

5th International Undergraduate Finance Research Conference 2025

*"Financial Innovation, Sustainability, and Inclusion for a
Resilient Economy"*



PROCEEDINGS



Faculty of Management and Finance
University of Ruhuna
Sri Lanka

e-version

5th International Undergraduate Finance Research Conference 2025

*“Financial Innovation, Sustainability, and Inclusion for a Resilient
Economy”*

PROCEEDINGS

Sri Lanka Finance Association

Faculty of Management and Finance
University of Ruhuna
Sri Lanka
September 26, 2025

©Sri Lanka Finance Association 2025

This work is copyrighted, and the publisher reserves all rights. This work may not be reproduced in any form, any part, or as a whole, without the expressed or written permission of the publisher.

Disclaimer

The views expressed remain the responsibility of the authors and do not necessarily reflect the views of the publisher.

ISSN 2806 - 528X (e-version)

EDITORIAL BOARD

Advisory Editors

Senior Prof. Lalith P. Samarakoon	University of St. Thomas, Minnesota, USA
Senior Prof. D.B.P.H. Dissabandara	University of Sri Jayewardenepura, Sri Lanka
Prof. Manjula K. Wanniarachchige	University of Ruhuna, Sri Lanka

Editor-in-Chief

Mr. K.G.P.V Gunarathna	University of Ruhuna, Sri Lanka
------------------------	---------------------------------

Co-Editors

Prof. A.G. Chandana Gunathilake	University of Sri Jayewardenepura, Sri Lanka
Dr. (Mrs.) Sanjeevani Nanayakkara	University of Ruhuna, Sri Lanka
Dr. Emil Uduwalage	Wayamba University of Sri Lanka

Designer

Mr. K.R.K. Harshana	University of Ruhuna, Sri Lanka
---------------------	---------------------------------

Editorial Assitant

Mr. R.T. Wickramarathne	University of Ruhuna, Sri Lanka
-------------------------	---------------------------------

Published by:

Sri Lanka Finance Association
Colombo, Sri Lanka
Web: <https://www.slfa.lk>
Email: iufrc2025@gmail.com

PANEL OF REVIEWERS

Prof. Manjula K. Wanniarachchige	University of Ruhuna, Sri Lanka
Prof. Champika Liyanagamage	Open University, Sri Lanka
Dr. Emil Uduwalage	Wayamba University, Sri Lanka
Prof. Aruna Shantha	Open University of Sri Lanka
Dr. (Mrs.) Sanjeevani Nanayakkara	University of Ruhuna, Sri Lanka
Dr. G.R.M. Gamlath	University of Vavuniya, Sri Lanka
Dr. (Mrs.) K. Kalainathan	Univerity of Jaffna, Sri Lanka
Dr. G.K.C. Jeewantha	University of Ruhuna, Sri Lanka
Dr. M.I.M. Riyath	South Eastern University of Sri Lanka
Dr. Pratheepkanth Puwanenthiren	Univerity of Jaffna, Sri Lanka
Mrs. G.A.N. Darshi	University of Ruhuna, Sri Lanka
Mr. K.G.P.V. Gunarathna	University of Ruhuna, Sri Lanka
Ms. Thanya Weerasinghe	University of Ruhuna, Sri Lanka
Ms. W.T.D. Weerasinghe	Open University of Sri Lanka
Ms. Niluka Rajakaruna	Wayamba University of Sri Lanka
Ms. Buddhini Tharanga	Wayamba University of Sri Lanka
Ms. A.R.F. Thafani	South Eastern University of Sri Lanka
Mrs. J.P.S.D. Amarasinghe	Wayamba University of Sri Lanka
Ms. Kabishka Tharmathas	Univerity of Jaffna, Sri Lanka
Ms. S.N.R. Fiona Dias	Wayamba University of Sri Lanka
Ms. D.L.M.N.K. Ariyasena	University of Ruhuna, Sri Lanka
Ms. L. D. De Silva	University of Ruhuna, Sri Lanka
Mr. K.R.K. Harshana	University of Ruhuna, Sri Lanka
Mrs. W.Y.M.M.N. Ekanayake	University of Ruhuna, Sri Lanka
Ms. M.A.C.N. Shafana	South Eastern University of Sri Lanka

CONFERENCE TEAM

Advisory Board

Senior Prof. Lalith P. Samarakoon	University of St. Thomas, St. Paul, Minnesota, USA
Senior Prof. D.B.P.H. Dissabandara	University of Sri Jayewardenepura, Sri Lanka
Prof. Manjula K. Wanniarachchige	University of Ruhuna, Sri Lanka
Prof. Athula Ekanayake	University of Peradeniya, Sri Lanka
Prof. Idunil Dayarathna	University of Sabaragamuwa, Sri Lanka

Conference Co-Chairs

Mr. K.G.P.V. Gunarathna	University of Ruhuna, Sri Lanka
Dr. (Mrs.) Sanjeevani Nanayakkara	University of Ruhuna, Sri Lanka
Prof. A.G.C. Gunathilake	University of Sri Jayewardenepura, Sri Lanka
Prof. (Mrs.) R. Yogendrarajah	University of Jaffna, Sri Lanka
Dr. Emil Uduwalage	Wayamba University of Sri Lanka

