

THE IMPACT OF SUSTAINABILITY REPORTING PRACTICES ON EARNINGS MANAGEMENT IN LISTED COMPANIES IN SRI LANKA: PRE AND DURING THE COVID-19 SITUATION

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Abstract

The main objective of this study was to evaluate the impact of sustainability reporting practices on the earnings management of companies that are listed on the Colombo Stock Exchange (CSE), under the best sustainability ratings 2021. The sample of this study was 45 listed non-financial companies in Sri Lanka that reported sustainability reported practices disclosure information for six years during 2016-2021. The independent variable was sustainability reporting practice, which consists of economic indicators, environmental indicators, and social indicators. These variables are measured by the disclosure index of sustainability reporting guidelines. The dependent variable is earnings management that was measured by discretionary accruals (Modified Jones Model). Qualitative descriptive panel data analyses were used to analyze the information contained in the reports to recognize the impact of sustainability reporting practice on earnings management. Research results suggest that there is a negative significant relationship between sustainability reporting practice and earnings management on pre and during the Covid-19 period. There are no comprehensive changes between the impact of sustainability reporting practices and earnings management on pre and during the Covid-19 situation.

Keywords: *Sustainability reporting, Earnings management, Global reporting initiatives, Modified Jones Model, Covid-19*