“Enhancing the Resilience of Financial Ecosystems Through Spirituality and Innovations in Accountancy & Finance to Foster Sustainable Economic Recovery.”

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SESSION 01

ACCOUNTING, TAXATION, AND AUDITING

Impact of Tax Rate on Capital Structure of Listed Companies in Sri Lanka

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ABSTRACT

Purpose: Capital structure is a crucial factor that has been tested by different theories due to the influence of different factors. The corporate tax rate is one of the determinants of capital structure as per the literature. Due to a lack of research and recent tax implications, this study is to identify the impact of the tax rate on the capital structure in Sri Lankan listed companies. The main research question of this study is to address whether the tax rate affects the capital structure or not.

Study design/methodology/approach: Under the deductive approach mono-method quantitative methodology, this study tested a randomly selected sample of 88 companies in CSE from 2018 to 2022 using secondary data. Regression was used as the analysis technique to test the hypothesis.

Findings: According to the tested sample, there is a negative and insignificant impact of the Sri Lankan corporate tax rate on the Sri Lankan listed company's capital structure. As a result, Sri Lanka's debt capital has improved when the corporate tax rate has decreased, demonstrating the impact of tax rates on capital structure, thus achieving the research objective, and declaring that it cannot reject the null hypothesis.

Research limitations/implications: This study does not consider all the companies and sectors of CSE. In the data collection process, though annual reports are audited to extract the tax details, the accuracy of data cannot be ensured by a hundred percent, besides, as the company's tax return details are confidential. These factors become the limitation of this study when proceeding with this research. Eliminating these limitations, further study can be developed using different variable measurements hence this only uses one measurement for variable analysis.

Originality/value: This research identifies the tax impact on capital structure covering 30% of CSE-listed companies with recent years' data contributing to Sri Lankan context literature. Expanding the sample size and measurement techniques can further develop this study to identify the exact impact of capital structure and corporate tax.

Keywords: *Capital Structure, Corporate Tax Rate, Listed Companies*

JEL Classification: *H20, H21*

Accounting Practices and Profitability of Small and Medium Enterprises with Special Reference to Kundasale Divisional Secretariat Division

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ABSTRACT

Purpose: Approximately 80% of the Sri Lankan economy consists of Small and Medium Enterprises (SMEs) and they can be found in all primary, secondary, and tertiary sectors. Therefore, there is greater competition in this sector and to survive, it is important for small and medium enterprises to have good accounting practices to maximize their profitability. In the Sri Lankan context, limited research has been undertaken accounting practices of SMEs. Therefore, the aim of this research is to identify the relationship and the impact of accounting practices on SMEs' profitability.

Study design/methodology/approach: To determine the relationship between accounting practices and profitability of SMEs this study used a quantitative research methodology and deductive research approach. Data were collected by employing a structured questionnaire to a sample size of 278 small and medium enterprises in Kundasale. The sample was selected using a convenient sampling technique and the sample size was decided by referring to Morgan's table. The data were analyzed by applying statistical tests with SPSS software after approving the reliability and validity of the questionnaire.

Findings: Findings reveal a positive significant relationship among all three independent variables of recordkeeping, budgeting practices, and payroll practices with SMEs' profitability. Accounting practices significantly and positively impact SMEs' Profitability. Both Pearson correlation results and multiple regression results support these findings.

Research limitations/implications: It used only three variables of budgeting practices, payroll practices, and record-keeping practices to indicate the accounting practices in this research study. Since small and medium enterprises are considered the backbone of the economy, they should be provided with proper advice and guidelines to follow accounting standards for the preparation and presentation of financial statements. Authorities must pay much attention to increasing awareness of small and medium enterprises regarding accounting standards.

Originality/value: The findings of this research study are vital for owners, managers, and accountants of small and medium enterprises as well as for policymakers and researchers.

Keywords: *Accounting Practices, Profitability, Small and Medium Enterprises*

JEL Classification: *L25, M41*

Factors Influencing Internal Auditors' Fraud Detection Capabilities

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ABSTRACT

Purpose: Fraud poses a significant threat to the financial stability and reputation of organizations across the globe. Internal auditors are crucial in the effort to mitigate these risks by assessing and evaluating an organization's internal control framework and financial processes. The success and integrity of the company as a whole depend on its effectiveness in detecting and preventing fraudulent activities. This study mainly focused on what factors influence internal auditors' fraud detection capabilities, with empirical evidence on internal auditors in the big four audit firms in Sri Lanka.

Study design/methodology/approach: The study employed a deductive and quantitative research approach. The target population was all internal auditors of the Big Four Audit Firms in Sri Lanka. The firms were ranked based on their revenue. A simple random sampling technique was performed to draw a sample from the population. The questionnaire method was used to collect data from the internal auditors. Knowledge factors, problem-solving ability, interpersonal skills, and time-budgeting pressure were the main independent variables in the conceptual framework.

Findings: The reliability test was performed, and all the variables have good reliability. The coefficient of determination is 0.452, which indicates the selected independent variables contribute 45.2% to determining the fraud detection capabilities. The significance level for the ANOVA model is 0.000, which is less than 0.05, making it a significant model. According to the derived regression model, knowledge factors and interpersonal skills were the most significant factors in determining the fraud detection capabilities of the internal auditors.

Research limitations/implications: In this study, the scope is limited to internal auditors' work in the big four audit firms in the Sri Lankan context; future research can expand the scope to other internal auditors' work in the Sri Lankan context and globally.

Originality/value: The overall results demonstrate that knowledge factor and interpersonal skills are important factors that influence an internal auditor's fraud detection capability. This research might propose that audit firms and individuals of internal auditors should focus on improving knowledge factors and interpersonal skills with the ultimate objective of enhancing fraud detection capability.

Keywords: *Big Four Audit Firms, Fraud Detection Capabilities, Internal Auditors, Sri Lanka*

JEL Classification: *M42*

Accounting Practices and Organizational Performance of Small and Medium Enterprises

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ABSTRACT

Purpose: Small and medium-sized enterprises (SMEs) are considered the key driver of economies. They play a crucial role in every economy regardless of the level of development. However, the organizational performance of these businesses has been severely challenged within the Sri Lankan context in the recent past. Though there were several factors affecting the organizational performance of SMEs, the lack of proper record-keeping is one of the critical concerns. Therefore, this study examined the impact of record keeping, budgeting practices, payroll accounting, and inventory management practices on the organizational performance of SMEs.

Study design/methodology/approach: The study was designed as quantitative research following the deductive approach within the positivist philosophical stance. A cross-sectional survey was carried out for data collection from a sample of 329 SMEs located in Gampaha district, Sri Lanka. The self-administrated survey instrument measured the responses using a five-point Likert scale. The pilot test carried out generated Cronbach's alpha values free from reliability issues. Demographic analysis, descriptive analysis, correlation analysis, and regression analysis were employed for data analysis.

Findings: According to the regression analysis, budgeting practices, payroll accounting, and inventory management practices have exhibited a positive and significant impact on organizational performance. R square value (55.2%) disclosed that half of the variation of the dependent variable is explained by the independent variables incorporated in the model.

Research limitations/implications: Though, there are numerous accounting practices in accounting this study focused only on four independent variables. And, the sample was geographically constrained to the Gampaha district.

Originality/value: This study adds value to the existing body of knowledge by producing fresh evidence on the impact of accounting practices on the organizational performance of SMEs. Future researchers can expand the scope of the study by incorporating more variables and drawing a more geographically representative sample.

Keywords: *Accounting Practices, Organizational Performance, Small and Medium Enterprises*

JEL Classification**:** *M41*

The Effect of Strategic Management Accounting Application on Market Share of Insurance Companies in Sri Lanka

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ABSTRACT

Purpose: This study was conducted based on the insurance industry in Sri Lanka, with a specific focus on the application of Strategic Management Accounting. The primary objective of this study is to examine the strategic planning tools that companies have employed as part of the Strategic Management Accounting process and how these tools have contributed to the increase in market share during the year 2022.

Study design/methodology/approach: This study utilized observable secondary qualitative and quantitative data that had already been collected by ten selected insurance companies. Specifically, it focused on a subset of 10 companies out of the total 28 insurance companies. This qualitative study relied on secondary data, primarily sourced from the companies' 2022 annual reports and personnel interviews with management-level representatives. The major focus was how SWOT Analysis, PEST Analysis, and Stakeholder Relationship Analysis of the companies, affect the market share of the company.

Findings: PEST, SWOT, Stakeholder Relationships, and others are crucial strategic management tools for a company's market share. Effective integration into the Strategic Management Accounting process increases gross written premium and market share, requiring consistent analysis of internal and external factors.

Research limitations/implications: This study provides valuable insights for insurance companies on successful strategies using SWOT, PEST, and stakeholder relationships. It can benefit any company or interested party seeking diverse analysis and decision-making approaches. The qualitative nature of the study, based on secondary data from interviews with management-level personnel, suggests a subjective nature.

Originality/value: No similar studies were uncovered in my research, suggesting a unique contribution to this investigation. Moreover, the scope of this study could be broadened to yield insights applicable to diverse industries and areas.

Keywords: *Gross Written Premium, Market Share, PEST Analysis, Stakeholder Relationship, SWOT Analysis*

JEL Classification: *M41, M19*

The Effect of Accounting Practices on Financial Performance: Special reference to SMEs in Wellawaya District

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ABSTRACT

Purpose: The Small and Medium-sized Enterprise (SME) sector has emerged as a critical component of the economy of all nations. As a result, academics and researchers are becoming increasingly interested in learning more about how crucial it is to protect SMEs to achieve a country's sustainable growth. Additionally, the empirical results demonstrated that improved record-keeping and accounting practices increase the likelihood of success and that various types of records kept may be correlated with either resilience to failure or success in business. The purpose of this study is to figure out how accounting practices affect SMEs' financial performance.

Study design/methodology/approach: Researchers employed a descriptive research design for this study, including surveys and financial data analysis. All SMEs operating in the Wellawaya district constitute the target population. Using the convenience sampling technique, 125 SMEs were selected as the sample from among them. A structured questionnaire is administered to SME owners and managers to collect data on accounting practices. 100 usable questionnaires were collected representing all manufacturing, services, and trade SMEs operating in Wellawaya. Statistical techniques, such as descriptive statistics, correlation analysis, and regression analysis, were utilized to identify correlations and patterns.

Findings: The research reveals that accounting practices significantly affect the financial performance of SMEs in the Wellawaya district. According to the findings, financial performance was significantly impacted by accounting knowledge level, maintaining accounting records, and challenges associated with accounting practices, while the influence of preparing financial statements and the purpose of maintaining accounting records had insignificant influence. The results of the multiple regressions revealed that accounting practices significantly impacted the financial performance of SMEs. Proper bookkeeping, financial planning, and budgeting are associated with improved profitability and sustainable growth.

Research limitations/implications: This study is limited to the specific context of the Wellawaya district, and its findings may not be directly generalizable to other regions. Furthermore, the research is based on self-reported data, which may introduce response bias.

Originality/value: This research contributes to the existing literature by providing insights into the relationship between accounting practices and financial performance in a less-studied regional context. The findings can inform policymakers, SME owners, and financial professionals in devising strategies to enhance the financial stability of SMEs in the Wellawaya district.

Keywords: *Accounting Practices, Financial Performance, SMEs, Wellawaya District*

JEL Classification: *M41, G32, L26, O16*

SESSION 02

FINANCIAL MANAGEMENT AND ASSET PRICING

Relationship between Risk Management and Internal Controls of Private Limited Construction Companies in Sri Lanka

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ABSTRACT

Purpose: It is important not only to identify the risks of construction projects but also to manage them properly as they face considerable challenges and problems due to the current economic crisis. Accordingly, the main purpose of this research study is to examine the relationship between risk management and internal controls in Private Limited Construction Companies (PLCC) in Sri Lanka, identifying the moderate impact of the current economic crisis.

Study design/methodology/approach: Hundred (100) PLCCs in the Colombo district which are registered under the Construction Industry Development Authority were selected as the sample by using the cluster sampling method and data was collected through a self-completion questionnaire. The collected data are subjected to descriptive statistics, one sample t-test, and regression analysis.

Findings: The significant contribution of the internal controls and the usage of risk management techniques of PLCCs in Sri Lanka to the success of their construction projects is higher than the average contribution. It identified that the significant impact of the economic crisis on PLCCs in Sri Lanka to succeed in their construction projects is higher than the average impact. It highlights that there is no significant relationship between risk management, internal control, and economic crisis in PLCCs in Sri Lanka.

Research limitations/implications: PLCCs were able to adjust to the impact of the current economic crisis by 2023 because of the higher use of risk management techniques and high contribution from their existing internal controls. An in-depth understanding of all PLCCs is based on the Colombo District.

Originality/value: This study differs from other studies because this considers both risk management and internal control variables together while considering the economic crisis of Sri Lanka as the moderating variable. Hence, it further expands its findings by recommending examining the contribution of the construction projects that are properly completed with the use of risk management techniques and strong internal controls for the development of the Sri Lankan economy.

Keywords: *Economic Crisis, Internal Controls, Construction Companies, Risk Management*

JEL Classification: *G32*

The Relationship between Dividend Payout and Financial Performance: Evidence from Listed Manufacturing Firms in Colombo Stock Exchange

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ABSTRACT

Purpose: Manufacturing firms are crucial for economic development, and dividend payments provide positive external signals. Understanding how dividend distributions affect business performance is important because management uses appealing dividend policies to raise money. This study aims to examine the effect of dividend payouts on the financial performance of the manufacturing companies listed on the Colombo Stock Exchange (CSE).

Study design/methodology/approach: The independent variable is the dividend payout, while the dependent variable is the firm's financial performance. The control variables are the firm's leverage and the firm size. Dividend payout ratio (DPR) was employed to measure the dividend payouts while return on asset (ROA) and return on equity (ROE) were employed to measure the financial performance. Twenty-two listed manufacturing businesses were selected to carry out this study over six years, from 2017 to 2022. The sample was chosen using a simple sampling technique. This study uses descriptive statistical, correlation, and multiple regression analysis by using IBM SPSS statistics.

Findings: As findings, Pearson's correlation analysis has found a statistically insignificant correlation between dividend payout and profitability ratios, and multiple regression analysis has found a statistically insignificant weak impact of dividend payouts on profitability ratios. Based on these findings, the study concluded that there is no statistically significant relationship exists between dividend payout and firm performance among listed manufacturing firms in Sri Lanka.

Research limitations/implications: The study's primary limitation is its focus on the twenty-two manufacturing businesses listed on the CSE for the past six years. The study suggests that future research should consider additional variables to better understand the financial performance of manufacturing companies in Sri Lanka, as the current independent and control variables do not fully explain their profitability.

Originality/value: The study reveals that dividend payout doesn't significantly impact Sri Lankan manufacturing companies' profitability, suggesting the need for effective dividend policies to balance shareholder wealth and stock price.

Keywords: *Dividend Payouts, Financial Performance, Manufacturing Companies, Return on Asset, Return on Equity*

JEL Classification: *G35, M4*

Impact of Working Capital Management on Financial Distress: Evidence from Listed Manufacturing Firms in Sri Lanka

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ABSTRACT

Purpose: Working capital management is one of the significant areas in business finance. Inadequate working capital will lead to liquidity problems and will create financial distress. In recent years many companies in Sri Lanka have encountered many issues regarding working capital management. Still, there were only a few studies carried out to investigate the impact of working capital on financial distress. To fulfill this existing research gap, this study investigates the effect of working capital on the financial distress of all the listed manufacturing companies in the Colombo Stock Exchange (CSE).

Study design/methodology/approach: This research contributes to the empirical literature by applying panel data analysis on 15 manufacturing companies from 2012 to 2022 which are listed on the CSE. The study uses Altman's Z-Score analysis to measure financial distress. In contrast, the Cash Conversion Cycle, Inventory Collection Period, and Average Receivable Collection Period measure working capital management.

Findings: The results of the regression models demonstrate that the Cash Conversion Cycle, Inventory Collection Period, and Average Collection Period significantly and negatively affect the financial distress of the listed manufacturing companies in the CSE. These findings are in accordance with previous scholarly research.

Research limitations/implications: The main limitation of this study is the relatively small sample size which consists of 165 firm-years. Further, the sample of the study was only limited to the listed manufacturing companies on CSE.

Originality/value: This study constitutes a valuable addition to the extant body of finance literature by examining the impact of working capital management on financial distress. Future researchers can consider expanding the scope of their investigations by incorporating a broader and more diverse sample of companies listed on the CSE.

Keywords: *Altman's Z-Score Analysis, Average Receivable Collection Period, Cash Conversion Cycle, Inventory Collection Period, Working Capital Management*

JEL Classification: *G2, G3*

The Impact of Financial Leverage on Firm Growth of Hotel Sector Companies Listed in Colombo Stock Exchange

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ABSTRACT

Purpose: The study aims to find the impact of financial leverage on firm's growth of hotel sector companies listed in the Colombo Stock Exchange to understand how the use of debt or financial leverage affects the growth of these companies.

Study design/methodology/approach: This research employs a deductive quantitative approach to examine the link between financial leverage and firm growth. measurement of financial leverage in a firm is done using three independent variables: Debt to Asset Ratio, Debt to Equity Ratio, and Degree of Financial Leverage. The growth of firms is measured using two dependent variables: Asset Growth and Revenue Growth. The analysis also takes into account the firm's liquidity as a controlling factor. Secondary data from audited financial statements on the CSE website spanning 2019 to 2023 is used, with all 35 listed hotel sector companies included in the study. The analysis involves descriptive stats, correlation, and regression using E-Views software.

Findings: This study reveals significant relationships in the hotel sector between different financial leverage metrics and firm growth. A positive, statistically significant relationship is observed between Debt to Debt-Asset ratio and both Asset Growth and Revenue Growth. Conversely, the Debt-to-Equity ratio does not significantly correlate with Asset Growth but exhibits a significant negative link with Revenue Growth. The Degree of Financial Leverage ratio shows a statistically significant positive correlation with Asset Growth and a significant negative correlation with Revenue Growth.