Conference Co-Secretaries

Dr. G.K.C. Jeewantha	University of Ruhuna, Sri Lanka
Ms. Dinukee De Silva	University of Ruhuna, Sri Lanka

Organizing Committee

Mrs. G.A.N. Darshi	University of Ruhuna, Sri Lanka
Ms. D.L.M.N.K. Ariyasena	University of Ruhuna, Sri Lanka
Mr. K.R.K. Harshana	University of Ruhuna, Sri Lanka
Mrs. W.Y.M.M.N. Ekanayake	University of Ruhuna, Sri Lanka
Mrs. D.I.D. Weerakkody	University of Ruhuna, Sri Lanka
Mr. Lakshmika Abeyrathna	University of Ruhuna, Sri Lanka
Mrs. U. Kasthuri	University of Jaffna, Sri Lanka
Ms. T. Kabiska	University of Jaffna, Sri Lanka
Ms. Niluka Rajakaruna	Wayaba University of Sri Lanka
Ms. Sashikala Amarasinghe	Wayaba University of Sri Lanka
Ms. W.T.D. Weerasinghe	Open University Sri Lanka
Mr. T.H. Walathara	Open University Sri Lanka
Mr. Chamod Ranaweera	University of Ruhuna, Sri Lanka

MESSAGE FROM THE VICE CHANCELLOR - UNIVERSITY OF RUHUNA



It is with immense pleasure and honour that I extend my warmest greetings to all enthusiastic participants and contributors to the Annual International Undergraduate Finance Research Conference (IUFRC) 2025, hosted by the Department of Finance and Accountancy of the Faculty of Management and Finance, University of Ruhuna, in collaboration with the Sri Lanka Finance Association.

For today's world of globalization, the rapid technological progress, and continuously evolving financial systems enriched by emerging researchers are crucial for the development of our world in every aspect. The IUFRC 2025 is therefore both a timely and a commendable event, as it provides a vital platform for young scholars to present their research and expand their academic and professional horizons. Moreover, this conference serves as a knowledge hub for undergraduates together with the relevant researchers to discuss cutting-edge research findings in finance and share these findings effectively with practitioners and policymakers who have an interest in actively engaging in both national and international financial markets.

I wish to commend the members of the national organising committee of IUFRC 2025 for their vigorous commitment and vision in managing and regulating this valuable academic forum and express my sincere appreciation to the Sri Lanka Finance Association for their prime collaboration and guidance.

As the Vice Chancellor of the University of Ruhuna, I extend my best wishes for the successful conduct of this conference and encourage all participants to actively engage, exchange ideas, and make the most out of this platform to develop their research endeavours and professional skills.

Senior Professor P. A. Jayantha
Vice Chancellor
University of Ruhuna

MESSAGE FROM THE PRESIDENT - SRI LANKA FINANCE ASSOCIATION



It is an honor to write this message for the proceedings of the 5th Annual International Undergraduate Finance Research Conference (IUFRC) – 2025, organized by the Sri Lanka Finance Association and graciously hosted this year by the Faculty of Management and Finance, University of Ruhuna. This event has become a flagship initiative in the Sri Lanka Finance Association’s calendar, dedicated to nurturing and showcasing undergraduate research in the field of finance.

This year’s theme, “Financial Innovation, Sustainability, and Inclusion for a Resilient Economy”, resonates strongly with the dynamic and rapidly evolving global financial landscape. In an era marked by technological disruption, climate challenges, and the growing need for inclusive financial systems, this conference serves as a timely platform for young scholars to contribute meaningfully to the global conversation.

The conference provides a valuable opportunity for undergraduates from various universities to present their research findings, engage in intellectual exchange, and receive constructive feedback from a distinguished panel of academics and practitioners. The 15 high-quality papers featured this year, selected through a rigorous double-blind review process, reflect a wide spectrum of topical and impactful areas, including banking, corporate finance, corporate governance, behavioral finance, financial reporting, and financial economics.

I would like to express my sincere appreciation to the Vice Chancellor of the University of Ruhuna for graciously facilitating and supporting the hosting of this important conference. I also extend my heartfelt gratitude to the dedicated organizing committee, representing numerous universities across Sri Lanka and led by Vijitha Gunarathna, for their hard work and commitment in making this virtual event a success. My thanks further go to the reviewers and panel members, whose expertise and thoughtful evaluations have ensured the academic rigor of this conference. I am especially thankful to the authors, whose enthusiasm, innovation, and scholarly efforts lie at the heart of this initiative.

The Sri Lanka Finance Association firmly believes in the power of academic research to influence real-world financial practices and policy. IUFRC continues to serve as an inspiring forum where the next generation of finance professionals and scholars can thrive, contribute, and connect.

Manjula K. Wanniarachchige, PhD
Professor in Finance | University of Ruhuna
President | Sri Lanka Finance Association

MESSAGE FROM CONFERENCE CO-CHAIRS



It is with great pleasure that we extend a warm welcome to all participants, presenters, reviewers, and distinguished guests at the 5th Annual International Undergraduate Finance Research Conference (IU-FRC-2025). This prestigious event is proudly organized by the Faculty of Management and Finance, University of Ruhuna, in collaboration with the Sri Lanka Finance Association.

This year's theme, "Financial Innovation, Sustainability, and Inclusion for a Resilient Economy," under-

scores the vital role of finance in building a stronger, more equitable, and sustainable future. At a time when economies worldwide are navigating both unprecedented challenges and remarkable opportunities, it is essential to explore innovative solutions, embrace sustainable practices, and foster inclusive growth.

