Management Studies
Sabaragamuwa University of Sri Lanka

ABSTRACT PROCEEDINGS

7th Management Undergraduates' Research Session

Paradigm Shifts in Management Research:
Inspirations for Reshaping Business Landscapes for a Sustainable Future

Faculty of Management Studies
Sabaragamuwa University of Sri Lanka

7th Management Undergraduates' Research Session (MURS 2025)

"Paradigm Shifts in Management Research: Inspirations for Reshaping Business Landscapes for a Sustainable Future"

ABSTRACTS

Faculty of Management Studies
Sabaragamuwa University of Sri Lanka
Belihuloya, Sri Lanka

18th & 19th December 2025

PROCEEDINGS OF THE 7TH MANAGEMENT UNDERGRADUATES' RESEARCH SESSION (MURS 2025)

Published by : Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, Belihuloya 70140, Sri Lanka.

Tel. : +94452280007
Fax. : +94452280007

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ISBN : 978-624-5727-62-9

Citation : Gamage, T.C, Thiranagama, A.W and Mahawithana, M.L.M. (2025). "Abstracts of the 7th Management Undergraduates' Research Session", Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, Belihuloya, Sri Lanka.

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MESSAGE FROM THE VICE-CHANCELLOR
SABARAGAMUWA UNIVERSITY OF SRI LANKA

It is my great pleasure to write this message for the 7th Management Undergraduates' Research Session (MURS 2025), organized by the Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, themed on "Paradigm Shifts in Management Research: Inspirations for Reshaping Business Landscapes for a Sustainable Future".

MURS 2025 provides a valuable platform for our young researchers to showcase their work, engage in intellectual discourse, and connect with industry experts. The conference aims to strengthen our research culture, motivate students to publish their findings, and encourage research on critical global issues.

We are particularly excited about the collaborative research opportunities between students and their academic supervisors. This synergy will not only enhance the quality of research but also prepare our students for future academic and professional endeavors.

I wish to thank Professor Athula Gnanapala for his leadership as the Dean of the Faculty of Management Studies, as well as the Organizing Committee, for their tireless work to make sure the conference runs well and lives up to everyone's expectations. I also want to express my gratitude to the academics who helped keep the conference's primary values of quality and innovation alive, including the researchers, reviewers, editors, and other experts. All parties' coordinated efforts have been much valued.

I wish them success in all their future endeavors.

Professor M. Sunil Shantha
Vice-Chancellor
Sabaragamuwa University of Sri Lanka

MESSAGE FROM THE DEAN

FACULTY OF MANAGEMENT STUDIES

It is with great pride and pleasure that I extend this message for the 7th Management Undergraduates' Research Session (MURS) 2025, organized by the Research and Publication Unit of the Faculty of Management Studies, Sabaragamuwa University of Sri Lanka.

This year's theme, "Paradigm Shifts in Management Research: Inspirations for Reshaping Business Landscapes for a Sustainable Future", is both timely and compelling. In an era defined by rapid technological advancement, escalating climate challenges, and profound social transformation, traditional management paradigms are being continuously reexamined. As the global business environment grows more complex and interconnected, reimagining the theories and practices that shape organizational strategy, leadership, and behavior becomes increasingly vital.

The Faculty of Management Studies is honored to uphold its "A" grade accreditation for all degree programs, awarded by the Quality Assurance Council of the University Grants Commission. As a state university committed to excellence, we remain dedicated to providing a high-quality learning environment for our students and stakeholders. As part of MURS 2025, this year's conference will also feature a Panel Discussion aligned with the main theme, enriched by the participation of distinguished experts and resource persons.

MURS serves as an important academic platform that encourages the dissemination of innovative research insights while fostering interdisciplinary dialogue among emerging scholars. It plays a vital role in addressing contemporary local and global challenges and nurturing the next generation of researchers and practitioners.

I extend my sincere appreciation to the keynote speakers, invited guests, and academic staff whose expertise and support have added immense value to this event. I also wish to acknowledge the young researchers whose contributions forms the heart of this conference. Your dedication, creativity, and scholarly rigor greatly enrich this academic endeavor.

My heartfelt gratitude goes to the conference chair, secretary, co-chairs, and the entire organizing committee for their unwavering commitment and diligent efforts in making MURS 2025 a resounding success.

