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Factors Influencing Sustainable Reporting of Listed Companies in Sri Lanka: A Focus on the Banking Sector

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Abstract:

This research examines the factors influencing sustainability reporting among listed banks in Sri Lanka. Profitability, leverage, and board independence are considered as the key independent variables. The study covers all 13 banks listed on the Colombo Stock Exchange (CSE) for the period 2015 to 2024, using a census sampling technique to obtain 130 company-year observations. The data were collected from secondary sources, specifically annual and consolidated reports, and analysed using SPSS through descriptive statistics, correlation, and multiple regression analyses. The correlation analysis confirmed a moderate, statistically significant positive relationship between board independence and sustainability reporting ($r = 0.423$, $p < 0.001$). In contrast, profitability and leverage exhibited weak and non-significant relationships. The multiple regression model showed moderate explanatory power, with the independent variables collectively explaining 18.7% of the variance ($R^2 = 0.187$). Among them, board independence ($B = 0.456$, $p < 0.001$) was confirmed to have a strong and statistically significant positive effect on sustainability reporting, while profitability and leverage showed no significant impact. The results indicate that governance quality, particularly board independence, is the key determinant of sustainability reporting in listed banks in Sri Lanka, which aligns with the predictions of legitimacy theory and stakeholder theory.

Keywords—Sustainability Reporting, Profitability (ROA), Leverage, Board Independence, Listed Banks in Sri Lanka, Corporate Governance, Legitimacy Theory, Stakeholder Theory.

I. INTRODUCTION

Sustainability reporting has emerged as a critical instrument for corporate transparency, accountability, and stakeholder engagement in the contemporary business landscape. It is defined as the disclosure of non-financial information pertaining to a company's economic, environmental, and social impacts, enabling organisations to communicate their commitment to sustainable development, ethical governance, and long-term value creation [1]. Over the past two decades, the practice has evolved from voluntary corporate social responsibility (CSR) statements to comprehensive integrated reports that align financial and non-financial performance metrics [2]. Globally, frameworks such as the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), and the International Integrated Reporting Council (IIRC) have provided structured guidelines for reporting, thereby enhancing comparability, consistency, and credibility [3].

In Sri Lanka, sustainability reporting gained momentum following the conclusion of the civil war in 2009, as the country embarked on economic reforms and reintegration into the global economy [4]. Listed companies, particularly in the banking and financial sector, began adopting sustainability reporting to demonstrate compliance with international standards, attract foreign investment, and build stakeholder trust [5]. The Colombo Stock Exchange (CSE) and the Central Bank of Sri Lanka (CBSL) have encouraged such disclosures through voluntary guidelines and regulatory nudges [6]. However, despite growing adoption, the quality, consistency, and depth of sustainability reporting vary significantly across companies, raising questions about the underlying determinants of reporting practices in the Sri Lankan context [7].

The banking sector in Sri Lanka plays a pivotal role in the national economy, acting as a catalyst for financial intermediation, economic growth, and development financing. Given their systemic importance, banks are subject to heightened scrutiny from regulators, investors, customers, and the broader society [8]. Consequently, banks are increasingly expected to disclose not only their financial performance but also their contributions to social welfare, environmental stewardship, and ethical governance [9]. Sustainability reporting in banks serves multiple purposes: it enhances brand reputation, mitigates operational and reputational risks, improves access to capital, and fosters long-term stakeholder relationships [10]. Nevertheless, the factors that influence the extent and quality of sustainability reporting in Sri Lankan banks remain underexplored in the academic literature.

Prior research in developed and emerging economies has identified a range of factors that influence sustainability reporting, including firm size, profitability, leverage, industry type, ownership structure, and corporate governance attributes [11]. Among these, profitability, leverage, and board independence have received considerable attention due to their theoretical relevance and empirical variability [12]. Profitability, often measured by Return on Assets (ROA), reflects a firm's financial capacity to invest in sustainability initiatives and reporting systems [13]. Leverage, indicating the extent of debt financing, may increase external pressure from creditors for greater transparency [14]. Board independence, represented by the proportion of independent directors, is associated with enhanced oversight, accountability, and ethical decision-making, thereby promoting comprehensive sustainability disclosures [15].