The conference serves as a valuable platform for undergraduates and recent graduates to showcase their early research, exchange ideas, and receive constructive feedback from accomplished academics and industry professionals. It is truly inspiring to witness the creativity, enthusiasm, and intellectual curiosity of our young researchers as they bring fresh perspectives to the global dialogue on finance.

We express our heartfelt gratitude to the organizing committee, reviewers, and faculty members whose commitment and hard work have made this conference possible. We also extend our congratulations to all participants for your dedication, and we encourage you to make the most of this opportunity as a foundation for your future academic and professional endeavors.

We wish you an engaging, insightful, and inspiring conference experience.

Conference Co-Chair

Mr. K.G.P.V. Gunarathna
Department of Accountancy
Faculty of Management and Finance
University of Ruhuna

Conference Co-Chair

Dr. (Mrs.) Sanjeevani Nanayakkara
Department of Finance
Faculty of Management and Finance
University of Ruhuna

MESSAGE FROM THE CO-CONFERENCE SECRETARIES



We are really proud to introduce this Proceeding and welcome you to the 5th Annual International Undergraduate Finance Research Conference (IUFRC-2025). The outstanding research contributions from undergraduate students and their committed mentors who attended this year's conference are compiled in this publication.

IUFRC-2025's theme, "Financial Innovation, Sustainability, and Inclusion for a Resilient Economy," captures the critical opportunities and challenges facing

the world's financial system today. This conference provides an essential forum for emerging scholars to offer new insights and creative solutions as we navigate a time characterized by swift technological development, climate concerns, and the need for equitable economic growth.

The abstracts collected in this publication cover a wide range of current issues, including financial markets, risk management, corporate governance, behavioral economics, sustainable finance, financial technology, and financial inclusion. To ensure academic quality and relevance to the contemporary financial conversation, each abstract has undergone a thorough peer review process. By shifting to the virtual format of IUFRC-2025, we have been able to engage with a larger global community of academics, promoting opportunities for collaborative learning and cross-cultural academic exchange that transcend national borders.

As Co-secretaries of IUFRC-2025, we want to express our sincere gratitude to the organizing committee, track coordinators, session chairs, and the keynote speaker for their unwavering dedication to academic excellence. We extend special recognition to the academic staff of the University of Ruhuna's Department of Accountancy and Department of Finance for their hard work in ensuring this conference runs smoothly. Additionally, we express our sincere gratitude to the Dean of the Faculty of Management and Finance for undertaking the organization of IUFRC-2025. Additionally, we extend our appreciation to the officers of the Sri Lanka Finance Association for their support and guidance in ensuring the smooth organization of IUFRC-2025.

The contributions of all presenters and attendees form the foundation of IUFRC-2025. As presenters, your research addresses practical financial challenges and advances the development of a more innovative, inclusive, and sustainable financial system. Since the keynote speeches and panel discussions are crucial to expanding our understanding of contemporary finance, we encourage everyone in attendance to engage with the concepts presented actively.

May the knowledge exchanged and the relationships formed at this conference catalyze future research excellence and valuable solutions that help create a more robust global economy.

Conference Co-secretaries

Dr. G.K.C. Jeewantha
Department of Accountancy
Faculty of Management and Finance
University of Ruhuna

Conference Co-secretaries

Ms. Dinukee De Silva
Department of Accountancy
Faculty of Management and Finance
University of Ruhuna

CONTENTS

Cover page.....	I
Editorial board.....	II
Panel of reviewers.....	III
Conference team.....	IV
Message from the vice chancellor - University of Ruhuna.....	V
Message from the president - Sri Lanka Finance Association.....	VI
Message from conference co-chairs.....	VII
Message from the co-conference secretaries.....	VIII
1. Impact of Integrated Reporting on Stock Returns of Listed Firms in Sri Lanka <i>Upeka Harshani</i>	1
2. Impact of Corporate Governance on Firm Performance: Evidence from Banks, Insurance, and Diversified Financial Sector in CSE <i>Hiruni Edirisinghe</i>	2
3. The Impact of Big Five Personality Traits on Investment Decision Making: Empirical Evidence from SMEs in Divisional Secretariat, Valikamam East, Kopay <i>Jasmin Julitra, T</i>	3
4. Impact of Financial Literacy on Investment Decisions: Evidence from Individual Investors in Sri Lanka <i>Satheesha E.A.P. and De Silva L.D.</i>	4
5. Impact of Corporate Governance on Dividend Policy: With Special Reference to Sri Lankan Listed Companies <i>Hirushi Apsara A. A and Nanayakkara M. S</i>	5
6. Behavioral Factors and Investment Decision-Making: Evidence from Individual Investors based in Jaffna who invest in the Colombo Stock Exchange <i>Rakshajini, K. and Kengatharan, L.</i>	6
7. Impact of Integrated Reporting on Firm Value: Empirical Evidence from Licensed Commercial Banks in Sri Lanka <i>Abiramy.S and Darshi G.A.N.</i>	7
8. The Impact of Credit Risk on Bank Profitability: Evidence from Licensed Commercial Banks in Sri Lanka <i>I.N.U. Rajapaksha and A.G. Deepal</i>	8

