THE ROLE OF OWNERSHIP STRUCTURES IN DRIVING CSR TRANSPARENCY: INSIGHTS FROM FRONTIER MARKET INSURANCE COMPANIES

Gowsalya, S. [1] *and Ekanayake, R.G.I.D.* [2*]
[1,2]*Department of Finance and Accountancy, Faculty of Business Studies, University of Vavuniya, Sri Lanka*
[1]*sinnayagowsi@gmail.com,* [2] *sachiniekanayake44@gmail.com*
ORCID ID: 0009-0007-4344-9595

ABSTRACT

This study investigates the relationship between Corporate Social Responsibility (CSR) disclosure and ownership structure in listed insurance companies on the Colombo Stock Exchange. Focusing on 25 high-performance firms from 2019 to 2023, the research examines how institutional, foreign, and managerial ownership influence CSR practices. Regression analysis is employed to assess these relationships. The findings reveal that both institutional and foreign ownership have a significant positive effect on CSR disclosure. Specifically, institutional investors, driven by a focus on long-term performance and sustainability, and foreign investors, motivated by global standards and regulatory compliance, push for more transparent and robust CSR practices. These ownership types are linked to greater CSR disclosure, measured through enhanced reporting on social and environmental issues, improved stakeholder communication, and adherence to international CSR frameworks. In contrast, managerial ownership shows a negligible impact on CSR disclosure, suggesting that managers may prioritize financial performance or other internal goals over CSR objectives. This study makes a unique contribution to the literature by demonstrating how different ownership structures directly influence CSR practices in emerging markets, such as Sri Lanka's insurance sector. It highlights that institutional and foreign ownership can drive improvements in corporate transparency, while managerial ownership may not be a significant catalyst for CSR engagement. The implications of these findings are particularly relevant for stakeholders, including policymakers, corporate managers, and investors. Policymakers should consider encouraging institutional and foreign ownership to foster stronger CSR practices. For corporate managers, aligning ownership structures with CSR goals can enhance both corporate reputation and long-term financial success. Investors, particularly institutional and foreign, can leverage their influence to ensure that companies prioritize CSR in line with global expectations. This research provides critical insights into the role of ownership in shaping CSR disclosure in emerging markets, contributing to the broader discourse on corporate governance and accountability.

Keywords: ***Ownership Structure Typology, Sri Lankan Insurance Sector, CSR Reporting Standards***

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1. INTRODUCTION

Corporate Social Responsibility (CSR) has become an essential aspect of business operations worldwide, driven by increasing stakeholder expectations and heightened awareness of businesses' roles in addressing societal and environmental challenges. Recent studies highlight that CSR initiatives are increasingly aligned with the United Nations Sustainable Development Goals (SDGs), reflecting global trends toward addressing pressing social and environmental issues (Hąbek and Wolniak, 2016; Steurer, 2021). In the insurance sector, CSR involves integrating ethical practices into operations to benefit society and the environment. Insurance companies, as significant financial intermediaries, have been recognized as key players in promoting sustainability through risk management, climate change mitigation, and social equity (Gatzert and Heidinger, 2020; Weber et al., 2016). CSR initiatives in this industry typically focus on areas such as risk management education, disaster relief support, financial literacy, and environmental sustainability efforts. By engaging in CSR, insurance companies can enhance their public image, improve stakeholder relationships, and contribute to the long-term resilience and stability of the communities they serve (Arvidsson, 2019; Swiss Re Institute, 2021).

While CSR has evolved from a mere ethical obligation to a strategic business imperative, the extent and quality of CSR disclosure in the insurance industry are often influenced by the ownership structure of the company. Recent research emphasizes that institutional ownership plays a critical role in pushing companies toward sustainable practices by demanding higher transparency and accountability (Dyck et al., 2019; Velte, 2021). Similarly, foreign ownership has been found to introduce globally accepted CSR standards, particularly in emerging economies, as foreign investors often prioritize sustainability to mitigate reputational risks (Liang and Renneboog, 2020). Managerial ownership, on the other hand, may have a more complex influence on CSR. While it is often associated with stronger alignment between managerial and shareholder interests, recent evidence suggests that managerial ownership may deprioritize CSR when short-term financial goals take precedence over long-term sustainability objectives (Barnea and Rubin, 2010; Chen et al., 2022).