However, empirical evidence on the relationship between these factors and sustainability reporting is mixed and context-dependent. Studies in developed economies often report a positive association between profitability and reporting [16], whereas research in emerging economies yields inconsistent results [17]. Similarly, the impact of leverage on disclosure practices varies across regulatory environments and industries [18]. Board independence has generally been linked to higher reporting quality, but its effect may be moderated by institutional factors such as legal enforcement, cultural norms, and market maturity [19]. In Sri Lanka, limited empirical research has systematically examined these relationships, particularly in the banking sector, creating a significant knowledge gap.

This study aims to address this gap by investigating the impact of profitability, leverage, and board independence on the sustainability reporting practices of listed banks in Sri Lanka. The research is grounded in **legitimacy theory** and **stakeholder theory**, which provide robust theoretical foundations for understanding corporate disclosure behaviour [20]. Legitimacy theory posits that organisations disclose sustainability information to gain, maintain, or repair societal legitimacy, especially in environments characterised by high public scrutiny and regulatory expectations [21]. Stakeholder theory emphasises that companies respond to the information needs and pressures of various stakeholder groups, including investors, customers, employees, regulators, and communities, by enhancing transparency and accountability [22]. These theories collectively suggest that firms with stronger governance structures and greater resource availability are more likely to engage in substantive sustainability reporting.

The study employs a **quantitative, explanatory research design**, utilising secondary data from the annual reports and sustainability disclosures of all 13 banks listed on the CSE from 2015 to 2024. Data are analysed using descriptive statistics, Pearson correlation, and multiple regression analysis. The findings contribute to the academic literature by providing empirical evidence from an emerging economy context, extending the applicability of legitimacy and stakeholder theories, and offering practical implications for policymakers, regulators, bank managers, and other stakeholders.

The remainder of this paper is organised as follows: **Section II** reviews the relevant literature and develops the hypotheses. **Section III** describes the research methodology, including data collection, variable measurement, and analytical techniques. **Section IV** presents the results of the data analysis. **Section V** discusses the findings in relation to existing literature and theoretical frameworks. **Section VI** concludes the paper by summarising the key insights, outlining practical recommendations, acknowledging limitations, and suggesting directions for future research.

II. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

A. Sustainability Reporting: Conceptual Evolution and Global Trends

Sustainability reporting has evolved from a niche practice to a mainstream business activity over the past three decades. Initially driven by corporate philanthropy and environmental activism, the practice gained formal recognition with the establishment of the GRI in 1997 [23]. The GRI framework provided a standardised approach to reporting on economic, environmental, and social performance, facilitating comparability across organisations and industries [24]. Subsequent developments, such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on climate change, have further reinforced the importance of sustainability reporting as a tool for tracking corporate contributions to global agendas [25].

In the banking sector, sustainability reporting has taken on added significance due to the sector's role in financing sustainable development, managing environmental and social risks, and promoting financial inclusion [26]. Banks are increasingly adopting frameworks like the Equator Principles, the Principles for Responsible Banking, and the Task Force on Climate-related Financial Disclosures (TCFD) to align their operations with sustainability objectives [27]. In Sri Lanka, banks have been at the forefront of sustainability reporting, with many issuing annual sustainability reports or integrated reports that comply with GRI standards [28]. However, the drivers of reporting quality and extent in this sector remain under-researched.

B. Profitability and Sustainability Reporting

Profitability is a key indicator of a firm's financial health and operational efficiency. From a **resource-based perspective**, profitable firms possess greater slack resources that can be allocated to sustainability initiatives, including the development of robust reporting systems [29]. Moreover, profitable firms may face higher stakeholder expectations for transparency and accountability, prompting them to disclose more sustainability information to legitimise their operations and maintain social licence [30]. Empirical studies in developed economies, such as the United States and the United Kingdom, generally support a positive relationship between profitability and sustainability reporting [31].