CONTENTS

9. Impact of Exchange Rate Fluctuations on Profitability: With Special Reference to Listed Tourism and Hospitality Firms in Sri Lanka <i>Gajanayaka K.L. and Darshi G.A.N.</i>	9
10. The Impact of Corporate Social Responsibility on Firm Financial Performance: Special Reference to Listed Hotel Companies in Sri Lanka <i>Bandara S.M.T.D, Nanayakkara M.S.</i>	10
11. The Impact of Ownership Structure and Firm-Specific Characteristics on Dividend Policy: With Special Reference to the Food, Beverage, and Tobacco Industry and the Capital Goods Industry in Sri Lanka <i>Indumini Wimalagunaratna and Vijitha Gunarathna</i>	11
12. Impact of Capital Structure on Dividend Policy: Evidence from the Food, Beverages & Tobacco, and Capital Goods sectors in Sri Lanka <i>Athukorala W.A.A.B.K and Weerakkody D.I.D</i>	12
13. The Relationship between Corporate Governance and Sustainability Reporting Quality: Evidence from Listed Companies on the Colombo Stock Exchange in Sri Lanka <i>Dulmi Wellage and Ariyasena D.L.M.N.K</i>	13
14. The Impact of Corporate Governance Mechanisms on Integrated Reporting Quality: Evidence from Licensed Domestic Commercial Banks in Sri Lanka <i>Madushika M.A.H. and Ariyasena D.L.M.N.K.</i>	14
15. The Impact of Capital Adequacy and Bank Size on Non-Performing Loans in Domestic Licensed Commercial Banks in Sri Lanka <i>Kabishka, T, and Layavani, M</i>	15

Impact of Integrated Reporting on Stock Returns of Listed Firms in Sri Lanka

Upeka Harshani

Faculty of Management and Finance, University of Ruhuna, Sri Lanka
upekaharshani2@gmail.com

Abstract

Integrated reporting redefines global corporate disclosure frameworks, creating a complex landscape of transparency. The influence of such reporting on stock returns in emerging markets, such as Sri Lanka, which voluntarily adopt it, remains underexplored. Therefore, this study examines the impact of integrated reporting on stock returns, focusing on how corporate disclosure influences market performance using data from 2020 to 2024 on 60 firms listed on the Colombo Stock Exchange (CSE). Employing a content analysis grounded in the International Integrated Reporting Framework (IIRF), the study measured the integrated reporting, while calculating stock return as the annual percentage change in stock price and incorporating firm size as a control variable based on market capitalization. Multiple linear regression was used to assess the impact of integrated reporting on stock returns. The findings suggest that firms with higher disclosure scores tend to experience enhanced stock market outcomes. This aligns with existing literature suggesting that enhanced transparency and sustainability disclosures contribute to investor confidence and reduced information asymmetry. This study enhances the understanding of the role of integrated reporting in shaping market behavior in emerging economies. Moreover, the findings have significant policy implications, providing policymakers with empirical evidence to advance corporate transparency, accountability, and overall market efficiency.

Keywords: Corporate Disclosure, Integrated Reporting, Investor Confidence, Market Valuation, Stock Returns

Impact of Corporate Governance on Firm Performance: Evidence from Banks, Insurance, and Diversified Financial Sector in CSE

Hiruni Edirisinghe

*Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna
Shashiprabhahiru321@gmail.com*

Abstract

Corporate governance is a set of policies, procedures, and guidelines that direct the leadership of companies and ensure openness, accountability, and ethical decision-making. The relationship between corporate governance and firm performance remains ambiguous, despite a considerable amount of research, with earlier studies yielding contradictory results. This study investigates whether corporate governance in Sri Lankan banking, insurance, and other financial sectors influences firm performance. Data from a sample of 56 companies spanning from year-end 2020 to 2024 was collected. A Corporate Governance Index (CGI) was constructed using fourteen best practices of corporate governance to measure corporate governance. Tobin's Q, Return on Assets (ROA), and Return on Equity (ROE) were used to measure firm performance. The firm size and firm age were used as control variables. The findings suggest that better corporate governance is associated with higher shareholder value, reflecting enhanced transparency, accountability, and strategic financial performance. This study contributes to the existing body of knowledge on corporate governance and provides valuable insights for enhancing governance procedures in Sri Lanka's financial services industry.

Keywords: Corporate Governance, Firm performance, return on Assets, return on Equity, Ownership structure.

The Impact of Big Five Personality Traits on Investment Decision Making: Empirical Evidence from SMEs in Divisional Secretariat, Valikamam East, Kopay

Jasmin Julitra, T

*Department of Financial Management,
Faculty of Management Studies and Commerce, University of Jaffna
jasminjulitra@gmail.com*

Abstract

This study aims to investigate how personality traits affect the investment decisions of SME owners. This study focuses on SMEs in the Divisional Secretariat, Valikamam East Kopay. The study examined the relationship between the Big Five personality traits: extroversion, agreeableness, conscientiousness, neuroticism, and openness to experience—and investment decision-making. The study employed a quantitative research design and used primary data. For this study, the structured questionnaire method has been chosen to gather quantitative data. Data were gathered using a convenience sampling technique. Descriptive statistics, correlation analysis, and regression analysis were employed as statistical techniques for data analysis. The findings from the correlation analysis show that most personality traits, except for neuroticism, have a positive and significant relationship with investment decision-making. Among them, openness to experience and conscientiousness had the strongest correlations. However, upon examining the regression analysis, only agreeableness and openness to experience were found to have a significant and positive impact on investment decisions. However, traits like extroversion and neuroticism were not statistically significant. Overall, the study highlights that certain personality traits can positively shape how SME owners make investment choices. These insights could help financial advisors and policymakers better support SME growth through personality-aware strategies.

