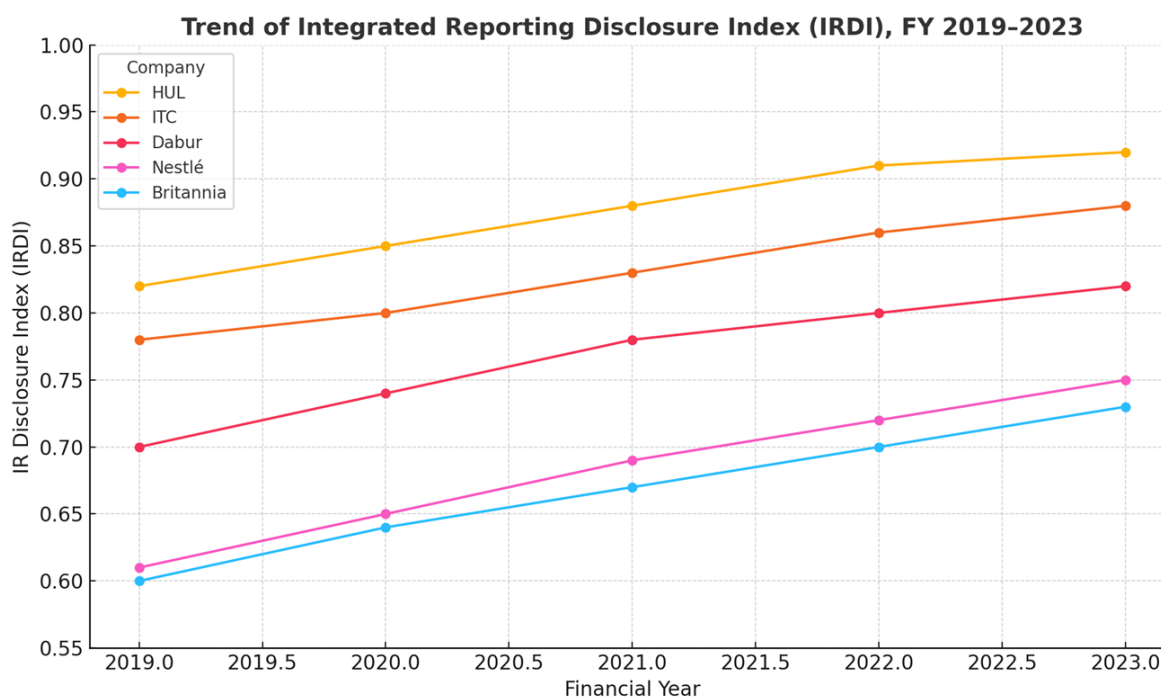
$$FP_{it} = \alpha + \beta_1 IRDI_{it} + \beta_2 SIZE_{it} + \beta_3 LEV_{it} + \beta_4 GROWTH_{it} + \varepsilon_{it}$$

4. Data Analysis and Interpretation

4.1 Integrated Reporting Disclosure Index (IRDI)

Company	2019	2020	2021	2022	2023	Mean IRDI	Trend
HUL	0.82	0.85	0.88	0.91	0.92	0.88	↑ Steady
ITC	0.78	0.80	0.83	0.86	0.88	0.83	↑ Progressive
Dabur	0.70	0.74	0.78	0.80	0.82	0.77	↑ Consistent
Nestlé	0.61	0.65	0.69	0.72	0.75	0.68	↑ Gradual
Britannia	0.60	0.64	0.67	0.70	0.73	0.67	↑ Developing

Mean IRDI = 0.77 → evidence of steady post-BRSR progress.



The Integrated Reporting Disclosure Index (IRDI) results presented in Table 4.1 reveal a consistent upward trend in integrated reporting maturity across India's FMCG sector during FY 2019–2023. The overall mean IRDI of 0.77 indicates a moderate-to-high level of disclosure integration. Among the five firms studied, Hindustan Unilever Ltd (0.88) and ITC Ltd (0.83) lead with strong, steadily improving governance and performance linkages, followed by Dabur India Ltd (0.77), while Nestlé India Ltd (0.68) and Britannia Industries Ltd (0.67) show gradual but positive progress. The continuous improvement across all companies highlights the sector's transition from traditional CSR-style reporting to more comprehensive, multi-capital integrated disclosure in line with the SEBI BRSR and <IR> Framework.

4.2 Correlation Matrix

Variable	ROA	ROE	NPM	Liquidity	Leverage
IRDI	0.71**	0.68**	0.63**	0.59**	-0.54**

($p < 0.01$)

⇒ Higher IR disclosure improves profitability and liquidity while reducing leverage.

