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**THE EMPIRICAL INVESTIGATION OF THE EXTENT OF
DISCLOSURE IN ANNUAL REPORTS OF BANKING COMPANIES
IN SRI LANKA**

Abstract

Currently, in Sri Lanka, the Banking Sector plays a major role in the country's economy, contributing about 6% to the Gross Domestic Product (GDP). Overall objective of an effective banking system will ensure a steady economic growth in the country. One of the vital requirements on the aspect of financial reporting, for maintaining an effective banking system, is the provision of adequate disclosures in the banks' published documents such as annual report. Because, adequate public disclosure facilitates a more efficient allocation of capital between banks and it helps the market to accurately assess and compare the risk and return prospects of individual banks. However, in reviewing Sri Lankan literature, there are few empirical studies assessing the adequacy of disclosure in annual reports of banking companies. Therefore, this study aims to investigate both the extent of disclosures in annual reports and association between company-specific attributes and total disclosures of banking companies in Sri Lanka. For this purpose, a sample of 15 banking companies with the inclusion of both private and public sector banks was selected. In those banking companies, a total of 150 items of information were examined by using unweighted disclosure index. The association between total disclosure level and company-specific attributes namely, size, profitability, board composition, age, assets-in-place, and market discipline is also examined in this study with the use of Ordinary Least Square regression model. Consequently, it is revealed that the Sri Lankan banking companies are more compliance in disclosing mandatory items, than voluntary items. The findings also indicate that size, profitability, board composition, and market discipline variables are significant in explaining the level of disclosure.

Keywords:

Sri Lanka, Mandatory Disclosure, Voluntary Disclosure, Disclosure Index