I wish all participants an inspiring, engaging, and rewarding experience, and I hope this conference will spark new ideas and further advancements in the field of management research.

Warm regards,

Prof. W. K. A. C. Gnanapala
Dean | Faculty of Management Studies
Sabaragamuwa University of Sri Lanka

MESSAGE FROM KEYNOTE SPEAKER

DR. ANIL MUNASINGHE

True national progress emerges when academia and industry work as one. Industry-relevant research transforms innovation, builds employable graduates, and strengthens Sri Lanka's knowledge economy. Let us bridge theory and practice through collaboration, mentoring, and real-world challenges.

This colloquium marks the beginning of shared responsibility, where research becomes impact, and young scholars become future industry leaders, driving sustainable growth and global competitiveness together".

Dr. Anil Munasinghe
Chief Executive Officer
Kelani Cables PLC

MESSAGE FROM THE ORGANIZING COMMITTEE - MURS 2025

It is with great enthusiasm and pride that we extend a warm welcome to the 7th Management Undergraduates' Research Session (MURS 2025) of the Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, held on 18th and 19th December 2025. This year's conference is convened under the theme "Paradigm Shifts in Management Research: Inspirations for Reshaping Business Landscapes for a Sustainable Future," reflecting the evolving role of management scholarship in addressing contemporary business and societal challenges.

MURS 2025 serves as a vibrant scholarly forum for undergraduate researchers to engage with academics, industry professionals, and fellow students from diverse institutions. The conference encourages intellectual exchange and collaboration by exploring emerging research trends and pressing issues within local, regional, and global contexts. The programme is further strengthened through insightful keynote addresses and well-structured technical sessions encompassing a wide range of disciplines, including Accounting and Finance, General Management, Banking and Insurance, EcoBusiness Management, Human Resource Management, Marketing Management, and Tourism and Hospitality Management.

Marking an important milestone in its journey, the 7th MURS proudly presents over 75 peer-reviewed extended abstracts, demonstrating a commendable standard of academic rigour and originality. Each submission has undergone a meticulous evaluation process to ensure scholarly quality and relevance. We are privileged to host a keynote address by Dr. Anil Munasinghe, CEO of Kelani Cables PLC, whose presence brings valuable industry insights into academic discourse. In addition, a panel discussion aligned with the conference theme further enriches the intellectual experience of participants.

We gratefully acknowledge the invaluable support and collaboration of professional bodies and media partners who have contributed significantly to the successful organization of this event. Our sincere appreciation is extended to the Vice-Chancellor, and the Dean of the Faculty of Management Studies for their continued guidance and encouragement. We also express our heartfelt thanks to the authors, reviewers, panelists, dedicated academic and non-academic staff, and the enthusiastic student community, whose collective efforts have been fundamental to the realization of MURS 2025. We trust that this conference will offer a stimulating and rewarding academic experience while further strengthening the research culture nurtured by the Faculty of Management Studies.

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Faculty of Management Studies
Sabaragamuwa University of Sri Lanka

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ACCOUNTING AND FINANCE

IMPACT OF CORPORATE PSYCHOPATHS ON AUDIT QUALITY: MEDIATING IMPACT OF PROFESSIONAL SKEPTICISM

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1. Introduction

External audits are an important part of the effective functioning of the financial reporting process, the main element of transparency and the building of trust among investors in the markets. Prior research consistently shows that high-quality external audits reduce information asymmetry and enhance market trust (DeFond & Zhang, 2014). However, this process faces challenges where the auditor interaction is with client management teams with wicked personality traits. Specifically, audit quality is under a significant threat of the existence of corporate psychopaths. Existing empirical evidence demonstrates that Machiavellianism, narcissism, and psychopathic personalities, being dark aspects of personality, are linked to higher rates of financial misreporting, an immoral decision-making process, and unscrupulous behavior among corporate leaders (Boddy, 2011; Rijsenbilt & Commandeur, 2013). These persons are good at excelling the facade of being normal and master the art of pretending, thus, creating a truly unique atmosphere where auditors must work, discover the misstatements, and evaluate the management representations with the necessary degree of caution. Evidence shows that corporate psychopaths are skilled at impression management and persuasion, often influencing subordinates and external parties, including auditors (Mathieu et al., 2014).