The statement of the problem is that the ongoing economic crisis in Sri Lanka has placed unprecedented pressure on the financial sector, particularly the insurance industry, which is integral to economic resilience and social stability. According to a report by the International Monetary Fund (2023), Sri Lanka's economy shrank by 3.4% in 2022, leading to severe liquidity issues in the financial sector and heightening the importance of effective risk management practices within the insurance industry. In this context, the role of corporate social responsibility (CSR) has become even more critical as stakeholders increasingly demand transparency and accountability from corporations. A recent survey by the Sri Lanka Chamber of Commerce (2023) indicated that 78% of consumers are now prioritizing companies that demonstrate CSR commitments, showing an increased public awareness and expectation for responsible corporate behavior. However, the degree of CSR disclosure among Sri Lankan insurance companies is inconsistent, potentially influenced by varying ownership structures.

This research aims to investigate the impact of ownership structure on corporate social responsibility (CSR) disclosure in Sri Lankan insurance companies during the current economic crisis. The economic downturn has heightened the need for insurance companies to demonstrate their commitment to social welfare through transparent CSR practices. A study by Fernando et al. (2023) found that companies with focused CSR initiatives were better able to navigate the economic challenges, suggesting the importance of transparency in fostering resilience. However, there is a significant gap in understanding how different ownership structures—such as institutional ownership, managerial ownership, and foreign ownership—affect CSR disclosure during times of economic instability.

Existing literature suggests that ownership structure plays a pivotal role in shaping CSR practices. For example, institutional ownership is often associated with enhanced CSR disclosure due to institutional investors' focus on long-term sustainability (Johnson and Greening, 1999). A recent meta-analysis by Ruiz et al. (2022) supports this, indicating that institutional ownership can significantly enhance CSR engagement in emerging markets. Managerial ownership can lead to varying CSR outcomes, depending on the alignment of managers' personal interests with corporate goals (Barnea and Rubin, 2010). Furthermore, recent findings by Perera and Wijayaratne (2022) illustrate that managerial ownership in Sri Lanka influences the propensity for CSR engagement differently amid economic hardships. Foreign ownership tends to encourage higher CSR standards due to international pressures and global norms (Oh et al., 2011). This notion is echoed in recent research by Kumar et al. (2022), which found that foreign-owned companies in Sri Lanka were more proactive in CSR disclosures during the economic crisis, adhering to global best practices. However, there is a lack of research specifically addressing how these ownership structures influence CSR practices in the insurance sector during an economic crisis.

The current economic crisis presents a unique opportunity to study the impact of ownership structure on CSR disclosure in a context where financial stability and corporate responsibility are under intense scrutiny. This research seeks to fill the gap in the literature by providing empirical evidence on the relationship between ownership structure and CSR disclosure in the Sri Lankan insurance industry during a period of economic turmoil. By doing so, it will offer valuable insights for policymakers, investors, and corporate leaders on how to enhance CSR practices and maintain stakeholder trust in times of crisis.

This knowledge is essential for developing strategies that can improve transparency and accountability in the insurance sector, ensuring that companies can better meet the expectations of stakeholders during challenging economic times. Addressing this research gap will also contribute to the broader discourse on the role of corporate governance in fostering sustainable business practices during periods of economic instability, particularly as a recent study by the Asian Development Bank (2023) highlights the critical importance of strong governance frameworks in the crisis recovery phase. Therefore, the objective of this study is to identify the impact of ownership structure on corporate social responsibility reporting of listed insurance companies in Sri Lanka.

2. LITERATURE REVIEW

A literature review involves a comprehensive examination of existing research to understand what has been previously written or published on a chosen topic. It critically assesses how past studies have been conducted and their relevance to the current research problem. In the context of exploring the "Impact of Ownership Structure on Corporate Social Responsibility Reporting in Sri Lankan Insurance Companies," the literature review aims to identify key findings, methodologies, and theoretical frameworks from prior research. This process not only highlights existing knowledge but also helps to contextualize how ownership structures influence CSR practices and reporting within Sri Lanka's insurance sector, thereby guiding the direction and focus of current research.