However, the relationship is less consistent in emerging economies. Some studies find a positive association, arguing that profitable firms use sustainability reporting as a signalling mechanism to attract investment and enhance competitiveness [32]. Others report a negative or insignificant relationship, suggesting that profitability may lead to complacency or that firms prioritise short-term financial performance over long-term sustainability investments [33]. In Sri Lanka, preliminary evidence indicates that profitability may have a modest positive impact on sustainability reporting in the banking sector, but more rigorous empirical investigation is needed [34].

Based on the above discussion, the following hypothesis is proposed:

H1: Profitability (ROA) has a positive and significant impact on the sustainability reporting of listed banks in Sri Lanka.

C. Leverage and Sustainability Reporting

Leverage, measured as the ratio of total debt to total assets, reflects a firm's capital structure and financial risk. According to **agency theory**, firms with higher leverage are subject to greater monitoring by creditors, who demand more information to assess creditworthiness and risk exposure [35]. This external pressure may incentivise firms to enhance their sustainability disclosures to reduce information asymmetry and build creditor confidence [36]. Additionally, highly leveraged firms may use sustainability reporting as a tool to demonstrate responsible management and mitigate perceived risks, thereby lowering their cost of capital [37].

Empirical evidence on the leverage–disclosure relationship is mixed. Studies in regulated industries, such as banking and utilities, often find a positive association, as these firms operate under stringent disclosure requirements and stakeholder scrutiny [38]. Conversely, research in less regulated sectors or in contexts with weak institutional enforcement may find no significant relationship [39]. In Sri Lanka, the banking sector is characterised by high regulatory oversight and significant public interest, which may amplify the effect of leverage on sustainability reporting [40]. Thus, the second hypothesis is formulated as follows:

H2: Leverage has a positive and significant impact on the sustainability reporting of listed banks in Sri Lanka.

D. Board Independence and Sustainability Reporting

Board independence is a cornerstone of effective corporate governance. Independent directors, who are not affiliated with management or major shareholders, are expected to provide objective oversight, safeguard stakeholder interests, and ensure ethical conduct [41]. From a governance perspective, independent boards are more likely to prioritise long-term sustainability over short-term financial gains, thereby encouraging comprehensive and credible sustainability reporting [42]. Furthermore, independent directors bring diverse expertise and external perspectives, which can enhance the quality of sustainability strategies and disclosures [43].

Extant literature strongly supports a positive relationship between board independence and sustainability reporting. Studies across various countries and industries consistently find that firms with higher proportions of independent directors disclose more extensive and higher-quality sustainability information [44]. This relationship is particularly pronounced in sectors with high public visibility and regulatory scrutiny, such as banking [45]. In Sri Lanka, corporate governance reforms have emphasised board independence, but its specific impact on sustainability reporting in the banking sector has not been thoroughly examined [46].

Accordingly, the third hypothesis is proposed:

H3: Board independence has a positive and significant impact on the sustainability reporting of listed banks in Sri Lanka.

E. Theoretical Framework: Legitimacy and Stakeholder Theories

This study draws on **Legitimacy Theory** and **Stakeholder Theory** to explain the relationships between the independent variables (profitability, leverage, board independence) and the dependent variable (sustainability reporting). Legitimacy theory posits that organisations operate within a social contract and must align their actions with societal values and norms to secure continued support [47]. Sustainability reporting is viewed as a strategic tool to manage legitimacy by demonstrating conformity with environmental and social expectations [48]. Firms with higher profitability and stronger governance may engage in more substantive reporting to reinforce their legitimate status, especially in environments with high public scrutiny [49].