The essence of the research problem that this study is about is the lack of understanding on the specific psychological and behavioral channels by which corporate psychopaths influence the outcome of auditing. Despite the fact that they are known to be harmful, the empirical process between their existence and the deterioration of the quality of the audits or, as a counterpoint, the improvement of the quality of the audits is unclear. Prior studies suggest that psychopathic traits in management can distort financial reporting and increase fraud incidence (Boddy, 2015), yet how these traits affect auditors' judgements and decision-making processes, positively or negatively, is still unclear.

The aim of the paper, therefore, is two-fold, 1) to empirically examine the direct effect of the perceived presence of corporate psychopaths in client management on audit quality, 2) to rigorously test whether professional skepticism of audit professionals mediates the relationship between perceived corporate psychopaths and audit quality. This focus aligns with

the evidence showing that auditor skepticism plays a pivotal role in mitigating management manipulation and improving fraud detection (Hurtt et al., 2013; Quadackers et al., 2014)

The significance of this study is high, since the results of this study instrumental in assisting audit firms to create more sensitive risk management measures, to improve the client acceptance and persistence policies, and to create specific training programs that can help auditors to better identify and mitigate the manipulative behavior of such individuals, and to enhance the overall audit process and protect the public interest.

2. Research Methodology

The study was grounded positivist research philosophy with a deductive method which was used to test a set of predetermined hypotheses regarding the association between corporate psychopaths, professional skepticism, and quality of audit.

The research tool used was a cross-sectional survey, which allowed the researcher to collect data effectively and use an appropriate sample of auditors who practice auditing. The external audit profession in Sri Lanka was the research setting, which has a dynamic capital market, and hence a suitable environment to study audit quality issues. The individual external auditor was the unit of analysis since the study aimed at cognizing his/her perception and psychological reaction. The convenience sampling method was applied, which is not a probability sampling method, and the final sample that could be used was 127 qualified auditors. A carefully formulated, self-administered questionnaire was used to conduct data collection.

The instrument had three major parts: the presumed presence of corporate psychopaths was measured in terms of the scale, which was adapted based on the B-Scan 360, requiring the auditors to rate the behavioral characteristics of their key client contacts; professional skepticism was measured with the help of the well-tested Hurtt (2010) Professional Skepticism Scale, which measures the trait-oriented aspects of the construct; and audit quality was assessed with the help of self-conceptualized index, which is based on already existing auditing literature and focuses on the behavior. Data analysis entailed SPSS that was mainly applied in preliminary analyses (e.g. reliability, descriptive statistics), whereas the Hayes PROCESS macro (Model 4) was particularly applied to test the mediation hypothesis, as it is the only tool that can quantify both direct and indirect effects with strong bootstrapping procedures, therefore, providing a statistically potent tool to respond to the research questions.

3. Results/ Findings and Discussion

The analysis of the data performed with the help of SPSS version 28 and the PROCESS macro (Model 4) provided some crucial information about the hypothesized relationships. The reliability and validity of the measurement scales were pretested, and all constructs had satisfactory Cronbach's alpha values of over 0.7. The direct effect test indicated that there was a statistically significant negative correlation between corporate psychopaths and the quality of audit ($b = -0.28$, $p = .01$). This implies that the greater the psychopathic characteristics that auditors believe their clients to be having, the worse quality of the audit engagement. The correlation between corporate psychopaths and professional skepticism was found significant and positive ($b = 0.35$, $p < .001$). In its turn, this increased skepticism was observed to positively influence audit quality to a great extent ($b = 0.42$, $p < .001$). More importantly, the bootstrapping findings of the indirect effect verified that professional skepticism is a strong partial mediator (Indirect effect $b = 0.15$, Boot SE = 0.05, 95% Boot LLCI =0.07, Boot ULCI =0.25). These discoveries come out as an attractive two-track story. On the one hand, corporate psychopaths directly affect the quality of audit impairment. On the other hand, they accidentally trigger a psychological defense mechanism of auditors' professional skepticism, which, to some extent, neutralizes the adverse effect and enhances the results of audits. This supports the theoretical contribution made by Nelson (2009) who assumes that client-specific factors are also an important antecedent condition that may increase auditor skepticism. According to the findings of the current study, psychopathic traits act as triggering factors to the subsequent cognitive reaction.

