

THE NATURE OF CORPORATE VOLUNTARY REPORTING IN SRI LANKA

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Abstract

Purpose –This study examines the extent and determinants of voluntary disclosure of companies listed in Colombo Stock Exchange (CSE).

Design/methodology/approach – Complying to the previous empirical studies on corporate voluntary disclosures, this study surveyed the annual reports of 43 randomly drawn sampled firms using 60 disclosure items constructed into three voluntary disclosure indices namely corporate strategic disclosure index (CSDI), financial and capital market information disclosure index (FCMDI), social reporting disclosure index (SRDI). The samples firms were observed for three reporting periods from 2016 through 2018. Data was analyzed using descriptive statistics, correlation and OLS regression analysis.

Findings – The study found that the extent of voluntary disclosures by firms listed in CSE gradually grew over the years. Extents of disclosure of such corporate strategic information as ‘ways of improvement in product/service quality and the customer service’, ‘research development activities’ and ‘future product and development’ are relatively higher than the other corporate and strategic information surveyed. Financial and capital market related disclosure items that reflect on companies’ market value have been disclosed relatively at higher rates than the items that connect to the assessment of current and potential risk, return and operating cash flows useful for industry comparison.

Research limitations/implications – Following previous studies, this paper surveyed only the annual reports of listed firms, which is a regular medium of companies’ disclosures. This paper however excludes voluntary disclosure contents in other such media as company’s website, magazine and sustainability reports etc.

Originality/value – Distinguished from similar empirical works, the descriptive analysis on the extent of disclosures has in detail been directed to items within disclosure constructs. This account of analysis helps the inference of patterns/reasons/motives/attitudes that underlie voluntary disclosures.

Keywords: *Voluntary disclosures, CSE, Annual Report, Sri Lanka, Corporate strategic disclosure index, Financial and capital market information disclosure index and Social reporting disclosure index.*