

The Ownership Structure, and Environmental, Social, Governance (Esg) Disclosure on Firm Performance of Domestic Commercial Banks in Sri Lanka: The Audit Committee as Moderating Variable

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Abstract

Introduction: This study investigated the effect of ownership structure, and environmental, social, and governance (ESG) disclosure on firm performance of Domestic commercial banks in Sri Lanka and audit committees as moderating variables. The ownership structures in this study are Individual and Institutional ownership in Domestic commercial Banks.

Methodology: This research is quantitative and uses secondary data. The sample consisted of Domestic commercial banks in Sri Lanka. This study used legitimacy, stakeholder, and agency theory. The analytical method used was partial least squares structural equation modeling. Over the 2017-2021 period, STATA software and Smart PLS are employed for panel data and Structural Equation Modeling (SEM PLS) analyses.

Findings: Correlation analysis unveils the relationships among variables, and the Variance Inflation Factor (VIF) reassures the absence of severe multicollinearity concerns. The results suggest that the relationship between ESG and Firm Performance is influenced by the presence of an Audit Committee, indicating a moderating effect that enhances the positive impact of ESG on Firm Performance.

Conclusion: This research underscores the evolving landscape of corporate governance and sustainability practices within the Sri Lankan banking sector. As the sector continues to navigate complex challenges, the study provides a foundation for future inquiries, offering a plan for researchers and industry stakeholders to delve deeper into the intricate interrelationships shaping the performance of commercial banks in Sri Lanka.

Keywords: Ownership Structure; ESG Disclosure; Firm Value; Firm Performance; Audit Committee.