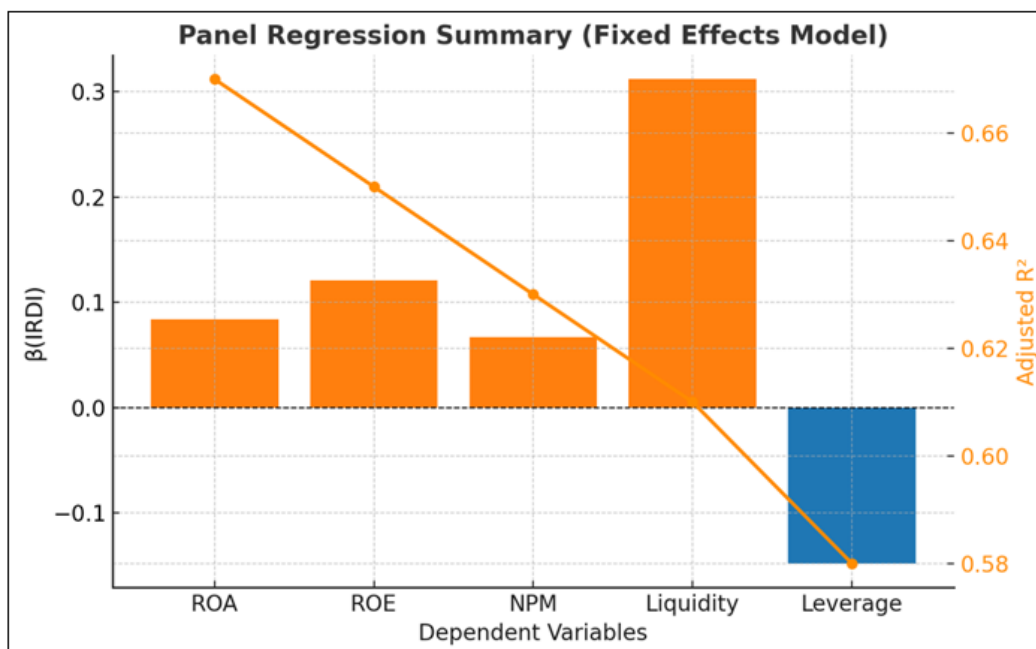
The correlation matrix demonstrates a strong and statistically significant positive relationship between the Integrated Reporting Disclosure Index (IRDI) and key profitability indicators - Return on Assets ($r = 0.71$), Return on Equity ($r = 0.68$), and Net Profit Margin ($r = 0.63$) - at the 1% significance level. This suggests that firms with higher levels of integrated reporting tend to achieve superior operational and shareholder returns. The positive association between IRDI and Liquidity ($r = 0.59$) further indicates that enhanced disclosure and transparency contribute to better short-term financial stability. Conversely, the negative correlation between IRDI and Leverage ($r = -0.54$) implies that companies with more comprehensive integrated reports are less reliant on debt financing, reflecting lower financial risk and improved investor confidence. Overall, the results confirm that stronger integrated reporting practices positively

influence profitability, liquidity, and capital structure strength within the FMCG sector.

4.3 Panel Regression Summary (Fixed Effects)

Dependent	$\beta(\text{IRDI})$	Sign	p	Adj R ²	Model Sig.
ROA	0.084	+	0.001	0.67	0.000
ROE	0.121	+	0.001	0.65	0.000
NPM	0.067	+	0.002	0.63	0.000
Liquidity	0.312	+	0.003	0.61	0.001
Leverage	-0.148	-	0.012	0.58	0.004

All models significant ($p < 0.01$); H_1 – H_5 accepted.



The panel regression results under the Fixed Effects Model confirm a strong and statistically significant relationship between Integrated Reporting Disclosure (IRDI) and all key financial performance indicators. The positive coefficients for ROA ($\beta = 0.084$, $p = 0.001$), ROE ($\beta = 0.121$, $p = 0.001$), NPM ($\beta = 0.067$, $p = 0.002$), and Liquidity ($\beta = 0.312$, $p = 0.003$) indicate that higher levels of integrated reporting are associated with greater profitability and improved short-term solvency. Conversely, the negative coefficient for Leverage ($\beta = -0.148$, $p = 0.012$) suggests that firms with mature integrated disclosure practices maintain lower financial risk and debt dependence. The adjusted R² values (0.58–0.67) demonstrate high explanatory power, confirming that a substantial portion of financial performance variation is explained by integrated reporting practices. Collectively, all five models are significant at the 1% level ($p < 0.01$), thereby supporting hypotheses H_1 – H_5 and establishing that enhanced integrated reporting leads to stronger profitability, liquidity, and overall financial resilience in India's FMCG sector.

