

Corporate Governance and Corporate Transparency: A Sri Lankan Case

¹Ratnayake, D.A.W.M.S.P. and ²Rajakulanajagam, N.

^{1,2} Department of Accounting, University of Jaffna, Sri Lanka.

¹supuni100ratnayake@gmail.com, ²niruja@univ.jfn.ac.lk

Abstract

The main purpose of the research is to explore the impact of corporate governance on the corporate transparency of public listed companies in Sri Lanka. The content analysis was applied to measure the dependent variable, corporate transparency while independent directors, board size, female directors, dual leadership, cross directorship, audit firm size, related party transaction review committee and remuneration committee were used as the variables of corporate governance. This research study covers 100 public listed companies which have been listed on Colombo Stock Exchange in Sri Lanka representing eight sectors and secondary data were gathered from annual reports published on Colombo Stock Exchange for the period from 2018 to 2020. The data analysis was performed through correlation and regression analysis using EViews software. As per the results of regression analysis, it was shown that there is a significant impact of audit firm size and female directorship on corporate transparency. Distinct from the previous empirical research, corporate transparency was measured using a newly updated transparency and disclosure index based on the most recent corporate governance codes in 2017. The outcome of the study gives an insight into corporate governance and corporate transparency to regulators, policymakers, practitioners, researchers and investors by adding value to the existing literature.

Keywords: Corporate governance, Corporate transparency, Colombo Stock Exchange



Introduction

In the case of hasty change and complexity in the business environment over the decades, the ownership structure of companies was extended. Therefore ownership and control were separated and that caused management to be accountable to the shareholders in all aspects of control. Accordingly, a good corporate governance system is one of the best ways of achieving accountability (Thilakarathne, 2013). The need for accountability was raised more than ever before since the increasing conflicts between owners and managers. Therefore the information users such as investors, rulers, academics, creditors, workforces, customers and other stakeholders increasingly demand more transparent and reliable information. McKinsey and Company (2002) found that over 60% of investors are depending on good corporate governance practices as a key factor in decision-making. Therefore, transparency must be a fundamental factor of a corporate governance system.

The Cadbury committee report on the financial aspects of corporate governance defines “Corporate governance is a system by which corporations are directed and controlled”. Therefore strong governance is considered by way of a sign of “Good Corporation” whereas poor governance is viewed as risky and lacking transparency. Nowadays, corporate governance has come to be more needful and complex due to increasing regulatory requirements. It subjects to create an increasing demand for more transparent information. Therefore, transparency is a fundamental way of achieving trust through honest communication. Bushman, Piotroski and Smith (2004) define corporate transparency as the “availability of firm-specific information to those outside publicly traded firms”. Therefore information transparency is an extremely important element in good corporate governance and lacking transparency is suspicious and also subject to unethical behaviour which subjects to market integrity and a great cost (Fung, 2014).

Based on previous studies, this investigated that capacity or lack of transparency resulted from the Asian Financial crisis of the late 1990s (Chao, Hsu and Yeh, 2010; Fung, 2014). The Asia financial crisis in 1997-1999 and more recent corporate scandals such as Enron, Xerox, Parmalat, WorldCom and Anderson in the US left profound blemishes in the corporate world and revealed a thirst for a good corporate governance mechanism to connect the link between governance and business ethics (Haat, Rahman and Mahenthiran, 2008; Morris, Pham and Gray, 2011).

According to agency theory, it points that conflicts between agents and principals can arise when the interests between principal and agent are not aligned. In this case, corporate governance mechanisms are served as a mechanism with the purpose of mitigating agency problems and thereby improving transparency (Bushman et al., 2004). Jensen and Meckling (1976) suggest a director board which is consisting of more non-executive directors than executive directors is functioning as a window to the outside world. That makes it easy to overcome the executive director’s opportunistic behaviour. Therefore, corporate governance could improve transparency (Van Hoang et al., 2021).

However, the opportunity theory suggests that everyone would harvest from the opportunity and it may give a criminal motivation (Guerette and Santana, 2010). It shows Managers are working towards their self-interest (Farrer and Ramsay, 1998). Accordingly, when disclosing, Managers have little opportunity to pursue self-interest. Therefore it may subject to the proper as well as improper behaviour of managers when it comes to the real scenario. For example, Rashid, (2018) found managers opportunistically involved with Corporate Social Responsibility reporting to proliferate the share price if they are given stock-based rewards.

On the other hand, the managers may be more prone not to provide details about the real aspects of the organization but to provide something negatively. For example, managers may have incentives for reducing employment risk in the organization. Therefore they may create a negative insight about the organization intentionally (Amihud and Lev, 1981). Thus it is subject to a judgmental matter whether the information which is provided by the organizations is efficient or not for effective decision-making.

When it comes to the existing literature, the researcher can identify an empirical gap where the studies are in contradiction based on their findings. Some research on corporate governance and corporate transparency provided a positive outcome (Beekes and Brown, 2006; Fung, 2014; Kachouri and Jarboui, 2017b; Millar, Eldomiaty, Choi and Hilton, 2005; Saad and Jarboui, 2015) whereas others revealed a negative outcome (Al-Attar, 2016; Hasan, Hossain and Swieringa, 2010). Sancino et al., 2018 considered that good governance is a tool for enhancing social development and reducing corruption. Ahmed and Hamdan (2015) reveal that corporate governance increases investors' confidence in reporting. Al-Khonain and Al-Adeem (2020) found that corporate governance improves reporting quality. However, Kohansal et al. (2017) showed a negative and significant correlation between the board of directors size and management duality with reporting transparency. This mixed outcome requires further study to ensure the effect of corporate governance on transparency.

When the above-discussed matters are taken into account, with an increased amount of contemporary issues, the significance of corporate governance has risen more attentively than ever before and remains as unexplored for research. Therefore a puzzle is risen "whether corporate governance impacts corporate transparency". Although corporate governance is there to reduce information transparency issues, corporate governance mechanisms are independent and corporate governance codes differ from country to country (Kachouri and Jarboui, 2017a; Maassen, 1999). Therefore corporate governance studies should be on a contextual basis. In that case, it rose a need for a study on corporate governance and corporate transparency from a Sri Lankan perspective.

In the Sri Lankan context, it brings out certain issues existing in the corporate governance system in Sri Lanka. Therefore several corporate scandals such as the bankruptcy of Pramuka Bank, Vanic Incorporation, Lanka Marine Service Limited, and Sri Lanka Insurance Corporation were arisen due to mismanagement and accountability failures whereas the Golden Key Credit Card Company due to the failures of the existing corporate governance system and theories that were taken place (Kalainathan and Vijayarani, 2014). Edirisooriya and Wanigasekara (2016) have revealed that transparency is one of the utmost challenging factors of the corporate governance system in Sri Lanka. More importantly, they found that there is no existing literature that can be found in Sri Lanka to support their findings. Due to that, there is a dearth of research in Sri Lankan context. Therefore this puzzle is extended to each country context and it should answered "whether corporate governance enhance corporate transparency in Sri Lanka".

Thus the following research question can be extracted in Sri Lankan Context.

RQ₁: Does corporate governance significantly impact corporate transparency?

Literature review

Theoretical review

CG studies were motivated from the agency perspective whereby firms employed governance mechanisms to control agency conflict in firms. Agency theory deals with contractual relationship between principal (shareholder) and agent (manager). Agency relationship is a contract with which one or more person (Principal(s)) engage with another person (agent) to perform some services on their behalf which involves delegating some decision making authority to agent (Jensen and Meckling, 1976). It argues both parties expect to maximize their utility but in case managers may act opportunistically in their behavior at the expense of principal's interest (Yunos, 2011). The separation of ownership and control creates the agency problem where the management is consisting with rational human beings lead for their personal interest and it creates an information asymmetry problem which is resulted through information superiority that managers enjoy as insiders (Jensen and Meckling, 1976). Therefore the core issue of agency theory is making sure that managers are expected to meet the interest of company as whole not only their personal interest (Habbash, 2010).

Agency theory suggests these conflicts can be reduced through a good ownership structure and governance mechanism. Ownership structure, board of directors and audit committee are internal governance mechanisms which will provide an assurance to the shareholders. According to, Fama and Jensen (1983) it specially highlights the need of a board of directors that will play an important role in monitoring majority shareholders and managing and protecting minority shareholders' interest while helping to reduce agency cost with ultimate control over management and also CG will be an effective control mechanism to be safeguarded from inappropriate management behavior (Hashim and Rahman, 2011). Additionally, Watts (2003) showed that accounting conservatism can also govern the firm as it reduces managers' opportunistic behavior and increases firm value because accounting conservatism offsets managerial biases. Hence complementing the monitoring role of the other governance mechanisms will ensure reduction of agency conflicts and being more transparent to the interested parties of the organization.