Keywords: Big Five personality traits, Investment decision-making, SMEs.

Impact of Financial Literacy on Investment Decisions: Evidence from Individual Investors in Sri Lanka

Satheesha E.A.P.¹ and De Silva L.D.²

^{1,2}*Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna
¹pathumisatheesha@gmail.com*

Abstract

Financial literacy is a crucial concept for individuals in today's complex financial environment, which has a wide range of investment products and a dynamic economic environment. This study examines the impact of financial literacy on the investment decisions of individual investors in Sri Lanka. Additionally, this study examines the relationship between financial behavior, financial skills, financial knowledge, and financial attitudes, as well as their impact on investment decisions. A quantitative approach and purposive sampling technique were employed, and data were collected from 125 individual investors using a structured questionnaire administered via Google Forms. The data were analyzed using SPSS statistical software, which included descriptive statistics, correlation, and multiple regression analysis. Using reliability tests and validity tests proved that the collected data were reliable and valid.

The results showed that financial skills and knowledge have a strong positive relationship with investment decisions, while financial behavior and attitudes have a moderate relationship with investment decisions. The regression analysis revealed that financial literacy has a significant impact on the investment decisions of investors in Sri Lanka. The findings underscore the importance of financial literacy programs, particularly those aimed at enhancing the financial behavior and attitudes of investors. Therefore, targeted financial literacy programs are needed to enhance investor awareness and financial decision-making capacity in Sri Lanka.

Keywords: Financial literacy, Financial behavior, Financial skills, Financial knowledge, Financial attitudes, Investment decisions

Impact of Corporate Governance on Dividend Policy: With Special Reference to Sri Lankan Listed Companies

Hirushi Apsara A. A¹ and Nanayakkara M. S²

*¹Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna,*

*²Department of Finance, Faculty of Management and Finance, University of Ruhuna
¹hirushiapsara10@gmail.com*

Abstract

This study aims to investigate the impact of corporate governance and dividend policy of Sri Lankan listed companies. The study reviews existing literature examining the relationship between corporate governance and dividend policy. Despite extensive research on corporate governance and dividend policy globally, there have been limited studies specifically examining their relationship within the context of Sri Lankan listed companies. Thus, this study examines the impact of board size, board meetings, board independence, CEO duality, and ownership structure on dividend payouts, while controlling for firm size and return on assets.

Secondary data were collected from the annual reports of companies listed on the Colombo Stock Exchange for the period 2020–2024. A sample of 60 companies was selected to represent all listed firms. The study employed regression analysis to examine the impact of corporate governance on dividend policy. Additionally, descriptive statistics and correlation analysis were employed to summarize the data and identify relationships among the variables. The findings indicate that, among the corporate governance variables examined, only board size has a significant impact on the dividend policy of listed companies. These results offer valuable insights for corporate decision-makers, underscoring the importance of implementing effective governance practices to design dividend policies that maximize shareholder wealth. The study contributes to the existing literature by addressing a research gap in the Sri Lankan context and offers recommendations for further research, academic refinements, and theoretical advancements.

Keywords: Board Size, Board Meeting, Board Independence, CEO Duality, Corporate Governance and Dividend Policy, Colombo Stock Exchange

Behavioral Factors and Investment Decision-Making: Evidence from Individual Investors based in Jaffna who invest in the Colombo Stock Exchange.

Rakshajini, K.¹ and Kengatharan, L.²

*^{1,2}Department of Financial Management,
Faculty of Management Studies and Commerce, University of Jaffna
¹skraksh20@gmail.com*

Abstract

This study aims to inform Jaffna investors about the behavioral factors they may encounter when making investment decisions in the prevailing frontier environment, as these factors are essential parameters to consider in investment decision-making. The deductive approach was employed, as the research is grounded in existing theories of behavioral finance. A cross-sectional design was employed for data collection from the population of 13285 individual investors trading on the Colombo Stock Exchange (CSE) in Jaffna. The sample consists of 147 individual investors trading on the CSE in Jaffna. The data was gathered through the structured questionnaire. Hypotheses were tested through the correlation analysis and regression analysis. Correlation results reveal that all the behavioral factors have a positive relationship with the investment decision, and all of these relationships, except overconfidence, are statistically significant. Furthermore, the regression results highlight a significant and positive impact of herding and risk perception, whereas the negative impact of overconfidence is evident. There is no significant impact of loss aversion on individual investment decisions. The evidence of behavioral persuasions suggests that individual investors need to control their behavioral biases in making investment decisions.

Keywords: Behavioral Finance, Loss aversion, Overconfidence, Herding, Investment decision-making.