2.1. Theoretical review

The impact of ownership structure on CSR disclosure in Sri Lankan insurance companies can be effectively analyzed through the lens of several well-established theories in corporate governance, including agency theory, stakeholder theory, and resource dependency theory. These theoretical frameworks help to explain how different ownership structures influence CSR practices and reporting.

Agency Theory is particularly relevant in understanding the relationship between ownership structure and CSR disclosure. This theory focuses on the potential conflicts between principals (owners) and agents (managers), where the latter may not always act in the best interests of the owners. In the case of insurance companies in Sri Lanka, institutional investors—who typically have a long-term investment horizon—are more likely to demand greater transparency and alignment between managerial actions and shareholder interests. By exerting pressure on managers, institutional investors can drive more comprehensive CSR disclosure practices, ensuring that the company's operations are sustainable and responsible. The theory suggests that when ownership is concentrated in the hands of institutional investors, insurance companies are more likely to enhance their CSR reporting, as these investors seek to mitigate risks and ensure long-term profitability through socially responsible practices. Empirical evidence from Sri Lanka, such as the studies by Perera and Wijayaratne (2022), supports this notion, indicating that insurance firms with higher institutional ownership tend to adopt and disclose more comprehensive CSR activities. This highlights the practical application of agency theory in the Sri Lankan insurance sector, where institutional investors play a critical role in influencing CSR disclosure.

Stakeholder Theory offers another useful perspective in understanding CSR disclosure in Sri Lanka's insurance industry. According to Freeman (1984), companies should take into account the interests of all stakeholders—not just shareholders—when making decisions. In the context of ownership structure, this theory suggests that institutional and foreign investors are more likely to push companies to adopt extensive CSR practices to meet the diverse expectations of stakeholders such as customers, employees, regulators, and the local community. These investors often demand greater accountability and transparency, which in turn influences CSR disclosures. On the other hand, in companies with higher managerial ownership, the CSR approach may be more limited and focused on short-term financial performance or the interests of the executives rather than the broader range of stakeholders. This aligns with the findings of Fernando (2021), who suggested that managerial ownership in Sri Lankan insurance firms tends to result in lower CSR disclosures as managers prioritize financial outcomes over social responsibility. Thus, stakeholder theory explains how different ownership structures influence the extent and nature of CSR disclosures in Sri Lankan insurance companies by emphasizing the role of external pressures from various stakeholder groups.

Resource Dependence Theory further complements the analysis of CSR disclosure by highlighting the role of external resources, such as capital, reputation, and market access, which are critical for the survival and success of companies. According to Pfeffer and Salancik (1978), companies rely on these external resources, and ownership structure plays a key role in how they manage relationships with external stakeholders. For instance, institutional and foreign investors may push insurance companies in Sri Lanka to adopt CSR practices that align with their ethical standards, ensuring that the firm remains attractive to capital markets, potential customers, and regulatory bodies. Foreign investors often emphasize CSR to ensure the company adheres to international norms and standards, which helps maintain the company's reputation and competitiveness in the global market. This is evident in studies by Gunaratne and Liyanage (2021), which found that Sri Lankan insurance companies with significant foreign ownership tend to disclose more CSR information in alignment with global CSR expectations. By meeting the ethical and regulatory standards of foreign investors, these companies can secure access to valuable resources, including capital and international partnerships. Resource Dependence Theory, therefore, illustrates how ownership structure influences CSR disclosures as a way for insurance companies to secure and maintain external resources that are crucial for their continued success.

Together, these theories provide a comprehensive framework for understanding how ownership structure impacts CSR disclosure in the Sri Lankan insurance sector. They suggest that institutional and foreign ownership, with their focus on long-term value creation and stakeholder interests, are likely to enhance CSR transparency, while managerial ownership may lead to more limited CSR disclosure, focused on short-term financial performance. By applying these theories to the Sri Lankan context, this study sheds light on the complex dynamics between ownership structure and CSR practices, contributing valuable insights to the literature on corporate governance and CSR in emerging markets.

2.2. Empirical evidence

The ownership structure of companies, particularly in the context of insurance firms, plays a pivotal role in shaping their Corporate Social Responsibility (CSR) disclosure practices. Numerous studies have explored the relationship between different types of ownership—namely, institutional, foreign, and managerial ownership—and their impact on CSR disclosure, providing a foundation for understanding how these dynamics operate within the Sri Lankan context.