It can be seen that the negative direct influence on audit quality is proven to be empirical as researched by Boddy (2011). However, the discovery of a mediating skepticism pathway is a critical tint that the resulting outcome is not a placement of a fatal path, but a mental battle. This aspect adds to the results of Johnson et al. (2013), who reported a higher risk of fraud in the presence of dark triad personalities, whereas this research shows that auditors are able to mitigate this threat through the use of increased skepticism.

Hurtt (2010) has recently highlighted the central role of skepticism in the process of dealing with complex clients, which supports the same conclusion. The findings contrast with the works that consider skepticism as a fixed characteristic; instead, it is shown a dynamic process, triggered by the presence of threat. Carpenter and Reimers (2009) also supports this point of view as they were able to find similar activation mechanisms of different auditor defenses in high-risk situations.

4. Conclusion and Implications

This study concludes that the perceived existence of corporate psychopaths in the client management has a complex effect on the quality of the audit that includes a strong direct negative impact and a positive indirect impact that occurs through the channel of stimulating the professional skepticism of the auditors. The negative direct channel highlights the high risk of such individuals to the auditing process, most likely through deception and manipulation. On the other hand, the intermediary position of skepticism draws a critical mitigating position, in which the threat produces a state of more vigilance of the auditor, which partially counteracts the negative impact.

Theoretically, the study provides an important contribution to the existing body of audit judgment and decision-making research by proposing corporate psychopathy as a relevant antecedent variable in audit judgment. It confirms empirically a complex mediation model, which goes beyond direct-effect simplistic studies to clarify the underlying process between the variables.

As a matter of fact, this is of great significance to the audit firms and regulators. Companies must include formal and informal tests of behavioral characteristics of management such as psychopathy in their risk management of clients. Secondly, perpetual professional learning and training models should be created to enhance the awareness of auditors on dark-triad personalities and make them conscious to take action, to utilize professional skepticism as a safeguard mechanism in high-risk scenarios. Further studies can be done by moderating the relationships by factoring in such variables as auditor experience or firm culture, which could either strengthen or weaken the relationships

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Keywords: Audit Quality; Professional Skepticism; Psychopathy

DUAL PERCEPTIONS OF TAXATION AS A PUBLIC SERVICE OR A FINANCIAL BURDEN: INSIGHTS FROM PRIVATE SECTOR MANAGERIAL-LEVEL EMPLOYEES IN SRI LANKA

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1.Introduction

Taxation is the main process by which government bodies use tax revenue to fund public services, maintain macroeconomic stability, and promote equity in wealth distribution. It is, however, subject to the judgment of taxpayers with regard to its fairness, purpose, and legitimacy. These perceptions have become more polarized in Sri Lanka following the 2022 post-crisis tax reforms, which were passed in response to the need to stabilize government revenue after the country's economic collapse. These tax reforms, with increased rates of personal income taxes, reduced exemptions, and increased compliance requirements, elicited strong responses among those in the private sector who are directly impacted by these reforms.

The focus of the present study is on managerial-level employees in the Sri Lankan private sector, who are a group whose views are underrepresented in tax perception literature despite their significant contribution to government revenue. The issue lies in the fact that the attitudes towards taxation are dual in the sense that some people see it as a civic duty, helping the nation to recover, while others see it as a financial burden that diminishes their personal and organizational well-being. The lack of empirical data on the way this powerful population understands taxation within crisis-induced fiscal policies represents an important knowledge gap in the literature of behavioural finance and public policy. The objectives of the study, therefore, are to explore how managerial-level employees view taxation as a public service or a financial burden after the 2022 tax reforms, to identify the factors that influence these perceptions, and to assess the personal and organizational impacts of taxation.

The study has theoretical importance in that it applies behavioural theories, including social contract theory and equity theory, to a developing-country setting. Its practical contribution is to provide policymakers with insights that can help make the fiscal system fairer and transparent, thereby supporting the restoration of fiscal confidence in post-crisis Sri Lanka.