Impact of Integrated Reporting on Firm Value: Empirical Evidence from Licensed Commercial Banks in Sri Lanka

Abiramy.S¹ and Darshi G.A.N.²

*¹Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna,*

*²Department of Finance, Faculty of Management and Finance, University of Ruhuna
¹abiramiselvaraja19@gmail.com*

Abstract

Over time, corporate reporting has undergone significant transformations, with increasing emphasis on transparency and accountability. In the banking sector, trust and transparency are crucial factors influencing investor confidence and market valuation. Integrated Reporting (IR) combines both financial and non-financial details to provide a comprehensive understanding of a firm's value creation process. With a growing focus on transparency and accountability, this study investigates whether the adoption of IR practices influences firm value within the Sri Lankan licensed commercial banking sector. Firm value is primarily measured using Tobin's Q and stock price, while IRDIN is used to evaluate IR. Firm size is considered a control variable in this study. The research selected 10 licensed commercial banks as the sample, utilizing a quantitative approach to analyze secondary data extracted from annual reports for the period from 2018 to 2023. Previous studies have contradictory findings regarding the relationship between IR and firm value. This study formulated two hypotheses and employed statistical techniques, including descriptive statistics and regression analysis. The results indicate a statistically significant negative relationship between IR and firm value in Sri Lanka's licensed commercial banks. One possible reason for this outcome is that the voluntary adaptation of IR disclosures in the annual report is a trend that lacks a clear understanding of its fundamental objective and benefits. The finding suggests that policymakers, regulatory authorities, and banking institutions should develop strategies to establish an IR framework, thereby reducing its negative impact and adopting it favorably. Furthermore, raising awareness of the International Integrated Reporting Council (IIRC) framework by examining its significance in corporate reporting may contribute to improved market valuation. This research contributes to bridging the gap between corporate reporting practices and their actual impact on market valuation.

Keywords: Firm Size, Integrated Reporting, Licensed Commercial Banks, Stock Price, Tobin's Q

The Impact of Credit Risk on Bank Profitability: Evidence from Licensed Commercial Banks in Sri Lanka

I.N.U. Rajapaksha¹ and A.G. Deepal²

^{1,2} *Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna,*

¹*nimeshaupamali347@gmail.com*

Abstract

Examining how credit risk affects Sri Lankan licensed commercial banks' financial performance is the goal of this study. This study aims to bridge the existing research gap by examining the impact of credit risk on the financial performance of licensed commercial banks in Sri Lanka. Financial performance is measured using return on assets and return on equity, while credit risk is assessed through key indicators, including the total loan-to-total deposit ratio, non-performing loan ratio, and Capital adequacy ratio. This study examines these correlations to shed light on the extent to which credit risk impacts the banking industry's profitability. SPSS is used to analyze the data. A sample of fifteen licensed commercial banks was selected from the twenty-four licensed commercial banks, with data analyzed over five years from 2019 to 2023. The research relies on financial information extracted from publicly available annual reports. The sample is selected according to the purposive sampling method. The study applies descriptive statistics, regression analysis, and correlation analysis to interpret the data. The results of this study level a strong inverse relationship between return on equity (ROE) and non-performing loans (NPLs). A significant negative relationship exists between the total loan-to-total deposit ratio (TLTD) and return on equity (ROE). Capital adequacy ratio (CAR), however, does not have a relationship with ROE and ROA. These insights underscore the vital role of credit risk management in sustaining bank performance.

This study provides valuable insights for banking stakeholders, including management, regulators, investors, and legislators, by examining the impact of credit risk on profitability. The findings highlight how effective management of factors such as capital adequacy and non-performing loans can enhance loan portfolio quality, credit evaluation, and overall financial performance, even in the face of economic uncertainty. For regulators, notably the Central Bank of Sri Lanka, the results underscore the need for stricter capital adequacy requirements and enhanced credit risk monitoring to ensure financial stability. Investors may also utilize credit risk indicators to better assess banks' financial health before making investment decisions.

Keywords: Bank profitability, Capital adequacy ratio, Credit risk, Licensed commercial bank, Non-performing loans, Return on equity, Sri Lanka, Total loan to total deposit

Impact of Exchange Rate Fluctuations on Profitability: With Special Reference to Listed Tourism and Hospitality Firms in Sri Lanka

Gajanayaka K.L.¹ and Darshi G.A.N.²

*¹Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna,*

*²Department of Finance, Faculty of Management and Finance, University of Ruhuna
¹gajanayakavindi59@gmail.com*

Abstract

This study explores the effects of exchange rate fluctuations on the profitability of the tourism and hospitality sector in Sri Lanka. Previous studies have examined the impact of exchange rates on various industries; however, limited research has focused on the tourism and hospitality sector in Sri Lanka. This study aims to fill this gap by examining the impact of exchange rate fluctuations on the profitability of the tourism and hospitality sector in Sri Lanka. The study employs a quantitative approach, analyzing financial data from 23 listed hotels on the Colombo Stock Exchange from 2013 to 2023. The study used exchange rates as the independent variable, and return on assets, return on equity, and earnings per share as the dependent variables, with the inflation rate serving as the control variable. The study uses secondary data sources, including annual financial reports from the CSE and exchange rate data from the Central Bank of Sri Lanka. The study employed descriptive statistics, correlation, and regression analysis to examine the nature and strength of the relationships between variables. The findings reveal that exchange rate fluctuations have a significant impact on return on equity and earnings per share, suggesting that currency depreciation enhances shareholder returns and per-share earnings for listed hotel firms. However, this analysis finds no significant impact of exchange rate fluctuations on return on assets. These insights are valuable for policymakers and industry stakeholders in designing exchange rate policies and financial strategies to stabilize and enhance profitability in the tourism and hospitality sector.