Stewardship theory is something which is alternative to agency theory. It highlights corporation and collaboration whereas agency theory focuses on control and conflict (Sundaramurthy and Lewis, 2003). Therefore, Caers, Bois, Gieter, Schepers and Pepermans (2006) suggested stewardship theory should be viewed as a case of limiting agency theory rather than a contradictory framework. Block (1993) states stewardship theory is marked as a new idea of service for others and not self-interest whereas others state it is a dedication to welfare, growth and fullness of others (Caldwell and Karri, 2005). The stewardship theory is solely an idea of servicing to the others to fulfill their utility maximizing targets. Thus agents as stewards are best in acting towards the principal's interest. In such case they are fulfilling accountability requirements maximally by providing information in all aspects of organization. Therefore the information which are provided to the stakeholders are more transparent and more useful for the decision making.

According to signaling theory, it aims at management's attention to share information and signaling from market, stakeholders and society (Connelly, Certo, Ireland and Reutzel, 2011; Taj, 2016). Thus, signaling will be care to provide quality information to different parties and thereby solving the information asymmetry problem. According to signaling theory, it aims at management's attention to share information and signaling from market, stakeholders and society (Connelly, Certo, Ireland and Reutzel, 2011; Taj, 2016). Thus, signaling will be care

to provide quality information to different parties and thereby solving the information asymmetry problem.

Legitimacy is a theory which expresses a social contract between organization and society with respect to the organization's legitimacy (Guthrie, Petty and Ricceri, 2006). This theory suggests that organization should carry out its operations within the expectations and norms of society at large. Thus it is a crucial factor that affects the organization's survival. Legitimacy will make sure that the organization functions as per the perception of society. Therefore the information which are provided by the organization also should make sure transparency in the information which they disclose. Because transparency may contribute to better understanding of the reasons behind the decisions which are made by various stakeholders and make sure a higher level of legitimacy for both decisions and decision makers (Licht, Naurin, Esaiasson and Gilljam, 2014). In other side increasing transparency is also contributing to make the organization for a better legitimacy. That brings out the companies willingness to expand the legitimacy on current CG practices will decide the corporate disclosure level (Rashid, 2018).

Empirical review

Corporate Governance

Demand for transparency and disclosure had increased due to corporate scandals. To ensure the long life of corporations, regulators focus on developing a good CG system (Fung, 2014). Transparency is known as one of the pillars of a good CG system (Aras and Crowther, 2008). However, several corporate failures had been experienced even under good governance. Especially in 2008, many firms came to end due to the world financial crisis.

Defining good governance is difficult since its based-on country origin factors, industry nature, and so on. Therefore, studying how CG improve transparency is one way of identifying a good CG system. In Sri Lanka, there is no mandatory framework for CG although regulators issued best practices for corporate governance lastly in 2017. However, this is voluntary compliance (Thilakarathne, 2013). It might be the reason for the failure of corporations in Sri Lanka such as the bankruptcy of Pramuka bank, Vanic corporations, Lanka Marine services ltd, Sri Lanka Insurance Corporation and Golden Key Credit Card Company. Therefore, How CG in Sri Lanka enhances transparency is unknown.

Corporate Transparency

CT is recognized as a key element of CG because it provides facts in relation to capital allocation, financial performance and monitoring and also corporate transactions which are indeed for an effective decision making. Cadbury committee in UK emphasizes transparency as a pillar of CG problems because of directly addressing the limitations for managers misbehave in providing information (Tarus and Omandi, 2013). Due to the Asian financial crisis a considerable attention was focused on corporate disclosure requirements and transparency. In today's era CT is taking a new view of imposing more responsibilities on corporations to disclosure more comprehensive and proactive disclosures instead of releasing CG disclosures or policies not only to the public but also to each stakeholder and stakeholder groups (Fung, 2014). Due to the worldwide attention toward CT, an increasing number of scholars studies about this concepts in different ways. Thus various scholars have given number of definitions for CT.

A most famous definition was given for CT as availability of firm specific information to those outside publicly traded firms and viewed as the joint output of multi-faceted systems

whose components collectively produce, gather validate and disseminate information to market participants (Bushman et al., 2004; Bushman and Smith, 2003). Bushman et al. (2004) argues that transparency is an outcome of a multifunction system that includes the quality of reporting standards and the intensity of private information acquisition and dissemination. As per business publications such as Scandals in Business USA 2002, CT is about promoting fair, efficient and transparent administration of corporations to meet well defined organizational objectives (Tarus and Omandi, 2013). Fung (2014) defined CT is the extent to which a corporation's actions are observable by outsiders. Further, he broadly defines transparency refers to the degree to which information flows freely within an organization among managers, employees and outward to stakeholders. He brings out the importance of CT. He suggest it has a greater importance in case of governing multinational companies in their network and he prompts CT helps in evaluation of manager's performance to make sure they don't engage in unethical activities and it supports to take early corrective actions when necessary regarding financial aspects of the company. Not only that, it supports for the regulators in establishing market stability to increase investor's confidence. Because transparency and disclosures are integral parts of corporate governance and better compliance with them, make sure the reduction of information asymmetry between principals and agents (Verrecchia, 1990). Thus, it directly helps in mitigating agency conflicts and it will be resulted in increasing market liquidity and reducing cost of capital as per (Botosan and Plumlee, 2002; Datta and Rajagopalan, 1998). Therefore it increases access to capital market (Lang and Lundholm, 1996).

Corporate governance and corporate transparency

In general, Agency theory, which explains the conflict between agent and principal, suggests that agency conflict can be reduced through good governance (Hashim and Rahman, 2011). In contrast, stewardship theory reduces the need for CG since it believes that managers are stewards (Keay, 2017). However, signalling theory proves that the firms provide information to give signals therefore corporate governance is not a mandatory element to enhance transparency (Agyei-Mensah, 2016). This view is further supported by legitimacy theory which proves increasing transparency is contributing to making the organization better legitimacy (Rashid, 2018). These theories do not provide a common view on how corporate governance enhances transparency. Therefore, much research has been undertaken world widely. Those research has been done in developed country contexts (Beekes, Brown and Chin, 2007; Beekes and Brown, 2006; Berglof and Pajuste, 2005; Kelton and Yang, 2004) and also emerging country contexts as well (Aksu, 2006; Al-Attar, 2016; Asogwa, 2017; Betah, 2013; Haat et al., 2008; Hasan et al., 2010; Kachouri and Jarboui, 2017a, 2017b; Saad and Jarboui, 2015; Weekes-Marshall, 2014).

Beekes et al. (2007) examined whether the frequency of occurring corporate disclosures can be influenced by corporate governance by selecting 216 selected Canadian-listed companies which are covered in the S&P composite index for the period between 1st January 2000 and mid of 2005. They found that well-directed Canadian companies disclose more information and that information has a close association with the share price. It means that firms which are better corporate governance seem to be more open and transparent in their disclosures. Moving to the Australian evidence, Beekes and Brown (2006) studied 250 Australian companies to investigate the link between the informativeness of corporate disclosures and a firm's corporate governance structure quality and found that better governance issues more balanced disclosures in a suitable time for good and bad news and thus there is an optimistic relationship between informativeness of corporate governance and corporate disclosures in Australia. Further, Kelton and Yang (2004) proved that CG can influence the company's

transparency using 583 Singapore companies for the period between 1994 and 1996. All these significant influences have been proven in developed countries.

In support of the above-discussed findings of developed countries, it can be noted that there are some studies which have been performed in emerging country contexts and found a positive relationship between corporate governance and corporate transparency (Aksu, 2006; Asogwa, 2017; Betah, 2013; Hasan et al., 2010; Saad and Jarboui, 2015; Weekes-Marshall, 2014). Aksu (2006) investigated the international best practice if the transparency and disclosure level of sample companies was enriched by a set of indigenous corporate governance codes and voluntary implementation of IFRS by using 52 corporations under the Istanbul stock market for the years between 2005 and 2006. He revealed that acquiescence and adoption of corporate governance principles have significantly improved their transparency and disclosure scores. Tamimi and Sebastianelli (2017) carried out a study to discover the transparency of S&P 500 companies by analyzing environmental, social and governance (ESG) disclosure scores. Their results showed that significantly a higher ESG score is shown in S&P companies with a larger board, highly gender diversified board and link executive compensation to ESG disclosures. Thus, their overall results show a greater proportion of transparency achieved through corporate governance.