Research limitations/implications: Sri Lankan hotel sector firms must accurately assess their debt structure and financial leverage, as these elements wield substantial influence over their growth and financial performance. However, the study's confinement to a single Sri Lankan industry may constrain the generalizability of its findings to other sectors or regions characterized by different economic and market conditions.

Originality/value: This research offers a comprehensive analysis by utilizing a total population sampling technique, thereby including all hotel sector companies in Sri Lanka, which enhances the study's representativeness and robustness.

Keywords: *Asset Growth, Financial Leverage, Hotel Sector, Revenue Growth*

JEL Classification: *G31, G32*

Spot and Future Price Dynamics: Evidence from Indian Commodity Future Market

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ABSTRACT

Purpose: This study delves into the complexities of the Indian commodity market, a subject of considerable interest due to its growing influence in global trade. The investigation focuses on the interplay between spot and futures prices, aiming to shed light on patterns that could guide institutional and specialized investors in decision-making. With an increasing number of market participants, understanding this correlation is vital for developing robust investment strategies.

Study design/methodology/approach: Utilizing an empirical approach, this research analyzes daily transaction data from the Multi Commodity Exchange (MCX) of India from April 2015 to December 2022. Six key commodities aluminum, crude oil, copper, gold, natural gas, and sliver were selected for their prominence in the trade. The study delineated the spot price series (St) by trade and contract dates, and categorized futures prices into the immediate future month price (FT1) and the subsequent one (FT2), thereby focusing on the most actively traded and liquid contracts. The Augmented Dickey-Fuller (ADF) test initiated the examination for stationarity, followed by the Vector Error Correction Model (VECM).

Findings: The investigation revealed intricate patterns of causality. For aluminum and copper, significant long-term causality was noted in futures prices, indicating a one-way causation. Short-term causality was evident between the spot and futures prices for copper and silver, supporting the feedback hypothesis. Unidirectional causality from futures to spot prices was observed for gold and three primary indices. Conversely, natural gas exhibited an independent relationship between its spot and futures prices.

Research limitations/implications: Despite its comprehensive analysis, the research is limited to data from MCX within the specified time frame and may not encompass wider market dynamics. Nevertheless, the findings have practical significance for traders and investors, revealing differentials in market efficiency and informing strategies suitable for varied investment durations.

Originality/value: Offering novel insights into the Indian commodity market, this study advances our understanding of spot-futures price dynamics across several commodities. The conclusions provide value to stakeholders ranging from investors to policymakers, enriching academic literature on market efficiency and trading strategy development. Future research could extend to examining the influence of macroeconomic factors on these relationships or employing non-linear empirical models for more granular analysis.

Keywords: *Causality Relationship, Futures Prices, Indian Commodity Market, Spot Prices, Vector Error Correction Model*

JEL Classification: *G13, G15*

Price Bubbles in Listed Companies in Sri Lanka: Evidence from Consumer Service Industry

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ABSTRACT

Purpose: Stock prices act as a significant signal for traders to make their investment decisions. Yet, stock prices are vulnerable to overpricing without underlying fundamentals which distort market trades and attract many profit-savvy buyers. Recent stock market trends in Sri Lanka exhibit wide fluctuation of stock prices. Although there are multiple reasons for rational or speculative bubble formation, a sudden burst of such a bubble would result in lowering the stock returns, making investors experience large losses. Therefore, the current study aims to identify the existence of such price bubbles in the companies listed on the Colombo Stock Exchange.

Study design/methodology/approach: This exploratory study expects to support existing empirical literature on asset price bubbles based on the existing time-series data. From the 19-GICS industry classification, the study focused on the stock prices of consumer service sector listed companies. Accordingly, this paper sampled 23 out of 40 listed companies selected using a stratified random sampling technique. The daily closing stock prices for the post-war period (1st January 2010 to 31st December 2022) have been considered for analysis. The study used the Markov switching model to detect the existence of bubble behavior of prices.

Findings: The asset price bubbles exist in 16 listed consumer service companies out of 23 sampled companies. The listed companies that have asset price bubbles show a relatively high probability of remaining in the same regime instead of transitioning to a different regime. The expected duration that the price remains in the same regime is averaging 35 days in Regime 1 and 21 days in Regime 2. Stocks with price bubbles have lower expected returns in Regime 2 than in Regime 1. Further, the switching between two regimes is too frequent which causes a difficult anticipation of price behavior.

Research limitations/implications: Though this study focused on asset price bubbles, it was limited to studying the price bubble behavior in equity shares of the selected listed companies of the consumer service industry. The findings of this study could be used by investors to be more rational and competitive in the Sri Lankan investment market. Further, the findings alert investors to be on alert for market fluctuations when investing in listed companies that have price bubble trends. Investment in financial assets with price bubbles is risky. Thus, the findings provide more insights for the risk takers to make their investment decisions more rationally.

Originality/value: Though the concept of asset price bubbles is widely tested in Europe literature, this has not been analyzed in the Sri Lankan investment industry. This paper is an initiation to analyze the price bubble behavior in the Sri Lankan stock market.

Keywords: *Consumer Service Industry, Markov Switching Model, Price Bubbles*

JEL Classification: *G12*

Performance of Global Financial and Commodity Derivative Markets: Pre and Post-Global Financial Crisis and Covid-19

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ABSTRACT

Purpose: This study scrutinizes the dynamics of the global financial and commodity derivative markets over two decades, emphasizing the periods surrounding the Global Financial Crisis and the COVID-19 pandemic. It aims to elucidate the markets' evolution, trends, and trajectories, thereby aiding stakeholders in developing informed investment strategies and policy frameworks.

Study design/methodology/approach: Employing a robust analytical approach, the study dissects the financial derivative market through eight primary derivatives spanning currency, interest rates, stocks, and indices analyzed via open interest and contracts traded. Additionally, four key commodity derivatives are meticulously evaluated. The geographical scope encompasses markets across the Americas, Asia-Pacific, and Europe-Africa-Middle East regions, totaling 83 countries. The investigation is underpinned by data from 2002 to 2021, sourced from the World Federation of Exchanges. The preference for annual over more granular monthly or daily data is to eschew volatility and present clearer long-term trends.

Findings: American markets have dominated contract trades in financial derivatives. While growth was steady pre-crisis, it was disrupted during the financial crisis, unlike the surge observed during COVID-19. Asia-Pacific displayed unyielding growth, seemingly impervious to the pandemic, whereas Europe-Africa-Middle East witnessed declines post-crisis and in 2020-21. The stock index option markets flourished overall, whereas currency options underperformed. Despite a slump in 2009, a post-2019 resurgence was noted. Commodity derivatives, particularly in agriculture and energy options, saw heightened activity in 2017, with commodity futures maintaining a high annual value. Overall, commodities demonstrated more robust growth than financial derivatives.

Research limitations/implications: The analysis is constrained by the exclusive use of annual data, potentially glossing over short-term market volatilities. Future research could benefit from integrating monthly data for a more granular perspective.

Originality/value: This comprehensive study offers a macroscopic view of the financial and commodity derivatives markets, considering the impact of major economic disruptions. Its findings serve as a strategic guide for stakeholders in navigating market complexities and bolstering economic resilience.

Keywords: *Commodity Derivatives, COVID-19 Impact, Financial Derivatives, Global Financial Crisis, Market Dynamics*

JEL Classification: *G10, G12, G13,G15*

SESSION 03

CORPORATE GOVERNANCE

Board Gender Diversity and CSR Performance of Firms: Evidence from South Asia

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ABSTRACT

Purpose: The focus of this study is the complex link between corporate governance particularly board gender diversity and Corporate Social Responsibility (CSR) performance in South Asian public companies. In the context of a heightened global focus on inclusive governance and sustainable practices, this research examines how these elements interplay within South Asia's varied cultural setting. The central aim is to determine if and how the gender composition of company boards influences CSR activities in India, Pakistan, Sri Lanka, and Bangladesh.

Study design/methodology/approach: Adopting a quantitative methodology, this analysis used data from financial and CSR reports over the period 2018-2022, encompassing 4,451 firm-year observations (India: 3,876, Pakistan: 286, Sri Lanka: 123, Bangladesh: 166). The dependent variable was the CSR Index, with independent variables including Board Gender Diversity, CEO Duality, Board Balance, and Board Size. Leverage and Profitability were used as control variables.

Findings: Results indicated that in Sri Lanka and Bangladesh, boards with greater gender diversity were associated with improved CSR performance. Indian companies displayed a positive link between CEO duality and CSR activity, suggesting that CEOs holding dual roles as board chairs push stronger CSR agendas. In Pakistan, board diversity positively influenced CSR, yet high leverage was found to negatively affect such initiatives, pointing to constrained resources for CSR in more indebted firms. These findings underscore the varying impacts of corporate governance on CSR across the South Asian region.

Research limitations/implications: The study is conscious of potential constraints, such as varying corporate governance codes and cultural differences, which might limit the extrapolation of findings. While it provides significant insights, there's room for qualitative study into the reasons behind these patterns. Practically, the research highlights the need for firms to improve board gender diversity and governance structures to bolster CSR practices.

Originality/value: This research contributes to the understanding of the governance-CSR relationship within South Asia, offering valuable knowledge for stakeholders from policy formulators to academicians. By spotlighting the impact of gender-inclusive boards and responsible leadership, it asserts governance's influence on CSR strategies. The study paves the way for future investigations into governance and CSR complexities in this heterogenous region.

Keywords: *Board Gender Diversity, CEO Duality, Corporate Governance, CSR Performance, Leverage*

JEL Classification: *G34, M14, G32, J16, O16*

Gender Equality, Gender Diversity, and Firm Performance: Indian Evidence

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ABSTRACT

Purpose: This investigation assesses the impact of female directorship on the performance and risk-taking propensities of listed Indian firms, with a focus on the implications of increased gender representation in corporate governance. It aims to ascertain whether the presence of women on boards correlates with improved firm performance or altered risk preferences, providing insights into the consequences of enhanced gender diversity in the boardroom.

Study design/methodology/approach: Utilizing a dataset of 5,777 firm-year observations from non-financial entities listed on the National Stock Exchange of India between 2009-2022, sourced from Bloomberg, the study adopts fixed effects panel regression analysis. Firm performance is measured by Tobins Q and Return on Total Assets (ROTA), while risk-taking is assessed via leverage and cash holdings ratios (CASH1 & CASH2). Independent variables include the proportion of Women on Board (WOB) and the Global Gender Gap Index (GGGI), along with controls for board and firm characteristics.

Findings: A positive link between the presence of female directors and firm performance is indicated by Tobins Q results. However, ROTA outcomes, though positive, do not display statistical significance with WOB. Contrary to the hypothesized risk-aversion, female board representation does not show a significant negative relationship with risk-taking; although a negative correlation is present between WOB and cash holdings ratios, only CASH2 reaches statistical significance.

Research limitations/implications: The exclusive analysis of Indian publicly listed companies may not encompass the entire spectrum of gender diversity's effects in various sectors. While the study sheds light on the positive aspects of gender diversity, it also calls for more detailed research to unravel the complex interplay between female board representation and corporate risk-taking.

Originality/value: This study enriches the discourse on gender diversity in the context of an emerging economy, a perspective often underrepresented in research predominantly focused on Western settings. It furnishes empirical evidence regarding the benefits of female leadership on firm performance, contributing valuable insights for those advocating gender-inclusive policies in corporate India. It echoes certain global findings yet unveils specific nuances unique to the Indian business milieu. Further research could explore the influence of cultural and socioeconomic factors on these relationships.

Keywords: *Firm Performance, Gender Diversity, National Stock Exchange, Risk-taking*

JEL Classification: *G32, J16, L25, M14, O1*

Gender Diversity in Board, Firm Profitability, Risk, and Firm Value: Evidence from India

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ABSTRACT

Purpose: This study critically evaluates the influence of gender diversity on boards concerning firm performance in India's evolving economy. It aims to uncover the impacts of increased female presence in the boardroom on profitability, risk, and firm value, amidst India's unique corporate environment over 2017-2021.

Study design/methodology/approach: Utilizing a robust sample of 5,796 firm-year observations from non-financial companies on the National Stock Exchange of India, the study employs correlation and regression analyses, drawing data from Bloomberg. The proportion of women on boards is examined as the main independent variable against firm profitability (ROA and ROE), risk (operating cash flow volatility), and value (Tobin's Q). Additional governance factors include CEO duality, board independence and size, and meeting frequency, alongside firm-specifics like size, leverage, liquidity, and dividend policies.

Findings: The findings reveal substantial connections. Gender diversity on boards correlates inversely with firm risk and positively with firm value and profitability. Positive correlations emerged for board size and independence, firm age, capital expenditures, dividend payouts, and board meeting attendance with profitability and value. Firm size negatively impacted profitability, whereas leverage presented a complex relationship, aligning negatively with value and positively with risk. CEO duality and the frequency of audit committee meetings had a detrimental effect on profitability and firm value, albeit a positive association with ROE.

Research limitations/implications: The study's insights, though comprehensive, are confined to five years and certain sectors. Nevertheless, the findings have significant ramifications for policy formulation and stakeholder decision-making, suggesting that increased female board representation could enhance governance and firm performance.

Originality/value: This research presents an integrated analysis of gender diversity and firm performance in India, contributing novel insights to the discourse on board composition and corporate success. It provides evidence for the benefits of diversifying boardrooms in rapidly developing economic contexts.

Keywords: *Corporate Boards, Firm Profitability, Firm Risk, Firm Value, Gender Diversity, Indian Companies*

JEL Classification: *J16, L25, G32, M14*

Does Board Diversity Affect Financial Distress? Evidence from Listed Non-Financial Companies in the Colombo Stock Exchange

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ABSTRACT

Purpose: Corporate governance is getting wider attention in the present competitive business environment and the board of directors plays an indispensable role in governing a company. Hence directors' decisions significantly impact financial performance, companies are diversifying their director boards to improve overall performance and governance. There is a lack of studies in the Sri Lankan context to identify the impact of board diversity on financial distress compared to foreign contexts. This study aims to enhance the researchers' understanding of the impact of board diversity on financial distress in the Sri Lankan context.

Study design/methodology/approach: This study analyses the effect of financial distress on board diversity by applying regression analysis on 100 non-financial listed companies in the Colombo Stock Exchange (CSE) from 2017 to 2021. Board diversity is considered as the independent variable which is measured by gender, nationality, education, and independence whereas financial distress is considered as the dependent variable which is measured by Altman's Z-Score analysis and interest coverage ratio.

Findings: Financial distress was measured by two models and the model used for Altman's Z-Score analysis only turned out significant. The results of the regression model of Altman's Z-Score analysis indicated that independence diversity and firm size have a negative significant impact whilst nationality diversity has a positive significant impact on financial distress. Further, no significant impact was identified in gender diversity and education diversity on financial distress.

Research limitations/implications: The main limitation of this study is selecting only 100 non-financial listed companies as it may not represent a sample of all the possible listed companies in CSE. Further, more variables can be used to measure board diversity other than gender, nationality, education, and independence.

Originality/value: This study contributes to the empirical literature on the association between board diversity and financial distress by using gender, nationality, education, and independence diversity in the Sri Lankan context.

Keywords: *Altman's Z-Score Analysis, Board Diversity, Financial Distress, Gender Diversity, Nationality Diversity.*

JEL Classification: *G34*

The Effect of Ownership Structure on the Likelihood of Financial Distress: Evidence from the Listed Companies in Sri Lanka

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ABSTRACT

Purpose: The purpose of this research is to evaluate the impact that ownership structure has on the possibility of a company experiencing financial distress using a sample of 74 firms that were listed on the Colombo Stock Exchange between the years 2017 and 2022.

Study design/methodology/approach: The ownership structure was assessed using proxies such as institutional ownership, foreign ownership, government ownership, ownership concentration, and insider ownership while the financial distress was measured using the Altman Z-score.

Findings: The study revealed a statistically significant positive impact of the presence of foreign shareholders and the probability of experiencing financial trouble among companies listed in Sri Lanka. However, this study shows a statistically significant negative impact of both institutional ownership and insider ownership on financial distress. Accordingly, a greater proportion of institutional and insider ownership is associated with a reduced likelihood of experiencing financial distress. In essence, enhancing the caliber of corporate governance practices diminishes the potential of encountering financial distress by the listed companies.

Research limitations/implications: The outcomes of this study hold potential utility for stakeholders such as owners, policymakers, investors, and managers for decision-making in the context of Sri Lanka. Nevertheless, it is important to note that this study focuses solely on the non-financial sector, which may limit the generalizability of the findings. Moreover, the inclusion of other financial distress indicators such as the O-score and M-Distance would enhance the dependability of the findings.

Originality/value: This research expands upon the current scholarly literature about corporate governance and its connection to the probability of experiencing financial distress, specifically focusing on the context of Sri Lanka as an emerging economy. The findings indicate that when forecasting company financial difficulties, governing bodies should place particular emphasis on the quality of corporate governance, specifically the ownership structure.

Keywords: *Altman's Z-Score, Corporate Governance, Financial Distress, Ownership Structure, Sri Lanka*

JEL Classification: *G32, G34*

Ownership Structure and Financial Risk Management: Empirical Study in Sri Lanka

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ABSTRACT

Purpose: This study aims to demonstrate the effect that the structure of ownership has on the financial risk management of companies that are listed on the Colombo Stock Exchange.

Study design/methodology/approach: For this analysis, a sample of seventy companies that are currently traded on the Colombo Stock Exchange was used from 2017 to 2022. The ownership structure was assessed using proxies such as Ownership Concentration, Resident Ownership, Family/Individual Ownership, Management Ownership, and Government Ownership. Firm size and leverage were included as control variables, while the ratio of total investment to total equity was utilized to measure financial risk management.