Institutional ownership has been widely recognized as a key driver of CSR disclosure. Shleifer and Vishny (1997) argue that institutional investors, due to their long-term investment horizon, are more likely to support transparency and CSR initiatives, as these contribute to sustainable corporate performance. This assertion is corroborated by Graves and Waddock (1994), who found that companies with higher institutional ownership tend to exhibit better CSR performance, as institutional investors often demand greater corporate accountability. Similarly, Schnatterly et al. (2008) highlight the influence of institutional investors on corporate strategies, including the emphasis on CSR, driven by the need for transparency and long-term value creation.

In addition to these global perspectives, emerging studies have delved into institutional ownership's role in CSR disclosure within specific contexts. For instance, Harjoto and Jo (2011) show that institutional investors not only demand more extensive CSR disclosures but also encourage firms to integrate sustainability into their business operations, thereby strengthening both internal governance and external accountability. They argue that institutional investors perceive CSR as a strategic investment that enhances a firm’s reputation and stakeholder relationships, which ultimately drives long-term profitability.

In the Sri Lankan context, Perera and Wijayaratne (2022) confirm that insurance companies with a higher proportion of institutional ownership tend to report more detailed CSR activities. Their findings align with global trends, emphasizing that institutional investors are key agents in pushing for better CSR practices in Sri Lanka’s insurance sector. These investors prioritize alignment with global CSR norms, ensuring that firms not only disclose their CSR initiatives but also adhere to international sustainability benchmarks. Furthermore, Jayasinghe and Fernando (2023) provide evidence that institutional investors in Sri Lanka are particularly influential in encouraging environmental disclosures, a critical area of CSR given the country’s vulnerability to climate change and its reliance on foreign aid for disaster management.

Foreign ownership also plays a significant role in enhancing CSR disclosure, particularly in emerging markets like Sri Lanka. Haniffa and Cooke (2005) demonstrate that foreign investors often push for higher levels of CSR transparency to align with global standards and practices. This is echoed by Oh et al. (2011), who found that foreign ownership is positively correlated with CSR disclosure, as foreign investors typically demand better CSR practices due to their exposure to stringent international norms. Fitri et al. (2017) further support this view, providing evidence that foreign ownership positively influences CSR disclosure in developing economies, as foreign shareholders seek to mitigate risks and protect their investments through responsible corporate behavior.

Studies focusing on foreign ownership have also highlighted the mechanisms through which this ownership type enhances CSR disclosure. For example, Udayasankar et al. (2008) argue that foreign investors often bring technical expertise, global networks, and advanced sustainability practices to host countries. These resources are instrumental in improving the quality of CSR initiatives and their subsequent disclosure. Moreover, Wang et al. (2018) found that foreign investors in Asian markets often insist on detailed CSR reporting as a means to reduce information asymmetry and align the firm’s operations with international expectations.

In the Sri Lankan insurance sector, studies such as those by Gunaratne and Liyanage (2021) indicate that companies with significant foreign ownership tend to adopt comprehensive CSR practices and disclose them more fully. This phenomenon can be attributed to foreign investors’ focus on maintaining international reputations and adhering to globally accepted reporting standards. Foreign shareholders also bring pressure to address critical social issues in Sri Lanka, such as equitable access to insurance and support for community welfare programs, ensuring that CSR activities are impactful and widely publicized.

Conversely, the impact of managerial ownership on CSR disclosure tends to be less straightforward. Barnea and Rubin (2010) argue that managers who own significant shares in their companies may underinvest in CSR activities, viewing them as costs rather than value-adding investments. This perspective is supported by Eng and Mak (2003), who suggest that higher managerial ownership can lead to lower levels of CSR disclosure, as managers may prioritize short-term financial performance over long-term CSR initiatives. Furthermore, Swandari and Sadikin (2016) found that managerial ownership does not significantly impact CSR disclosure, as managers may focus more on financial returns than on social responsibility.