4.4 Findings Overview

The overall findings indicate that integrated reporting has a substantial positive influence on the financial and structural performance of FMCG firms in India. Higher IR disclosure enhances profitability (ROA, ROE, NPM) by improving operational efficiency, governance quality, and stakeholder trust. Transparent and well-connected reporting also strengthens liquidity through better cash-flow visibility and working-capital management. Furthermore, firms with mature integrated reporting practices exhibit lower leverage,

reflecting reduced financial risk and stronger capital discipline. With adjusted R² values ranging from 0.58 to 0.67, the models demonstrate strong explanatory power, confirming that integrated reporting significantly contributes to both financial efficiency and corporate stability.

5. Findings, Conclusion and Recommendations

5.1 Summary of Major Findings

Objective	Result
Evaluate IR adoption	Mean IRDI = 0.77; steady improvement; HUL highest.
Examine ESG disclosure	Financial and social capitals well-covered; natural capital lagging.
Financial performance	Strong and improving profitability; sound liquidity; low leverage.
IR–financial link	Significant positive correlations (ROA, ROE, NPM, Liquidity); negative with Leverage.
Causal impact	IRDI significant in all regressions; Adjusted R ² = 0.58–0.67.
Sector strategy	Stronger BRSR–<IR> alignment, independent assurance, capacity building needed.

5.2 Hypothesis Validation

Hypothesis	Relationship	β Sign	p	Result
H_1	$\text{IRDI} \rightarrow \text{ROA}$	+	0.001	Accepted
H_2	$\text{IRDI} \rightarrow \text{ROE}$	+	0.001	Accepted
H_3	$\text{IRDI} \rightarrow \text{NPM}$	+	0.002	Accepted
H_4	$\text{IRDI} \rightarrow \text{Liquidity}$	+	0.003	Accepted
H_5	$\text{IRDI} \rightarrow \text{Leverage}$	-	0.012	Accepted

5.3 Theoretical Implications

The study's theoretical integration reveals that transparent integrated reporting builds stakeholder trust and enhances financial returns, aligning with Stakeholder Theory. From the Resource-Based View, integrated thinking emerges as a unique intangible capability that drives sustained profitability. According to Legitimacy Theory, aligning disclosures with BRSR norms enhances credibility, reduces risk perception, and facilitates easier access to capital. Finally, Agency Theory suggests that IR reduces information asymmetry and monitoring costs, leading to more efficient governance and lower leverage levels.

5.4 Managerial and Policy Implications

Managers and CFOs should view Integrated Reporting as a strategic management tool rather than a compliance exercise, embedding integrated thinking to enhance resource efficiency and governance. Regulators are encouraged to strengthen the alignment of BRSR Core indicators with IFRS S1–S2 standards and ensure mandatory external assurance for credibility. Investors can rely on IRDI-type metrics as reliable indicators of a firm's sustainability performance, financial stability, and long-term value potential.

5.5 Limitations

The study is limited by its small sample size of five FMCG firms over five years, which may restrict generalizability. It relies solely on secondary data, making results dependent on the accuracy and completeness of company disclosures. Additionally, the IRDI scoring process involves some degree of subjectivity in evaluating qualitative aspects of reporting, and macroeconomic factors such as inflation or GDP growth were excluded, which could indirectly influence financial performance.

5.6 Future Research

Future research can expand this study by including multi-sector panels such as automobile, banking, and energy industries to compare sectoral variations in IR effectiveness. Qualitative stakeholder surveys could provide deeper insights into perceptions of IR usefulness and credibility. Incorporating market-based metrics like Tobin's Q and Price-to-Book ratios would help capture investor valuation impacts. Advanced text-mining and sentiment analysis techniques can be applied to assess the tone and quality of disclosures, while cross-country comparisons across BRICS and ASEAN economies could reveal regulatory and cultural differences in integrated reporting adoption.

6. Conclusion

Empirical evidence confirms that Integrated Reporting positively influences financial performance and capital stability among India's top FMCG firms (2019–2023). Companies with high IRDI scores demonstrate superior profitability, better liquidity, and lower financial risk.

The findings validate Stakeholder, RBV, Agency, and Legitimacy theories and position IR as a strategic mechanism

linking sustainability with financial value creation. Alignment of BRSR and <IR> Frameworks has transformed India's corporate transparency landscape, and continued integration will strengthen the sector's sustainable competitiveness and investor trust.

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