Findings: The study's findings indicate that concentrated ownership structures have a statistically significant influence on the financial risk of organizations. This finding aligns with previous research, demonstrating consistency in the results. Likewise, the presence of government ownership exerts a positive and substantial influence on financial risk. The findings suggest that both concentrated ownership and government ownership have a positive impact on the amplification of financial risk. These findings emphasize the importance of selecting the best ownership structure to enhance business performance by reducing corporate financial risk. Furthermore, the financial risk of listed firms is significantly influenced by control variables

Research limitations/implications: The findings can be utilized by policymakers and regulators in highlighting the optimal ownership composition as a means to mitigate potential financial hazards in subsequent periods. Moreover, this study offers valuable insights for shareholders and investors on strategies to mitigate agency costs and safeguard their investments, while enhancing their understanding of company continuity and financial risk management.

Originality/value: This study presents novel results that shed light on the influence of ownership structure on the financial risk of companies in Sri Lanka. It addresses a research gap in the literature by examining this relationship specifically in emerging economies, where limited scholarly attention has been devoted to this topic. Therefore, this study holds significant implications for management, legislators, stockholders, and lenders, as it facilitates a deeper comprehension of the impact of the ownership structure on the financial risk of listed companies.

Keywords: *Corporate Governance, Financial Risk, Ownership Structure, Sri Lanka*

JEL Classification: *G32, G34*

The Impact of Ownership Structure on Firms' Financial and Market Performance: Evidence from an Emerging Market

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ABSTRACT

Purpose: The primary aim of this research is to investigate the influence of ownership structure on the financial and market performance of publicly traded companies in Sri Lanka.

Study design/methodology/approach: A panel regression analysis was undertaken to examine the impact of various ownership structures on the financial and market performance of publicly traded firms. Ownership concentration, institutional ownership, managerial ownership, government ownership, and individual/family ownership were employed as indicators for the ownership structure. Financial performance was measured by return on assets, while market performance was evaluated with Tobin's Q. A sample of 60 corporations listed on the Colombo Stock Exchange, spanning the years 2018 to 2022, was selected for investigation while the study sample comprises diverse sectors, excluding the financial sector.

Findings: Our findings indicate a significant positive influence on financial performance from ownership concentration and individual/family ownership. It indicates that the ownership concentration can potentially mitigate agency costs through enhanced oversight of top-level management, resulting in improved business performance. In contrast, it is noteworthy that both managerial ownership and government ownership exert a significant negative influence on financial performance. Moreover, the market performance of listed companies is greatly affected positively by institutional ownership and negatively by individual/family ownership.

Research limitations/implications: When making investment decisions, it is crucial for shareholders and investors to consider ownership structures due to their significant influence on corporate performance. Moreover, in light of the study's results, corporate leaders can tweak their ownership arrangements to achieve their goals better, and regulators can use the findings to create more equitable and transparent policies within the corporate sector. Nevertheless, it is important to acknowledge the limitations of this study, which mainly stem from its narrow scope of examining only one country, limited sample size, and short time frame.

Originality/value: Given the limited availability of research on the impact of corporate ownership structures on the financial and market performance of companies in Sri Lanka, our study's findings make a substantial contribution to the current body of literature concerning ownership structure and corporate performance in emerging markets.

Keywords: *Financial Performance, Market Performance, Ownership Structure, Sri Lanka*

JEL Classification: *G30, G34*

SESSION 04

FINANCIAL REPORTING

IFRS Adoption Challenges in Developing Economies: A Sri Lankan Perspective

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ABSTRACT

Purpose: The purpose of this study is to examine the perceptions of financial statement preparers consisting of Chartered Accountants and financial statement users consisting of Bankers and Financial Analysts on the challenges of implementing Sri Lanka Financial Reporting Standards (SLFRSs) adopted after 2018. Further, it examines whether there is any difference between the perceptions of these two parties. Moreover, the study assesses the support of the Institute of Chartered Accountants of Sri Lanka (ICASL) to implement SLFRSs, as the regulatory body of accounting in Sri Lanka.

Study design/methodology/approach: A quantitative research approach was adopted, using a questionnaire survey that provided 103 responses from Chartered Accountants, Financial Analysts, and Bankers working in Western province, Sri Lanka.

Findings: The majority of the respondents are financial statement preparers (54.37%) and the remaining are financial statement users (45.63%). Based on their responses the study identified that, although the support of ICASL is at a satisfactory level, accounting professionals still face challenges in implementing SLFRSs, for instance, inadequate knowledge, cost, and complexity. Further, financial statement users face more challenges compared to financial statement preparers, for instance, practical application difficulties, interpretation issues, lack of understanding, cost of staff training, and external consulting services.

Research limitations/implications: The findings assist the International Accounting Standards Board and ICASL in mitigating the challenges of SLFRS implementation. However, as the questionnaire method is used to collect data, the limitations of respondents' personal biases may affect the results of the study.

Originality/value: The study differs from other studies on the challenges of International Financial Reporting Standards implementation in developing countries as this considers all variables such as inadequate knowledge, cost, complexity, and the support of the ICASL in one study.

Keywords: *Complexity, Cost, Inadequate Knowledge, SLFRS, ICASL*

JEL Classification: *M4*

The Impact of Integrated Reporting on Cost of Capital in Listed Companies in Sri Lanka

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ABSTRACT

Purpose: The main objective of this study is to find the impact of Integrated Reporting (IR) on the Cost of Capital in Sri Lankan listed companies.

Study design/methodology/approach: The research population of the study comprises 290 companies listed on the Colombo Stock Exchange, with a sample consisting of 30 listed companies for the years 2018 to 2021, selected through random sampling. This research employs regression analysis to examine the relationship between IR and the Cost of Capital. Cost of equity, cost of debt, and weighted average cost of capital (WACC) were considered as the components of cost of capital. IR index was developed to take the IR score to measure the IR.

Findings: This research shows that there is no significant relationship between the IR Score and WACC or the Cost of Equity while the IR Score and the Cost of Debt show a statistically significant negative relationship with the IR Score.

Research limitations/implications: Extending the study period could provide a more comprehensive understanding of the relationship between integrated reporting and the cost of capital. The findings of the study are useful for practitioners as well as regulators.

Originality/value: Most of the researchers examine the developed countries, and the relation between Integrated Reporting and Cost of Capital, and it is hard to find Sri Lanka in this content. Consequently, through this research, this gap has been filled. Further, companies, researchers, students, and people who are interested in not only integrated reporting but also interest in updates in Sri Lankan listed companies will be helped by this research.

Keywords: *Cost of Capital, Cost of Debt, Cost of Equity, Integrated Reporting*

JEL Classification: *M41*

Earning Management Practices and Readability of Financial Reports: Comparative Evidence from Selected South Asian Countries

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ABSTRACT

Purpose: This study explores the complex interplay between earnings management and the clarity of financial reports in select South Asian nations. It seeks to comprehend how the adjustment of financial numbers, which may obscure a company's actual financial health, impacts the understandability of annual reports. The research investigates whether companies engaged in earnings management produce more opaque financial reports, potentially deceiving stakeholders.

Study design/methodology/approach: Covering the years 2008-2022, the research examines 4,514 firm-year observations from key stock exchanges in Sri Lanka (521), India (3,582), Pakistan (239), and Bangladesh (172), excluding the banking, finance, and insurance sectors. The Jones model measured the primary dependent variable, Earnings Management. The study employed various readability tests for thoroughness, such as the Fog Index, Flesch reading ease, and Smog Index, calculated through a Python script analyzing company reports converted from PDF to text. Additionally, tone assessments were conducted, including variables like Negative and Positive connotations and Uncertainty. Control variables were also included for a holistic approach.

Findings: There is a notable negative link between earnings management and the lucidity of annual reports, as demonstrated by regression analysis. Even after adjusting for control and tone variables, the negative relationship remains significant, suggesting companies may deliberately complicate reports during financial manipulation.

Research limitations/implications: The main limitation is the exclusion of certain financial sectors, which may affect the study's broad applicability. However, the findings highlight the necessity for more stringent regulatory control over financial reporting to ensure accuracy and transparency for stakeholders.

Originality/value: This research is distinct due to its extensive scope across South Asian markets and its detailed methodological framework. It brings to light the possible unethical practices in earnings management and the consequential effects on the readability of financial disclosures. For further investigation, future studies might broaden the range to include diverse sectors or examine the influence of regulatory bodies on mitigating such practices.

Keywords: *Annual Report Readability, Discretionary Accruals, Earnings Management Practices, Jones Model, South Asian Countries.*

JEL Classification: *M41, G15, G32*

Annual Report Readability, Tone and Corporate Performance: Evidence From a Frontier Market

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ABSTRACT

Purpose: This research probes the impact of annual report textual features - readability and tone - on corporate performance in non-financial Sri Lankan listed firms from 2017 to 2021. It explores how the narrative quality of reports influences key financial metrics, aiming to contribute to better stakeholder comprehension and financial decision-making.

Study design/methodology/approach: Employing 809 firm-year observations, the study scrutinizes the association between corporate performance indicators (ROA, ROE, EPS, Revenue Growth, Net Profit Margin) and textual attributes (Fog Index, Gunning Fog, Smog Index, word count, Flesch Reading Ease, and tone variables from the Loughran-McDonald Master Dictionary-2015). Textual analysis was performed using a Python program to analyze annual reports transformed from PDF to text. Fifteen models were developed using fixed effect panel regression, adjusting for firm size and age, to validate the robustness of the findings.

Findings: Textual attributes of annual reports showed significant correlations with corporate performance measures. Specifically, negative sentiment, uncertainty, and constraining language were adversely associated with performance, while more detailed and comprehensible disclosures corresponded with improved financial health. Modal and litigious tones were tentatively linked to poorer performance, but not significantly. Notably, the Gunning Fog and Smog Indexes did not show a significant impact, suggesting that clarity may be less influential than other textual elements.

Research limitations/implications: This study acknowledges the potential omission of influential textual variables, highlighting the need for broader research to incorporate additional factors and diverse environments.

Originality/value: This study illuminates the significant influence of annual report readability and tone on corporate performance in Sri Lanka, providing valuable insights for companies and policymakers in emerging markets. It suggests a clear direction for enhancing annual report clarity to aid stakeholders. Future research should delve deeper to uncover causality and further refine these relationships.

Keywords: *Annual Report, Corporate Performance, Frontier Market, Readability and Tone, Textual Analysis.*

JEL Classification: *G30, G32, G34, M41*

Determinants of the Quality of Financial Information Disclosures

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ABSTRACT

Purpose: This study aims to investigate the firm-specific characteristics that impact the quality of financial information presented in the annual reports of publicly traded firms listed on the Colombo Stock Exchange.

Study design/methodology/approach: The quality of the financial information that is provided in annual reports is evaluated by using a quantitative method in conjunction with a content analysis methodology. The data utilized for the sample was taken from the annual reports of fifty different firms that were traded on the Colombo Stock Exchange between the years 2016 and 2022. A disclosure checklist of 20 voluntary elements pertaining to relevance, faithful representation, understandability, and comparability has been established for the purpose of evaluating the extent of disclosure.

Findings: The study reveals that company size and price-to-book value are positively associated with the quality of financial information disclosures in the annual reports of listed companies. It emphasizes that the companies with a larger market share and a higher price to book value have a tendency to disclose better-quality financial information. In contrast, leverage and liquidity have a negative association with the quality of financial information disclosures. It implies that greater levels of debt and higher levels of liquidity lead to lower levels of quality in the disclosure of financial information.

Research limitations/implications: The conclusions of this research have significant value for investors, financial institutions, and lenders operating within the context of Sri Lanka. It is advisable for investors and shareholders to consider the elements that influence the disclosure of financial information prior to making choices on the purchase or sale of shares. Financial institutions may take into account these facts in order to make informed decisions prior to extending loans to the organization.

Originality/value: Given the dearth of studies in the Sri Lankan context pertaining to this subject matter, the present study endeavors to provide novel perspectives by elucidating the firm's characteristics and their consequential influence on the quality of disclosures of financial information.

Keywords: *Firm-Specific Characteristics, Financial Information Disclosures, Sri Lanka*

JEL Classification: *M40, M41*

The Impact of IFRS Adoption on Financial Reporting Quality: With Special Reference to the Selected Commercial Banks in Sri Lanka

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ABSTRACT

Purpose: This research investigates the impact of the adoption of International Financial Reporting Standards (IFRS) on the financial reporting quality of selected commercial banks in Sri Lanka. A rising number of companies throughout the world are adopting IFRS, which stands for International Financial Reporting Standards. To foresee and evaluate the effects of the implementation of IFRS. This article provides an overview of the impact of IFRS adoption in the commercial banking sector, as well as its benefits and drawbacks. Additionally, this article will offer possible avenues for further research to assist in influencing regulatory choices and financial reporting practices in Sri Lanka's banking industry.

Study design/methodology/approach: The quantitative research approach was employed in this study to examine the influence of the adoption of IFRS on the standard of financial reporting in the banking industry of Sri Lanka. Convenience sampling is employed as the sampling technique, and ten licensed commercial banks (LCBs) are used as the sample for the research. These data are taken from the annual reports of the selected banks for the period extending from 2012 to 2021, and the collected data was analyzed using STATA software.

Findings: The research reveals that the adoption of IFRS has positively impacted the financial reporting quality of the selected commercial banks in Sri Lanka. Therefore, it can be concluded that there is a statistically significant impact of IFRS adoption on financial reporting quality. Businesses have a strong incentive to maintain or expand their profit margins. The reason for this correlation is that an augmentation in the operational profit margin is associated with an enhancement in the standard of financial reporting. While it is possible that changes in growth and asset turnover may impact the quality of financial reporting, neither of these variables exhibits statistical significance. Nevertheless, it would be imprudent to dismiss them outright given the potential for unforeseen consequences, a factor not considered in our current model.

Research limitations/implications: This study is focused on the banking sector in Sri Lanka. Yet, among 24 licensed commercial banks, this analysis is focused on only 10 licensed commercial banks. Furthermore, data was collected for a period of 10 years starting from 2012 to 2021. Since the findings are based on a specific point in time, the long-term effects of IFRS adoption may require further investigation.

Originality/value: This research contributes to the existing literature by offering insights into the consequences of IFRS adoption on financial reporting quality in a Sri Lankan banking context. The findings can assist regulators, financial institutions, and auditors in understanding the benefits and challenges of IFRS adoption in emerging markets.

Keywords: *Commercial Banks, Financial Reporting Quality, IFRS Adoption, Sri Lanka*

JEL Classification: *M41, G21, G38, G3*

SESSION 05

CORPORATE FINANCE

The Interplay between Exchange Rates and Stock Market Returns in Sri Lanka (2015 - 2023): An Analysis Amidst Political and Economic Unrest

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ABSTRACT

Purpose: This study explores the relationship between stock market returns, as measured by Sri Lanka's All Share Price Index (ASPI), and exchange rates amidst the country's post-2015 socio-political upheavals and the economic impact of the COVID-19 pandemic. This research aims to dissect how these tumultuous events have influenced the interplay between stock returns and exchange rates, offering critical insights for investors and policymakers in volatile environments.

Study design/methodology/approach: Adopting a quantitative approach, the study analyzes daily historical data from January 6, 2015, to September 15, 2023, concerning the ASPI, foreign exchange rates, and their respective returns. This data was collected from the Colombo Stock Exchange and the Central Bank of Sri Lanka. To understand this relationship, the Vector Error Correction Model (VECM) was applied, with the Augmented Dickey-Fuller (ADF) test confirming the stationarity of the data series.

Findings: Through VECM analysis, the study reveals a significant, dynamic linkage between stock market returns and exchange rates during the examined period. A negative error correction term for both exchange rate returns and ASPI returns indicates a tendency for the market to adjust towards long-term equilibrium following short-term shocks. Additionally, a pronounced negative relationship was found between the change in exchange rates and their lagged values, suggesting quick corrections in exchange rate trends, potentially due to reduced foreign investment inflows.

Research limitations/implications: The study accentuates the importance of transparent communication and consistent economic policy for maintaining investor confidence and mitigating market volatility. It recommends that policymakers create an attractive climate for foreign investment and ensure political stability. Regular interventions in foreign exchange markets and vigilant monitoring of macroeconomic factors are advised to preserve market equilibrium.

Originality/value: Amid Sri Lanka's recent political and economic turbulence, this research offers novel insights into the stock market and exchange rate dynamics. It is valuable to policymakers focused on financial stability and investors navigating uncertain markets. Furthermore, the demonstration of rapid market responses to disequilibrium provides a foundation for future policy formulation aimed at maintaining stable financial conditions in volatile economies.

Keywords: *All Share Price Index, Exchange Rates, Economic Unrest, Stock Market Returns, Political Volatility*

JEL Classification: *F31, G15, O53, E44, P16*

Determinants of Corporate Cash Holdings: Evidence from Emerging Markets in Asia Pacific Region

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ABSTRACT

Purpose: This research aims to discern the determinants influencing corporate cash holdings within eight emerging nations in the Asia Pacific region: Bangladesh, India, Indonesia, Malaysia, Pakistan, Sri Lanka, Thailand, and Vietnam. Given the strategic significance of cash holdings in determining corporate performance, the objective is to offer an in-depth understanding of factors impacting these decisions in these particular emerging markets.

Study design/methodology/approach: Utilizing a quantitative methodology, the study scrutinizes data from 6027 publicly listed firms between 2011 to 2022. Specific firm-year observations are Bangladesh (213), India (2565), Indonesia (78), Malaysia (775), Pakistan (303), Sri Lanka (338), Thailand (1109), and Vietnam (1086). Sourced from Bloomberg's annual audited financial statements, the data was subjected to panel data regression analysis. Grounded in four principal theories " Trade-off, Pecking order, Free cash flow, and Agency" the study identified eleven determinants: capital expenditure, dividend payout, firm size, growth opportunities, investment opportunities, leverage, return on asset, net working capital, firm age, cash flow risk (volatility), and cash flow scaled by total assets.

Findings: Several determinants such as capital expenditure, firm size, leverage, ROA, net working capital, and cash flow volatility were found to negatively correlate with cash holdings. Conversely, dividend payout, growth opportunity, investment opportunity, firm age, and cash flow showed positive associations. Notably, smaller firms and those with lower capital requisites tend to hold more cash, reinforcing the Trade-off theory.