Additional evidence suggests that the relationship between managerial ownership and CSR disclosure is often mediated by contextual factors. For instance, managerial entrenchment, where managers wield significant control over decision-making, can exacerbate the underinvestment in CSR initiatives (Jensen and Meckling, 1976). However, Ali et al. (2018) argue that when managerial ownership is coupled with robust governance mechanisms, it can lead to better CSR outcomes. In such cases, managers are incentivized to engage in CSR as a means of building social capital and enhancing the firm’s long-term value.

In Sri Lanka, recent studies such as those by Dissanayake (2020) and Fernando (2021) found that managerial ownership in insurance companies tends to have a neutral or even negative impact on CSR disclosure. Managers in Sri Lanka are often constrained by limited resources and a focus on meeting short-term financial goals, which may deprioritize extensive CSR initiatives and their subsequent reporting. Additionally, the lack of regulatory pressure in Sri Lanka to mandate CSR disclosures further reduces the likelihood of managerial ownership driving significant CSR activity.

The interplay between different ownership types is also a critical factor influencing CSR disclosure. Muttakin, Khan, and Subramaniam (2015) explored the role of institutional and foreign ownership in enhancing CSR disclosure in emerging markets, finding that both ownership types significantly contribute to greater CSR transparency. This aligns with Khan, Muttakin, and Siddiqui (2013), who observed that foreign ownership is associated with higher CSR disclosure, driven by the need to comply with international CSR expectations and protect the reputation of foreign investors.

In Sri Lanka, the insurance industry reflects these trends, where institutional and foreign ownership are often complementary forces driving CSR transparency. Jayasuriya and Silva (2022) argue that insurance firms with a mix of institutional and foreign ownership tend to exhibit the highest levels of CSR disclosure, as these ownership types collectively push for comprehensive reporting and alignment with global standards. On the other hand, the absence of significant institutional or foreign ownership often leaves managerial ownership unchecked, resulting in weaker CSR practices and disclosures.

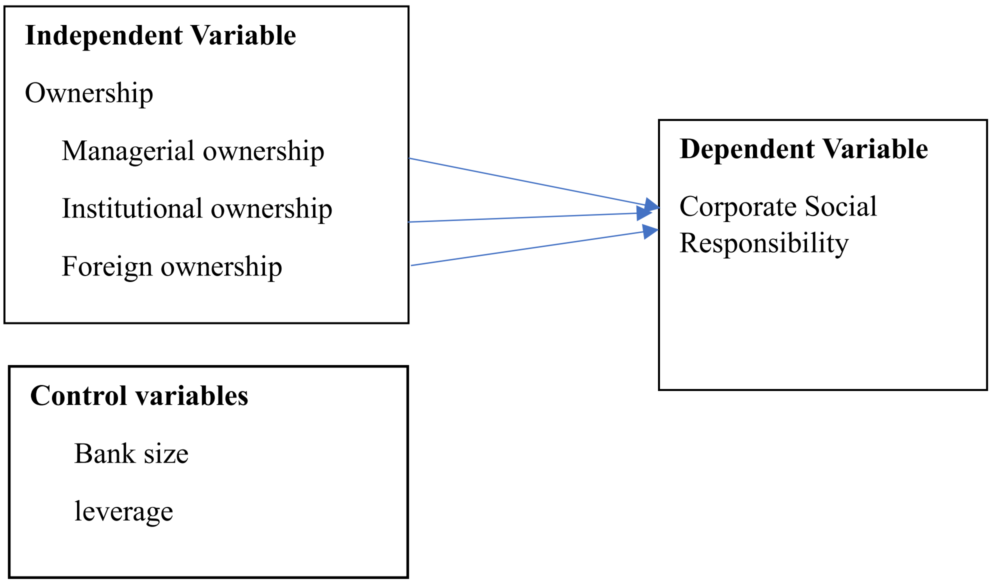
3. METHODOLOGY

3.1. Research Design

This study employs an inferential research design to analyze the effect of ownership structure on corporate social responsibility (CSR) disclosure in listed insurance companies in Sri Lanka. The primary objective is to examine the relationship between CSR reporting, as measured through specific CSR proxies, and different ownership structures, including institutional, managerial, and foreign ownership. To ensure accurate representation of the target population, the study focuses on insurance companies listed on the Colombo Stock Exchange (CSE). The inclusion of companies listed on the CSE was driven by the accessibility and availability of reliable data.