On the contrary, the findings of Kachouri and Jarboui (2017a) found that corporate governance mechanisms negatively impact information transparency in the Tunisian context by examining 28 publicly listed companies for the period from 2006 to 2013. Though the discussed studies in the emerging country context show negative, positive and also no relationship (Al-Attar, 2016; Haat et al., 2008). Further, Haat et al. (2008) analyzed corporate governance practices and their association with corporate transparency and performance in Malaysia. Their results indicate that no significant association between corporate governance and corporate transparency. Further, Berglof and Pajuste (2005) found that there is no impact or relationship between corporate governance and corporate transparency through their study of 370 companies listed on the stock exchange in central and Eastern Europe from the year 2003 to mid-2004 to examine what companies disclose and why by putting into effect of corporate governance on transparency. These mixed findings of developing nations conflict with the view of how CG influences transparency. This might be because corporate governance differs from country to country due to the political, cultural, religious and social differences. Therefore, how CG influence the transparency should be studied in Sri Lanka since there are lack of studies.

Methodology

This research is based on positivism since it focuses on proving the impact of corporate governance on corporate transparency in the Sri Lankan context. Further, it relies on the deductive approach as it tested the hypothesis which was developed based on the existing theories. To conduct the analysis, the study adopts a quantitative research approach using secondary data which were collected from the annual reports of selected listed companies in CSE for the period between 2018 and 2020. The reason behind choosing the period between the years 2018 to 2020 is this research is solely based on the recently issued 2017 code of best practices on corporate governance.

The population of the study is listed companies in CSE which had 289 companies representing 20 business sectors classified using the Global Industry Classification Standard with a total capitalization of 2,265.99 bn by the 19th of June 2020 (CSE, 2020). However, the study covers only selected 100 companies which already exist on Colombo Stock Exchange as listed companies during the period between 2018 and 2020. Those represent seven business sectors

based on the 2020 sector classification and 36.73% of the total capitalization of companies listed in the Colombo Stock Exchange as of the 19th of June 2020.

Multiple linear regression was employed to analyse the data. Eviews 12 application was used to analyse the collected data.

Operationalization

Table I: Operationalization of Variables

Variable	Indicator	Measurement	Source
Independent Directors (BDIND)	Number of independent non-executive directors on the board	Number of independent non-executive directors / Total Number of directors on the board	(Balagobei, 2018; Dani, Picolo and Clann, 2019; Nasr and Ntim, 2018)
Board Size (BSIZE)	Number of directors on the Board	Total number of directors on the board	(Agyei-Mensah, 2016; Balagobei, 2018; Buvanendra, 2017)
Female Directors (FEMALE)	Number of female directors on the board	Number of female directors on the board / Total Number of directors on the board	(Ali, Yang, Sarwar and Ali, 2019; Dani et al., 2019; Sarivudeen and Sheham, 2013)
Dual Leadership (DUEL)	CEO & Chairman roles are separated or combined	1-Chairman and CEO roles are separated 0-Chairman and CEO roles are combined	(Azeez, 2015; Balagobei, 2020; Dharmadasa, Gamage and Herath, 2014; Nasr and Ntim, 2018)
Cross Directorship (CROSSD)	Number of directors on the board with a directorship in other companies	Number of crossed directors / Total Number of directors on the board	(Haat et al., 2008; Yunos, 2011)
Audit Firm Size (AUDIT)	Size of the audit firm that audits the company's Financial statements	1 – The auditor is a member of the big 4 0 – The auditor is not a member of the big 4	(Agyei-Mensah, 2016; Boubaker, Lakhali and Nekhili, 2011; Saad and Jarbouli, 2015)
Related Party Transaction Review Committee (RPT)	Existence of a related party transaction committee	1–RPT Review Committee 0–No RPT Review Committee	Code of best practices on corporate governance 2017
Remuneration Committee (REM)	The existence of a remuneration committee committed towards principles of accountability and transparency	1–Remuneration Committee 0–No remuneration Committee	Code of best practices on corporate governance 2017 Jayasooriya, Ravihara, Kulathunga, Liyanage

			and Hapuarachchi (n.d.)
Corporate Transparency (OT)	The measure of the Scoring index for corporate transparency	Transparency and Disclosure Index	(Khanna et al., 2004; Madhani, 2016; Zaman et al., 2014)
Firm Size (FSIZE)	Total assets of the company	Natural log of total assets	(Agyei-Mensah, 2016)
Firm Profitability (ROA)	Firm's ability to generate profits by using its assets for the company's activities	Return on assets $\frac{\text{Net Income}}{\text{Average Assets}} * 100$	(Aras, Aybars and Kutlu, 2010; Kamalluarifin, 2016; Uyar, 2011)

Corporate Transparency Index

The researcher used a modified content analysis comprising 129 items to measure corporate transparency. This content analysis is based on the content analysis which was developed by (Abivarna, 2019) to measure corporate transparency based on the code of best practices on corporate governance in 2013. That content analysis is comprised of 120 items which are broadly classified under three major components such as ownership structure and investment rights, financial transparency and information disclosures and board management structure and process. But for this research purpose, the researcher modified that content analysis and added 9 new items based on codes of best practices in corporate governance 2017.

Accordingly, each item in the content analysis was given equal weight by allocating “1” for disclosed items and “0” for non-disclosed items. After getting the final score for each company, it was obtained the transparency and disclosure score (T&D) to make the data more meaningful. The formula is as given below,

$$\text{T\&D score of company} = \frac{\text{No. of T\&D items adopted by the company}}{\text{Total number of items in the T\&D index}} * 100 \quad (1)$$

Hypothesis Development

H₁: There is a significant impact of corporate governance on corporate transparency

Torea, Fejioo and Gonzalez (2016) found that no impact is created by independent directors on corporate transparency whereas Kohansal, Rostami and Rostami (2017) revealed that financial transparency is positively influenced by independent directors. Thus following hypothesis is traced.

H_{1a}: There is a significant impact of board independence on corporate transparency.

Zaheer (2013) examined the larger and smaller boards and found that larger boards have a positive effect on transparency comparatively. But Durnev and Kim (2005) information transparency is negatively impacted by board size whereas Kohansal et al. (2017) also showed that financial reporting transparency is impacted by board size. Thus it can be developed following hypothesis to be tested.

H_{1b}: There is a significant impact of board size on corporate transparency.

Gul, Srinidhi and Ng (2011) examined gender diversity while exploring its impact on corporate transparency. They revealed that transparency is significantly influenced by gender diversity. Upadhyay and Zeng (2014) also did the same study to identify the impact of board diversity on transparency by adding ethnic diversity as well. They revealed gender diversity possible creates a significant impact on corporate transparency because gender diversity enhances board effectiveness. Anyhow, Lang (1986) gave a contradictory result. He revealed that gender diversity blocks communication. Therefore a homogeneous board will impact on transparency greatly. In this case this study expects to reveal the true effect of these two variables.

H_{1c}: There is a significant impact of female directors on corporate transparency.

Some researchers revealed that the separation of CEO and chairman significantly impact corporate transparency (Carcello and Nagy, 2004; Lakhali, 2005; Leung and Horwitz, 2004; Turrent and Aiza, 2012). But Torea et al. (2016) found that CEO duality does not impact transparency. Because CEO duality hides accountability when it limits the director's independence and ultimately it will lead to information asymmetry. Inconsistent, Zaheer (2013) also found the same result. Kohansal et al. (2017) revealed that the separation of the CEO and chairman negatively impact financial reporting transparency. But Liu, Valenty and Chen (2016) it will negatively impact transparency only when there is a zero family ownership status. Therefore this study is going to be tested the following hypothesis.

H_{1d}: There is a significant impact of dual leadership on corporate transparency.

According to many researchers, cross-directorship has a strong positive impact on transparency. (Dahya, Lonie and Power, 1996; Davis 1993). Because it allows for comparisons based on knowledge gained from a lot of companies. But it achieves a competitive disadvantage because sitting on more than one board will bring them to a low independence level and even being more sympathetic toward others in similar positions will make them less transparent in disclosures (Davis, 1993). Further Haniffa and Cooke (2002) also found that cross-directorship has no impact on transparency because cross-directorship reduces the confidentiality of the company and it restricts the disclosure of information. Therefore in this study, it is expected to discuss the following hypothesis.

H_{1e}: There is a significant impact of cross-directorship on corporate transparency.

Wallace, Naser and Mora (1994) found big four audit firms have a significant impact on corporate disclosures. Because they have greater expertise and experience. Barako, Hancock and Izan, (2006) found that corporate transparency is not influenced by audit firm size. The true impact of this will be tested through a hypothesis.

H_{1f}: There is a significant impact of audit firm size on corporate transparency.

Marchini, Andrei and Medioli (2019) investigated the impact of related party transactions on the transparency of disclosure information. They found that to be transparent and clear in information, related party transactions are required to be disclosed with the type and category of each transaction. Otherwise, the meaning of transparency is absent. As per the Sri Lanka code of best practices on corporate governance 2017, it is suggested to have a related party transaction review committee to make the company more transparent in disclosures. Therefore in this study researcher expects to explore the following hypothesis.

H_{1g}: There is a significant impact of the related party review committee on corporate transparency.