Research limitations/implications: The study's primary limitation is its geographical restriction to eight Asia Pacific countries. However, the outcomes resonate with existing literature and extend a deeper understanding, especially highlighting the absence of agency problems in these markets due to robust legal mechanisms.

Originality/value: This study offers a blend of globally recognized theoretical stances with a distinct regional perspective, making its findings uniquely valuable. By spotlighting the determinants of cash holding in the Asia Pacific's dynamic economic context, it underscores the importance of comprehending these factors for informed, strategic decision-making. This comprehensive overview can guide corporate strategies in the region, emphasizing the necessity for a balanced cash-holding approach rooted in market-specific dynamics.

Keywords: *Asia Pacific Region, Corporate Cash Holdings, Emerging Markets*

JEL Classification: *G32, G34, F65, O16*

Financial Risk, Risk Management Practices, and Firm Performance of Small and Medium Enterprises

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ABSTRACT

Purpose: Small and Medium Enterprises (SMEs) play a crucial role in Sri Lanka's socioeconomic growth, making up 52% of the GDP. However, SMEs face significant financial risks, including lack of financing, increased costs, etc. These risks are resulted by numerous factors. Financial risk management aims to reduce earnings fluctuations caused by the SMEs' exposure to several risks; interest rate, liquidity, credit, funding, and exchange rate. The performance of SMEs in Sri Lanka is affected by these uncertainties. Hence, the purpose of this study was to examine the impact of financial risk and financial risk management practices on the business performance of SMEs.

Study design/methodology/approach: This study utilized the quantitative research method under the deductive approach. Capital structure risk (CR), liquidity risk (LR), insolvency risk (IR), and quality of financial risk management practices (QRMP) were the independent variables of the study and firm performance (FP) was the dependent variable. A self-administered structured questionnaire was used for data collection. A pilot study was conducted and ensured the reliability of the survey instrument. The data were collected from a sample of 346 SMEs established in Gampaha district, Sri Lanka. Collected data were analyzed employing demographic, descriptive, correlation, and regression analysis techniques.

Findings: According to the R squared value, approximately 91.3% of Firm Performance variability is explained by the identified independent variables indicating a good fit. As per the regression results, CS, LR, and IR exhibit an insignificant positive impact on the firm performance. However, QRMP shows a significant positive impact.

Research limitations/implications: The critical limitations were constraining the sample only to the Gampaha district, informal risk management systems, and lack of secondary data sources.

Originality/value: This study adds value to the existing body of knowledge by producing fresh evidence on the impact of financial risk and financial risk management practices on the firm performance of SMEs. Future researchers can expand the scope of the study by incorporating more variables and drawing a more geographically representative sample.

Keywords: *Financial Risk, Financial Risk Management Practices, Small and Medium Enterprises*

JEL Classification: *G32*

Readability and Tone of Prospectus, Size Effect and Short Run Performance of IPOS: Indian Evidence

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ABSTRACT

Purpose: This study ventures into the dynamic Initial Public Offering (IPO) landscape of India, analyzing the Size Effect theory and the underexplored domain of IPO prospectus readability and tone. It aims to determine the impact of firm size and prospectus textual attributes on IPO performance, both initially and over the long term.

Study design/methodology/approach: Drawing on data from 2006 to 2022, this analysis encompasses 283 IPOs from the Bombay Stock Exchange and the National Stock Exchange. Examined metrics include Total Assets, Leverage, ROE, CEO Duality, Board Size, Issue Size, familial involvement in promotions, foreign affiliations, independent director percentage, firm age at IPO, and use of top-tier auditors. Textual attributes of prospectuses are quantified using readability scores "Fog Index, Gunning Fog, Smog Index, and Flesch Reading Ease" and tone variables from the Loughran-McDonald Master Dictionary-2015, processed via Python programming. The study employs fixed-effect panel regression with multiple models for increased validity.

Findings: The study identifies nuanced effects on IPO returns. A negative correlation emerges for leverage, foreign ownership, firm size, and litigious language, whereas independent director presence relates positively. The uncertainty and litigious tone in prospectuses markedly diminish IPO performance, highlighting the importance of clarity and confidence in the language used.

Research limitations/implications: Results advocate for firms to re-examine governance, ownership, and prospectus clarity to enhance initial returns. The research advocates for succinct, jargon-free prospectuses, balancing thorough disclosure with readability.

Originality/value: Integrating the Size Effect with a novel examination of prospectus textuality, this study sheds light on the determinants of IPO success in India. Its conclusions aid issuers and policymakers in crafting strategies for optimal market entry.

Keywords: *IPO Performance, India, Prospectus Readability, Size Effect, Tone Analysis*

JEL Classification: *G10, G32, G34*

Relationship between Firm Characteristics and Dividend Policy

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ABSTRACT

Purpose: Dividends are one of the forms of return that goes to the existing shareholders. Firms need to effectively utilize their earnings to maintain a proper balance between earning distributions and earning retention. Dividend decisions can also have a significant influence on the share price behavior in the secondary market, and accordingly, dividend policy may have an indirect effect on firm value determination. As dividend policy is highly subjective, it is inconsistent in the literature on what factors inspire dividend distribution decisions of firms. Thus, the purpose of this study is to determine the explanatory power of firm characteristics over dividend distribution.

Study design/methodology/approach: The theoretical framework of this study provides a logical construction to test the relationships between dividend payout ratio and firm characteristics such as firm size, financial leverage, financial performance, family ownership, and the number of institutional investors. We accessed secondary data over annual reports (2018-2022) published by a sample of 121 listed non-financial firms in Sri Lanka.

Findings: Large as well as leveraged firms show a significant positive relationship with the dividend payout ratio. Whereas financially stable firms tend to pay more dividends. The presence of large shareholders is significantly and positively related to dividend distribution. When we particularly consider firm-wise variations, firm size shows a significant negative causal effect on dividend payment while financial performance and ownership concentration positively affect dividend disbursement. Profitable firms, of course, are capable enough to pay more dividends than distressed counterparts.

Research limitations/implications: Large and mature firms tend to pay more dividends as they are less likely to generate capital gains. As Sri Lankan firms are characterized by a concentrated ownership structure, large shareholders may force firms to make more cash distributions.

Originality/value: Based on our findings, we also provide some practical implications that will be useful for existing and potential equity investors. If you are a value investor, you may more focus on distributions rather than price appreciation in the secondary market. Thus, investment targets of value investors would be large and mature firms as well as financially stable firms. Though large shareholders inspire more cash distributions, such unrealistic distributions, in turn, may expropriate minority shareholders' rights.

Keywords: *Firm Characteristics, Dividend Payment, Value Investors*

JEL Classification: *G11, G32*

SESSION 06

BEHAVIORAL FINANCE 1

Gen Z Financial Literacy and Investment Behaviour: Evidence from India

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ABSTRACT

Purpose: Financial literacy is the skills and ability to manage and understand financial matters effectively. Proper financial literacy helps to understand the behavioural patterns of young people for money in today's era. This research focuses on understanding the investment behaviour of Gen Z. Existing research has proved that high levels of financial literacy led to better investment choices. Understanding the attitude of Gen Z in making their own investment is the motivation for this study. Money plays a major role in the growth of young people, the only motivation for the young generation as of now is money. It helps in entrepreneurship for the young to face the new opportunities in today's era. A need to know about the actual literacy rate of today's generation (Gen Z) in terms of finance and how they are thinking and applying their skills to grow their money for themselves. This study focuses on how Generation Z uses their finance so that money works for themselves.

Study design/methodology/approach: The study is done via primary data sources. A questionnaire containing 25 questions was prepared. Apart from the demographic questions, the questionnaire captured various categories of financial literacy in a 5-point Likert scale. Questions for managing personal finance, behavioural finance, budgeting, learning finance, and Investment choices were part of the questionnaire. The questionnaire was circulated on various social media platforms. The sample was collected from Gen Z and the sample size was around 200. The sampling method used was purposive sampling. The variables for the study are education, experience, skills, Knowledge, and Behavioural finance. The analysis was done via the SPSS software.

Findings: From the collected data it was found that today's generation is more concerned about their financial plans and are getting updated very frequently. It also shows that a large proportion of their income they are saving and investing for future plans. It concludes that the literacy rate is comparatively higher in today's generation as per the data It shows that there is a relationship between education and behavioural finance as many people learn managing finance by the knowledge they get in their studies. Some people learn through parents, family, friends, or the Internet.

Research limitations/implications: Data is collected from people who have access to an internet facility and understand English as the questionnaire is prepared in one language only. Future studies can be elaborated on the topic of the segregation the people's literacy with their families and the demographical background of region, state and cities, etc. to get more clarity.

Originality/value: The findings of this research can be used by the policymakers of various financial institutions, (like Asset Management Companies, NBFCs, and Government) to design products as per the financial literacy level of Gen Z. This will enable better reach and acceptance of the products. Gen Z will then not fall prey to unscrupulous investment products that lure individuals with high unacceptable returns.

Keywords: *Financial Literacy, Gen Z, Investment Behaviour, Skills and Knowledge*

JEL Classification: *G4, G5*

Impact of Emotional Intelligence on Investment Decisions of Equity Investors in Colombo Stock Exchange: Special Reference to North Central Province

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ABSTRACT

Purpose: Psychological theories elucidate various facets of human cognition, conduct, and emotions. These theories encompass four distinct categories: cognitive, behavioral, personality, and social psychology. This study aims to explore the impact of emotional intelligence on investment decisions among stock market investors, with a particular focus on those in the North Central Province.

Study design/methodology/approach: This study's research methodology is deductive, and its study design is a descriptive research design. The population of this study consisted of around 300 Colombo Stock Exchange (CSE) active investors in the North Central Province, of which 100 were chosen as the sample utilizing a structured questionnaire procedure under the simple random sampling technique. As independent variables, the study has used Self-awareness, Self-management, Relationship management, Social awareness, and Empathy while the dependent variable was the Investment Decisions of investors. For the analysis portion of this study, the researchers performed descriptive analysis, correlation analysis, and regression analysis.

Findings: The research found a positive correlation between emotional intelligence and investment decisions of individual Colombo Stock Exchange investors. The statistical findings indicate that there was a significant impact from Self-awareness, Social awareness, and Empathy on investment decisions while there is no impact from Self-management or relationship management on investment decisions. The study's final conclusion regarding the results is that individual stock market participants can enhance their investment decisions by taking their emotional intelligence into consideration.

Research limitations/implications: While examining the research, notable limitations include the study's restricted data collection to Sri Lanka's North Central Province, a limited sample size, and the exclusion of other provinces. The study underscores the significance of emotional intelligence in investment choices, emphasizing its relevance for investors. Additionally, it suggests the necessity for broader research on emotional intelligence and investment decisions in diverse Sri Lankan regions and abroad.

Originality/value: Particularly in the Sri Lankan context, this study significantly advances the fields of emotional intelligence and investing. It looks into how emotional intelligence affects certain stock market decisions and finds a strong correlation, underscoring the significance of taking emotional intelligence into account when making investing decisions, especially for investors, financial advisors, and politicians alike, this research offers insightful information.

Keywords: *Colombo Stock Exchange, Emotional Intelligence, Investment Decisions*

JEL Classification: *G41*

Cashing in on Connections: How Digital Social Networks Shape Users' Financial Behaviours

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ABSTRACT

Purpose: Social media technology has become a significant part of management fields, allowing users to share, communicate, interact, and learn. These interactions can potentially change financial behaviors. Social media platforms like Instagram, Facebook, and LinkedIn offer various attributes, such as interactivity, recommendation, and feedback, which help users gain knowledge about management activities. This study aims to analyze the impact of these attributes on users' financial behaviors. Most social media platforms provide financial information, such as investment opportunities and benefits of financial policies. LinkedIn is a popular choice for financial advisors, offering more professional insights, which can help make informed financial decisions.

Study design/methodology/approach: The proposed study is a primary study conducted on the selected university students in the sultanate of Tamilnadu. The questionnaire method will be used to collect the data from the respondents selected using the convenience sampling method. 188 valid responses were collected. Descriptive analysis and Regression tests will be applied to draw meaningful inferences.

Findings: This study found an effect of social network features (Interactivity, Collaboration, and Communities) on financial behavior constructs such as financial prudence, financial inter-connectedness, extravagant, and financial knowledge. It reveals that young professionals' financial behavior has been impacted by their social network connections. In addition, social networking platforms can be leveraged to disseminate information on financing and investment opportunities, motivate social listening, enhance financial knowledge, and reduce financial anxiety.

Research limitations/implications: The study investigates the influence of social media attributes on financial behavior, examining news feeds, content posting, and interactions. It aims to establish a connection between social media use and spending habits, investment decisions, savings, and financial planning choices.

Originality/value: This study examines how social media characteristics (Collaboration, interactivity, community) impact financial behavior among young professionals in Tamil Nadu. It integrates finance and management concepts, evaluating financial prudence, financial interconnectedness, financial knowledge, extravagant, and priorities. the study concluded that social media attributes enhance the users' network support, provide useful insights about investment opportunities and, the present situation of countries' economic status, and reduce worries about financial crises. The study's unique focus on social media characteristics and multidisciplinary methodology highlights its practical implications.

Keywords: *Financial Behavior, Financial Knowledge, LinkedIn Financial Anxiety, Social Media Attributes*

JEL Classification: *H20, H21*

Does Gender Influence Choice of Investment Decision?

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ABSTRACT

Purpose: This issue tackles a key component of societal gender differences, especially how people in Maharashtra, India, make different investment decisions based on their gender. Research in this field can shed light on whether there are substantial variations in investment preferences and risk-taking behavior between men and women, as well as if it varies by location with the use of comparisons with other research on the same issue. Understanding how gender impacts investment decisions can have far-reaching social and economic consequences. It can assist governments, financial institutions, and employers in developing tailored interventions and support systems to close gender disparities in financial literacy and investing strategies. Investigating investment decisions based on gender can help to ensure that the financial industry is more inclusive and diverse.

Study design/methodology/approach: The study adopts a thorough and rigorous research strategy that focuses on gathering primary data from a varied pool of people from 3 major districts of Maharashtra i.e. Mumbai, Pune, and Nashik. Pragmatism research philosophy has been used because it prioritizes problem-solving and includes both qualitative as well as quantitative methods. This methodological approach has been meticulously designed to give an in-depth knowledge of the study objectives while also assuring the representation of various views and circumstances. A structured close-ended questionnaire consisting of 18 questions was created and distributed to the people.

Findings: The findings highlight a significant tendency in which males and females exhibit diverse inclinations when making investment decisions, with differences seen in risk preferences that pervade their financial decision-making. Furthermore, the study illuminates the uneven distribution of yearly income across genders, exposing obvious disparities that draw attention to gender-related economic inequality.

Research limitations/implications: One significant restriction is the small number of individuals who completed the questionnaire. This small sample size may limit the generalizability of the findings and may have missed certain nuances that a bigger and more varied participant pool may have revealed. Another significant drawback is the occurrence of biases throughout the questionnaire delivery and answer-gathering procedure.

Originality/value: This study contributes to the existing body of knowledge about the impact of gender on the choice of investment decision. It also emphasizes the critical need for focused interventions and policy measures aimed at promoting gender-equitable financial participation and empowerment.

Keywords: *Financial Participation, Gender, Investment Decision*

JEL Classification: *G41, G11*

The Impact of Behavioral Finance Bias on Investment Decision-Making

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ABSTRACT

Purpose: Behavioral finance is an interdisciplinary field that combines principles from finance, economics, and psychology to study how cognitive and emotional biases influence financial decision-making and market outcomes. Behavioral finance biases play a crucial role in understanding and explaining various aspects of financial markets and investment decision-making. Therefore, this research aims to find the impact of behavioral finance bias on the investment decision-making of individual investors in the Colombo Stock Exchange to understand how the use of behavioral finance bias affects the investment decision-making of individual investors.

Study design/methodology/approach: The study encompasses three independent variables, namely overconfidence bias, loss aversion bias, and herding bias, each representing distinct cognitive and behavioral aspects of individual investors. These variables are meticulously chosen to elucidate their collective impact on the dependent variable, investment decision-making. The study consisted of 399 individual investors who were active in the trading halls at CSE during the research period. The data were collected through a questionnaire and were analyzed by applying statistical tests after ensuring reliability and validity.

Findings: The findings indicate that there is a strong positive impact of behavioral finance bias on investment decision-making. Further, it reveals a significant positive impact of all three independent variables of overconfidence bias, loss aversion bias, and herding bias on investment decision-making. Both Pearson correlation results and multiple regression results support these findings.

Research limitations/implications: This study is focused only on individual investors of the Colombo Stock Exchange. Therefore, these results may not be applicable to other types of investors such as institutional investors.

Originality/value: The study is advantageous for investors, financial institutions, and all other parties involved in investment decision-making to make decisions based on psychological considerations.

Keywords: *Behavioral Finance Bias, Herding Bias, Investment Decision-making, Loss Aversion Bias, Overconfidence Bias*

JEL Classification: *G4, G41*

Digital Financial Literacy and its Impact on Investment Choices of Management Undergraduates: Empirical Evidence from Government Universities in Sri Lanka

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ABSTRACT

Purpose: Against the backdrop of Sri Lanka's economic challenges, this study focuses on the digital financial literacy and investment choices of Generation Z management undergraduates in government universities. Acknowledging the unique financial landscape and the pressing need for economic resilience, the research aims to assess the impact of digital financial literacy on the investment decisions of this specific demographic. By addressing the intersection of Generation Z, digital financial literacy, and investment choices, the study endeavors to provide valuable insights for tailored financial education initiatives amidst the broader economic context and challenges faced by Sri Lanka.

Study design/methodology/approach: The research employed a quantitative survey-based approach to investigate the subject. The researcher conducted an in-depth analysis using a deductive approach and collected data on the number of students in the Faculty of Management, categorized by both year and university. A sample of 200 undergraduates from Sri Lankan government universities was selected for the study. The data analysis was carried out utilizing the partial least squares regression method, facilitated by the Smart PLS 4.0 software.