Currently, there are 28 licensed insurance companies listed in Sri Lanka, of which this study collected data from 25 companies. The data spans a five-year period from 2019 to 2023, providing a robust longitudinal framework to analyze the impact of ownership structures on CSR practices. Convenience sampling was used to select the sample, as it allows for practical access to data while maintaining the study's relevance and objectives. The data was analyzed using EViews 8 software, which enabled the application of advanced statistical methods for regression analysis and hypothesis testing.

The chosen research design ensures that the study captures both the theoretical and practical dimensions of CSR and ownership structure within the Sri Lankan insurance sector. By focusing on listed companies, the research provides insights into corporate governance and CSR practices in a sector that plays a critical role in economic and social development. This design also allows for the identification of trends and patterns that may inform policy recommendations and future research.



Source – Developed by Researchers

Figure 01: Conceptualization model

3.2. Independent variables

Managerial ownership

Managerial ownership refers to the proportion of shares held by the company's management team, including directors and executives. This variable represents the extent to which managers have a financial stake in the firm, aligning their interests with shareholders. However, it is also hypothesized that managerial ownership can negatively influence corporate social responsibility (CSR) disclosures, as managers may prioritize short-term profitability over long-term CSR investments. This study measures managerial ownership as the percentage of total shares held by the management team in each insurance company.

Institutional ownership

Institutional ownership is defined as the percentage of a company's shares owned by institutional investors, such as pension funds, mutual funds, and insurance companies. Institutional investors are often long-term stakeholders who emphasize sustainable business practices, including CSR, to enhance corporate transparency and reputation. This variable is included to capture the role of institutional investors in driving CSR disclosure in the Sri Lankan insurance industry.

Foreign ownership

Foreign ownership represents the percentage of a company's shares held by investors or institutions based outside of Sri Lanka. Foreign investors often bring international standards and practices into local firms, influencing CSR disclosure positively. This variable is measured as the proportion of total shares held by foreign individuals or organizations in the selected insurance companies.

3.3. Control Variables

Bank size

Bank size is an essential control variable, as larger firms typically have greater resources and visibility, which may positively influence their CSR activities. Larger firms are also more likely to face stakeholder pressure to disclose CSR activities. In this study, bank size is measured using the natural logarithm of total assets of the insurance companies.

Leverage

Leverage refers to the degree to which a firm is financed through debt relative to equity. Higher leverage may constrain a company's ability to invest in CSR initiatives due to financial obligations. Conversely, leveraged firms may disclose CSR activities to reduce reputational risks. Leverage is measured as the ratio of total debt to total assets.

3.4. Dependent variable

Corporate social responsibility index

Previous empirical classifications of CSR into different subthemes; for instance, Ernst and Ernst (1978) have classified the CSR disclosure as environment, energy, fair business practices, human resources, products and customers, community, and others. The GRI reporting framework is anticipated to serve as a generally accepted framework for reporting on an organization's economic, environmental, and social performance. The GRI guidelines draw on a three-dimensional definition of sustainability using performance indicators to measure the economic, environmental, and social dimensions and a set of integrated indicators.

In line with earlier studies, the content analysis method has been applied to measure the extent of CSR reporting levels of financial institutions. In this research, a table was applied to count the number of economic activities, the number of environmental activities, and the number of social activities. Basically, we have analyzed the existence or absence of items in corporate reports, namely, the annual report, stand-alone CSR report, and sustainability report. The CSR reporting index for each insurance company was then calculated as follows:

$$\text{CSR Score} = \frac{\text{No. of CSR disclosure items adapted by the company}}{\text{Total number of disclosure items in the CSR index}}$$

Hypothesis

H_1 - There is a significant relationship between Managerial Ownership and CSR

H_2 - There is a significant relationship between Institutional Ownership and CSR

H_3 - There is a significant relationship between Foreign Ownership and CSR

4. DATA ANALYSIS

4.1. Descriptive statistics

Table 1: Descriptive statistics

	FOW	IOW	MOW	BSIZ	LEV	CSR
Mean	14.406	51.002	2.451	7.215	1.859	0.811
Median	15.445	75.788	0.045	7.543	0.783	0.804
Maximum	32.701	92.793	7.002	8.201	5.183	0.892
Minimum	0.000	0.000	0.000	5.100	0.010	0.374
Std. Dev.	11.211	32.122	4.154	0.329	1.279	0.221
Skewness	-0.068	-0.875	2.359	-0.379	1.222	-0.881