Keywords: Earnings per share, Exchange rate, Firm profitability, Return on assets, Return on equity

The Impact of Corporate Social Responsibility on Firm Financial Performance: Special Reference to Listed Hotel Companies in Sri Lanka

Bandara S.M.T.D¹, Nanayakkara M.S.²

*¹Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna,*

*²Department of Finance, Faculty of Management and Finance, University of Ruhuna
¹thanukadbandara@gmail.com*

Abstract

The purpose of this study is to study the impact of corporate social responsibility on the financial performance of listed hotels in Sri Lanka. Thus, this study aims to address the research gap by evaluating corrective findings from existing research and identifying the theories that align with Sri Lankan circumstances regarding Corporate Social Responsibility (CSR) and its impact on financial performance. Over the last three decades, businesses worldwide have increasingly adopted CSR practices, which directly and indirectly affect the firm's financial performance. The sample comprises 30 listed hotels in Sri Lanka, which were observed over five years from 2019 to 2023. Data were collected from annual reports published by the selected companies. CSR is divided into five categories and measured by using the CSR index. Firm financial performance is measured by using Return on Assets (ROA) and Return on Equity (ROE). Firm size and firm leverage are considered as the control variables of this study. To accomplish its objectives, the study employed multiple regression analysis, correlation analysis, and descriptive statistics.

The findings reveal an insignificant impact of CSR on financial performance. Additionally, this study aimed to determine the extent of CSR disclosure among listed hotel companies in Sri Lanka. This study contributes to an understanding of the relationship between CSR and firm performance in developing economies. Moreover, the findings have important implications for policymakers in Sri Lanka, as they provide empirical evidence to guide the development of policies that promote greater corporate transparency and accountability within the hotel industry.

Keywords: Colombo Stock Exchange, Corporate Social Responsibility, Financial performance, return on assets, return on equity, firm size, firm leverage.

The Impact of Ownership Structure and Firm-Specific Characteristics on Dividend Policy: With Special Reference to the Food, Beverage, and Tobacco Industry and the Capital Goods Industry in Sri Lanka

Indumini Wimalagunaratna¹ and Vijitha Gunarathna²

^{1, 2} *Department of Accountancy, Faculty of Management and Finance,*

University of Ruhuna,

¹*beetaidumini@gmail.com*

Abstract

Dividend policy is a critical financial decision for firms, as it determines the portion of profits distributed to shareholders in return for their investment. Multiple factors and contextual conditions influence such decisions. Accordingly, this study investigates the impact of ownership structure and firm-specific characteristics on the dividend policies of companies listed in the food, beverage, and tobacco industry and the capital goods industry in Sri Lanka. It further examines whether significant differences exist in dividend policy, ownership structure, and firm-specific characteristics across these industries. Ownership structure is represented by managerial, institutional, individual, and foreign ownership, while firm-specific characteristics are captured through firm size, profitability, leverage, and liquidity. Dividend policy is measured using both the dividend payout ratio and dividend yield ratio. The study is based on a sample of 30 companies, randomly selected from a population of 66 firms for the period 2021–2024, with data drawn from annual reports published by the Colombo Stock Exchange. To address the research objectives, panel data analysis and independent sample t-tests were employed.

The multiple regression analysis indicates that managerial ownership, foreign ownership, firm size, and leverage do not exert a significant influence on dividend policy. Conversely, institutional ownership and liquidity demonstrate a significant negative relationship with dividend policy, while individual ownership and profitability exhibit a significant positive effect in the two industries. Results from the independent sample t-test further reveal that managerial ownership, institutional ownership, firm size, leverage, and liquidity differ significantly between the food, beverage, and tobacco industry and the capital goods industry. In contrast, dividend policy, individual ownership, foreign ownership, and profitability show no significant differences across these two sectors in Sri Lanka. These empirical findings reveal key implications for managers, investors, regulators, and other stakeholders operating within these industries.

Keywords: Dividend policy, Firm-specific characteristics, Industry, Ownership structure

Impact of Capital Structure on Dividend Policy: Evidence from the Food, Beverages & Tobacco, and Capital Goods sectors in Sri Lanka

Athukorala W.A.A.B.K¹ and Weerakkody D.I.D²

*^{1,2} Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna*

¹bimsara.athukorala@gmail.com

Abstract

The relationship between capital structure and dividend policy constitutes a fundamental area of inquiry in corporate finance, significantly shaping investor decision-making and corporate financial strategies. This study examines the influence of capital structure on dividend policies, drawing on evidence from the Food, Beverages & Tobacco, and Capital Goods sectors in Sri Lanka. The study specifically aims to examine whether capital structure determinants affect dividend policy, undertaking profitability, and firm size, controlling for these variables. Based on a sample population of 40 listed companies over five years, the study utilizes secondary data from annual reports to conduct a quantitative analysis. Additionally, previous findings contributed by Scholars are presented in the literature review. The study employs a multiple regression approach to examine the impact of capital structure on dividend policy.