Findings: The model's reliability and validity were initially established through composite reliability, convergent validity, and discriminant validity. The study's findings reveal a significant association between digital financial literacy and prospective investment choices among undergraduates. Notably, when presented with various investment options, students exhibited a pronounced preference for financial assets over choices.

Research limitations/implications: This study underscores the need for tailored educational initiatives to enhance digital financial literacy. Policymakers and educators should focus on empowering students with skills to navigate the digital financial landscape, potentially influencing a shift towards increased engagement with financial assets in their investment decisions.

Originality/value: This research enriches the expanding body of knowledge on digital financial literacy in the context of a developing nation like Sri Lanka. In an era of rapid technological advancement, the study underscores the emergence of digital platforms empowering Generation Z to engage in prudent financial practices, facilitating informed and effective decision-making in the realm of finance.

Keywords: *Digital Financial Literacy, Investment Choices, Sri Lanka*

JEL Classification: *G41, I2*

SESSION 07

SUSTAINABILITY

Accountability in an Era of Consequences: Are Fossil Fuel Corporations Sticking to Their Climate Goals? Evidence from the Global Energy Crisis

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ABSTRACT

Purpose: This paper aims to examine the level of accountability demonstrated by fossil fuel corporations, listed on the Bucharest Stock Exchange, regarding their climate goals for the period 2010-2020. With the pressing need to address climate change and reduce greenhouse gas emissions, it is crucial to assess whether these corporations are adhering to their commitments and taking effective action towards sustainability.

Methodology: A comprehensive analysis was conducted to evaluate the accountability practices of major fossil fuel corporations. Multiple sources of data were utilized, including sustainability or Corporate Social Responsibility (CSR) reports, public statements, and independent assessments. The research employed is content analysis in order to evaluate the non-financial performance of companies.

Findings: The findings reveal a mixed picture of accountability within the fossil fuel industry. Factors such as corporate governance structures, regulatory frameworks, and public pressure play significant roles in influencing accountability practices. The research also highlights the importance of transparency, stakeholder engagement, and accurate reporting as crucial elements for achieving accountability in the industry.

Limitations: This study acknowledges several limitations. Firstly, the analysis primarily focuses on publicly available information, which may not provide a complete and detailed picture of corporations' climate actions. Additionally, due to the complex nature of the fossil fuel industry, capturing all relevant variables and their interdependencies poses certain challenges. Furthermore, the study's scope is limited to a specific timeframe and may not capture long-term trends.

Originality: This research contributes to the existing literature on corporate accountability and sustainability in the context of fossil fuel corporations. By examining the extent to which these corporations adhere to their climate goals, the study sheds light on the effectiveness of their commitments and the need for enhanced accountability mechanisms. The findings provide valuable insights for policymakers, investors, and other stakeholders concerned with fostering responsible corporate behaviour and achieving climate targets. The study contributes to ongoing discussions surrounding corporate responsibility in mitigating climate change and paves the way for future research in this critical area.

Keywords: *Corporate Social Responsibility, Climate Change, Fossil Fuels, Sustainability*

JEL Classification: *M14, Q54*

Cash Flow Management and Sustainability: Special Evidence from Small and Medium Enterprises in Northwestern Province in Sri Lanka

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ABSTRACT

Purpose: This study examines the influence of cash flow management on sustainability in small and medium-sized enterprises (SMEs) in Sri Lanka's northwestern province. The objective is to provide insights into how effective cash flow management practices can enhance the sustainability and overall viability of SMEs in this geographic area, offering practical recommendations for businesses operating in the northwestern province of Sri Lanka.

Study design/methodology/approach: This quantitative study with 223 participants utilizes the Partial Least Squares regression model in a two-step approach. It assesses measurement model reliability and validity before analyzing the overall structural model. Model 1 explores the association between monitoring, planning, and controlling cash flows with environmental, economic, and social sustainability. Simultaneously, Model 2 evaluates their relationship with overall sustainability.

Findings: A measurement model establishes the reliability and validity of constructs in both Model 1 and Model 2. In Model 01, the structural model analysis confirms two hypotheses, affirming the association between monitoring cash flow and social sustainability and controlling cash flow and environmental sustainability. These results align with the correlation analysis. In Model 02, two hypotheses are validated, suggesting associations between monitoring and controlling cash flow and overall sustainability, consistent with the correlation analysis.

Research limitations/implications: The findings from this study hold significant implications for organizations, highlighting the interplay between cash flow management and diverse dimensions of sustainability. Insights gained can inform strategic decisions, emphasizing the importance of monitoring, planning, and control for holistic sustainability practices.

Originality/value: This study introduces original insights by investigating the association between cash flow management and sustainability in SMEs in the northwestern province of Sri Lanka. Utilizing SMART PLS 4.0, it validates associations, affirming the influence of monitoring and controlling cash flows on social and environmental sustainability. These findings contribute uniquely to SME sustainability literature, offering practical implications for businesses in the distinctive economic and geographic context of the northwestern province of Sri Lanka.

Keywords: *Cash Flow Management, SMEs, Sri Lanka, Sustainability*

JEL Classification: *M41, Q56, L26*

Consciousness towards Environmental Sustainability: Evidence from Undergraduate Students at Wayamba University of Sri Lanka

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ABSTRACT

Purpose: The purpose of this study is to investigate the level of consciousness and awareness among undergraduate students at Wayamba University of Sri Lanka regarding environmental sustainability. By examining the attitudes, behaviors, and knowledge of the student body, this research aims to provide empirical evidence on the extent to which environmental sustainability is ingrained in their academic and personal lives. Understanding the degree of consciousness towards environmental issues among this specific demographic can inform educational strategies and initiatives to enhance environmental awareness, fostering a more ecologically responsible and sustainable future in the university community.

Study design/methodology/approach: In this study at Wayamba University, 361 undergraduate students were sampled for a quantitative exploration of environmental sustainability. Employing questionnaires, we collected numerical data to gauge sustainability awareness. Descriptive analysis illuminates the overall environmental sustainability level. The ANOVA test improves our methodology, facilitating the examination of sustainability attitude disparities among faculties, genders, and academic years.

Findings: The study reveals an average level of environmental sustainability awareness. Noteworthy variations surface in attitudes, knowledge, intentions, and control behaviors among students across faculties. Gender differences notably influence attitudes and knowledge but show no discernible impact on control behavior and intentions. Academic year distinctions play a pivotal role in shaping intentions and knowledge, yet exhibit no notable influence on attitudes and control behavior.

Research limitations/implications: These findings underscore the need for targeted interventions in environmental education, tailoring programs to address faculty-specific and gender-related disparities. Recognizing the influence of academic progression suggests strategies to enhance sustainability awareness aligned with students' educational journeys.

Originality/value: This study uniquely enhances the discourse on environmental sustainability awareness among Wayamba University undergraduates. Examining attitudes, knowledge, and behaviors across faculties, gender, and academic years, offers novel insights into the intricate factors shaping students' environmental consciousness. Identifying disparities emphasizes the necessity for tailored educational interventions. This underscores the significance of customized approaches addressing the diverse influences of faculty affiliations, gender dynamics, and academic progression in fostering sustainable awareness and practices among university students.

Keywords: *Attitudes, Control Behavior, Environmental Sustainability, Intention, Knowledge*

JEL Classification: *Q56, I23*

The Impact of Digital Financial Literacy on Sustainability of Small and Medium Enterprises (SMEs): Evidence from Colombo District

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ABSTRACT

Purpose: This study investigates the relationship between digital financial literacy and the sustainability of small and medium enterprises (SMEs) in the Colombo district of Sri Lanka, amid economic crises. SMEs face failures due to financial challenges during such crises, compounded by inadequate technological facilities and owners lacking digital financial literacy. With a dearth of Sri Lankan studies on this topic, the research underscores the vital role of digital financial literacy in helping SMEs secure finance and ensure sustainability.

Study design/methodology/approach: This research employs a quantitative approach, conducting a questionnaire survey among 195 SMEs in Colombo. Using partial least squares modeling, it assesses three models. The first examines the association between digital financial literacy and economic, environmental, and social sustainability. The second explores the association with overall sustainability, while the third introduces firm size as a moderating variable.

Findings: The measurement model employed in this research ensures the reliability and validity of the three models. The outcomes of the first two models indicate a positive and statistically significant association between digital financial literacy and economic, environmental, and social sustainability, as well as overall sustainability within SMEs. Additionally, the results from the third model suggest that firm size does not act as a moderating factor in influencing the relationship between digital financial literacy and sustainability in SMEs.

Research limitations/implications: Enhancing digital financial literacy is vital for fostering sustainability in Sri Lankan SMEs, particularly in Colombo District. These insights guide policymakers and stakeholders in formulating targeted strategies to promote economic, environmental, and social sustainability in the SME sector.

Originality/value: This research is distinctive in examining the impact of digital financial literacy on sustainability in Sri Lankan SMEs within the Colombo District. Its emphasis on economic, environmental, and social dimensions, coupled with the scrutiny of firm size as a potential moderator, adds unique perspectives to current literature. The application of rigorous measurement models and statistical techniques enhances originality by offering a nuanced understanding of the relationship between digital financial literacy and sustainability in this specific geographic and economic context.

Keywords: *Digital Financial Literacy, SMEs, Sri Lanka, Sustainability*

JEL Classification: *G41, L53, Q56*

The Impact of Corporate Social Responsibility on Financial Distress

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ABSTRACT

Purpose: The purpose of this study is to analyze how corporate social responsibility (CSR) affects financial distress in a sample of 91 non-financial companies listed on the Colombo Stock Exchange between 2017 and 2022.

Study design/methodology/approach: To investigate how corporate social responsibility affects the financial distress of publicly listed non-financial companies, a panel regression study was conducted. The dependent variable, financial distress, is measured using the Altman Z-score. The independent variable, corporate social responsibility, is quantitatively assessed by analyzing a firm's monetary spending in three CSR dimensions: charitable donations, employee welfare, and research and development, relative to its earnings after tax.

Findings: The panel regression model used by the authors reveals a significant positive influence of CSR on the financial distress of companies listed on the Colombo Stock Exchange. The findings of this research align with the shareholder perspective and the over-investment concept of CSR, whereby management engages in CSR activities in order to get personal advantages, ultimately leading the corporation into a state of financial crisis.

Research limitations/implications: The implications of this study which focuses on the influence of CSR on financial distress are diverse. It is recommended that businesses maintain a delicate equilibrium between the vitality of CSR in terms of reputation and sustainability while exercising prudence to prevent any potential financial distress. It is important to do thorough risk assessments and ensure that CSR initiatives are in line with the organization's financial capacities. Moreover, it is essential for risk management methods to effectively tackle the possible financial difficulties that may arise as a result of CSR initiatives. These results may be used by policymakers to develop recommendations.

Originality/value: This research expands upon the current scholarly literature about CSR and its relationship with the probability of encountering financial difficulties in the context of Sri Lanka. The findings indicate that regulators should place particular emphasis on assessing the caliber of CSR when anticipating potential financial difficulties inside companies.

Keywords: *Corporate Governance, Corporate Social Responsibility, Financial Distress*

JEL Classification: *G32, G34*

Impact of Sustainability Reporting on Firms Financial Performance of Listed Companies in Sri Lanka

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ABSTRACT

Purpose: This study aims to investigate the relationship between sustainability reporting practices and the financial performance of listed companies in Sri Lanka. As sustainability reporting becomes increasingly important for businesses around the world. The purpose is to provide insights into the potential benefits and drawbacks of sustainability reporting in Sri Lanka. The dearth of research constitutes a significant knowledge gap, impairing our understanding of the extent to which sustainability reporting influences the financial performance of firms in emerging markets like Sri Lanka.

Study design/methodology/approach: To identify the impact of sustainability reporting on a firm's financial performance with reference to listed companies in Sri Lanka, the author has implemented an exploratory study in a descriptive manner using secondary data. The study employs quantitative methods, including regression analysis, to assess the influence of sustainability reporting on financial performance indicators such as return on assets (ROA) and return on equity (ROE).

Findings: The findings reveal a statistically significant positive relationship between sustainability reporting and financial performance. Companies that engage in comprehensive sustainability reporting tend to exhibit higher financial performance, as measured by ROA and ROE. This indicates that sustainability reporting is not only a tool for stakeholder communication but also contributes to the financial success of listed companies in Sri Lanka. This thorough investigation encourages companies to engage in self-reflection and strategy reassessment, aiming for a business environment marked by both financial stability and sustainable prudence.

Research limitations/implications: While this study provides valuable insights into the relationship between sustainability reporting and financial performance in the Sri Lankan context, it has certain limitations. This is limited to a five-year time frame and may not capture long-term effects. The study focuses on sample-based listed companies, and the findings may not be generalizable to small-scale businesses. Therefore, future research should consider a broader range of firms and conduct longitudinal analyses to better understand the dynamics of sustainability reporting and its impact on financial performance.

Originality/value: This research contributes to the literature by shedding light on the relatively unexplored area of sustainability reporting and financial performance in the Sri Lankan context. Findings provide empirical evidence of the value of sustainability reporting, which can guide companies in making informed decisions regarding sustainable business practices and financial performance enhancement. It underscores the originality and value of conducting research on sustainability reporting in emerging markets like Sri Lanka, which has its own unique socio-economic and environmental challenges.

Keywords: *Economic Performance, Financial Performance, Sustainability Reporting*

JEL Classification: *M41, M20*

Impact of Adherence to Green Accounting Practices on Social Responsibility of Listed Companies of Sri Lanka

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ABSTRACT

Purpose: In contemporary business environments, green accounting has gained significant recognition both nationally and internationally. When researching green accounting concepts, this study has captured the lack of studies available compared to the Sri Lankan corporate sector. Therefore, by conducting this study, the author will be highlighting the potential uses, importance, needs, and value additions that the listed companies can get in terms of developing the business. In order to reflect the way that the company needs to address this requirement, the author has conducted this study to identify the impact of implementing green accounting practices and social responsibility, especially for the listed companies.

Study design/methodology/approach: To identify the significance and impact of the current green accounting practices on social responsibility with reference to listed companies in Sri Lanka, the author has implemented an exploratory study in a descriptive manner. This is conducted as a primary study that uses quantitative data. The survey strategy was applied to gather primary data and the author has used questionnaires to gather responses. The author has followed Saunder's research onion model to reflect the structure of the study.

Findings: The research contained two assumptions, under the Green Accounting Practices as the dependent variable and as the independent variable, the author has taken Corporate Social Responsibility. The discussion concluded that there is a significant positive impact of Green Accounting practices on Corporate Social Responsibilities in listed companies in Sri Lanka, suggesting a need for its implementation.

Research limitations/implications: Analysing the significance of implementing green accounting practices and their positive impact on social responsibility can lead to policy changes, increased transparency, and standardized reporting. This highlights the potential for companies to gain a competitive advantage and suggests the need for longitudinal research.

Originality/value: This study reflects that green accounting practices add value to business operations and stakeholder value addition. Therefore, the author has generated recommendations for future researchers to conduct this research in a mixed-method and qualitative way. Then the results will contrast the reliability of this study's findings. Further, the author recommends the researchers conduct this study by considering the theoretical foams. This will help to make the changes in the business in an operational way.

Keywords: *Green Accounting Practices, Corporate Social Responsibility, Sri Lankan Corporate Sector*

JEL Classification: *M14, Q56*

Corporate Reporting and Sustainable Development Goals: Evidence from the Food and Beverage Sector

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ABSTRACT

Purpose: The United Nations (SDGs) encourages its member countries to achieve sustainable development goals (SDGs) by 2030 which provide a blueprint for creating a better future for everyone with commercially, ecologically, and socially sustainable. As almost all economies are now moving towards sustainable development, modern business enterprises are encouraged to align their business operations with SDG goals and to make adequate and necessary disclosures. Thus, the prime objective of this exploration is to profoundly examine corporate engagements and disclosures in relation to the achievement of SDGs by food and beverage companies in Sri Lanka.

Study design/methodology/approach: A qualitative approach was implemented to determine how food and beverage companies make disclosures in response to 17 SDG goals. As food and beverage products are directly connected with the well-being of individuals, we selected 26 companies for our qualitative inquiry. We executed a content analysis over annual reports and prepared a checklist on to what extent companies respond to SDGs.

Findings: We found that the majority of sample firms incorporate SDGs in their annual reports. Firms frequently address 12 SDGs. The most responded SDGs include; no poverty, zero hunger, good health and well-being, quality education, gender equity, clean water and sanitization, affordable and clean energy, decent work and economic growth, industry innovation and infrastructure, responsible consumption and production, clime action, and life on land. Moreover, the majority of firms align their SDG responses with the GRI framework, particularly under ESG metrics.

Research limitations/implications: The study offers some insightful information on how food and beverage companies implement and match their actions with SDG goals. There may be a theoretical connection between industry-specific requirements and SDGs which may be an internal driving force for manufacturers.

Originality/value: The outcomes of the study provide some practical implications as well. To ensure that firms' sustainability plans adequately address both global issues and stakeholder expectations, the new participants can look to update existing sustainability plans. Regulators can use these findings to provide guidelines or incentives that may encourage more adherence to SDGs. With the growing emphasis on socially responsible investments, understanding which SDGs are to be prioritized can also direct investor sentiment and decision-making.

Keywords: *Corporate Reporting, Global Reporting Initiative, Sustainable Development Goals*

JEL Classification: *M41, Q01*

SESSION 08

BEHAVIORAL FINANCE – 2

The Impact of Financial Literacy on Investment Decisions among the Households in Gampaha District

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ABSTRACT

Purpose: Today's financial scenarios are more complex, and as a result, financial literacy is very important for everyone. People have different financial literacy levels, and due to that, they are making different kinds of decisions. Financial literacy is very important to manage expenses, manage risk effectively, and minimize risk. When people have good financial literacy levels, they always try to make effective financial decisions. The objective of the study is to examine the impact of financial literacy on investment decisions among households in Gampaha District.