2. Methodology

This study used an interpretivist qualitative research philosophy to explore the subjective experiences and meanings attached to taxation among managerial-level employees in the private sector in Sri Lanka. An inductive approach was adopted due to its investigative nature; it served the purpose of the research without the restrictions of quantitative measurement and provided an elaborate account of participants' experiences. This study used an exploratory qualitative design, with managerial-level employees serving as the contextual case, to explain how post-crisis tax reform has influenced perceptions in the private-sector milieu in Sri Lanka. The unit of analysis included individual managerial-level employees from various industries and organizational backgrounds in the private sector. Both purposive and snowball sampling were used to select participants in order to be heterogeneous in terms of professional and financial context. The primary data were collected using 16 semi-structured interviews, which lasted 20-40 minutes. Interviews were conducted over three weeks, and data collection concluded once saturation was reached. This strategy provided probing with flexibility, hence allowing individuals to express their views freely and holistically. This approach was especially suitable because it allowed a deeper, context-based comprehension of tax perceptions, something that cannot be adequately achieved with quantitative surveys.

3. Results/Findings and Discussion

Thematic analysis was employed to analyze the collected data, involving the identification of recurring themes, sentiments, and patterns. This was done using the six-step process of Braun and Clarke (2006) and was assisted by NVivo 15 software to code the data systematically, visualize patterns, and formulate themes. From this analysis, four key themes emerged: (1) perceptions of taxation as a public service or burden, (2) factors shaping those perceptions, (3) personal impacts of taxation, and (4) organizational impacts of taxation.

It was found that most of the participants perceived taxation as a financial burden, but a minority perceived it a service to the public or as conditional. Most of the respondents termed the 2022 post-crisis tax reforms as too punitive and remarked that the increased personal income-tax rates and lack of exemptions had diminished disposable income, savings ability, and the overall financial well-being. A small group of respondents also viewed taxation as an essential state service and recognized its place in national rebuilding and economic restoration, while others accepted taxation conditionally, meaning that there should be taxes, but in a fair manner and with proper utilization.

These perceptions were shaped by a number of key factors, such as the fairness and equity of the tax system, the transparency of government spending, the complexity of tax procedures, the visible benefits to the public,

and the balance between direct and indirect taxes. The participants reported that they were ready to cooperate when these factors were positively perceived; in other cases, taxation was considered an unfair imposition.

On a personal level, the participants noted that their disposable income, savings, and general financial well-being had seriously declined, leading to psychological stress and changes in consumption habits. At the organizational level, the main effects noted were decreased motivation, compensation changes, and limited budgets. Several organizations changed remuneration systems and reduced performance-oriented rewards that brought about resentment and migration of talent (brain drain) to less-taxed economies.

These results are in line with Equity Theory and Psychological Tax Contract Theory, which suggest that perceived fairness and reciprocity, rather than compulsion, are more likely to foster tax compliance. Compared with previous research by Mohammed and Tangl (2023) and UNDP (2024), this study provides deeper qualitative information on the topic, with the results showing trust in fiscal governance as a determining factor in tax morale and compliance intention, even among the most educated groups of professionals.

4. Conclusion and Implications

The research finds that managerial-level employees in the Sri Lankan private sector view taxation as a burden rather than a public service, especially after the 2022 post-crisis tax reforms. The results indicate that fairness, transparency, trust, and the visible use of tax revenue are powerful determinants of such perceptions. Only a small proportion of respondents had civic-minded or conditionally positive perceptions, indicating that taxation might be viewed more favourably when citizens feel that there are concrete national benefits and that they are treated fairly.

The theoretical implication of the studies broadens the applicability of Social Contract Theory, Equity Theory, and Psychological Tax Contract Theory in a developing-economy setting. Instead of policy enforcement, the study identifies the perceptions of fairness and reciprocity as stimuli that lead to compliance and tax morale. The policy implications imply that policymakers should enhance equity, transparency, and openness in managing taxes. The government has to regain confidence through open communication about how tax revenues are used, the streamlining of operations, and equitable treatment between the private and public sectors. Such a fiscal trust relationship, in the long run, can transform taxation into a feeling of collective responsibility rather than a cost burden, and in this way can lead to the long-term viability of Sri Lanka's revenue base and its economic stability.