Jayasooriya et al. (n.d.) examined whether corporate failures which occur due to the loss of transparency have an impact on corporate governance characteristics or not. They found that the remuneration of directors affects corporate failures. Therefore it is subjected to a loss of transparency. Their findings provide signals that the remuneration of directors has an impact on corporate transparency. As per the Sri Lanka code of best practices on corporate governance 2017, a remuneration committee was suggested for companies to make disclosures more transparent. Therefore in this study researcher expects to test the hypothesis.

H_{1b}: There is a significant impact of remuneration committees on corporate transparency.

Results and discussion

Table II illustrates the descriptive statistics for corporate governance measured by BSIZE, AUDIT, CROSSED, DUEL, FEMALE, BDIND, REM and RPT, control variables measured by FSIZE and PROF and corporate transparency (OT). The OT indicates the mean value of 0.88 (Std. Dev. = 0.049) which means that out of all the 129 items averagely 88% of information was disclosed by a company in this study whereas 96% of items were disclosed maximally and 72 % of disclosures disclosed minimally.

BSIZE points out that, the average number of directors on the board is nearly 8 directors in a company whereas a maximally 15 directors and minimally 3 directors are appointed on the boards of those companies. BDIND indicates that on averagely 39% of directors on the board of a company are independent non-executive directors whereas among all those selected companies maximally 80% of directors are independent non-executive and minimally 18% of directors are independent non-executive. CROSSED indicates that an averagely 75% of directors on the board of a particular company are serving on the boards of other companies as well. Anyhow, not only circumstances where maximally 100% of directors are working on the boards of other companies but also there are circumstances where no director is serving on the boards of other companies. DUEL shows that out of all the selected companies 73% of companies have split the roles of CEO and Chairman. More importantly, FEMALE indicates that nearly 10% of women's participation in the board can be seen in a company averagely whereas, 66% of participation from women on the boards is shown maximally and also no participation as well out of all the selected companies. AUDIT indicates that in the existing sample, an averagely 91% of companies choose the big 4 companies as their independent auditor. REM indicates that 99% of companies are having a remuneration committee and RPT indicates that 98% of companies are having a related party transaction review committee.

Table II: Descriptive Statistics

Variable	Mean	Maximum	Minimum	Std. Dev.
BSIZE	8.4300	15	3	2.301756
BDIND	0.3926	0.8	0.1818	0.116919
CROSSED	0.7521	1	0	0.254201
DUEL	0.73	1	0	0.446196
FEMALE	0.0978	0.6667	0	0.118116
AUDIT	0.91	1	0	0.287623
REM	0.99	1	0	0.1
RPT	0.98	1	0	0.140705
OT	0.881531	0.96124	0.72093	0.048608
FSIZE	6.7502	8.1103	5.5787	0.460982
ROA	-56.45	140.89	-3921	463.8979

Source: Results from cross-sectional data analysis

Before analysing the data, a normality test was done to confirm whether the data is normally distributed. As per the Jarque Bera test, it has been proved that the normality assumption does not violate. Therefore, the parametric test was chosen for the inferential statistic test. To test the impact of CG on corporate transparency, multiple linear tests were undertaken. Before running the regression model all the assumptions of linear regression were tested and proved no assumption is violated. Pearson correlation analysis was used to check multicollinearity issues. Based on Table III, there is no strong relationship between independent variables.

Table III: Correlation Analysis

	FSIZE	ROA	BSIZE	BDIND	CROSSD	DUEL	FEMALE	AUDIT	REM	RPT	OT
FSIZE	1.0000										
ROA	0.0972 0.3361	1.0000									
BSIZE	0.0713 0.4807	0.1359 0.1776	1.0000								
BDIND	0.1384 0.1698	0.0577 0.5684	- 0.37*** 0.0001	1.0000							
CROSSD	-0.0175 0.8625	0.0030 0.9761	-0.1382 0.1704	0.1220 0.2266	1.0000						
DUEL	-0.0763 0.4504	-0.0831 0.4112	-0.1514 0.1328	0.0136 0.8934	-0.0245 0.8086	1.0000					
FEMALE	-0.0069 0.9459	0.1101 0.2756	-0.0175 0.8627	-0.0056 0.9561	-0.2254** 0.0241	-0.1122 0.2662	1.0000				
AUDIT	0.1244 0.2173	-0.0400 0.6926	-0.0172 0.8648	-0.0164 0.8712	0.0808 0.4241	-0.0338 0.7382	-0.1788* 0.0751	1.0000			
REM	-0.0147 0.8849	-0.0134 0.8947	-0.0250 0.8049	0.0512 0.6132	0.0339 0.7375	-0.0611 0.5458	0.0837 0.4079	-0.0316 0.7549	1.0000		
RPT	0.1397 0.1657	-0.0221 0.8274	0.1828* 0.0688	-0.0808 0.4244	-0.1047 0.2998	0.0740 0.4643	0.1189 0.2386	-0.0449 0.6572	-0.014 0.8873	1.00	
OT	0.1622 0.1068	-0.0153 0.8800	0.0251 0.8043	0.0988 0.3283	0.0558 0.5814	0.0913 0.3661	-0.2791*** 0.0049	0.337*** 0.0006	-0.135 0.1789	-0.05 0.58	1.0

Source: Results from Cross Sectional Analysis

Further, the value of the Durbin-Watson test of all models is close to zero which indicates there are no autocorrelation issues in these models. Heteroscedastic issues were tested through the Breusch Pagan Godfrey test and proved there are no heteroscedastic issues.

Table IV: Model Summary of CG and OT

Variable	Model 1		Model 2		Model 3	
	Coefficient	Prob.	Coefficient	Prob.	Coefficient	Prob.
C	0.860	0	0.790	0.00	0.843	0
BSIZE	0.001	0.37	0.001	0.44		
BDIND	0.058	0.16	0.049	0.25		
CROSSD	-0.003	0.86	-0.002	0.89		
DUEL	0.009	0.37	0.010	0.33		
FEMALE	-0.083	0.04	-0.082	0.04	-0.092	0.018
AUDIT	0.051	0.0	0.048	0.003	0.050	0.000
REM	-0.052	0.25	-0.051	0.26		
RPT	-0.011	0.73	-0.017	0.61		
FSIZE			0.012	0.24		
ROA			-0.001	0.95		
F-statistic	2.833	0.0074	2.38	0.01	9.47	0.00
R-squared	0.199407		0.211624		0.163	
Adjusted R-squared	0.129025		0.123042		0.146	

Source: Results from the cross-sectional data analysis

Regression model I (Table IV illustrates that the R-squared value of eight corporate governance proxies creates 20% (Approx.) of the observed variability in corporate transparency which is explained by the total transparency score. Further, the adjusted R-squared shows that a value of 13% (Approx.) of impact is created by the contribution of AUDIT and FEMALE whereas the remaining 87% (approx.) of impact is created by other variables which are not specified in the model. And also the outcomes of coefficient estimation for each variable are shown in the table. Accordingly, AUDIT has a significant impact on OT at a 5% significance level with a 0.05149 coefficient value. And FEMALE also has a significant impact on OT at 5% significance with a -0.08366 coefficient value. Further, based on the results, BSIZE, BDIND, CROSSD, DUEL, REM, and RPT has no significant impact on OT.

The regression model II illustrates the results of the regression analysis once after adding control variables. This is shown that the coefficient values of AUDIT and FEMALE are significant at a 5% significant level with coefficient values of 0.0488 and -0.08291 respectively. But the R-squared value was improved to 21% (Approx.) and the Adjusted R-squared value same as 12% (Approx.) which was illustrated under model II. Thus AUDIT and FEMALE both variables have a significant impact on OT.

Model III illustrates the final output for the significant variables. Accordingly, ADUIT and FEMALE are significant at a 5% significant level. The table shows that R-squared was reduced up to 16% (Approx.) and adjusted R-squared was improved up to 15% (Approx.). The AUDIT and FEMALE both have a significant impact on OT at a 5% significant level (Alkhatib and Marji, 2012; Kohansal et al., 2017; Liu et al., 2016; Torea et al., 2016; Zaheer, 2013). It reveals that 15% of the impact is created by AUDIT and FEMALE as the variables which have been specified by the model and the other 85% of the impact is created by other variables which have not been specified in the model. Accordingly, H_{2c} and H_{2f} are accepted and H_{2a} , H_{2b} , H_{2d} , H_{2e} , H_{2g} and H_{2h} are rejected.

Thus hereby researcher can specify the final model for this study as follows,

Model III – Final Model

$$OT = 0.843904 + 0.050255***AUDIT - 0.09298**FEMALE + e \quad (2)$$

OT = Overall Transparency

AUDIT = Audit Firm Size

FEMALE = Female Directorship

e = Error Item

Based on the previous studies, As a consistent result, Wallace et al. (1994) found that AUDIT has a significant impact on OT of the companies. Further, some more researchers also found FEMALE has a significant impact on OT (Gul et al., 2011; Lang, 1986; Upadhyay and Zeng, 2014). Therefore, the results are inconsistent with previous studies.

