

The Association between Firm Specific Characteristics and Voluntary Disclosures of Non-Financial Sector in Sri Lanka

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Abstract

The main purposes of this research are to assess the level of disclosure in the annual reports of non-financial (excluding banks finance and insurance sector) Sri Lankan firms which are listed in the Colombo stock exchange and to investigate the impact of firm specific characteristics on the extent of voluntary disclosure.

A disclosure checklist consisting with 20 voluntary items was developed to assess the level of disclosure of 100 listed companies in Sri Lanka during the period 2017/2018. The association between the level of disclosure and firm specific characteristics were analyzed using E-views 8.0 statistical software package. Out of the total selected companies 58% companies have disclosed more than the mean level of disclosure index. It was found that firm size was significantly positively associated with the level of disclosure. This means that large size companies have more interest in disclosing additional information as compared to small size companies. Profit margin was also significantly positively associated, and debt was significantly negatively associated with the level of disclosure. The remaining variables, however, were found to be insignificant in explaining the variation of voluntary disclosure.

The results of this study are very useful for the investment community to assist in evaluating the extent of voluntary disclosure by Sri Lankan listed firms and explaining the variation of disclosure. Further, the results provide useful insights to policy makers and regulators who want to improve voluntary disclosures in their countries.

Keywords: Disclosure checklist, Voluntary disclosures, Firm Specific Characteristics, Sri Lanka