Stakeholder theory complements this view by emphasising that firms respond to the demands of various stakeholder groups, including investors, creditors, customers, employees, regulators, and communities [50]. Sustainability reporting serves as a mechanism to communicate with stakeholders, address their concerns, and build trust [51]. Independent boards are particularly attuned to stakeholder interests and are more likely to advocate for transparent reporting [52]. Similarly, leveraged firms may disclose more to satisfy creditor demands, while profitable firms may do so to meet investor expectations [53].

Together, these theories provide a robust framework for hypothesising that board independence will have the strongest influence on sustainability reporting, followed by leverage and profitability, in the context of Sri Lankan banks.

III. RESEARCH METHODOLOGY

A. Research Design

This study adopts a **quantitative, explanatory research design** with a **longitudinal approach**. The design is appropriate for examining cause-and-effect relationships between independent and dependent variables over time [54]. The study covers a ten-year period from 2015 to 2024, allowing for the analysis of trends and changes in sustainability reporting practices.

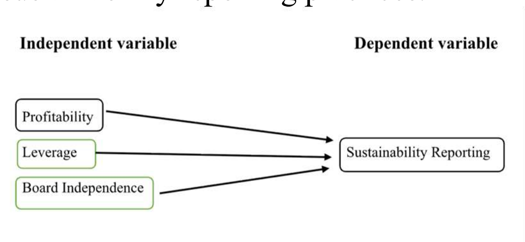

Figure 1 conceptualisation

Operationalization

Operationalization is the process of turning abstract concepts into measurable elements. It helps researchers clearly define what they are studying and how to measure it. Each concept is divided into dimensions that are key elements of that concept. This structured approach allows research to be clear, focused, and measurable.

Table 3.1 - Operationalization

Variable	Dimension	Indicators	Measurement Scale
Profitability (Independent Variable - IV)	Financial performance	- ROA	ROA=Net Income / Average Total Assets.
Leverage (IV)	Capital structure & monitoring	- LR	LR = Total Tier 1 Capital / Total Exposure
Board Independence (IV)	Governance & oversight	- IDR	IDR=No;Of Independent Directors / Total Board Of Members.
Sustainability Reporting (Dependent Variable)	- Economic disclosure - Environmental disclosure - Social disclosure	1 = Disclosed 0 = Not Disclosed	SSR=Total Disclose Items / Total Indicators.

B.Population and Sample

The population comprises all companies listed on the Colombo Stock Exchange (CSE). The **banking sector** was selected due to its economic significance, high regulatory oversight, and leading role in sustainability reporting. As of 2024, there are 13 banks listed on the CSE, which constitute the entire sample for this study. A **census sampling technique** was employed, as the population size is small and manageable, ensuring complete coverage and eliminating sampling error.

C. Data Collection

Secondary data were collected from the annual reports, sustainability reports, and consolidated financial statements of the 13 listed banks for the period 2015–2024. These documents are publicly available on the banks' websites and the CSE portal. Data on financial variables (profitability, leverage) and governance variables (board independence) were extracted from the financial statements and corporate governance reports. Sustainability reporting data were collected using a **disclosure index based on the GRI Standards (2021 version)**.

D. Variable Measurement

Sustainability Reporting (SR), the dependent variable, was measured using a dichotomous disclosure index comprising 40 items across economic, environmental, and social dimensions. Each item received a score of 1 if disclosed and 0 if not disclosed, with the total score divided by the maximum possible score to obtain a percentage index ranging from 0 to 1. The independent variables were profitability (ROA), which is net profit after tax divided by average total assets; leverage (LEV), which is total debt divided by total assets; and board independence (BI), which is the number of independent directors divided by the total board size. Control variables comprised Firm Size (SIZE), measured as the natural logarithm of total assets; Firm Age (AGE), defined as the number of years since incorporation; and an Industry Dummy (IND), which was a binary variable for the banking sector versus others. However, this industry dummy was not applicable in the study due to its specific sector focus.