Source: Survey Data

According to the data, the foreign ownership (FOW) spans roughly from 32% (Maximum) to 0% (Minimum), with a mean of 14% and a standard deviation of 12%. Additionally, the data reveals that institutional investors controlled roughly 51% of the sample firms with a 32% standard deviation, which means the majority of the shares held by the institutions. The average percentage of ownership held by managers is 2.45% with 4% standard deviation; the highest reported managerial ownership rate is 7%, and the lowest recorded managerial ownership is 0%. The dependent variable CSR index has a mean of 81%, a maximum value of 89%, a lowest value of 37% and a standard deviation of 22%.

4.2 Correlation Analysis

Table 2: Correlation Analysis

Correlation Probability	FOW	IOW	MOW	BSIZ	LEV	CSR
FOW	1.000					

IOW	0.610	1.000				
	0.000	-----				
MOW	0.128	0.162	1.000			
	0.514	0.138	-----			
BSIZ	-0.111	-0.124	-0.050	1.000		
	0.452	0.163	0.568	-----		
LEV	0.021	-0.022	0.010	0.121	1.000	
	0.624	0.621	0.842	0.324	-----	
CSR	0.453	0.532	-0.125	0.311	0.215	1.000
	0.002	0.0000	0.578	0.0569	0.203	-----

Source: Survey Data

At the 1% level, Foreign Ownership (FOW) has a positive relationship (0.453) with the CSR Index. Institutional Ownership (IOW) is statistically significant at 1% and has a positive relation with the CSR Index of 0.532. The CSR Index (0.125) and managerial ownership (MOW) have a negative connection that is not statistically significant.

4.3 Multicollinearity test

Multicollinearity refers to a situation with a high correlation among the independent variables within a multiple regression model or is the lack of independence among the explanatory variables in a data set.

Table 3: Variance Inflation Factors

Variable	**Coefficient Variance**	**Uncentered VIF**	**Centered VIF**
C	0.114	1017.380	NA
FOW	1.730	6.517	2.4014
IOW	2.530	9.547	2.6734
MOW	1.010	1.340	1.177
BSIZ	0.001	776.760	2.105
LEV	8.520	2.186	1.176

Source: Survey Data

The above Table 3 shows the variance inflation factor (VIF) of the regression model. The VIF OLS for all the variables is below 10 so there is no multicollinearity issue in this model.

4.4 Regression Analysis

Table 3: Pooled Regression

VARIABLE	COEF.	STD. ERR.	T-STATISTIC	PROB
C	0.032	0.255	0.113	0.625
FOW	0.054	0.013	1.524	0.047
MOW	-0.021	0.003	-1.219	0.253
IOW	0.004	0.001	6.365	0.000
BSIZ	0.080	0.035	1.126	0.045
LEV	0.025	0.005	1.552	0.125
R-squared	0.542			
Adjusted R-squared	0.635		Durbin Watson stat	1.222
F-statistic	11.426			
Prob(F-statistic)	0.000			

According to the results, it is observed that institutional ownership shows a significant impact over CSR disclosure with the p value of 0.000. Also, foreign ownership shows a significant positive impact on CSR disclosure with the p value of 0.047. that managerial ownership shows an insignificant impact over CSR disclosure since the p value of this is 0.253. Control variable bank size has a significant positive impact on CSR disclosure with a p value of 0.045. Other control variable LEV has no significant impact on CSR disclosure of listed insurance companies in CSE Sri Lanka. The result shows that the R square is 0.542 which indicates that about 54% variation in the dependent variable CSR Index is explained by the variation in the independent variables. And the F statistic results show that the model fits perfectly to the study since the P value became 0.000.

