Differential Patterns of Textual Characteristics in the Chairman’s Statement and Company Performance: Evidence from Sri Lanka

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Corporate annual reports are continuously getting important in external reporting. The chairman statement is one of leading section of annual report that provides information beyond what is required by legislative. It is well-known fact that, those who prepare financial statements have motivation to exercise the content of Chairman’s Statements. In Sri Lanka, since Chairman’s Statement being a prominent requirement of annual report, this research investigates the textual differences of chairman’s statement in companies with higher performance and poor performance in terms of market capitalization. The research question is investigated by examining a range of textual characteristics in the chairman’s statements of 25 companies with highest market capitalization and 25 companies with lowest market capitalization listed in the Colombo Stock Exchange (CSE). The results of the current study indicate that content of chairman’s statement significantly affected by firm’s underlying performance. Since, Chairman’s statement is one of most widely read section of annual report, this study will provide an understanding and guidelines to the stakeholders who make decisions regarding organizations by reading chairman’s statement.

Keywords: Chairman’s statement, Colombo Stock Exchange, Company performance, Sri Lanka, Textual characteristics

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