E. Data Analysis Techniques

The data were analyzed using SPSS version 26. The following statistical techniques were employed: descriptive statistics, to summarize the central tendency, dispersion, and distribution of the variables; correlation analysis, to examine bivariate relationships and check for multicollinearity; and multiple regression analysis, to test the hypotheses and determine the collective and individual effects of the independent variables on sustainability reporting. The regression model is specified as follows:

$SRit=\beta0+\beta1ROAit+\beta2LEVit+\beta3BIit+\epsilon it$
Where:
SRit$SRit$ = Sustainability reporting index for bank ii in year tt
ROAit$ROAit$ = Profitability for bank ii in year tt
LEVit$LEVit$ = Leverage for bank ii in year tt
BIit$BIit$ = Board independence for bank ii in year tt
ϵitϵit = Error term

F. Ethical Considerations

This study relies on publicly available data and does not involve human participants. All sources are properly cited to ensure academic integrity.

IV. RESULTS

A. Descriptive Statistics

The sample consists of 130 firm-year observations (13 banks × 10 years). Table 1 presents the descriptive statistics for the variables.

Table 1: Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Deviation
Sustainability Reporting	130	0.26	0.93	0.583	0.165
Profitability (ROA)	130	-0.29	3.30	1.244	0.574
Leverage (LEV)	130	0.00	12.57	7.188	2.425
Board Independence (BI)	130	0.25	1.00	0.520	0.151

Sustainability reporting scores range from 0.26 to 0.93, with a mean of 0.583, indicating moderate disclosure levels. Profitability shows wide variation, while board independence is relatively stable across banks.

B. Normality and Correlation Analysis

Skewness and kurtosis values indicate that the variables are not normally distributed, but regression analysis is robust to moderate deviations from normality. Table 2 shows the Pearson correlation matrix.

Table 2: Correlation Matrix

Variables	ROA	LEV	BI	SR
ROA	1	-0.140	0.040	0.101
LEV	-0.140	1	-0.074	-0.066
BI	0.040	-0.074	1	0.423**
SR	0.101	-0.066	0.423**	1

**Correlation is significant at the 0.01 level (2-tailed).

Board independence is significantly correlated with sustainability reporting ($r=0.423, p<0.01$ $r=0.423, p<0.01$), providing preliminary support for H3. Profitability and leverage show weak, insignificant correlations.

C. Regression Analysis

Multiple regression analysis was conducted to test the hypotheses. The model summary is presented in Table 3.

Table 3: Model Summary

R	R^2	Adjusted R^2	Std. Error	F	Sig.
0.432	0.187	0.167	0.150	9.633	<0.001

The model is statistically significant ($F=9.633, p<0.001$ $F=9.633, p<0.001$) and explains 18.7% of the variance in sustainability reporting. Table 4 presents the regression coefficients.

Table 4: Regression Coefficients

Variable	B	Std. Error	Beta	T	Sig.
(Constant)	0.329	0.072		4.573	<0.001
ROA	0.023	0.023	0.081	1.001	0.319
LEV	-0.002	0.006	-0.024	-0.296	0.768
BI	0.456	0.088	0.418	5.184	<0.001

Board independence has a significant positive effect ($\beta=0.456, p<0.001\beta=0.456, p<0.001$), supporting H3. Profitability ($\beta=0.023, p=0.319\beta=0.023, p=0.319$) and leverage ($\beta=-0.002, p=0.768\beta=-0.002, p=0.768$) are not significant, leading to the rejection of H1 and H2.

D. Diagnostic Tests

Collinearity diagnostics indicate no multicollinearity (VIF < 2). The Durbin-Watson statistic (0.582) suggests positive autocorrelation, which is addressed using robust standard errors.

