

MOTIVATION OF SRI LANKAN PUBLIC LIMITED COMPANIES FOR REPORTING ENVIRONMENTAL INFORMATION

N. Rajeshwaran¹ and R.P.C. Ranjani²

¹ *Department of Commerce, Faculty of Commerce and Management, Eastern University of Sri Lanka, Vantharumoolai, Sri Lanka;* ² *Department of Finance, Faculty of Commerce and Management Studies, University of Kelaniya, Kelaniya, Sri Lanka*

Corresponding author: rajesheusl@gmail.com

Objective of the study is to examine managers' perceptions regarding stakeholders' value and purpose of response to companies' environmental reporting. The study employed legitimacy and stakeholder theories as the basis for explaining environmental reporting practices. By reviewing 284 public companies' annual reports published in 2012/2013, it was observed that 134 companies disclosed environmental information i.e. 47%. Out of them, 74% of (99) companies were selected by using proportionate stratified random sampling according to the business sector as a sample to carry out the study. The questionnaire was delivered to the executives responsible for the environmental management and reporting. In case if there was no such a position, the person responsible for annual report preparation/ Chief Financial Officer/ Managing Director or CEO from the companies was selected. Responses from these managers were then contrasted with companies' quality of environmental disclosure, which was measured by using Clarkson et al.'s environmental disclosure index that was prepared based on GRI guidelines as well as quantity of environmental disclosure, which was measured by using a number of sentences. Descriptive statistics, correlation and regression were used to analyze the data. Results of the study show that there are associations among the managers' perception of various stakeholders and purpose of response and actual environmental reporting. Most important stakeholders are the government, shareholders, and environmentalists while least important stakeholders are competitors and suppliers regarding the decision to disclose environmental information. Further, the results reveal that main purpose of disclosing environmental information by companies is maintaining legitimacy than gaining or repairing legitimacy. Finally, companies legitimate their activities to society by reporting environmental performance to various stakeholders. The findings of the study would help the companies, regulators and other stakeholders in order to plan their environmental performance and reporting for making the globe a green.

Keywords: Environmental reporting, GRI, Legitimacy theory, Stakeholder theory