

The Extent and Determinants of Voluntary Disclosure of Companies Listed in Colombo Stock Exchange

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ABSTRACT

Purpose – The purpose of this study is to investigate the extent of voluntary disclosure and its determinants of companies listed in Colombo Stock Exchange (CSE).

Design/methodology/approach – Complying to the previous empirical studies on corporate voluntary disclosures, the study surveyed the annual reports of 43 randomly drawn sampled firms using 60 disclosure items constructed into four voluntary disclosure indices namely corporate strategic disclosure index (CSDI), financial and capital market information disclosure index (FCMDI), forward-looking disclosure index (FLDI), social reporting disclosure index (SRDI) and total voluntary disclosure index (TVDI). The sample firms were observed for three reporting periods from 2016 through 2018. Data was analyzed using descriptive statistics, correlation and OLS regression analysis.

Findings – The study found that the extent of voluntary disclosures by firms listed in CSE gradually grew over the years. Extents of disclosure of such corporate strategic information as ‘ways of improvement in product/service quality and the customer service’, ‘research development activities’ and ‘future product and development’ are relatively higher than the other corporate and strategic information surveyed. Financial and capital market related disclosure items that reflect on companies’ market value have been disclosed relatively at higher rates than the items that connect to the assessment of current and potential risk, return and operating cash flows useful for industry comparison. Forward looking information tends to be the lowest disclosed voluntary information by companies surveyed. The study also concludes that forward looking voluntary disclosures by Sri Lankan firms largely pertains to external factors than the internal factors which mostly depends on managerial discretion. Analyzing the determinant of voluntary disclosures, the study find that firms size is a significant predictor positively impacting on the volume of voluntary disclosures with respect to all voluntary disclosure models tested. Relatively new companies volunteer more than older ones in disclosing voluntary information.

It is also documented that financial leverage significantly and positively impact on many voluntary disclosure indices while profitability and ownership concentration do not broadly impact on the spectrum of voluntary disclosures.

Research limitations/implications – Following previous studies, this paper surveyed only the annual reports of listed firms, which is a regular medium of companies' disclosures. This paper however excludes voluntary disclosure contents in other such media as company's website, magazine and sustainability reports etc.

Originality value – Distinguished from similar empirical works, this disclosure analysis been directed to items within disclosure constructs. This account of analysis helps the inference of patters/ reasons/motives/attitudes that underlie voluntary disclosures.

Keywords- *Voluntary Disclosures, CSE, Annual Report, Sri Lanka, Determinants, Corporate Strategic Disclosure Index, Financial and Capital Market Information Disclosure Index, Forward-Looking Disclosure Index And Social Reporting Disclosure Index.*