

IMPACT OF BOARD COMPOSITION INDEX ON CORPORATE INTERNET FINANCIAL REPORTING: EVIDENCE FROM SRI LANKA

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1. Introduction

The Internet is a global tool for sharing financial and non-financial data concerning a company. The Internet offers a new option for financial reporting known as Internet Financial Reporting (IFR). Thus, this study examines the impact of the board composition index on Internet Financial Reporting.

2. Research Methodology

The study used a thorough index with 37 items that focused on presentation and content dimensions to evaluate the IFR practices of Sri Lankan firms. After carefully evaluating pre-determined criteria, the researchers used a simple random sampling technique to use 49 listed non-financial companies as the sample. The companies' board composition was evaluated based on five individual characteristics identified through literature (board size, board independence, CEO duality, gender diversity, and board activism) and a developed board composition index (BCI) to capture the effect of all identified characteristics. The researchers used the random effect model as the analytical tool based on the results of the Hausman test.

3. Findings and Discussion

The study results indicate that board size and independence are significantly associated with the IFR. The other variables, such as CEO duality, gender diversity, and board activism, do not indicate a significant association with the IFR.

4. Conclusion and Implications

The study's findings provide that the results of this study contribute to a thorough understanding of the significance of the IFR and the extent to which board composition affects it, particularly board size and board independence. Findings suggest that achieving gender diversity and activism of the board alone may not be sufficient to enhance Internet financial reporting. The implications of this research are particularly relevant in regulating the voluntary disclosure standard.

Keywords: Board Composition Index, Board Independence, CEO Duality, Corporate Internet Financial Reporting, Sri Lanka.