

The Impact of Corporate Governance on Internet Financial Reporting of Listed Companies in Sri Lanka

Thilakarathne, H.G.Y.A.¹ and Wijerathne, A.G.S.H.K.²

¹yasithaaishan@gmail.com; ²shashikalaw@kln.ac.lk

Abstract

Internet financial reporting represents a contemporary approach to disseminating financial information through the utilization of the internet and digital technologies. Corporate governance is the system of rules and practices by which a company is directed and controlled. Internet financial reporting plays a pivotal role in providing real-time and easily accessible financial information online, contributing to global transparency, cost reduction, and encouraging stakeholder trust. Corporate governance, in turn, ensures ethical conduct, accountability, and sustainable business practices, addressing legal compliance, risk management, and long-term success. This study's objective is to examine the influence of corporate governance practices on Internet Financial Reporting among 75 listed companies in Sri Lanka. The study employs a thorough index consisting of 35 items that assess both content and presentation aspects of Internet financial reporting practices. The findings indicate that, on average, Sri Lankan companies disclose and present only 14 items, constituting 40% of the total Internet financial reporting index. Significant influences on Internet Financial Reporting practices include the presence of distinct chairman and CEO roles, board independence, external audits conducted by major firms, managerial ownership, and firm size. These results underscore the dominance of corporate governance practices in elucidating the impact on Internet Financial Reporting in Sri Lanka. However, an analysis of factors such as the number of board committee meetings, the board size, gender balance, company age, and liquidity indicate that these variables do not exhibit statistical significance in their association with Internet Financial Reporting practices. The findings of this study reveal a substantial impact of corporate governance on Internet Financial Reporting practices. They underscore the pivotal role that corporate governance plays in shaping IFR practices and emphasize the need for collaborative efforts among companies and regulators to improve transparency, accountability, and the adoption of strong IFR practices in Sri Lanka.

Keywords: Accountability, Corporate Governance, Internet Financial Reporting, Listed Companies in Colombo Stock Exchange, Transparency.