Study design/methodology/approach: The researcher used structured questionnaires to collect data from households in the Gampaha district. The researcher used the convenience sampling method to collect the data from the 384 households in Gampaha district. Financial literacy consists of four dimensions: financial knowledge, financial skills, financial behavior, and financial attitude, whereas investment decisions are measured by including neutral information, advocate recommendations, accounting information, and personal financial needs.

Findings: According to the regression analysis, the overall model is significant, and the coefficient of determination reflected the determination power of the independent variables was 52%. The coefficient of regression analysis showed that there is a significant impact of financial knowledge, financial skill, and financial behavior on investment decisions. However, there has been no significant impact of financial attitudes on investment decisions.

Research limitations/implications: Though the study provides insightful information, it should be noted that the sample size was rather small, representing only a portion of the 384 households in the Gampaha district. Increasing the sample size and ensuring representation from different geographical areas within the district, each with different financial behaviors and investment preferences, are critical considerations to improve the representativeness of future research.

Originality/value: The findings showed that financial literacy significantly impacts investment choices, with financial knowledge, skills, and behavior having a significant influence. Studies have consistently shown that individuals with high financial literacy make fewer investment mistakes and earn higher returns. This study emphasizes how crucial it is for households to improve their financial literacy and decision-making abilities.

Keywords: *Financial Literacy, Gampaha District, Households, Investment Decisions*

JEL Classification: *G53, Q12, G11*

Investor Perception of Audit Expectation Gap: A Special Reference to Listed Companies in Colombo Stock Exchange

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ABSTRACT

Purpose: This was informed by the well-publicized collapses of large companies and the eventual incrimination of the external auditors, during recent times. This has highlighted the audit expectation gap. Many believe that audited financial statements offer assurance of a company's viability. Investors place trust in external auditors as guarantors of a firm's financial well-being. This trust significantly shapes the audit expectation gap, which can narrow or widen depending on investors' comprehension of auditors' roles.

Study design/methodology/approach: This study employs a self-reported questionnaire to gauge Colombo Stock Exchange investors' perceptions of the audit expectation gap, covering fraud detection, internal controls, sustainability assessment, and error identification.

Findings: The study exposes a significant expectation gap among Colombo Stock Exchange investors in fraud detection, internal control reporting, sustainability assessment, and error detection. Investors expect auditors to take on broader roles than auditors acknowledge. Several factors contribute to this gap. Investors with more education and investment experience have lower expectations of auditors, as do those with auditing knowledge and awareness of the audit expectation gap.

Research limitations/implications: In the Colombo Stock Exchange, institutional investors wield significant influence. This study examines their perspective on the audit expectation gap, emphasizing the need to recognize audit limitations and consider additional factors like management, business models, and competition. Investors can mitigate the gap by selecting companies with strong governance and diversifying investments for risk management.

Originality/value: This study solely examines the influence of investors' perceptions on the Audit Expectation Gap, but many institutional investors are present in the Colombo Stock Exchange. Future research can delve into the impact of perceptual factors on institutional investors, offering new avenues for auditing and investor behavior studies.

Keywords: *Audit Expectation Gap, Colombo Stock Exchange, Investor Perception*

JEL Classification: *M42, G14*

Impact of Financial Literacy on Money Management: Special Reference to Management Undergraduates in Sri Lanka

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ABSTRACT

Purpose: This study aims to explore how financial literacy impacts the money management skills of management graduates in Sri Lanka. With a focus on addressing the prevalent challenges in money management, the research seeks to provide insights that contribute to targeted financial education initiatives tailored to the specific needs of this demographic in the Sri Lankan context.

Study design/methodology/approach: This study employs two sub-variables, cash management, and savings management, to investigate the relationship between financial literacy and money management among management undergraduates in Sri Lanka. Three hypotheses are formulated to examine the impact of financial literacy on overall money management, as well as its specific effects on cash and savings management. Data collection involves the distribution of a questionnaire through the Google platform, reaching 386 management undergraduates in public universities, based on the sample size determined by the Morgan table.

Findings: The study's findings indicate that financial literacy significantly predicts effective money management among management graduates. Additionally, a substantial and moderately strong positive influence of financial literacy is observed in both savings and cash management. The robust fit of the models employed in the analysis reinforces the reliability of these results. In essence, the research underscores a meaningful relationship between financial literacy and diverse aspects of money management, emphasizing the pivotal role of financial knowledge in shaping sound financial practices among the surveyed management graduates.

Research limitations/implications: While acknowledging limitations such as the exclusive focus on management undergraduates from public universities and reliance on self-assessment for financial literacy, this study emphasizes the importance of financial literacy in money management. The findings suggest the need for broader participant inclusion and potentially more objective measures in future research, reaffirming the pivotal role of financial literacy in effective money management.

Originality/value: The study highlights a crucial insight: elevating individual financial literacy is key to proficient money management. This not only benefits personal development but also holds broader implications for the economic progress of the country. The findings emphasize that by enhancing financial literacy, individuals can make more informed financial decisions, contributing to both personal growth and the overall economic development of the nation.

Keywords: *Cash Management, Financial Literacy, Money Management, Savings Management*

JEL Classification: *G53, Q12*

The Impact of Financial Literacy on Financial Behaviour of Management Undergraduates of State Universities in Sri Lanka

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ABSTRACT

Purpose: Good financial decision-making is becoming increasingly important to the people in the world. To make more successful financial decisions, a person should have good financial literacy. It can reflect a more successful financial behavior. At present, having a very good financial literacy has become an essential part of the individual. Therefore, this paper aims to examine the impact of financial literacy on financial behavior.

Study design/methodology/approach: The study has identified three independent variables namely, financial education, financial socialization, and financial attitudes, and three dependent variables namely, spending, saving, and investment behavior. This research focuses on a deductive approach and uses a questionnaire for collecting data. Hence, the study has selected 200 undergraduates who follow a degree in the area of Management at a state university in Sri Lanka. The study carried out a correlation and regression analysis in order to identify the relationships.

Findings: The findings indicated that financial literacy, encompassing elements such as financial attitude, financial education, and financial socialization, had a significant impact on each of these financial behaviors. Students with higher levels of financial literacy were more likely to engage in prudent spending, effective saving, and informed investment decisions.

Research limitations/implications: The primary limitation of this study lies in its focus on management undergraduates from state universities in Sri Lanka. The scope of financial literacy (FL) is broad, covering a wide range of technologies and applications. However, this research has focused only on financial education, financial socialization, and financial attitudes.

Originality/value: The results of the study will be useful to many parties such as the government, Educational, and Industry Experts in order to make decisions in the current context. This study underscores the importance of nurturing financial literacy among university students in Sri Lanka as a means to promote their financial well-being and decision-making capabilities. It urges a collective effort from educational institutions, policymakers, and families to impart the knowledge, attitudes, and socialization experiences necessary for students to thrive financially.

Keywords: *Financial Attitude, Financial Behavior, Financial Education, Financial Literacy, Financial Socialization*

JEL Classification: *G53, Q12, G11*

Impact of Financial Literacy on Financing Decisions of Small Business Enterprises (SBEs) in Gampaha District

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ABSTRACT

Purpose: Regardless of the size or type of business the organization has, financial literacy is of the utmost importance when making decisions concerning finance which in turn influences the expansion, development, and overall success of the business. This research investigates the influence of financial literacy on the financing decisions made by small business enterprises (SBEs), with a particular focus on the SBEs operating in the Gampaha District in Sri Lanka. The primary purpose of this study is to analyze the extent to which financial literacy among SBEs affects their choices regarding financing sources and methods.

Study design/methodology/approach: The research adopts a quantitative approach to achieve research objectives. The population for this study comprises all SBEs in the Gampaha District. 100 SBEs were selected as the sample of this study using a convenience sampling technique to gain a comprehensive understanding of their financial literacy levels and financing decisions. financial literacy was measured using some important measures, such as debt-related literacy, saving literacy, investment literacy, and insurance literacy of the owners of SBEs.

Findings: The findings of this study reveal that a significant positive correlation exists between the financial literacy of small business owners and their financing decisions. More precisely, it has been established that SBE financing decisions are influenced by financial literacy related to credit management, saving, insurance, and budgeting. The statistical analysis highlights the significance of each of these areas of knowledge by revealing the statistical foundation of the relationship between financial literacy and financing decisions in SBEs. Entrepreneurs with higher financial literacy tend to make more informed and efficient financing choices, including the utilization of diverse funding sources, and sound financial management.

Research limitations/implications: Limitations of this research include the possibility of response bias in survey data and the potential influence of external factors not accounted for in the study. Moreover, the findings are specific to the context of the Gampaha District and may not be universally applicable.

Originality/value: The originality and value of this research stem from its focus on the underexplored relationship between financial literacy and financing decisions among small business enterprises, particularly in a regional context like Gampaha. The insights gained from this study can aid policymakers, financial institutions, and small business support organizations in designing more effective financial literacy programs and targeted financing solutions to bolster the growth and sustainability of small enterprises.

Keywords: *Financing Decision, Financial Literacy, Gampaha District, Small Business Enterprises*

JEL Classification: *D14, G53, Q12, G11, O16*

Relevancy of Financial Literacy on the Growth of Small-Scale Enterprises with Special Reference to Gampaha District

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ABSTRACT

Purpose: This research delves into the significance of financial literacy for small-scale enterprises (SEs) in Sri Lanka's Gampaha District. Recognizing SEs' crucial role in the local economy, our study explores how financial knowledge influences their success, highlighting the importance of enhancing financial literacy for socio-economic development.

Study design/methodology/approach: The research employs a mixed approach, combining both qualitative and quantitative methods. For quantitative data, we utilize a cross-sectional survey design and structured questionnaires, collecting information from small-sized enterprises in the Gampaha district employing 11-50 individuals. In contrast, qualitative data is gathered through depth interviews, labeled by different topics for analysis.

Findings: Enhanced knowledge in debt management, banking services literacy, budgeting literacy, and bookkeeping literacy significantly correlates with asset growth in small enterprises. Proficient debt management enables strategic assessment of interest rates and repayment terms, facilitating informed financial decisions. Banking services literacy fosters positive relationships with financial institutions, transparency in services, and effective financial navigation. Budgeting literacy empowers resource allocation and strategic planning, augmenting asset value. Modern bookkeeping tools, supported by bookkeeping literacy, maintain financial transparency and inform decision-making. Qualitative findings further reinforce and substantiate quantitative results, underscoring the importance of these financial skills in small enterprise success.

Research limitations/implications: While the study provides valuable insights, it is subject to certain limitations. It is regionally focused on the Gampaha District, and self-reported data may introduce bias. Moreover, did not deeply explore the effectiveness of existing financial literacy programs.

Originality/value: This research underscores the critical value of financial literacy in the success of small-scale enterprises, especially in regions where financial literacy levels are low. The study calls for comprehensive financial literacy programs, educational integration, and collaborative efforts involving policymakers, educators, and entrepreneurial support organizations to promote economic growth and financial resilience among small businesses. Future research could explore the effectiveness of financial literacy initiatives in more detail.

Keywords: *Banking Services, Bookkeeping Literacy, Budgeting, Financial Literacy, Debt Management, Small-Scale Enterprises, Sri Lanka*

JEL Classification: *G53, Q12*

SESSION 09

BANKING, MICROFINANCE AND ENTREPRENEURSHIP

The Impact of Demographic Factors on Loan Repayment of Microfinance Borrowers of Central Province in Sri Lanka

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ABSTRACT

Purpose: Microfinance, a transformative financial strategy, aims to alleviate poverty and empower underprivileged communities by providing access to financial services. Non-repayment of loans affects the sustainability of microfinance programs and hinders the potential for poverty reduction and economic development. Demographic factors are selected for analysis in the study to determine their significant influence on loan repayment in the context of microfinance in Central Province, Sri Lanka. The main objective of this study is to examine whether demographic factors significantly influence loan repayment with a focus on Central Province in Sri Lanka.

Study design/methodology/approach: The research adopts a quantitative approach to achieve research objectives. The population for this study comprises all microfinance borrowers in Central Province. A sample size is 200 microfinance borrowers was selected and convenience sampling was used. The demographic factors under investigation include age, gender, educational qualification, monthly income, and the purpose of borrowing.

Findings: The results of the independent sample t-test showed that among the five demographic factors examined, educational qualification, gender, and monthly income significantly influenced the loan repayment behaviors of microfinance borrowers, while age and purpose of borrowing did not demonstrate a significant impact.

Research limitations/implications: The study examined five demographic factors, but it's important to acknowledge that there could be additional factors not studied, such as household size, employment status, or borrowers' past lending experiences, which might also influence loan repayment behavior.

Originality/value: The originality of this study lies in its investigation of the impact of demographic factors on microfinance loan repayment in Central Province, Sri Lanka. It addresses a critical issue in the microfinance sector, as non-repayment of loans can have wide-ranging consequences for both the sustainability of microfinance programs and poverty reduction efforts.

Keywords: *Borrowers, Demographic Factors, Loan Repayment, Microfinance*

JEL Classification: *D91, O12*

Entrepreneurial Intention of Trained Prisoners in Agunukolapelessa

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ABSTRACT

Purpose: Entrepreneurial intention is a widely studied field of study, but it is less investigated in trained prisoners. This study aims to investigate the entrepreneurial intention among trained prisoners in Angunukolapellassa.

Study design/methodology/approach: The Theory of Planned Behaviour was used to explain entrepreneurial intention. The target population of the study is trained prisoners who undergo vocational training within the prison. Using simple random sampling the sample was selected from Angunukolapalassa and 150 usable responses were received. Multiple regression analysis was used for analysing the data.

Findings: According to this research we figured out the entrepreneurial intention of trained prisoners in the Agunukolapellessa area. The results of the study show that perceived behavioural control, entrepreneurial skill training, and subjective norms have positive significant effects on entrepreneurial intention.

Research limitations/ implications: As the vocational training of prisoners enhances their entrepreneurial intention, it is important to have such programs in prisons that will direct such prisoners to engage in business when they are released from prison. Further, their contribution to national production is also taken from such involvements.

Originality/ value: Accordingly, this research highlights the majority of male prisoners between the 26 and 32 age category and they are educated up primary level. However, this program is a very simple and understandable awareness program for them. It can be arranged to enhance their practical knowledge and skills in addition to their vocational training. These trainings will help them to actively engage with a new startup to be the better persons in the society. However, this sample is not enough to get an idea of generalizing. Therefore, future studies can fill this existing knowledge.

Keywords: *Perceived Behavioral Control, Subjective Norms, Entrepreneurial Skill Training, Entrepreneurial Intention*

JEL Classification: *M13*

Board Characteristics, Ownership, and Financial Performance of Financial Institutions before and during the Crisis in Sri Lanka

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ABSTRACT

Purpose: This study aims to investigate the impact of board characteristics and ownership structure on the financial performance of listed financial institutions before and during the ongoing crisis in Sri Lanka. The Sri Lankan economy has experienced triple shocks (April 2019, COVID-19, Economic crisis), and the financial services sector in Sri Lanka has continued to absorb risks and shocks that continue to emerge post-2019. Hence, it is pertinent to examine the financial services sector performance and whether corporate governance and ownership have been able to assist in times of crisis.

Methodology: Data were collected from randomly selected 40 listed financial institutions from 2015 to 2022. The total number of observations was 320. Two measures (ROE, and ROA) of financial performance were used as the dependent variable. Board size, board independence, proportion of female directors, board meetings, audit committee size, and ownership structure comprised board composition variables. A categorical variable (crisis year) was included where the financial from 2015 to 2019 was labelled '0' and the financial years after 2019 were labelled '1'. The control variables of the study were the natural log of total assets, firm growth, firm age, and leverage. Panel data analysis was employed to test the empirical regression models.

Findings: Financial performance measures were lower during the crisis year than in pre-crisis years. ROE during the crisis years was significantly lower than the years before the crisis. However, the impact of board characteristics on financial performance was mixed. Among them, the board meeting was found to have a partially significant and negative impact on ROE. Ownership structure had no impact on financial performance before or during crisis years. Further, crisis years had a significant negative impact on ROE.

Limitations/Implications: This study does not capture the structure of the financial services sector in Sri Lanka. Further, the impact of the economic crisis is ongoing and may be felt for many more years to come. The main implication shall be on the boards and owners to ensure that the financial services sectors maintain stability and stifle the effects of various external shocks and risks on the financial institutions and the sector.

Originality: This study is among the studies that contribute to understanding the role of corporate governance and ownership in a crisis-hit frontier economy.

Keywords: *Board Composition, Corporate Governance, Crisis, Financial Institutions, Ownership Structure*

JEL Classification*: G34, M41*

Bookkeeping and Performance of Small Business Enterprises with Special Reference to Polgahawela Urban Area

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ABSTRACT

Purpose: The bookkeeping and performance of Small Business Enterprises (SBEs) in the Polgahawela urban area were investigated in this study. Small businesses in Sri Lanka underperform, with a failure rate of up to 75% within the first five years. This underperformance could be attributed to a lack of good bookkeeping, emphasizing the need for additional research on the role of bookkeeping in Sri Lankan economic development. Therefore, this research focuses on studying the factors affecting bookkeeping towards SBEs' performance.

Study design/methodology/approach: The study encompasses four independent variables, namely competition, legislation, growth, and government policies each representing factors affecting bookkeeping on SBEs. These variables are meticulously chosen to illustrate their collective impact on the performance of SBEs. The Polgahawela divisional secretariat reports that 200 SBEs have been registered in the Polgahawela urban area, which is the population of this research. The sample was selected as 132 with reference to Morgan's table. The data were collected through a questionnaire and were analyzed by applying statistical tests and by using SPSS software after ensuring the reliability and validity of the questionnaire.

Findings: Findings reveal a positive significant relationship between all four independent variables of competition, legislation, growth, government policies, and SBEs' performance. Competition showed the strongest positive relationship with performances and growth had the lowest positive relationship with bookkeeping and performances. Both Pearson correlation results and multiple regression results support these findings.

Research limitations/implications: The research has limitations, including not addressing competitive strategies for small business enterprises, generalizing results, using limited sample size, not examining demographic factors, and relying on foreign journals.