The results showed that there is a significant impact of AUDIT and FEMALE on OT AT a 5% significant level. Based on the results of the statistical analysis, FEMALE was found as a factor which impacts significantly on OT. Gul et al. (2011) also found that gender diversity has a direct impact on transparency and it will ultimately affect the informativeness of stock prices. Upadhyay and Zeng (2014) also revealed gender diversity has a great impact on corporate transparency because gender diversity enhances board effectiveness. Anyhow, Lang (1986) gave a contradictory result. He revealed that gender diversity blocks communication. Therefore a homogeneous board will impact transparency greatly. Further AUDIT has a significant impact on CT. Because big audit firms are looking for companies as their clients who are more willing to be with best practices. Simply if companies are running in a good manner in compliance with codes and rules, their annual reports will be more transparent. Thus engagement of a big audit firm with a company will impact CT. Wallace et al. (1994) found that big four audit firms have a significant impact on corporate disclosures because they have greater expertise and experience. But in contradiction to these findings, Barako et al. (2006) found that audit firm size has no significant impact on CT.

The results of the analysis further found that BSIZE, BDIND, CROSSD, DUEL, REM and RPT has no significant relationship or impact on OT. More importantly, the FSIZE and ROA even don't have a significant result in examining the relationship or the impact on OT. based on the existing studies, it also found that board independence has no significant impact on CT (Liu et al., 2016; Torea et al., 2016). Kohansal et al. (2017) revealed that board size has no impact on financial reporting transparency. Torea et al. (2016) found that CEO duality has no impact on transparency. Zaheer (2013) also found the same results that CEO duality has no impact on the level of corporate disclosures. Haniffa and Cooke (2002) found that cross-directorship has no impact on transparency because cross-directorship reduces the confidentiality of the company and it restricts the disclosure of information at all. Though researchers could found that REM has no impact on CT, other researchers argue that the remuneration committee has a significant impact on corporate transparency (Jayasooriya et al., n.d.). RPT committee as a board-related factor also has no impact on CT. Marchini, Andrei and Medioli (2019) also could found the same result which is consistent with this study. In addition to control variables, it could find that FSIZE and ROA both are not significant variables in making a significant impact on OT. Alkhatib and Marji (2012) also revealed the same result.

Felo (2011) reveals that the number of independent directors on the board will enhance corporate transparency, only if the independent directors are financial exporters. It is slightly consistent with this study but it comes into question when compared with other previous studies. Forker (1992) found a negative relationship between board independence and

corporate transparency. But some others found a positive relationship between these two variables (Agyei-Mensah, 2016; Asogwa, 2017).

Felo (2011) also examined whether there is any relationship between dual leadership and corporate transparency. But he found that splitting the roles of chairman and CEO is not a factor which decides corporate transparency. Thus the results are supported by his findings where DUEL has no relationship with OT. Anyhow some other studies express contradictory results to this study (Tamimi and Sebastianelli, 2017; Wu and Lee, 2014).

The result contradicts existing studies regarding CROSS relationship. Zimbwa (2005) found that cross-directorship has a significant negative association with corporate transparency. Betah (2013) investigated a positive relationship between cross-directorship and corporate disclosure and transparency.

When it comes to REM, Marchini et al. (2019) also found that the remuneration committee has no significant relationship with corporate transparency. Thus the results of this study are consistent with previous researchers' findings. More importantly, FSIZE and ROA also have no significant relationship with corporate transparency as control variables. But the existing studies revealed that firm size and firm profitability are significant variables which can make a significant effect on corporate transparency. Accordingly, some previous studies found that firm size and firm profitability have positive relationships with corporate transparency (Alsaed, 2006; Kamalluarifin, 2016). Therefore overall, the researcher can conclude that FEMALE and AUDIT are the most significant influencing factors of OT in the study.

Contribution and Implication of Results

Firstly, when it comes to the empirical studies which had been already done in both developed and developing country contexts, there were some contradictions in the findings. Thus, the empirical findings of this study help to identify the exact relationship or impact of corporate governance on corporate transparency. Further, it could be noted a lack of transparency-related study in Sri Lankan context previously. Thus, the performance of this study will greatly fill out the empirical gap.

According to the results obtained, except for female directorship, any other board-related factor is not contributing to the level of transparency. That means, when it comes to the agency-principal relationship, managers themselves are stewards of the principal in providing more transparent information to fulfil the interest of the principal (Dawes, 2010; Glinkowska and Kaczmarek, 2015). This is because the T&D score still shows more than 72% for all the companies selected by covering all the information requirements in specific areas of ownership, financial and board. It's beyond the acceptable level which is 60% whereas 71% shows relatively high transparency (Weeskes-Marshall, 2014). Therefore the findings of this study are well related to stewardship theory since managers are fulfilling their stewardship, signalling theory since the equal distribution of information to stakeholders and also legitimacy theory since it well maintains the societal convention between the organization and the public by providing transparent information.

Further corporate governance practices of listed companies in Sri Lanka were highlighted in this study. As per the agency theory, To diminish the conflicts in the principal-agent relationship, corporate governance is suggested as a mechanism. Being audited for the set of financial statements of companies (PLC) by an independent auditor is a more important requirement that corporate governance codes specifically suggest to improve transparency by reducing agency conflicts. This researcher found that audit firm size is a significant factor

which impacts corporate transparency. Therefore this study contributes to solving conflicts in principal-agent relationships as well.

In this research, the researcher could identify a measurement gap as well because of the existence of several measurements with different kinds of transparency components and it is still an enquiry that will be more suited to have a strong and updated result. Anyhow it could be achieved beyond 70% of the overall transparency score from the content analysis that the researcher used for this study in case, 60% is the acceptable standard for corporate transparency (Weekes-Marshall, 2014). Therefore this research fills out the existing measurement gap. Thus researchers can recommend this measurement to other researchers as well to use in corporate transparency research.

The findings of this study demonstrate that audit firm size and female directorship at a high level of transparency and disclosure of information can be used as a trust improvement tool to maximize the worth of the organization.

This study recommends that the improvement of firm transparency through quality disclosure in the annual reports can reduce information asymmetries. And also encourage companies to disclose more than the statutory requirements to send a signal of performance to stakeholders. Then it will enhance investors' confidence in the information as well. Thus this study recommends to firms disclose more financial information than what is normally mandated by the regulators (Jiamsagul, 2007).

Existing studies revealed that transparency can facilitate and simulate the performance of companies (Abivarna, 2019; Chao et al., 2010). But in this research, the researcher emphasized that Disclosure alone in the annual reports may not be enough. The practice of good corporate governance must also be emphasized. Then it will make disclosures more transparent. Thus practising corporate governance and transparency together with disclosures can facilitate and simulate the performance of companies more while limiting the abuse of power of (Opportunistic behaviour) insiders in corporate resources and provide a means to monitor managers' opportunistic behaviour. In case it will fill out the practical gap.

Conclusion

The study aims to test the impact of CG on corporate transparency in Sri Lanka. To analyse this, 100 public listed companies were selected and data were gathered from the annual report for three year period. The result of multi-linear regression proved that there is a significant impact of audit firm size and female directorship on corporate transparency. Distinct from the previous empirical research, corporate transparency was measured using a newly updated transparency and disclosure index based on the most recent corporate governance codes in 2017. The outcome of the study gives an insight into corporate governance and corporate transparency to regulators, policymakers, practitioners, researchers and investors by adding value to the existing literature.

Directions to Future research

To calculate Corporate Transparency Index, it was used an updated content analysis based on the Code of Best Practice on corporate governance 2017. But even after this research, the existing corporate governance codes may be changed with more specifications to make the corporate governance system more effective in future. Therefore, the researcher suggests to future researchers consider those changes and use more up-to-date content analysis for research in this area.

For future research, it is recommended that the research may be extended to other sectors and more different periods. Because the findings are based on research in these sectors may not be generalized to other sectors in CSE. Thus it is recommended to carry out a research study considering the sectors that the researcher excluded from this study. And also to carry out research studies which may be possible to apply to the bank, insurance, and financial sectors by considering the corporate governance aspects of those organizations which are directed through central bank regulations.

In our study researcher collected data on annual reports only. Thus it is recommended future researchers collect more data from other corporate websites as well, in order the make the results more prominent.

Future researchers are directed to carry out research in corporate governance by indicating gender diversity as a whole with more democratic features under the directorship (Eg: ethnic diversity, Age diversity, education of directors, and experience in the field).