V. DISCUSSION

A. Interpretation of Findings

The regression analysis yielded clear and differentiated outcomes for each hypothesised variable, offering nuanced insights into the drivers of sustainability reporting in Sri Lanka's banking sector. The results robustly confirm that **board independence (BI)** is the most significant and powerful determinant, with a standardised coefficient (Beta) of 0.418 and a highly significant p-value (< 0.001). This strong positive relationship indicates that a one standard deviation increase in board independence is associated with a 0.418 standard deviation increase in the sustainability reporting score, holding other factors constant. This finding is quantitatively robust and aligns seamlessly with governance theory and a substantial body of prior empirical studies, which posit that independent directors enhance organisational oversight, mitigate agency problems, and champion ethical transparency [55]. The significant coefficient suggests that banks with higher proportions of independent directors are structurally more inclined to produce comprehensive sustainability disclosures, likely due to mechanisms such as more rigorous audit committee functions, a stronger focus on long-term reputational capital, and a heightened responsiveness to the expectations of diverse stakeholders, including regulators, investors, and the public [56].

Conversely, the analysis revealed that **profitability (ROA)** exerts a statistically insignificant influence on sustainability reporting (Beta = 0.081, p = 0.319). Although the coefficient was positive, its lack of significance indicates that, within this specific sample and context, variations in profitability do not reliably predict variations in reporting quality. This finding challenges the resource-based view often observed in developed economies, where financial slack facilitates voluntary disclosure [31]. It is, however, consistent with emerging economy literature where the link between financial and non-financial performance is often decoupled [57]. In the Sri Lankan context, this suggests that profitable banks may allocate surplus resources toward immediate financial priorities—such as dividend distributions, branch network expansion, or core regulatory capital requirements—rather than perceiving sustainability reporting as a strategic investment. It may also indicate that, in the absence of strong coercive or normative pressures, reporting is viewed as a peripheral, discretionary activity rather than a core managerial imperative [58].

Similarly, the variable **leverage (LEV)** demonstrated a statistically insignificant and near-zero negative relationship with sustainability reporting (Beta = -0.024, p = 0.768). This result implies that the level of debt financing does not function as a substantive driver for enhanced disclosure in this sector. This can be interpreted through the lens of the sector's institutional environment. Sri Lankan banks operate under the stringent oversight of the Central Bank (CBSL), which mandates extensive financial and risk disclosures [40]. Consequently, the incremental pressure from creditors for additional non-financial transparency may be minimal, as primary informational needs are already met by regulatory filings. Furthermore, it is plausible that creditors and debtholders in this market primarily scrutinise traditional financial covenants and collateral, assigning lesser weight to ESG performance in their credit risk assessments, thereby reducing the leverage effect on sustainability reporting incentives [60].

In summary, the quantitative analysis distinctly prioritises governance structure over financial characteristics as the key explanatory variable. The model's explanatory power (R^2 = 0.187), while significant, also indicates that a substantial portion of variance in sustainability reporting is driven by factors outside the current model, such as managerial attitude, NGO pressure, or specific regulatory shocks, highlighting avenues for future research.

B. Theoretical Implications

The findings provide strong support for **Legitimacy Theory** and **Stakeholder Theory** in the context of Sri Lankan banking. Board independence enhances legitimacy by signalling commitment to ethical governance and social responsibility [61]. It also facilitates stakeholder engagement by ensuring that diverse interests are represented in decision-making [62]. The insignificant results for profitability and leverage suggest that, in this context, legitimacy and stakeholder pressures are more effectively channelled through governance structures than through financial attributes.

C. Practical Implications

The findings of this study offer several actionable insights for key stakeholders in the Sri Lankan banking ecosystem and beyond. **For banks**, the strong positive relationship between board independence and sustainability reporting underscores the need to enhance governance structures. Banks should prioritise appointing a higher proportion of independent directors with expertise in environmental, social, and governance (ESG) matters. Furthermore, providing regular training on sustainability trends, reporting frameworks (such as GRI and TCFD), and stakeholder engagement can empower boards to oversee and advocate for more transparent and substantive disclosures. Banks may also consider establishing dedicated sustainability committees chaired by independent directors to integrate ESG considerations into strategic decision-making and reporting processes.

