

The relationship between corporate governance and environmental reporting: Evidence from Sri Lanka

S.K.R.S. Kumari and K.J.S. Madhusanka

*Department of Accountancy and Finance, Faculty of Management Studies,
Rajarata University of Sri Lanka, Mihintale Corresponding author:
rajnikumarisk@gmail.com*

Abstract

Firms' environmental initiatives are steadily increasing in the corporate world as stakeholders make their decision to act on environmental consciousness. Therefore, firms are seeking to expand their Corporate Governance (CG) requirements with major consideration of environmental reporting. Therefore, this study undertakes to address this gap by investigating the relationship between CG and environmental reporting with reference to the Sri Lankan context. The model comprised six independent variables of CG namely, the board size, board independence, CEO duality, audit committee independence, female directors on board and institutional investors while control variables are employed as firm size, leverage, and profitability. The secondary data were collected from the sample of 80 companies out of 289 companies listed in the Colombo Stock Exchange in 2019 by using the judgmental sampling method. Descriptive analysis, Pearson's correlations analysis and multiple regression analysis were conducted in analyzing the collected data. A positive relationship was found between Board size, Board independence and Ownership concentration and environmental reporting respectively. Meantime CEO duality and Audit committee independence indicated a negative relationship. Results concluded that there is no significant relationship between female directors on the board and environmental reporting. Further, control variables have weak positive, very weak positive and weak positive relationships with environmental reporting respectively. The findings were especially beneficial for both researchers and practitioners. Furthermore, the findings of the study have important implications for corporate entities to prepare their future commitments to enhance their accountability and environmental responsibility, and this also provides insights to the society at large.

Keywords: *corporate governance, environmental reporting, listed companies.*