References

- Abivarna, S. (2019). Corporate transparency and firm value : A study of listed companies in Sri Lanka. (Unpublished Article), Department of Accounting, University of Jaffna.
- Agyei-Mensah, B. K. (2016). Internal control information disclosure and corporate governance: Evidence from an emerging market. *Corporate Governance: The International Journal of Business in Society*, 16(1), 79–95. <https://doi.org/10.1108/CG-10-2015-0136>
- Ahmad, M., Wakeel, H., & Anees, M. (2019). Relationship between culture, corporate governance and voluntary disclosure of information: Evidence from KSE-100 Index. *International Journal of Business and Psychology*, 1(1), 13–30.
- Aksu, M. (2006). Improvement in transparency and disclosure in the ISE : Did IFRS adoption and corporate governance principles make a difference ? <http://research.sabanciuniv.edu/820/1/301180000668.pdf>
- Al-Attar, M. K. (2016). Corporate governance and financial Statement disclosure quality in Jordanian commercial banks. *International Journal of Economics and Finance*, 8(10), 192–205. <https://doi.org/10.5539/ijef.v8n10p192>
- Ali, S. T., Yang, Z., Sarwar, Z., & Ali, F. (2019). The impact of corporate governance on the cost of equity: Evidence from cement sector in Pakistan. *Asian Journal of Accounting Research*, 4(2), 293–314. <https://doi.org/10.1108/ajar-08-2019-0062>
- Alkhatib, K., & Marji, Q. (2012). Audit reports timeliness: empirical evidence from Jordan. *Procedia - Social and Behavioral Sciences*, 62, 1342–1349. <https://doi.org/10.1016/j.sbspro.2012.09.229>
- Amihud, Y., & Lev, B. (1981). Risk reduction as a managerial motive for conglomerate mergers. *The Bell Journal of Economics*, 12(2), 605–617. <https://doi.org/10.2307/3003575>
- Andradi, D. M. A. M. A. V, Jayasinghe, W. S. N., Gunathilaka, M. L. M., Anosha, G. I., Ayesha, G. I., & Herath, M. A. N. R. (2013). The relationship between corporate governance best practices and firm performance of Sri Lankan listed companies. <https://mgt.sjp.ac.lk/acc/wp-content/uploads/2018/12/Final-Research-KSSLGroup-No-23.pdf>

- Aras, G., Aybars, A., & Kutlu, O. (2010). Managing corporate performance: Investigating the relationship between corporate social responsibility and financial performance in emerging markets. *International Journal of Productivity and Performance Management*, 59(3), 229–254. <https://doi.org/10.1108/17410401011023573>
- Aras, G., & Crowther, D. (2008). Governance and sustainability: An investigation into the relationship between corporate governance and corporate sustainability. *Management Decision*, 46(3), 433–448. <https://doi.org/10.1108/00251740810863870>
- Arceiz, F., Perezgrueso, A., Rivera, P., & Moneva, J. (2017). The role of corporate governance and transparency in the generation of financial performance in social responsible companies. *Spanish Journal of Finance and Accounting*, 47(1), 44–80. <https://doi.org/10.1080/02102412.2017.1379798>
- Aripin, N., Salim, B., Kamardin, H., & Adam, N. C. (2012). The communication of director's remuneration. *Procedia - Social and Behavioral Sciences*, 65, 321–326. <https://doi.org/10.1016/j.sbspro.2012.11.129>
- Asogwa, I. E. (2017). Impact of corporate governance on internet financial reporting in a growing economy: The case of Nigeria. *Arhives of Business Research*, 5(2), 180–202. <https://doi.org/10.14738/abr.52.2743>
- Azeez, D. A. A. (2015). Corporate Governance and Firm Performance: Evidence from Sri Lanka. *Journal of Finance and Bank Management*, 3(1). <https://doi.org/10.15640/jfbm.v3n1a16>
- Balagobei, S. (2018). Corporate governance and value- relevance of accounting information of listed hotels and travels in Sri Lanka. *Asia-Pacific Management Accounting Journal (APMAJ)*, 13(2), 113–126. <https://doi.org/10.5296/ajfa.v9i2.12290>
- Balagobei, S. (2020). Corporate governance and financing choices in firms: A panel data analysis of Sri Lankan companies. *Asia-Pacific Management Accounting Journal*, 15(1), 97–113. <https://doi.org/10.1111/j.1813-6982.2006.00097.x>
- Balagobei, S., & Udayakumara, K. G. A. (2017). Board leadership structure and firm performance: Evidence from listed companies in Sri Lanka. *International Journal of Accounting and Financial Reporting*, 7(2), 391. <https://doi.org/10.5296/ijafr.v7i2.12072>
- Bandara, T. A. P., Shasanka, H. U., Edirisinghe, E. A. L., Dissanayake, D. M. G., & Rathnasiri, K. A. A. (2018). Impact of corporate governance on level of sustainability reporting of Sri Lankan listed companies. <https://doi.org/https://dx.doi.org/10.2991/iac-17.2018.44>
- Barako, D. G., Hancock, P., & Izan, H. Y. (2006). Factors influencing voluntary corporate disclosure by Kenyan companies. *Corporate Governance: An International Review*, 14(2), 107–125. <https://doi.org/10.1111/j.1467-8683.2006.00491.x>
- Beasley, M. S. (1996). An empirical analysis of the relation between the board of director composition and financial statement fraud. *The Accounting Review*, 71(4), 443–465.
- Beekes, W., & Brown, P. (2006). Do better-governed Australian firms make more informative disclosures. *Journal of Business Finance and Accounting*, 33(3–4), 422–450. <https://doi.org/10.1111/j.1468-5957.2006.00614.x>
- Beekes, W., Brown, P., & Chin, G. (2007). Do better governed firms make more informative disclosures? Canadian evidence. *Canadian Evidence* (May 2007). ssrn:

http://papers.ssrn.com/sol3/papers.cfm?abstract_id=881062

- Berglof, E., & Pajuste, A. (2005). What do firms disclose and why? Enforcing corporate governance and transparency in Central and Eastern Europe. *Oxford Review of Economic Policy*, 21(2), 178–197. <https://doi.org/10.1093/oxrep/gri011>
- Betah, T. (2013). An investigation into determinants of corporate disclosure & transparency of listed companies in Zimbabwe during financial crisis (2007-2008). *International Journal of Scientific & Technology Research*, 2(1), 19–25.
- Bhat, G., Hope, O. K., & Kang, T. (2006). Does corporate governance transparency affect the accuracy of analyst forecasts? *Accounting and Finance*, 46(5), 715–732. <https://doi.org/10.1111/j.1467-629x.2006.00191.x>
- Boubaker, S., Lakhali, F., & Nekhili, M. (2011). The determinants of web-based corporate reporting in France. *Managerial Auditing Journal*, 27(2), 126–155. <https://doi.org/10.1108/02686901211189835>
- Bushman, R. M., Piotroski, J. D., & Smith, A. J. (2004). What determines corporate transparency? *Journal of Accounting Research*, 42(2), 207–252. <https://doi.org/10.1111/j.1475-679x.2004.00136.x>
- Bushman, R. M., & Smith, A. J. (2003). Transparency, financial accounting information and corporate governance. *Economic Policy Review*, 9(1), 65–87.
- Buvanendra, S. (2017). Capital structure dynamics: Near vs. off target firms in Sri Lanka. *Colombo Business Journal*, 8(1), 62–81. <https://doi.org/10.4038/cbj.v8i1.13>
- Cadbury, A. (1992). Report of the committee on the Financial Aspects of Corporate Governance, Cadbury Report. In Gee Publishing London.
- Carcello, J., & Nagy, A. L. (2004). Audit firm tenure and fraudulent financial reporting. *A Journal of Practice & Theory*, 23(2), 55–69. <https://doi.org/doi:10.2308/aud.2004.23.2.55>
- Chao, C. F., Hsu, C. C., & Yeh, H. S. (2010). The relationship between information transparency and firm value: Evidence from Taiwan. *International Journal of Business Excellence*, 3(2), 125–141. <https://doi.org/10.1504/IJBEX.2010.030725>
- Chen, W. P., Chung, H., Lee, C., & Liao, W. L. (2007). Corporate governance and equity liquidity: Analysis of S&P transparency and disclosure rankings. *Corporate Governance: An International Review*, 15(4), 644–660. <https://doi.org/10.1111/j.1467-8683.2007.00594.x>
- Cheung, Y. L., Jiang, P., & Tan, W. (2010). A transparency Disclosure Index measuring disclosures: Chinese listed companies. *Journal of Accounting and Public Policy*, 29(3), 259–280. <https://doi.org/10.1016/j.jaccpubpol.2010.02.001>
- Cooke, T. E. (1992). The impact of size, stock market listing and industry type on disclosure in the annual reports of Japanese listed corporations. *Accounting and Business Research*, 22(87), 229–237. <https://doi.org/10.1080/00014788.1992.9729440>
- Dahya, J., Lonie, A. A., & Power, D. M. (1996). The case for separating the roles of chairman and CEO: An analysis of stock market and accounting data. *Corporate Governance: An International Review*, 4(2), 71–77. <https://doi.org/10.1111/j.1467-8683.1996.tb00136.x>

