

## **Impact of the Disclosure Quality on Financial Performance of Listed Companies in Sri Lanka.**

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### **Abstract**

In the business world, disclosure refers to releasing information about business organizations that may be useful for making business decisions effectively and efficiently. Formerly, most financial and non-financial information is disclosed by business organizations through their corporate annual reports. Accordingly, every business organization should disclose quality and relevant information to make better business and economic decisions through their annual reports. After reviewing prior studies, a few studies have been reported in the Sri Lankan context that deliberated the impact of the disclosure quality on financial performance. Hence, the study examines the effect of disclosure quality on listed companies' financial performance in Sri Lanka. This study uses Disclosure Quality Index (DQI) to measure disclosure quality. DQI was developed by considering 32 selected disclosure elements such as Company Profile, Business activities, Position in the business market, Relationship with stakeholders, etc., in annual reports. Financial performance is measured using Return on Equity (ROE), Return on Assets (ROA), and Earnings per share (EPS) complementarily.

Additionally, leverage and the firm's size are used as control variables of the study. This study's sample represents all the listed companies in the Colombo Stock Exchange for two years, 2018 and 2019. This study uses a panel regression model to estimate the model. This study offers a better understanding of how disclosure quality influences listed companies' financial performance in Sri Lanka. Thus the findings of the study provide useful insights mainly to the Accountants and other responsible officers for preparing and designing financial statements and annual reports of the business organizations. Further, the study's findings provide important insight into the standard-setting bodies, financial regulatory bodies, and current and potential shareholders.

**Keywords:** Disclosure Quality, Financial performance, listed companies, Sri Lanka