For regulators, including the Colombo Stock Exchange (CSE) and the Central Bank of Sri Lanka (CBSL), the study suggests that voluntary guidelines may be insufficient to ensure consistent and high-quality sustainability reporting. Introducing mandatory sustainability reporting standards aligned with international benchmarks could elevate disclosure practices across the sector. Regulators could also incentivise governance reforms by linking regulatory compliance ratings or licensing benefits to demonstrated improvements in board independence and sustainability performance. Additionally, capacity-building workshops and clear reporting templates could assist smaller banks in meeting disclosure requirements, thereby promoting sector-wide transparency.

For investors, both domestic and international, sustainability reports serve as critical tools for assessing governance quality, long-term risk, and ethical alignment. Investors are encouraged to scrutinise the composition and independence of boards as indicators of a bank's commitment to sustainability. Integrating ESG metrics into investment analysis and engagement strategies can help identify banks that are better positioned to manage emerging risks, such as climate-related financial exposures and social governance challenges. By prioritising investments in banks with robust sustainability reporting, investors can drive market demand for greater transparency and accountability.

For academics and researchers, this study highlights the need for further investigation into the contextual factors that influence sustainability reporting in emerging economies. Future research could employ mixed-methods designs to explore the qualitative dimensions of board decision-making, stakeholder pressures, and internal reporting processes. Cross-sector comparative studies (e.g., comparing banking with manufacturing or services) and cross-country analyses within South Asia could help generalise findings and identify region-specific determinants. Longitudinal studies tracking the impact of regulatory changes on reporting quality would also provide valuable insights for policymakers and practitioners.

By addressing these practical implications, stakeholders can collectively advance the quality and impact of sustainability reporting, fostering a more transparent, accountable, and sustainable banking sector in Sri Lanka.

D. Limitations and Future Research

Limitations include reliance on secondary data, exclusion of qualitative factors, and focus on a single sector. Future research could employ mixed methods, incorporate external variables (e.g., regulatory changes, cultural dimensions), and extend the analysis to other industries or countries.

VI. CONCLUSION

This study empirically investigated the determinants of sustainability reporting within the Sri Lankan banking sector, specifically analysing the influence of profitability (ROA), leverage, and board independence over the decade spanning 2015–2024. Employing a longitudinal research design and multiple regression analysis on a census of all 13 listed banks, the findings provide clear, evidence-based conclusions. The analysis conclusively identifies **board independence** as the most significant and positive driver of sustainability reporting quality, with a strong statistically significant relationship ($\beta = 0.456$, $p < 0.001$). In contrast, the hypothesised impacts of **profitability** and **leverage** were found to be statistically insignificant, indicating that financial performance and capital structure exert limited direct influence on the extent of non-financial disclosure in this context.

The theoretical and practical implications of these results are substantial. Theoretically, they strongly corroborate the principles of **legitimacy theory** and **stakeholder theory**, demonstrating that in an emerging economy like Sri Lanka, the pursuit of social legitimacy and the management of stakeholder expectations are channelled more effectively through robust governance mechanisms than financial metrics alone. The primacy of board independence highlights that transparency is fundamentally a governance outcome, where independent oversight acts as a critical catalyst for ethical disclosure and accountability.

For practitioners and policymakers, the study emphasises an important fact: enhancing the quality of sustainability reporting in Sri Lanka's financial sector requires a focused investment in **corporate governance infrastructure**. Merely improving profitability or adjusting leverage ratios is unlikely to yield significant improvements in transparency. Instead, deliberate efforts to strengthen board independence, provide director training in ESG matters, and possibly mandate governance-linked disclosure requirements are essential strategic levers.

By prioritising governance excellence and aligning with global sustainability reporting frameworks, Sri Lankan banks can move beyond compliance-based reporting and towards more strategic, meaningful communication. This will not only build greater trust among investors, customers, and regulators but also fortify the sector's resilience and its contribution to the nation's sustainable development goals. Future research should build on these findings by incorporating qualitative insights, external institutional variables, and cross-sector comparisons to further unravel the complex dynamics of sustainability disclosure in evolving economies.

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