Originality/value: This is the first research conducted to identify the relationship between bookkeeping and SBE's performance by analyzing the four factors of competition, legislation, growth, and government policies that affect the bookkeeping of small business enterprises in the Polgahawela urban area.

Keywords: *Bookkeeping, Performance, Small Business Enterprises*

JEL Classification: *L25, M41*

The Impact of Micro Finance Services on the Living Standard of People in Kurunegala District

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ABSTRACT

Purpose: The main aim of this research report is to identify the impact of microfinance activities on the living standards of people in Kurunegala district. It tries to investigate the impact between microfinance and living standards. Microfinancial institutes provide a variety of financial services to households, such as loans, money transfers, and deposits. Poverty is one of the most critical questions in the world, and everyone tries to develop different kinds of strategies to reduce the poverty level of poor people. In this particular study, it is expected to identify how microfinance services impact the living standards of people.

Study design/methodology/approach: The primary data were collected through questionnaires. The sample selected 200 individuals who are living in Kurunagala district. Different representative clusters were considered when collecting data, such as income levels, gender, and education levels. After collecting the questionnaire, the researcher tests the normality of the collected data and its reliability. Multiple regression analysis was used to investigate the impact of independent variables on dependent variables.

Findings: According to the analysis data, based on the coefficient of determination, it was found that there is a high determination power of the selected independent variables to determine the living standards. The overall model is also statistically significant. Finally, it was found that micro-credit, micro-savings, and training programs significantly impacted the living standards of the people in Kurunagala district.

Research limitations/implications: This particular study focused only on the Kurunagala district. Due to the limited constraints, a limited scope was selected, and in the future, it is expected to expand the study with a large scope. The findings of the study revealed that microfinance services can be implemented as a tool of alleviation and will be impacted to enhance the living standards of people.

Originality/value: The findings will be useful for policymakers to identify how microfinance relates to enhancing the living standards of people, especially in poor households. At the end of the study, the expectations based on the problem of the research were achieved and a kind of empirical vacuum was filled.

Keywords: *Living Standards, Micro Credit, Micro Finance, Micro Savings, Training Programs*

JEL Classification: *G21, M53, E51*

Impact of Credit Risk Management on Corporate Performance of Financial Firms in Sri Lanka

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ABSTRACT

Purpose: Banks and financial institutions play a vital role as they lead to the financial stability of the overall economy. Dealing with public funds also creates more public responsibility. Financial firms always encounter a trade-off between profitability and liquidity. While financial stability is required for business sustainability, adequate liquidity is required to pay back customers when they request. Credit disbursements without a proper assessment can hinder both profitability and liquidity. Effective credit management practices need to be implemented after granting such credits. Thus, we evaluate the effect of credit risk management on the corporate performance of financial firms in Sri Lanka.

Study design/methodology/approach: The theoretical framework of this study lays down the foundation to empirically test the relationships between elements of credit risk management practices and corporate performance. Secondary data was accessed over annual reports (2011-2019) published by a sample of 56 banks and finance companies. While descriptive analysis explored data distribution, panel regression models determined the causal effects of credit risk management on corporate performance.

Findings: As per the Hausman test results, the random effect model captured more variation in corporate performance in response to credit risk management. Accordingly, loan loss provision shows a significant and negative effect on ROA. Credit limit (proxied by the maximum allowable percentage of credits out of total deposits), however, positively and significantly affects ROA.

Research limitations/implications: Though the study encountered a few limitations; not considering turbulent periods (Covid-19 and economic crisis), and disregarding a qualitative inquiry, we provide important implications for the banking literature. Making more provisions against non-performing loans, of course, can decrease corporate performance. Many loan disbursements with the increased credit limit may generate more profits.

Originality/value: Our findings also carry some practical implications which will be useful for practitioners and regulators. It necessitates careful loan disbursements with a proper assessment of the creditworthiness of borrowers in order to avoid resulting default customers. Though the increased credit limit increases profitability, it may, in turn, deteriorate the liquidity position of the firm.

Keywords: *Credit Limit, Corporate Performance, Credit Risk, Loan Loss Provision*

JEL Classification: *G21, G23*

SESSION 10

CONTEMPORARY FINANCE

Financial Inclusion, Digitalization, Corporate Responsibility, and Sustainable Development in Developing Economies: A Review of Exploring the Association

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ABSTRACT

Purpose: The purpose of this paper is to examine financial inclusion as a tool to contribute to sustainable development and promote equality, eliminate poverty, and economic development. Sustainable development goals can be realized through improved financial inclusion and accessibility of financial services in particular in developing countries.

Methodology: A comprehensive and systematic literature review was conducted to evaluate the relationship between financial inclusion, digitalization, sustainability, and corporate responsibility. A bibliometric analysis of the articles indexed in the SCOPUS database throughout the period of 2010-2022 was performed.

Findings: The findings outline the features and aspects of financial inclusion in the context of developing economies. It sheds light on the importance of corporate responsibility and technological advancements for sustainable development. While financial technologies contain some disadvantages and threats, the digitalization reflected in FinTech has a paramount role to play in achieving financial inclusion. In addition, the implications of financial inclusion for developing economies are highlighted, and the links between financial inclusion and CSR are assessed. Yet, further focus should be shifted toward threats that digitalization can trigger.

Limitations: Although the research suggests theoretical and practical implications for policymakers, scholars, and practitioners, it acknowledges some limitations. The findings are based on a qualitative literature review, which may not provide a complete picture of the issues under discussion. Still, the results may lay the foundation for further quantitative analysis of empirical data to explain the relationship of studied variables and consider trends.

Originality: This research contributes to the existing literature on financial inclusion, sustainability, digitalization, and corporate responsibility. The findings provide insight for researchers, policymakers, and managers concerned with social well-being and economic development.

Keywords: *Corporate Social Responsibility, Digitalization, Economic Development, Financial Inclusion, Sustainability*

JEL Classification: *M14, O10*

Fintech and Financial Inclusion: A Bibliometric Evaluation

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ABSTRACT

Purpose: Financial Technology (Fintech) plays a vital role in achieving financial inclusion by dismantling historical barriers that have excluded many from formal financial services. This is crucial for sustainable development as it contributes to poverty reduction, economic growth, and overall well-being. While numerous studies on fintech and financial inclusion have been conducted in economics, finance, and management, to date, no significant effort has been made to provide a comprehensive scientific mapping of this domain. Therefore, the goal of this study is to conduct a bibliometric analysis of financial technology (FinTech) and financial inclusion to examine the domain's evolution and current trends.

Study design/methodology/approach: A total of 269 documents from the Scopus database were utilized for this research, spanning from 2016 to 2023. Bibliometric analysis was conducted using VOS Viewer and an R-language program called Bibliometrix, operating within a browser-based package named Biblioshiny. These tools were employed to dissect the intellectual and conceptual framework of the literature and map knowledge structures.

Findings: Our findings indicate that the topic has garnered significant interest from the scholarly community since 2016, likely driven by the announcement of sustainable development goals in 2015, reflecting scholarly dedication to addressing sustainable development issues. The USA emerged as the top contributor both in terms of a country's production and as the most relevant country by corresponding authorship. The trending topics in this research area pertain to inclusive finance, digital finance, poverty, and artificial intelligence. Our study highlights prominent papers.

Research limitations/implications: Our study will aid researchers and policymakers in identifying and understanding the existing literature in this domain, enabling scholars to identify future research opportunities by understanding influential papers, authors, journals, and funding institutions.

Originality/value: Although numerous studies have been conducted in the field of FinTech and financial inclusion, no significant effort has been made to provide a scientific mapping of these areas. Hence, this work makes a novel contribution by employing bibliometric approaches to study these domains.

Keywords: *Bibliometric Analysis, Financial Inclusion, Financial Technology, Fintech, Science Mapping, Sustainability*

JEL Classification: *E6, Q56*

Nexus between Digital Financial Inclusion and Development A Case Study of India

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ABSTRACT

Purpose: The study investigated the level of digital financial inclusion in India and also test the impact of digital financial initiatives on economic growth of country.

Design/methodology/approach: Present study employs secondary data**.** Trend analysis and regression analysis are used to study the research problem. Data from 2004 to 2021 is employed to study the progress made by country in different indicators related to digital financial inclusion. Further, Regression analysis is performed to evaluate the impact of Digital financial inclusion on economic growth of country. Present study employs Data from Centre for monitoring Indian economy and Reserve Bank of India is for present study.

Findings: The results indicate the digital financial inclusion has improved in country over the number of years. Moreover, the results of regression analysis portray a positive association between financial inclusion and development indicators.

Practical implications: Appropriate utilization of formal financial services accelerates economic development as it allows the individuals to manage the financial affairs wisely financial inclusion facilitates economic growth thus leads to overall development. The study suggests that the government should focus to augment the financial inclusion process.

Research limitations/implications: The major limitation of this study involves selection of limited variables. As the digital financial inclusion is at niche stage in India, data could be obtained for a limited variable only.

Originality/value: This study is an attempt to examine the progress of digital finance which has not been addressed earlier in literature.

Keywords: *Financial Inclusion, Digital Finance, Mobile Banking, ATM, Credit Card*

JEL Classification: *E6, Q56*

The Impact of Corporate Governance on Earnings Management: Evidence from Listed Companies in Sri Lanka

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ABSTRACT

Purpose: This study aims to explore the association between corporate governance mechanisms and the extent of earnings management in listed companies in Sri Lanka. The backdrop includes financial failures in both local and international companies attributed to weaknesses in corporate governance systems and subpar financial reporting quality. Recognizing this, stakeholders increasingly acknowledge the imperative for robust corporate governance policies and procedures. By investigating this relationship, the research seeks to contribute insights that can enhance corporate governance practices and mitigate the risks associated with earnings management in the Sri Lankan business landscape.

Study design/methodology/approach: This quantitative study analyzed annual reports (2019-2022) of all financial sector companies on the Colombo Stock Exchange. Two models were developed: Model 1 explored the association between the corporate governance index and discretionary accruals (an earnings management proxy). Model 2, utilizing correlation and panel regression, examined the relationship between corporate governance characteristics and earnings management in the financial sector.

Findings: Model 1 indicates a positive association between the corporate governance index and earnings management. In Model 2, a noteworthy positive association is found between board size and the level of earnings management. This implies that smaller boards may be more effective than larger ones in mitigating earnings management. However, none of the other board or audit committee characteristics show a significant relationship with the reduction of earnings management in financial sector companies in Sri Lanka.

Research limitations/implications: Improved corporate governance is crucial for reducing earnings management in Sri Lankan financial sector firms. Smaller board sizes appear more effective in this context, underscoring the significance of board structure in enhancing financial integrity.

Originality/value: This research stands out by examining Sri Lankan financial sector firms during 2019-2022, amid challenges such as the Easter attacks, COVID-19, and bankruptcy concerns. Quantitatively exploring the interplay between corporate governance and earnings management, provides unique insights into financial dynamics during crises. This contributes novel perspectives to the literature on corporate governance and earnings management in the specific context of Sri Lanka.

Keywords: *Board Size, Corporate Governance Characteristics, Corporate Governance Index, Discretionary Accruals, Earnings Management*

JEL Classification: *G34,G20,C23*

Factors Affecting the Adoption of Internet Banking by Retail Banking Customers in Sri Lanka

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ABSTRACT

Purpose: Amidst the technological advancements that have permeated the financial sector, internet banking has evolved from being an ancillary service to an indispensable element of modern finance. Notwithstanding its widespread adoption in developed nations, there remains a palpable hesitancy towards its integration in developing regions, such as Sri Lanka. This is evident despite the nation's burgeoning digital literacy and the exigencies imposed by the COVID-19 pandemic, catalyzing a shift towards digital modalities. However, the factors influencing Sri Lankan retail customers' reluctance or enthusiasm towards Internet banking remain largely unexplored.

Study design/methodology/approach: Utilising a quantitative method anchored in a deductive paradigm, data was systematically obtained from a sample of 385 retail banking clients in Sri Lanka. This data collection was facilitated via a structured online questionnaire. Subsequent analytical procedures employed advanced statistical techniques, with regression analysis serving as the pivotal technique to fulfill the study objectives.

Findings: There is an ascending propensity among Sri Lankan retail banking clientele towards the adoption of Internet Banking. Primary determinants catalyzing this trend encompass factors such as perceived ease of use, perceived usefulness, trust, perceived self-efficacy, prevailing attitudes, compatibility of the technology, and subjective norms. Nevertheless, prevailing apprehensions associated with potential risks present a notable impediment, weakening the adoption of IB by retail banking customers.

Research limitations/implications: Inherently rooted within the unique socio-cultural and technological milieu of Sri Lanka, these findings possess profound practical implications. They illuminate pathways for financial institutions to augment digital infrastructures, finesse marketing endeavors, and fortify client-centric support. Furthermore, they underscore the imperative for regulatory entities to prioritize cybersecurity and data safeguarding measures while simultaneously being conscious of socio-cultural intricacies to advance comprehensive financial inclusivity.

Originality/value: The study uniquely focuses on Sri Lanka's retail customers, examining localized factors influencing Internet banking adoption, filling knowledge gaps, and informing region-specific banking strategies.

Keywords: *Internet Banking, Retail Banking, Sri Lanka, Technology Acceptance*

JEL Classification: *H20, H21*

Impact of Customer Adaptability on E-Banking Systems: A Study Based on Commercial Banks in Sri Lanka

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ABSTRACT

Purpose: The adoption of e-banking facilities in Sri Lanka remains low, despite customers having ample access. Therefore, this research explores the challenges of adapting to e-banking, the main requirements for customers to embrace e-banking, and aims to capture the primary expectations of customers when using an e-banking system.

Study design/methodology/approach: This study employed the research onion method to delineate its research design. The research design encompassed a positivist philosophy, deductive approach, quantitative method, survey strategy, cross-sectional time horizon, and statistical data analysis technique. To collect primary data, a questionnaire survey was conducted, and the primary data were analyzed using SPSS version 25. The study focused on a sample size of 125 banking customers from private banks in Kadawatha, Sri Lanka, with a convenient sampling technique utilized for participant selection.

Findings: All five hypotheses, derived from the conceptual framework, were validated through data analysis. The study revealed a direct impact of customer requirements on the adoption of e-banking in Sri Lanka. However, customer adaptation to e-banking faces challenges, including security risks, perceived controls, awareness, attitudes, potential risks, and infrastructure limitations. Additionally, factors such as quality time spent on digital platforms, consumer behavior, internet connectivity, smart device skills, and fulfillment of smart device needs influence customer adaptation. The main expectations of customers using e-banking are fast transactions, real-time updates, time savings, and trustworthiness.

Research limitations/implications: The research findings are constrained by the sample size and a scarcity of existing literature in the research topic area. Customer barriers, encompassing attitudes, risks, perceived controls, awareness, and infrastructure, further limit the study. Nevertheless, the implications suggest the need for formulating strategic plans, optimizing resource allocation and technology investment, pinpointing areas for e-banking system enhancement, and enhancing customer engagement and satisfaction based on adaptability and preferences.

Originality/value: This research contributes significantly to the practical implications for private banks in Sri Lanka, makes a theoretical contribution to the e-banking literature, and lays the groundwork for future research opportunities.

Keywords: *Customer Adaptability for E-Banking, Customer Requirements, Private Banks in Sri Lanka*

JEL Classification: *M41, M1*

SESSION 11

MULTIDISCIPLINARY

The Impact of Spiritual Growth of Employees on Work-Life Balance

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ABSTRACT

Purpose: This study explores the intricate relationship between work-life balance and job performance, focusing on the influence of spirituality as a contributing factor. It aims to identify employee work orientations, assess their spiritual growth, and examine the correlation with work-life balance.

Study design/methodology/approach: The research adopts a mixed-method approach, employing both organic inquiry and a questionnaire survey. Organic inquiry provides qualitative insights, while the survey captures quantitative data on work orientations, spiritual growth, and work-life balance levels.

Findings: The study categorizes employees based on their work orientations, revealing diverse approaches to work. It establishes a correlation between spiritual growth and work-life balance, indicating that employees with higher spiritual awareness tend to achieve a more harmonious balance between work and personal life.

Research limitations/implications: The findings suggest that incorporating spirituality into organizational culture can positively impact work-life balance and, consequently, job performance. The study advocates for a holistic approach to employee well-being by recognizing the interconnectedness of spirituality, work, and personal life.

Originality/value: This research contributes to the existing literature by linking spirituality with work-life balance in a management context. The incorporation of organic inquiry alongside a survey adds depth to the understanding of employee experiences, offering a nuanced perspective on the subject.

Key Words: *Organic Inquiry, Spirituality, Work-Life Balance*

JEL Classification: *Z12*

Green Orientation and its Mediating Effect: A Study of Leading Manufacturer of Knit Fabrics in Sri Lanka

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ABSTRACT

Purpose: This study aims to bridge an empirical research gap in a leading manufacturing company in Sri Lanka. The organization's yearly turnover is USD 72 million with over 2,000 employees. There is no empirical evidence of the mediating effect of green orientation with its dynamics such as leadership and organizational culture and the consequence called employee engagement which is the research gap of the study. This was bridged with four research objectives:

Study design/methodology/approach: Four research objectives were achieved through a quantitative study. The sample size is 100. The unit of analysis is individual. The sampling technique is non-probability convenience sampling. The purpose of the study is hypothesis testing. This is a cross-sectional study that was done in a non-contrived study setting. The study covered a six-month analysis period.

Findings: This study achieved its objectives by employing partial least squares modeling through SMART PLS 4.0 software. Initially, the measurement model was analyzed and confirmed to establish the reliability and validity of the model. The analysis showed a direct link of leadership, and culture with employee engagement, which is mediated by green orientation.

Research limitations/implications: This study is limited to a manufacturing company in Sri Lanka. And it is limited to a cross-sectional study. The choice is justified due to the company's significance in the sector, showcasing success and sustainability to address the research gap.

