**The impact of activating the integrated business reports on investment decision in stocks - an empirical study on cement companies in Egypt**

**Research objectives**

The research aimed to study and analyze the integrated business reports including disclosure of environmental, social, governance, economic and strategic performance of companies registered in the stock exchange, which engaged in an activity that is supposed to be polluted to environment. The research aims to study the impact of the use of these reports on the investors and financial analyst's decisions regarding investment in stocks of these companies and to identify their future expectations regarding prices of these stocks.

**Research problem**

The research problem has been formulated in the form of the following questions

* What are the shortcomings of the present financial reports?
* What are the concept and the nature of the integrated business reports?
* What are the challenges facing companies in the preparation of the integrated business reports? And what are its preparation approaches and the principles that must be taken into account by companies? What are the benefits of preparing it?
* What is the importance of integrated business reports in creating value?
* What is the informational content of integrated business reports? And what is its importance for the stakeholders?
* To what extent the integrated business reports impact on decisions of stakeholders especially for investors and financial analysts?
* Are investment decisions and expectations of financial analysts in Egypt being affected by informational content of integrated business reports more than the financial reports in its current?

**Research importance**

The importance of research and its motives are derived from two aspects (the academic and practical) as follows:

* The scarcity of researches related to the subject of this research in Egypt especially experimental and field study
* Supporting the financial accounting as a system that must be adoptive and interactive with variables of accounting practice environment especially the needs of the stakeholders to the content of non-financial disclosure.
* Rationalizing decisions of stakeholders especially investors in stocks and financial analysts.
* An Attempt to contribute in the development of a disclosure model for companies contaminates environment in Egypt out of the Defense about Information System of financial accounting.
* Finding empirical evidence about the validity of the relationship under study.

**Research hypotheses**

The research hypotheses were derived, in theory, empirically testing in the following

* H1: the informational content of integrated business reports affect positively on investment decision in stocks more than the informational content of traditional financial reports.
* H2: the informational content of integrated business reports affect on investors and financial analysts' expectations of stock prices more than the informational content of traditional financial reports.
* H3: There are statistically significant differences between investors and financial analysts regarding the difference degree of impact of the informational content of integrated business reports on investment decision in stock compared to the informational content of traditional financial reports.
* H4: There are statistically significant differences between investors and financial analysts regarding the difference degree of the impact of the informational content of integrated business reports on investors and financial analyst's expectations of stock prices compared to the informational content of traditional financial reports.

**Research plan**

To address the problem of the research in a logical manner and in accordance with its objectives, the research plan was as follows:

* The scientific rooting for the concept of integrated business reports.
  + The integrated business reports in the light of academic and professional publications related to study.
  + The challenges faced by companies in preparation of the integrated business reports
  + What is the concept of integrated business reports and its objectives?
  + The preparation approaches of integrated business reports and sources of demand
* The role of integrated business reports in narrowing the disclosure gap in the traditional financial reports.
  + The Companies motives to disclose through integrated business reports and principles of this disclosure.
  + The informational content of integrated business reports from the perspective of stakeholders.
  + The role of integrated business reports in narrowing the disclosure gap in the traditional financial reports and positively contributing in creating value
* A summary of the theoretical study and deriving research hypotheses
* research methodology and tools
* the research findings and answering its questions
* research recommendations
* fields of future research

**Research Methodology**

The researcher conducted a theoretical study to derive hypotheses, where he concluded that the activation of the use of integrated business reports by the companies would lead to provide financial information, in addition to non-financial information relating to social, environmental, governance and strategic activities. This information is used by stakeholders, especially investors and financial analysts in making decisions about investing in shares of companies, in addition to predict stock prices in the future. And thus hypotheses were derived.

The empirical study was to test the research hypotheses, where the study population and sample consists of all companies listed in the stock exchange, which engaged in an activity that is supposed to be polluted to environment as a first population. The second population consists of stakeholders (investors and financial analysts). The tools and procedures for the study consisted of:

1. Selecting the sample from investors and financial analysts and its total is 60 divided equally between them.
2. The published financial reports (Traditional financial statements) for one of the cement companies and its complementary explanations in 12/31/2013, and attached by a set of questions, and these reports represent the first case.
3. The preparation of an integrated business report for the same company of the first case, and attached by a set of questions. This report represents the second case, noting that the Integrated Business Report included the traditional financial statements represented in the first case, the two cases was presented for investors and financial analysts and asked about the informational content of the two reports (traditional - integrated) and its impact on the decision to invest in the company's shares.