- Dani, A. C., Picolo, J. D., & Klann, R. C. (2019). Gender influence, social responsibility and governance in performance. *RAUSP Management Journal*, 54(2), 154–177. <https://doi.org/10.1108/RAUSP-07-2018-0041>
- Davis, G. F. (1993). Who gets ahead in the market for corporate directors: The political economy of multiple board membership. *Academy of Management Proceedings*, 1, 202–206.
- Dawes, S. (2010). Stewardship and Usefulness: Policy Principles for Information-Based Transparency. *Government Information Quarterly*, 27(4), 377.
- De Silva, C., & Ajward, R. (2018). The impact of firm characteristics on corporate internet reporting: Evidence from Sri Lankan listed companies. *CA Journal of Applied Research*, 2(1), 6–24. <https://doi.org/10.2139/ssrn.3461635>
- Desoky, A. M., & Mousa, G. A. (2012). Corporate governance practices : Transparency and disclosure - Evidence from the Egyptian exchange. *Journal of Finance and Economics*, 2(1), 49–72.
- Deumes, R., Schelleman, C., Bauwhede, H. Vander, & Vanstraelen, A. (2012). Audit firm governance: Do transparency reports reveal audit quality? *Auditing: A Journal of Practice & Theory*, 31(4), 193–214. <https://doi.org/10.2308/ajpt-10301>
- Dharmadasa, P., Gamage, P., & Herath, S. K. (2014). Corporate governance, board characteristics and firm performance: Evidence from Sri Lanka. *South Asian Journal of Management*, 21(1), 7.
- Durnev, A., & Kim, E. H. (2005). To steal or not to steal: Firm attributes, legal environment, and valuation. *The Journal of Finance*, 60(3), 1461–1493. <https://doi.org/10.1111/j.1540-6261.2005.00767.x>
- Edirisooriya, I. W., & Wanigasekara, W. A. D. K. J. (2016). Issues in the Corporate Governance Model in Sri Lanka. *International Conference on Business and Information 2016 - University of Kelaniya ICBI/16/63*.
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control separation of ownership and control. *The Journal of Law and Economics*, 26(2), 301–325. <https://doi.org/10.1086/467037>
- Farrer, J., & Ramsay, I. M. (1998). Director share ownership and corporate performance - Evidence from Australia. *Corporate Governance: An International Review*, 6(4), 233–249. <https://doi.org/10.1111/1467-8683.00112>
- Felo, A. J. (2011). Corporate reporting transparency, board independence and expertise, and CEO duality. *SSRN Electronic Journal*. <https://doi.org/10.2139/ssrn.1373942>
- Forker, J. J. (1992). Corporate governance and disclosure quality. *Accounting and Business Research*, 22(86), 111–124. <https://doi.org/10.1080/00014788.1992.9729426>
- Francis, J. R., Huang, S., Khurana, I. k, & Pereira, R. (2009). Does corporate transparency contribute to efficient resource allocation ? *Journal of Accounting Research*, 47(4), 943–989. <https://doi.org/10.1111/j.1475-679X.2009.00340.x>
- Fung, B. (2014). The demand and need for transparency and disclosure in corporate governance. *Universal Journal of Management*, 2(2), 72–80. <https://doi.org/10.13189/ujm.2014.020203>

- Glinkowska, B., & Kaczmarek, B. (2015). Classical and modern concepts of corporate governance (Stewardship Theory and Agency Theory). *Management*, 19(2), 84–92. <https://doi.org/10.1515/manment-2015-0015>
- Gray, S. J. (1988). Towards a theory of cultural influence on the development of accounting systems internationally. *Abacus*, 24(1), 1–15. <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.887.4524&rep=rep1&type=pdf>
- Guerette, R. T., & Santana, S. A. (2010). Explaining victim self-protective behavior effects on crime incident outcomes: A test of opportunity theory. *Crime & Delinquency*, 56(2), 198–226. <https://doi.org/10.1177/0011128707311644>
- Gul, F. A., Srinidhi, B., & Ng, A. C. (2011). Does board gender diversity improve the informativeness of stock prices? *Journal of Accounting and Economics*, 51(3), 314–338.
- Haat, M. H. C., Rahman, R. A., & Mahenthiran, S. (2008). Corporate governance transparency and performance of Malaysian companies. *Managerial Auditing Journal*, 23(8), 744–778.
- Haniffa, R. M., & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *Abacus*, 38(3), 317–349. <https://doi.org/10.1111/1467-6281.00112>
- Hasan, S. M., Hossain, S. Z., & Swieringa, R. J. (2010). Corporate governance and financial reporting disclosures: Bangladesh perspective. *European Journal of Developing Country Studies*, 9, 20–47.
- Hassan, M. S., Percy, M., & Stewart, J. (2006). The transparency of derivative disclosures by Australian firms in the extractive industries. *Corporate Governance and Control*, 4(2), 257–270.
- Ibrahim, N. A., & Angelidis, J. P. (1994). Effect of board members' gender on corporate social responsiveness orientation. *Journal of Applied Business Research (JABR)*, 10(1), 35–40.
- Jaafar, M. Y., Nawawi, A., & Salin, A. S. A. P. (2014). Directors' remuneration disclosure and firm characteristics - Malaysian evidence. *International Journal of Economics and Management*, 8(2), 269–293.
- Jayasooriya, W. A. M. F., Ravihara, A. L. P. W., Kulathunga, K. M. S. K., Liyanage, N. D., & Hapuarachchi, T. A. (n.d.). An empirical study between corporate governance and corporate failure in Sri Lanka.
- Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics*, 3(4), 305–360.
- Jiamsagul, S. (2007). The performance effects of transparency and disclosure, and board of directors: The case of set 100 Thailand. Dissertation of Doctoral of Business Administration, The Joint Doctoral Program in Business Administration Chulalongkorn University, Thammasat University and Naitonan Institute of Development Administration.
- Kachouri, M., & Jarboui, A. (2017a). Corporate governance and information transparency: A simultaneous equation approach. *Asian Economic and Financial Review*, 7(6), 550–560. <https://doi.org/10.18488/journal.aefr.2017.76.550.560>
- Kachouri, M., & Jarboui, A. (2017b). Exploring the relationship between corporate reporting and corporate governance effectiveness. *Journal of Financial Reporting and Accounting*, 15(3),

347–366. <https://doi.org/10.1108/JFRA-06-2016-0053>

- Kalainathan, K., & Vijayarani. (2014). Corporate Governance Practices , Issues and Challenges in Sri Lanka. Proceedings of the Second International Conference on Global Business, Finance and Social Sciences (GB14 Chennai Conference) ISBN; 978-1-941505-14-4 Chennai, India, July, 1–9.
- Kamalluarifin, W. (2016). The influence of corporate governance and firm characteristics on the timeliness of corporate internet reporting by top 95 companies in Malaysia. *Procedia Economics and Finance*, 35, 156–165. [https://doi.org/10.1016/s2212-5671\(16\)00020-4](https://doi.org/10.1016/s2212-5671(16)00020-4)
- Kelton, A., & Yang, Y. (2004). The impact of corporate governance on internet financial reporting. *Journal of Accounting and Public Policy*, 27(1), 62–87.
- Khanna, T., Palepu, K., & Srinivasan, S. (2004). Disclosure practices of foreign companies interacting with U.S. markets. *Journal of Accounting Research*, 42(2), 475–508. <https://doi.org/10.1111/j.1475-679X.2004.00146.x>
- Kim, Y., Lee, J., & Yang, T. (2013). Corporate transparency and firm performance : Evidence from venture firms listed on the Korean stock market. *Asia-Pacific Journal of Financial Studies*, 42(4), 653–688. <https://doi.org/10.1111/ajfs.12027>
- Klein, P., Shapiro, D., & Young, J. (2005). Corporate governance, family ownership and firm value: The Canadian evidence. *Corporate Governance: An International Review*, 13(6), 769–784. <https://doi.org/10.1111/j.1467-8683.2005.00469.x>
- Kohansal, S., Rostami, S., & Rostami, Z. (2017). The impact of corporate governance mechanisms on financial reporting transparency. *Corporate Ownership and Control*, 14(3), 25–33. <https://doi.org/10.22495/cocv14i3art3>
- Lakhal, F. (2005). Voluntary earnings disclosure and corporate governance. *Review of Accounting and Finance*, 4(3), 64–85. <https://doi.org/https://doi.org/10.1108/eb043431>
- Lang, K. (1986). A language theory of discrimination. *The Quarterly Journal of Economics*, 101(2), 363–382. <https://doi.org/10.2307/1891120>
- Leung, S., & Horwitz, B. (2004). Director ownership and voluntary segment disclosure: Hong Kong evidence. *Journal of International Financial Management and Accounting*, 15(3), 235–260. <https://doi.org/10.1111/j.1467-646X.2004.00109.x>
- Liu, Y., Valenti, A., & Chen, Y. J. (2016). Corporate governance and information transparency in Taiwan’s public firms: The moderating effect of family ownership. *Journal of Management and Organization*, 22(5), 662–679. <https://doi.org/10.1017/jmo.2015.56>
- Maassen, G. F. (1999). An International Comparison of Corporate Governance Models A study on the Formal Independence and Convergence of One-tier and Two-tier Corporate Board of Directors in the United States of America, the United Kingdom and the Netherlands (Third). Spencer Stuart. www.developmentwork.org
- Madhani, P. M. (2016). Ownership concentration, corporate governance and disclosure practices: A study of firms listed in Bombay stock exchange. *The IUP Journal of Corporate Governance*, 15(4), 7–36.
- Marchini, P. L., Andrei, P., & Medioli, A. (2019). Related party transactions disclosure and