Originality/value: This study contributes investigation of the mediating role of green orientation, encompassing green attitude and behavior, in the relationship between leadership, organizational culture, and employee engagement within a leading manufacturing company in Sri Lanka. These findings reveal new insights into sustainability-driven leadership and culture, showing their direct influence on employee engagement and the mediating role of green orientation. Although focused on the manufacturing sector, this study offers a conceptual framework with potential applicability to diverse industries, suggesting opportunities for future research.

Keywords: *Green Orientation, Employee Engagement, Leadership, Organizational Culture, Mediating Effect*

JEL Classification: *M1, M12*

Revolutionizing Consumer Engagement: Exploring AI-Powered Advertising in the Social Media Era

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ABSTRACT

Purpose: The purpose of the is to adopt the Elaboration likelihood model and stimulus-organism-response (SOR) framework to examine the response of Generation Z toward online advertising messages. The study will also evaluate whether AI-enabled Advertising as a moderator and Personal Involvement as a mediator has an influence on online advertising messages and have the same or different engagement effects on Generation Z. The Elaboration likelihood model and stimulus-organism-response (SOR) framework has received extensive support when tested with other generation, however, its ability to explain Generation Z response to the online advertising message, customer engagement, and Artificial intelligence-driven messages has not been fully tested.

Study design/methodology/approach: The study has adopted a cross-sectional approach. A structured questionnaire was framed with the adoptive scale of a five-point Likert scale and collected from sample size (N=584) using convenience sampling. The SmartPLS-CB-SEM modeling was used to examine the relationship between advertising messages (peripheral route and central route), AI-enabled advertising as moderator, and personal relevance as mediator on customer engagement.

Findings: This study validates the hypothesized positive relationship between advertising messages and customer engagement. The results showed that advertising message (peripheral route and central route) plays a significant role in increasing positive customer engagement in social media. On the other hand, the findings also support artificial intelligence as a moderator also influence advertising messages and customer engagement. The results also validate the mediating effect of personal Involvement on advertising messages and customer engagement.

Research limitations/implications: The study was focused only on the Generation Z population, future investigations should incorporate individuals from diverse generations, genders, and socio-economic backgrounds. the peripheral route focused only on the humorous aspect, while product features and prices were presented for the central route.

Originality/value: This study is significant because it is one of the few studies that examine the effect of online advertising messages on customer engagement. In addition, the Study also examines the moderating effect of artificial intelligence-enabled services and the mediating effect of personal relevance on customer engagement.

Keywords: *Advertising Message Type, Elaboration Likelihood Model, Personal Relevance and Customer Engagement, Social Media Platform*

JEL Classification: *H20, H21*

The Impact of Budgetary Control on Organizational Performance of Small and Medium Enterprises (SMEs): Special Reference to Kurunegala District, Sri Lanka

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ABSTRACT

Purpose: The objective of the study was to examine the impact of budgetary control techniques on organizational performance of Small and Medium Enterprises in Kurunegala district.

Study design/methodology/approach: A sample of one hundred and thirty companies was selected from the SME sector in the Kurunegala district using a convenient sampling method. The researcher has collected data by using a structured questionnaire. Owner managers have been selected as respondents to collect primary data for the research. Independent variables of the study were budget planning, budget monitoring, budget communication, and budget evaluation. Profitability and workforce productivity were the measures of organizational performance. Descriptive statistics, correlation analysis, and regression analysis were used to analyze data.

Findings: The findings of the study revealed that budget planning, budget monitoring, and budget communication positively significantly affect the organizational performance of SMEs, and budgetary evaluation insignificantly affects the organizational performance of SMEs.

Research limitations/implications: This study emphasizes the significance of budget planning, monitoring, and communication in increasing profitability and workforce productivity. The study's limitations include that it is restricted in scope since data was obtained exclusively from the Kurunegala district.

Originality/value: Although the majority of developed countries have past studies on the relationship between budgetary control and organizational success, this issue receives little attention in developing countries. Thereby, with our study, the findings fill that gap.

Keywords: *Budget Communication, Budget Evaluation, Budget Monitoring, Budget Planning, Profitability, Small and Medium Enterprises, Workforce Productivity*

JEL Classification: *M40, M41*

Application of World Trade Organizational Laws toward Promoting Foreign Direct Investments (FDI) in Sri Lanka

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ABSTRACT

Purpose: Sri Lanka has a sectorial law approach with regard to the laws related to foreign direct investments (FDI), instead of a one law that applies to FDI, which includes legislations such as Article 157 of the 1978 Constitution of Sri Lanka, The Board of Investments Act No. 4 of 1978, Intellectual Property Act No. 36 of 2003, Inland Revenue Act No. 24 of 2017 and the Strategic Development Projects Act No 14 of 2008. Each of these legislations has its own set of loopholes and ineffectiveness. This research examines the application of World Trade Organization (WTO) laws in promoting FDI.

Study design/methodology/approach: The study employs a mixed-method approach, combining qualitative analysis of relevant WTO agreements and Sri Lanka's FDI policies with quantitative data analysis of FDI trends and their correlation with WTO compliance. The black letter approach was used in this study to create a descriptive and thorough examination of the legal provisions discovered.

Findings: The WTO laws such as the Trade-Related Investment Measures (TRIMs), the General Agreement on Trade in Services (GATS), the Agreement on Subsidies and Countervailing Measures (SCM), and Trade-Related Intellectual Property Rights (TRIPs) mainly focus on promoting FDI. The previous research established the application of WTO laws in different countries, the importance of promoting FDI in an economy, and the ineffectiveness of Sri Lankan laws related to FDI. The findings confirmed that WTO agreements have reduced national governments' leeway in FDI policies.

Research limitations/implications: The limitations of this study include the scope of analysis, focusing primarily on qualitative information, which may not capture the full extent of quantitative aspects impacting FDI. Furthermore, the research's findings are subject to changes in WTO agreements and Sri Lanka's domestic policies, which may evolve over time.

Originality/value: The originality and value of this research lie in its comprehensive examination of the application of WTO laws in the context of Sri Lanka's FDI promotion. By offering insights into the potential benefits and areas for improvement in WTO compliance, this study contributes to the broader understanding of the nexus between international trade law and FDI attraction.

Keywords: *Foreign Direct Investment, Sri Lanka, Trade Agreements, World Trade Organization*

JEL Classification: *F21, F23, F53, F63*

Impact of Government Intervention towards Performance of the Agricultural Sector during Economic Crisis in Sri Lanka: Perception of Agriculture Instructors

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ABSTRACT

Purpose: The agricultural sector plays a crucial role in the economy of Sri Lanka, and the paddy sector contributes significantly to the country's GDP, providing many employment opportunities, and ensuring food security for the nation. However, the economic downturn in the country resulted in a number of challenges for the agriculture industry, hindering its growth and efficacy. This research explores the impact of government intervention on the performance of the agricultural sector in Sri Lanka, particularly during times of economic crisis. The study aims to assess the perceptions of agriculture instructors (AI) in Sri Lanka regarding the effectiveness of government policies.

Study design/methodology/approach: The research adopts a mixed approach, combining quantitative analysis using 303 AIs from 25 districts with qualitative analysis, including in-depth interviews and content analysis of responses, to gain insights into the viewpoints of these key stakeholders. The data analysis was conducted using the SPSS software package.

Findings: Findings from the study reveal that agriculture instructors in Sri Lanka generally perceive government interventions as crucial for the agricultural sector's resilience during economic crises. Key aspects of these interventions include subsidies, price stabilization measures, and infrastructure development, which can be categorized into input-related, process-related, and output-related government interventions. AIs are of the view that the economic crisis has severely hampered government interventions in process-related operations, which has had a detrimental impact on the performance of the agriculture sector in Sri Lanka. The results also showed that government interventions, particularly those pertaining to inputs and outputs, had a greater impact.

Research limitations/implications: The limitations of this study include its focus on a specific group of stakeholders (agriculture instructors), which may not represent the entire spectrum of opinions within the agricultural sector. Additionally, the findings are based on perceptions, which can be influenced by various factors, and the research does not assess the quantitative impact of government interventions.

Originality/value: The originality and value of this research lie in its focus on the often-overlooked perspectives of agriculture instructors in Sri Lanka. By examining their perceptions, the study provides insights into how government interventions are viewed within the sector, shedding light on areas where improvements can be made to enhance agricultural performance during economic crises.

Keywords: *Agriculture Instructors, Economic Crisis, Government Intervention, Sri Lanka*

JEL Classification: *Q18, Q13, E61, H1*

SESSION 12

INTELLECTUAL CAPITAL AND ACCOUNTING INFORMATION SYSTEM

Intellectual Capital and Firm Performance: Empirical Evidence from Industrials Sector in Sri Lanka

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ABSTRACT

Purpose: Building intellectual capital can improve business performance and contribute to the knowledge economy. Intellectual capital enables businesses to develop successful strategies that cannot be easily copied. The management of an organization should prioritize recruiting and grooming the best team in order to gain a competitive advantage. Additionally, it is important to properly store knowledge through intellectual assets which can further enhance the competitive position of the organization. Intellectual assets of an organization create value and increase its financial worth. This study aims to explore the impact of intellectual capital on the firm performance of the listed industrial sector in Sri Lanka.

Study design/methodology/approach: The data comprises a 155-firm-year observation of 31 companies listed under the industrials sector in the Colombo Stock Exchange for the five years from 2018 to 2022. The industrial sector consists of the listed companies under the capital goods, commercial & professional services, and transportation sectors. Modified Value-Added Intellectual Coefficient has been employed to measure the intellectual capital together with the measurements of value creation efficiencies of capital employed, human capital, structural capital, and rational capital of listed firms. This study used return on equity, operating profit to assets ratio, and gross profit to assets ratio as proxies for firm performance.

Findings: The results reveal that capital employed efficiency and human capital efficiency have a positive effect on the firm performance of listed companies in the industrial sector. However, structural capital efficiency and rational capital efficiency have not significantly impacted the firm performance.

Research limitations/implications: The findings of this study are highly relevant for decision-makers, as they demonstrate the crucial role played by intellectual capital in value creation. The results indicate that intellectual capital is a key driver of corporate performance, especially for industrial sector firms in developing economies. Therefore, governments and corporations in developing economies should prioritize investments in developing intellectual capital to enhance corporate performance and promote economic growth.

Originality/value: This study is one of the few studies in Sri Lanka to explore the empirical relationship between industrial firms in Sri Lanka and the use of the Modified Value-Added Intellectual Coefficient as a measure of intellectual capital. It also makes significant contributions by considering interaction variables and seeking consistency in results across different political regimes. However, it is important to note that the study only examines one nation and one industry, so the findings should be interpreted cautiously when attempting to generalize to other contexts.

Keywords: *Capital Employed Efficiency, Human Capital Efficiency, Rational Capital Employed Efficiency, Structural Capital Efficiency*

JEL Classification: *O34*

Impact of the Adaption of Computerized Accounting System on Business Performance with Special Reference to Small and Medium Enterprises in Kirindiwela Divisional Secretariat Division

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ABSTRACT

Purpose: Accounting is a critical component of a company that involves reporting, categorizing, and summarizing monetary transactions. Previous studies found that all new-generation small and medium enterprises (SMEs) around the world have adapted to computerized accounting, but additional research is needed to understand how SMEs adapt to new technology and integrate it into their enterprises. Therefore, this study aimed to determine the impact of a computerized accounting system over a manual accounting system on the business performance of SMEs in the Kirindiwela secretariat division.

Study design/methodology/approach: The study involves three independent variables, namely proper storage, internal control, and automated reporting. These variables are accurately chosen to exemplify their collective impact on the business performance of SMEs. According to the Kirindiwela Divisional Secretariat, 110 SMEs have been registered there, which is the population of this research. The sample size was decided as 87 with reference to Morgan's Table and the convenience sampling method was employed to select the sample. The data were collected through a structured questionnaire and were analyzed by applying statistical tests with SPSS software after approving the reliability and validity of the questionnaire.

Findings: According to the result of demographic information, SMEs of the Kirindiwela secretariat division used a computerized accounting system rather than a manual accounting system and preferred computerized accounting systems over manual accounting systems. Findings reveal a positive significant impact of computerized accounting systems over manual accounting systems on the business performance of SMEs in the Kirindiwela secretariat division.

Research limitations/implications: It used only three variables of Proper storage, Internal Control, and automated reporting to indicate the use of a computerized accounting system over the manual accounting system in this research study.

Originality/value: This is the first research conducted to identify the use of a computerized accounting system over a manual accounting system and its impact on the business performance of SMEs in the Kirindiwela secretariat division and the findings of this research study are vital for owners, managers, and accountants of SMEs as well as for policymakers and future researchers.

Keywords: *Business Performance, Computerized Accounting System, Manual Accounting System*

JEL Classification: *C88, L25, M41*

Impact of Accounting Information Systems on Organizational Effectiveness: Evidence from Small and Medium Enterprises in Kurunegala District

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ABSTRACT

Purpose: The purpose of this study was to investigate the impact of Accounting Information Systems (AIS) on organizational effectiveness in Sri Lankan Small and Medium Enterprises (SMEs). Sri Lankan SMEs started to use AIS recently. Hence, a lack of empirical studies, that found the impact of AIS on organizational effectiveness in SMEs in Sri Lanka, was observed in the literature. Though this is a fascinating issue, it has not yet been sufficiently addressed. Thus, this study intended to close this gap by addressing the problem of; does AIS has any effect on the organizational effectiveness of Sri Lankan SMEs.

Study design/methodology/approach: The study used quantitative methodology and a deductive approach. AIS was measured using accounting knowledge, management support, and record-keeping performance. The population of the study was 86,788 SMEs in the Kurunegala district and 383 SMEs were selected as the sample. Further, data was collected using a questionnaire and the collected data was analyzed using correlation and regression analysis.

Findings: Findings revealed that the AIS has a positive impact on the organizational effectiveness of SMEs in the Kurunegala district. 81.6 percent of the variance of organizational effectiveness of SMEs is explained by AIS. Further, it was found that accounting knowledge, management support, and record-keeping performance have a positive impact on organizational effectiveness in SMEs. Management support was identified as the most influential indicator of AIS on organizational effectiveness in SMEs in the Kurunegala district.

Research limitations/implications: The findings of the study added value to the AIS literature by identifying the great impact of management support on organizational effectiveness. Thus, to enhance the performance of AIS of SMEs, the management of SMEs can play a significant role. This study has been restricted only to the SMEs in the Kurunegala district. Therefore, generalizing the findings is limited.

Originality/value: This study focused on AIS through three aspects; accounting knowledge, management support, and record-keeping performance. It adds novelty and value to the existing literature.

Keywords: *AIS, Accounting, Management Support*, *Organizational Effectiveness, SMEs*

JEL Classification: *M41, O30*

The Impact of Relative Financial Growth on the Relationship between Intellectual Capital and New Product Development

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ABSTRACT

Purpose: The purpose of this research was to find the relationship between intellectual capital and new product development and how relative financial growth affects the relationship between intellectual capital and new product development. The research aims to fill the research gap in the Sri Lankan context because some research proves the relationship between intellectual capital, new product development, and relative financial growth internationally.

Study design/methodology/approach: A questionnaire was prepared based on preceding research and thereby distributed to food, beverage, and tobacco sector publicly listed companies in the Colombo Stock Exchange (CSE) to collect data. The study followed a deductive approach and it was a quantitative study. The sub-indicators of intellectual capital were human capital, structural capital, and relational capital. Relative return on investment and relative profitability, relative market share and relative sales, and meeting objective for customer satisfaction were the measures of new product development, which was the study's dependent variable. Relative financial growth served as the moderator variable of the study.

Findings: Findings revealed a significant positive relationship between intellectual capital and new product development. 65.7 percent of the variability of new product development can be explained by intellectual capital. Further, it was found that relative financial growth has a moderating effect on the relationship between intellectual capital and new product development. Thus, 64 percent of the variability of new product development was predicted by intellectual capital, relative financial growth, and the interaction of intellectual capital and relative financial growth.

Research limitations/implications: This research can be extended to other sectors in CSE. The research unequivocally demonstrates a significant association between intellectual capital and new product development, with the moderating variable of relative financial growth influencing this relationship.

Originality/value: It adds novel knowledge to the intellectual capital literature and it will be an aid for the companies in the process of managing intellectual capital needs for new product development.

Keywords: *Intellectual Capital, New Product Development, Relative Financial Growth*

JEL Classification: *M*

The Impact of ERP Systems on Firm Performances: Case of a Public Sector Organization in Sri Lanka

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ABSTRACT

Purpose: The purpose of this study is to examine how the ERP systems impact the firm's performance in the case of a public sector organization with the aim to reveal how ERP systems can facilitate the organization's development of new ventures and investigate the relationships among ERP systems, firm performance, and competitive advantage.

Study design/methodology/approach: The ERP systems capabilities were determined by Organizational factors, Technological factors, and People factors while the firm performances were measured by overall productivity. Direct questionnaires and in-depth interviews/discussions were used to get reliable data while the inductive grounded theory approach was used to analyze the study systematically. Having selected a mixed research paradigm to guide the explanatory study of ERP systems on firm performances, data was analyzed and findings were presented in both ways separately as quantitative and qualitative components.

Findings: Considering results according to quantitative and qualitative analysis, the study found that people and technological factors of ERP had a statistically significant favorable influence on case-firm performances while organizational factors of ERP impact are not statistically significant on case-firm performances. As a result, a high level of people and technological factors are connected to the positive overall productivity of the case-firm.

Research limitations/implications: The fact that this study only considers one particular company significantly may restrict how broadly the results can be applied. Nevertheless, the case study's findings indicate that the company should concentrate more on improving its people and technology aspects because they have a greater influence on overall business performance than organizational aspects.

Originality/value: Being aware of the ERP systems would aid the accounting professionals and companies of the public sector in developing countries like Sri Lanka not only to survive in the changing world but to prosper in their industry. Also, the research gives a signal to companies to move into the technological trends in the business world to survive in the market.

Keywords: *ERP Systems, Firm Performance, Organizational Factors, People Factors, Technological Factors*

JEL Classification: *M41, M19*

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