**The variables of the study are as follows:**

1. The independent variable is the informational content of the integrated business reports compared to the informational content of traditional financial statements, and measured by two alternatives , once by traditional financial statements, and once again by the financial reports in addition to the environmental, social and governance disclosure, through the integrated business report.

2) The dependent variable is investment decision in stocks, measured by the willingness of investors to invest in the shares of the company in terms of his expectation for the market value of the shares, and arranging investment opportunities based on the disclosure model.

**The hypotheses have been statistically tested and the researcher reached the following conclusions**

* There are statistically significant differences between the attitudes of respondents in the financial analysts sample with regard to the dimensions of the informational content of the integrated business reports and traditional financial reports at significantly level lower than (0.1), (0.001), respectively, in favor of variables of the informational content of the integrated business reports , demonstrating the positive impact of the informational content of the integrated business reports on investment decision in stocks more than the traditional financial reporting, and then proved the validity of the first research hypothesis.
* There are statistically significant differences between the attitudes of respondents whether investors sample or financial analysts regarding the impact of the informational content of integrated business reports on investors and financial analysts expectation for stock prices more than the traditional financial reports, using the test Z of the difference between the expectation ratios of stock prices for both samples at significantly level lower than (0.1), (0.001), respectively, in favor of the informational content of the integrated business reports, which shows the impact of the informational content of the integrated reports on investors and financial analysts expectation for stock prices more than the traditional financial reports , and then proved the validity of the second research hypothesis.
* There are statistically significant differences between the attitudes of respondents in both samples of the study for both investors and financial analysts with regard to the dimension of informational content of traditional financial reports in detail, at a significant level less than (0.01) (0.001), respectively, in favor of financial analysts sample, which shows the inadequacy of the informational content of traditional financial reports for investors sample compared to a sample of financial analysts, and then proved the validity of the third research hypothesis at the level of both investors and financial analysts samples.
* The researcher used Chi-square test, compatibility coefficient to measure the significant differences between the samples of the study about the difference of impact degree of informational content of the integrated business report on investors and financial analysts expectation for stock prices compared to traditional financial reports, and concluded that there are statistically significant differences between samples of the study about the difference of the impact degree of informational content of integrated business reports on investors and financial analysts expectation for stock prices compared to traditional financial reports, as the significance value of the chi square test level, compatibility coefficient less than (0.10 ) and then proved the validity of the fourth research hypothesis

**Research recommendations**

In light of the objectives, problem, methodology and the conclusions of the research, the researcher recommends the following:

* 1. It is important to issue an accounting Egyptian standard concerning integrated business reports, taking into consideration the experiences of some other countries, such as South Africa, the European Union, the United States, through an accounting harmonization process, attached by indicative and procedural evidence, especially the practical practice in Egypt is still in beginning.
  2. Regulators should put legislation requiring companies to prepare integrated business reports and the financial supervisory authority should bind the companies registered in the stock exchange to prepare the integrated business reports, as South Africa did.
  3. Accounting departments at Egyptian universities should pay attention to the teaching of accounting and professional dimensions of integrated business reports, and this will have a positive impact on the graduates of these departments.
  4. Companies must adopt approaches of preparing integrated reports, as well as training of cadres necessary to do so and qualifying them with appropriate professional qualification, through making training courses for them, and offer the experiences of foreign companies and benefit from them.
  5. We have to pay attention to audit the integrated business report, especially by the external auditor, and in this regard we must update the Egyptian professional assurance standard No. 3000 to cope with the other international from one hand and with the American ratification standards on the other hand. Accounting and auditing firms have to start immediately in the design and implementation of professional development programs in cooperation with accounting departments at the Egyptian universities and the Egyptian Accountants and Auditors association.
  6. Investment managers and brokerages must train financial analysts on the importance and ways of using financial and non-financial information in the financial analysis and identification of investment alternatives.