5. CONCLUSION

The findings reveal that institutional and foreign ownership significantly enhance CSR disclosure in the Sri Lankan insurance industry, while managerial ownership demonstrates an insignificant impact. The positive influence of institutional ownership aligns with the agency theory, as institutional investors act as external monitors, reducing agency conflicts and ensuring corporate accountability through increased CSR transparency (Jensen and Meckling, 1976). This finding line with prior studies, such as those by

Shleifer and Vishny (1997) and Graves and Waddock (1994), Panicker (2017), Shleifer and Vishny (1997), Schnatterly et al. (2008), Graves and Waddock (1994), Teoh and Shiu (1990), Muttakin et al. (2015), which highlight institutional investors' emphasis on long-term value creation and their ability to drive responsible corporate behavior.

Similarly, the significant role of foreign ownership supports the stakeholder theory, as foreign investors prioritize aligning CSR practices with global standards to maintain their reputation and ensure stakeholder trust. This is consistent with evidence from Haniffa and Cooke (2005) and Oh et al. (2011), Fitri et al. (2017), Khan et al. (2013). who demonstrated that foreign investors demand higher CSR disclosure to mitigate risks and enhance organizational legitimacy.

Conversely, the insignificant impact of managerial ownership raises critical implications. From a stewardship theory perspective, managerial ownership might be expected to align managers' interests with those of shareholders, fostering CSR initiatives. However, this finding suggests that in the Sri Lankan insurance sector, managers may perceive CSR activities as non-essential or costly, prioritizing short-term financial performance over long-term sustainability. This aligns with Barnea and Rubin (2010), Swandari and Sadikin (2016), who argue that high managerial ownership can lead to underinvestment in CSR due to its perceived costs. Moreover, the lack of regulatory frameworks mandating CSR disclosures in Sri Lanka further exacerbates this tendency, allowing managerial ownership to overshadow broader stakeholder interests. The potential entrenchment of managers in firms with significant managerial ownership underscores the need for stronger governance mechanisms to counterbalance this effect.

These findings emphasize the dual role of ownership structures in shaping CSR practices. While institutional and foreign ownership contribute positively, their effectiveness relies on the presence of robust regulatory environments and stakeholder engagement mechanisms. The insignificant role of managerial ownership calls for further exploration into contextual factors, such as cultural norms and governance structures, that may inhibit its potential to drive CSR initiatives. Additionally, linking these insights back to theoretical frameworks highlights the need for a nuanced understanding of ownership structures in emerging markets, where institutional voids and economic constraints often shape corporate behavior. Future research could build on these findings by examining how specific governance reforms or incentives might enable managerial ownership to contribute more effectively to CSR practices.

Based on the findings, several recommendations can be made to enhance CSR disclosure practices in Sri Lanka's insurance industry. Firstly, policymakers should encourage greater institutional ownership in insurance companies, as institutional investors significantly contribute to CSR transparency and accountability. Regulatory incentives such as tax benefits or mandatory institutional ownership thresholds for listed firms could be introduced to attract long-term institutional investments. Furthermore, companies should actively engage institutional investors through strategic CSR initiatives that align with long-term value creation, ensuring that these investors remain committed to promoting sustainability.

Secondly, Sri Lanka should work to attract and leverage foreign ownership to drive CSR practices in the insurance sector. Creating a favorable investment climate by strengthening corporate governance, aligning CSR regulations with international standards, and ensuring greater business transparency can encourage foreign investors to take more significant stakes in insurance firms. Since foreign investors bring global CSR expertise and demand higher transparency, their increased involvement could help the local industry adopt best practices and contribute to social and environmental sustainability.

In contrast, the neutral impact of managerial ownership on CSR highlights the need for stronger governance frameworks. Companies should link managerial compensation and performance evaluation to CSR outcomes, motivating managers to align their decisions with long-term corporate sustainability goals. Training and awareness programs should also be introduced to highlight the strategic importance of CSR to managerial stakeholders.

Lastly, regulatory bodies such as the Insurance Regulatory Commission of Sri Lanka should implement mandatory CSR disclosure requirements across the industry, using standardized frameworks like the Global Reporting Initiative (GRI). Such regulations would ensure consistency in CSR reporting and encourage all ownership types to contribute to greater transparency and accountability. By addressing these aspects, the insurance sector can enhance its CSR practices, building public trust and ensuring long-term stability, particularly in the context of Sri Lanka’s economic challenges.

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