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Keywords: Post-2022 tax reforms; Qualitative thematic analysis; Tax compliance; Tax perceptions

THE MODERATING EFFECT OF LIQUIDITY ON THE FIRM SIZE-STOCK RETURN RELATIONSHIP: EVIDENCE FROM THE SRI LANKAN STOCK MARKET

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1. Introduction

The association between firm size and stock returns have been a highlight of financial economics since Banz (1981) recorded the small-firm premium in developed markets. According to the traditional asset pricing models, such as the Capital Asset Pricing Model (CAPM) and the Fama-French three-factor model, smaller firms tend to yield better risk-adjusted returns compared to larger ones. Nevertheless, these theories are constructed mainly for liquid and efficient markets in a transparent information environment. Frontier markets like Sri Lanka have much more distinct conditions, namely thin trading, less depth, large bid-ask patterns, concentrated ownership, and high information asymmetry, which can radically change these established relationships.

Although the impact of size and liquidity in developed markets has been widely researched, there is a burning gap in the knowledge about the interaction of the two in the context of a frontier market. It is not clear whether liquidity is a moderating factor of the size-return relationship in the Sri Lankan stock market, whose structural constraints and market frictions differ considerably from those of developed economies. The Colombo Stock Exchange (CSE) is characterised by specific features such as low trading volumes, institutional involvement, and macroeconomic volatility, and there is little empirical data on the moderating effect of liquidity.

The paper explores whether liquidity is a moderator of the relation between firm size and stock returns in Sri Lanka. The targeted objectives are: (1) to analyse the correlation between firm size and stock returns in the CSE setting; (2) to explore the direct influence of liquidity on stock returns; and (3) to evaluate whether liquidity is a significant moderator of the relationship between firm size and stock returns. The study is relevant to asset pricing theory because it is an experiment to determine how far models of developed markets can be applied to a frontier market. In practice, it offers important information to investors on how to structure their portfolio and directs policymakers in devising strategies to develop the market, and regulators in developing strategies to improve market liquidity and efficiency in emerging economies.

2. Research Methodology

The research philosophy embraced in this study is positivism, where a quantitative, deductive approach will be used to test the hypotheses based on the asset of pricing theory. The methodology employed is panel data regression analysis to test the time and interfirm relationships. The study environment is that of the Colombo Stock Exchange (CSE), which is a frontier market with unique liquidity restriction and market friction. The unit of analysis is firm-year observations of non-financial companies listed on CSE.

Sampling Technique: The study employs purposive sampling based on specific criteria to ensure data quality and consistency. Non-financial firms with continuous listing status throughout the study period were selected to maintain a balanced panel data.

Sample Period: The study covers an 8-year period from 2016 to 2023, encompassing significant economic events including the COVID-19 pandemic and the 2022 Sri Lankan economic crisis.

Variables: Dependent variable - Annual logarithmic stock returns; Independent variables - Firm size (natural logarithm of market capitalization) and Liquidity (turnover ratio); Control variables - Market-to-book ratio, profitability, leverage, beta, and firm age.

The sample comprises 60 non-financial firms persistently listed during 2016-2023, yielding 480 firm-year observations. Financial companies were excluded due to unique regulatory frameworks. Secondary data were collected from CSE daily trading records, annual financial statements, and official exchange publications.

The study design was random-effects GLS regression using year-fixed effects, which were determined by Hausman specification examination. The design is unparalleled in that it: (1) measures both cross-sectional and temporal variation that is important in frontier markets; (2) is able to account for unobserved firm heterogeneity and common macroeconomic shocks (COVID-19, 2022 economic crisis); (3) is capable of capturing endogeneity by using one-year lagged predictors; and (4) can be used to model the panel structure of frontier market data when there are limited observations per firm, thus being efficient in estimating its parameters.

3. Results/ Findings and Discussion

To evaluate the characteristics of the data and multicolinearity, descriptive statistics, Pearson correlation analysis, and Variance Inflation Factor (VIF) tests were performed (mean VIF = 1.04). The random-effects specification was supported by the Hausman test (2 = 0.02, p = 0.998). Three hierarchical panel regressions were estimated: baseline (size only), liquidity-adjusted,

and moderated (size × liquidity), with year fixed effects and strong standard errors.

Table 1: Summary of regression results

Model	Variable	Coefficient	p- Value	Hypothesis
Baseline	Firm Size	1.75106	0.044	H_1: Supported
Liquidity–Adjusted	Liquidity (Turnover)	1.092	< 0.001	H_2: Supported
Moderated	Size × Liquidity	-1.48×10^{-6}	0.121	H_3: Not Supported

Source: STATA Output

The volatility of the sample was high (mean= -4.24, SD=0.291), which is a sign of the difficult conditions in the market during the COVID-19 pandemic and the Sri Lankan economic crisis of 2022.

