

Impact of Selected Corporate Governance Factors on Voluntary Disclosure: Evidence from Listed Finance Companies in Sri Lanka

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Abstract

The recent occurrence of corporate failures in Sri Lanka has highlighted questions about the trustworthiness of companies. To enhance transparency and rebuild stakeholder confidence, companies increasingly adopt voluntary disclosures and strengthen corporate governance practices to ensure accountability and transparency. As a result, this study aims to examine the impact of selected corporate governance factors on voluntary disclosure among the listed finance companies in Sri Lanka. This study provides new insights into voluntary disclosures in the Sri Lankan context, as only a few studies have been conducted in this area. A Voluntary Disclosure Index, comprising 28 items across seven categories including general information, corporate strategy, business environment, non-financial information, financial information, corporate social responsivity, and risk management, was developed to assess the level of voluntary disclosure. All 67 finance companies listed on the Colombo Stock Exchange were selected for the study. Then, the study collected the data from annual reports of the selected companies for the period 2021–2024, which were then analyzed using descriptive statistics, correlation analysis, and panel regression analysis. The results indicate that corporate governance factors such as board independence, board size, CEO duality, and audit committee size were found to be insignificant in determining the level of voluntary disclosure. However, board gender diversity was found to have a positive and significant impact on voluntary disclosure. The results provide practical implications for managers, investors, and regulators, highlighting governance attributes that promote transparency and supporting policy efforts to strengthen governance frameworks and investor confidence in Sri Lanka's financial sector.

Keywords: agency theory, Colombo Stock Exchange, corporate governance, finance companies, voluntary disclosure