

The Effect of Corporate Governance Characteristics on Corporate Social Responsibility disclosures of public listed companies in Sri Lanka

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Abstract

Corporate Social Responsibility is an important part of the business environment. Nowadays, it becomes an important communication mechanism between the company stakeholders and investors. The purpose of this research is to determine the level of Corporate Social Responsibility (CSR) disclosure presented in annual reports of companies listed on Sri Lanka's Colombo Stock Exchange (CSE) and to assess the impact of corporate governance characteristics on the extent of CSR disclosures. Data was collected from annual reports of 50 listed companies based on the highest market capitalization for the period of 2017-2020. Companies were selected representing all business sectors other than Banking, Finance, and Insurance companies.

The findings show that various corporate governance methods are highly correlated with the level of corporate social responsibility. The importance of identifying corporate governance aspects was investigated using descriptive statistics. Correlation and regression analyses were utilized to find a mutual relationship between the independent and dependent variables. Finally, corporate governance characteristics namely board independence, audit committee, and board size are found to have a positive impact and CEO duality have a positive lower impact on the level of corporate social responsibility disclosures. The findings of this study will help practitioners and regulators in gaining a better understanding on CSR reporting of public listed companies in Sri Lanka and accordingly they can make some mechanisms to improve the important aspects and encourage other companies to engage in or increase the CSR practices for the betterment of all. This study contributes the CSR disclosures.

Key words: *Corporate Governance, Corporate Social Responsibility, Corporate social responsibility reporting*