

IMPACT OF CORPORATE INTERNET REPORTING ON FIRM PERFORMANCE IN LISTED COMPANIES IN SRI LANKA

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ABSTRACT

This study investigates the impact of corporate internet reporting (CIR) on firm performance among companies listed on the Colombo Stock Exchange in Sri Lanka. By analyzing data from 165 firms over five years (2019-2023), this research utilized annual reports and corporate websites to assess CIR, which pertains to the extent and quality of online disclosure by companies. CIR is gaining prominence in Sri Lanka owing to increased digital penetration, investor expectations, regulatory requirements, stakeholder engagement, and risk management needs. By providing transparency regarding online activities, organizations can enhance investor confidence, build trust with stakeholders, and mitigate the risks associated with the digital landscape. Tailoring reporting practices to Sri Lanka's cultural nuances and addressing infrastructure challenges are essential for its effective implementation. This study aims to fill a significant empirical gap in Sri Lanka by investigating the impact of CIR on firm performance. While studies in other countries have produced mixed results, there is limited research on CIR in Sri Lanka. This encourages conducting this type of study in the Sri Lankan context. Two metrics, return on assets and Tobin's Q, representing both financial and market performance, were employed to gauge firm performance. Aligning with the literature, the CIR was measured using a checklist that assigned binary values based on the presence of specific disclosure items. The study hypothesized that an enhanced CIR would positively impact firm performance by improving transparency and investor confidence, potentially leading to better financial results and higher market valuations. However, the results reveal no significant impact of CIR on firm performance in the sample companies. This finding suggests that, within the Sri Lankan context, CIR does not significantly impact these performance indicators. Possible reasons for this may be a lack of impact, including the quality or scope of CIR practices in the sample or other external factors affecting firm performance. The study acknowledges several limitations, such as the limited sample size, reliance on potentially incomplete data from annual reports and websites, and focus on only two performance metrics. The findings may not apply to firms in more developed markets. Future research should address these limitations by incorporating a broader sample, exploring additional CIR components and performance indicators, and considering other regions to enhance generalizability. This research can contribute to the literature by examining the unique context of emerging markets, investigating the relationship between CIR and firm performance, analyzing the role of technology and digital infrastructure, and addressing challenges and opportunities. This can provide valuable insights for policymakers, practitioners, and researchers in this field.

Keywords: Corporate internet reporting, firm performance, return on assets, Tobin's Q