The findings from the empirical study reveal significant results, providing insightful descriptions of firms' financing decisions and their subsequent implications for dividend payments. Specifically, firms with higher debt ratios tend to disburse lower dividends due to financial constraints associated with their debt obligations. Conversely, firms with higher equity ratios have a high likelihood of paying dividends, further validating the point that firms with higher equity bases are better placed to have stable dividend policies and moderately levered firms are likely to have fixed dividend policies. Profitability also emerges as a key determinant of dividend payment decisions, where firms with higher earnings are found to have a higher likelihood of paying dividends. Apart from that, the firms' size is also revealed to play a moderating role. The findings of this research contribute to the body of literature with empirical evidence for the Food, Beverages & Tobacco, and Capital Goods sectors of Sri Lanka, yielding sector-specific information on the dynamics that drive dividend policies. The findings of this research are particularly relevant to corporate managers, policymakers, and investors who are concerned with optimizing capital structure decisions in line with dividend policies.

Keywords: Debt-to-Equity ratio, Debt ratio, Equity ratio, Capital Structure, and Dividend Policy

The Relationship between Corporate Governance and Sustainability Reporting Quality: Evidence from Listed Companies on the Colombo Stock Exchange in Sri Lanka

Dulmi Wellage¹ and Ariyasena D.L.M.N.K²

*^{1,2} Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna*

¹dulmiashani2000@gmail.com

Abstract

This study aims to investigate the connection between corporate governance and the quality of sustainability reporting of listed firms in the material and food, beverage, and tobacco sectors in Sri Lanka. The sample comprises 35 listed companies on the Colombo Stock Exchange from 2021 to 2024. corporate governance was estimated using board size, board independence, duality, compliance with the code of conduct, audit committee size, and frequency of meetings. Sustainability reporting quality was assessed using a dichotomous scoring system, aided by GRI disclosures. The results showed that corporate governance is not significantly associated with the quality of sustainability reporting.

Additionally, corporate governance has a limited impact on the quality of sustainability reporting. The scope of the study is limited to a single country, focusing on listed firms in two specific sectors. These limitations can be overcome by referring to other sectors on the Colombo Stock Exchange. Additionally, future researchers can consider new green accounting concepts beyond the GRI concept to measure the quality of sustainability reporting. The key findings are important for policymakers, practitioners, executives, and top management.

Keywords: Audit Committee, Board Characteristics, Corporate Governance, Sustainability Reporting Quality.

The Impact of Corporate Governance Mechanisms on Integrated Reporting Quality: Evidence from Licensed Domestic Commercial Banks in Sri Lanka

Madushika M.A.H.¹ and Ariyasena D.L.M.N.K.²

*^{1,2}Department of Accountancy, Faculty of Management and Finance,
University of Ruhuna*

¹hasinimadushika047@gmail.com

Abstract

This study enriches a nascent area of the literature by assessing the impact of corporate governance, specifically the features of the board, audit committee, and risk management committee, on integrated reporting quality among licensed domestic commercial banks in Sri Lanka, while considering auditor-type and profitability as control variables to prove the correctness of the findings. Additionally, this study utilized an empirical data set spanning nine years, from 2015 to 2023. Moreover, multiple regression analysis was utilized to achieve the stated objectives. Furthermore, the study findings have confirmed that board independence, audit activities, risk management committee size, and risk management committee activities have a significant and positive impact on integrated reporting quality. In contrast, audit committee size was found to have a statistically significant negative impact on the quality of integrated reporting. However, according to the findings, board activity, board size, audit committee independence, and risk management committee independence did not show any significant impact on integrated reporting quality. Accordingly, these outcomes provide useful implications for managers and those charged with governance to understand the factors that encourage companies in the financial sector to improve the quality of their integrated reporting. Moreover, the findings also provide a signal to newcomers to the financial sector that well-established financial institutions are conscious of the importance of IR and are communicating the value-creation process through IR to stakeholders.

Keywords: Corporate governance, Integrated reporting, Integrated reporting quality

The Impact of Capital Adequacy and Bank Size on Non-Performing Loans in Domestic Licensed Commercial Banks in Sri Lanka

Kabishka T.¹, and Layavani M.²

*^{1,2}Department of Financial Management,
Faculty of Management Studies and Commerce, University of Jaffna
²layamahendran04@gmail.com*

Abstract

This paper examines the impact of Capital Adequacy and Bank Size on Non-Performing Loans in Domestic Licensed Commercial Banks in Sri Lanka. Thirteen commercial banks listed on the Colombo Stock Exchange (CSE) for the period from 2014 to 2023 were selected. Secondary data for these banks was gathered from their annual reports. Non-performing loans are the dependent variable, with Capital Adequacy and Bank size as independent variables. The relationship is analyzed using the R-square method to measure how well the independent variables explain the variance in non-performing loans. The study found that the joint significance of the independent variables Capital Adequacy and Bank Size shows a negative and significant relationship with Non-Performing Loans. The results support the notion that higher capital adequacy positions and larger banks have a substantial decrease in non-performing loans among domestic licensed commercial banks in Sri Lanka. Further research can be extended by choosing more time periods for the data and including more sectors in Sri Lanka.

Keywords: Capital Adequacy, Bank Size, Non-Performing Loans, Colombo Stock Exchange, Sri Lanka



Sri Lanka Finance Association

Colombo, Sri Lanka

Web: <https://www.slfa.lk>

Email: iufrc2025@gmail.com

©Sri Lanka Finance Association 2025



2806 - 528X