

The Effect of Corporate Governance Mechanisms on the Degree of Integrated Reporting in the Listed Companies on CSE

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Abstract

This study aimed to evaluate the effect of corporate governance mechanisms on integrated reporting in the listed companies on CSE. The sample of this study includes annual reports of 40 listed non-financial companies in Sri Lanka under market capitalization that reported IR disclosure information for five years during 2018-2022. This research used secondary data, data taken from the annual reports issued by the companies. The study considered four corporate governance mechanisms as independent variables that are board composition, board size, board diversity and ownership structure. The dependent variable is IR which is measured by using the Integrated Reporting Disclosure Index. Qualitative descriptive panel data analyses were used to analyze the information contained in the reports to recognize the impact of Corporate Governance Mechanisms on IR. Research results suggest that there is a positive significant impact of board composition, board size and ownership structure on disclosure of integrated reporting. However, there is no impact of board diversity on the disclosure of IR. Therefore, this study contributes to the current literature on IR in the Sri Lankan context. In order to avoid agency conflict, minimise the information asymmetry among stakeholders and maintain long-term relationships with their stakeholders, disclosure of integrated reporting information can be favourable for a company. The findings of this study also provide insights for policymakers and practitioners with regard to IR disclosures in companies that prepare integrated reports and need to establish specific guidelines in this respect.

Keywords: Corporate Governance, Integrated Reporting, Board Composition, Board Size, Board Diversity, Ownership Structure