- procedures: A critical analysis in business groups. *Corporate Governance: International Journal of Business in Society*, 19(6), 1253–1273. <https://doi.org/10.1108/CG-08-2018-0281>
- Mckinsey. (2002). McKinsey on Investing perspectives and research for the investing industry. [https://www.mckinsey.com/~media/McKinsey/Industries/Private Equity and Principal Investors/Our Insights/McKinsey on Investing Issue 5/McK_Investing_5_Full-Issue.ashx](https://www.mckinsey.com/~media/McKinsey/Industries/Private_Equity_and_Principal_Investors/Our_Insights/McKinsey_on_Investing_Issue_5/McK_Investing_5_Full-Issue.ashx)
- Mckinsey & Company. (2002). Global Investor Opinion Survey. <https://www.iasplus.com/en/binary/resource/mckinsey.pdf>
- Menike, M. G. P. D., & Prabath, U. S. (2014). The impact of accounting variables on stock price: Evidence from the colombo stock exchange, Sri Lanka. *International Journal of Business and Management*, 9(5), 125–137. <https://doi.org/10.5539/ijbm.v9n5p125>
- Millar, C. C. J. M., Eldomiatty, T. I., Choi, C. J., & Hilton, B. (2005). Corporate governance and institutional transparency in emerging markets. *Journal of Business Ethics*, 59(1–2), 163–174. <https://doi.org/10.1007/s10551-005-3412-1>
- Morris, R. D., Pham, T. A. M., & Gray, S. J. (2011). The value relevance of transparency and corporate governance in Malaysia before and after the Asian financial crisis. *A Journal of Accounting, Finance and Business Studies*, 47(2), 205–233. <https://doi.org/10.1111/j.1467-6281.2011.00339.x>
- Murthy, N. R. N. (2003). Report of the SEBI committee on corporate governance. Mumbai: SEBI. <http://www.sebi.gov.in/commreport/corpgov.pdf>
- Nasr, M. A., & Ntim, C. G. (2018). Corporate governance mechanisms and accounting conservatism: evidence from Egypt. *Corporate Governance*, 18(3), 386–407. <https://doi.org/10.1108/CG-05-2017-0108>
- OECD. (1999). OECD principles of corporate governance.
- Rao, K., & Tilt, C. (2016). Board Composition and Corporate Social Responsibility: The Role of Diversity, Gender, Strategy and Decision Making. *Journal of Business Ethics*, 138(2), 327–347. <https://doi.org/10.1007/s10551-015-2613-5>
- Rashid, A. (2018). The influence of corporate governance practices on corporate social responsibility reporting. *Social Responsibility Journal*, 14(1), 20–39. <https://doi.org/10.1108/SRJ-05-2016-0080>
- Saad, M., & Jarboui, A. (2015). Does corporate governance affect financial communication transparency? Empirical evidence in the Tunisian context. *Cogent Economics and Finance*, 3(1), 1–15. <https://doi.org/10.1080/23322039.2015.1090944>
- Sarivudeen, A. L., & Sheham, A. M. (2013). Corporate governance practices and environmental reporting : A study of selected listed companies in Sri Lanka. 7th International Symposium 2017 (IntSym2017)- SEUSL - 07th & 08th December 2017.
- Senaratne, S. (2011). Corporate Governance Reforms in Sri Lanka. *Sri Lanka Journal of Advanced Social Studies*, 1(1), 1–25. <https://doi.org/https://doi.org/10.4038/sljass.v1i1.3813>
- Senaratne, S., & Gunaratne, P. S. M. (2008). The Anglo-Saxon approach to corporate governance and its applicability to Sri Lanka. Proceedings from Fifth International Conference on

Business Management.

- Tamimi, N., & Sebastianelli, R. (2017). Transparency among S & P 500 companies: An analysis of ESG disclosure scores. *Management Decision*, 55(8), 1660–1680. <https://doi.org/10.1108/md-01-2017-0018>
- Tarus, D. K., & Omandi, E. M. (2013). Business case for corporate transparency: Evidence from Kenya. *European Journal of Business and Management*, 5(3), 113–125.
- Thilakaratne, K. A. A. N. (2013). The Sri Lankan regime of corporate governance (Vol. 11, Issue 7).
- Torea, N., Feijoo, B., & Gonzalez, M. (2016). The influence of ownership structure on the transparency of CSR reporting: Empirical evidence from Spain. *Spanish Journal of Finance and Accounting*, 46(3), 249–271. <https://doi.org/10.1080/02102412.2016.1267451>
- Turrent, B., & Aiza, R. (2012). Corporate information transparency on the internet by listed companies in Spain (IBEX35) and Mexico (IPYC). *The International Journal of Digital Accounting Research*, 12, 1–37. https://doi.org/10.20581/arele.17.0_41
- Upadhyay, A., & Sriram, R. (2011). Board size, corporate information environment and cost of capital. *Journal of Business Finance and Accounting*, 38(9–10), 1238–1261. <https://doi.org/10.1111/j.1468-5957.2011.02260.x>
- Upadhyay, A., & Zeng, H. (2014). Gender and ethnic diversity on boards and corporate information environment. *Journal of Business Research*, 67(11), 2456–2463. <https://doi.org/10.1016/j.jbusres.2014.03.005>
- Uyar, A. (2011). Determinants of corporate reporting on the internet: An analysis of companies listed on the Istanbul Stock Exchange (ISE). *Managerial Auditing Journal*, 27(1), 87–104. <https://doi.org/10.1108/02686901211186117>
- Wallace, R. S. O., Naser, K., & Mora, A. (1994). The Relationship Between the Comprehensiveness of Corporate Annual Reports and Firm Characteristics in Spain. *Accounting and Business Research*, 25(97), 41–53. <https://doi.org/10.1080/00014788.1994.9729927>
- Wasiuzzaman, S., & Mohammad, W. (2020). Board gender diversity and transparency of environmental, social and governance disclosure: Evidence from Malaysia. *Managerial and Decision Economics*, 41(1), 145–156. <https://doi.org/10.1002/mde.3099>
- Weekes-Marshall, D. A. (2014). Corporate governance disclosure practices: Evidence from Barbados. *Social and Economic Studies*, April, 307–341. <https://www.researchgate.net/publication/274382364>
- Wu, T. Z., & Lee, P. S. (2014). Information transparency, corporate governance, and convertible bonds. *Journal of Applied Business Research*, 30(2), 541–555. <https://doi.org/10.19030/jabr.v30i2.8424>
- Xiao, J. Z., Jones, M. J., & Lymer, A. (2005). A conceptual framework for investigating the impact of the internet on corporate financial reporting. *The International Journal of Digital Accounting Research*, 5(10), 131–169. https://doi.org/10.4192/1577-8517-v5_4
- Yunos, R. M. (2011). The effect of ownership concentration, board of directors, audit committee

and ethnicity on conservative accounting : Malaysian evidence. In Doctoral dissertation, Edith Cowan University.

Zaheer, N. (2013). Effects of duality , board size and board composition on corporate governance disclosure in Pakistan. *International SAMANM Journal of Finance and Accounting*, 1(3), 1–16.

Zaman, R., Arslan, M., & Siddiqui, M. A. (2014). Corporate governance and firm performance: The role of transparency & Disclosure in banking sector of Pakistan. *International Letters of Social and Humanistic Sciences*, 43, 152–166. <https://doi.org/10.18052/www.scipress.com/ilshs.43.152>

Zaman, R., Bahadar, S., Kayani, U. N., & Arslan, M. (2018). Role of media and independent directors in corporate transparency and disclosure: Evidence from an emerging economy. *Corporate Governance: The International Journal of Business in Society*. <https://doi.org/10.1108/CG-01-2018-0042>

Zimbwa, C. (2005). An empirical assessment of corporate transparency in Zimbabwe. <http://eprints.bournemouth.ac.uk>