The statistically significant positive relationship between firm size and returns in the Baseline model supported Hypothesis 1. Yet, this observation constitutes a reverse size effect, which is against the canonical small-firm premium as reported by Banz (1981) and by Fama and French (1992, 1993) in developed economies.

The liquidity-adjusted model confirmed Hypothesis 2 and revealed an extremely strong and positive relationship between turnover and returns. This finding is contrary to the traditional liquidity theory (Amihud & Mendelson, 1986; Pastor & Stambaugh, 2003), which argues that illiquid stocks are to be quoted at high returns to cover the liquidity risk. Lastly, liquidity does not seem to play an important part in the size-return relationship, as the moderated model testing Hypothesis 3 produced an insignificant interaction term, meaning that size and liquidity are independent determinants.

The inverse size premium is consistent with other frontier markets (Bekaert et al., 2007), in which large firms enjoy greater liquidity, less information asymmetry, institutional coverage of analysts, and better institutional ownership. Contrary to small firms in the developed markets, which would reap growth premiums, the investors in the Sri Lankan capital markets are showing flight-to-quality behaviour, especially in times of crisis, as they prefer to invest in established large-capital stocks. The counter-intuitive positive correlation between liquidity and returns is an indicator of the frontier markets, whereby high turnover reflects investor interest, disclosure of information, and quality of the firms. This contrasts with developed markets, where liquidity is the major factor that lowers the costs of transactions. The failure to observe a moderating effect contrast with Narayan and Zheng (2010) and Singh and 2020, indicating that even in exceptionally liquidity-constrained markets such as Sri Lanka, size and

liquidity effects are not interactive but orthogonal, and they work through different channels, namely information asymmetry and trading frictions.

4. Conclusion and Implications

This paper explored the moderating effect of liquidity in the size-return correlation by applying 480 firm-year observations from the Colombo Stock Exchange (2016-2023). Findings indicate that there is a high inverse size premium, in which large companies are getting high returns, a very significant positive liquidity-return relationship, and no meaningful moderation effect. These results indicate that asset pricing dynamics are fundamentally different in frontier markets compared to formed markets, where size and liquidity are independent and additive determinants rather than interacting forces.

The study demonstrates that the universal applicability of the Fama French three-factor model and common liquidity-based theories of asset pricing is questionable. It highlights the need for context-specific models that explicitly reflect frontier market attributes which are extreme liquidity constraints, extreme information asymmetry, and extreme macroeconomic volatility. The results justify defining liquidity as a first-order independent risk factor, but not as a moderating factor in frontier markets.

Large-cap liquid stocks rather than small-cap strategies, should be a priority for investors operating in a frontier market, especially in times of economic uncertainty. The creation of portfolios should clearly include the aspects of liquidity as well as the conventional measures of risk and returns. To create more efficient and resilient capital markets, policymakers should concentrate on liquidity enhancement programs such as market-making programs, lower transaction costs, enhanced disclosure requirements, better corporate governance standards and incentives to encourage institutional investors participation.

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Keywords: Firm size; Frontier markets; Liquidity, Moderation effect; Stock returns

EXPLORING THE BEHAVIOURAL FINANCE BIASES ON VULNERABILITY TO PYRAMID SCAMS: EVIDENCE FROM AFFECTED INDIVIDUALS IN THE COLOMBO DISTRICT

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1. Introduction

In Sri Lanka, the financial sector has faced major concerns as pyramid schemes have caused serious economic and psychological consequences for participants. These schemes present themselves as legitimate investment opportunities with unusually high returns in a short period. Although the government has launched several programs and awareness initiatives, it is evident that many people continue to be deceived, indicating that prevention measures focused solely on financial literacy are insufficient. These scams disguise themselves as legitimate investment opportunities with unusually high returns in a very short period of time. In the past, financial literacy, risk perception, and fraud awareness have been the main predictors of financial fraud risk studied in the literature. Previous studies have also indicated that the COVID-19 pandemic has contributed to increased investment scams (Ibekwe et al., 2021). Meanwhile, it has been demonstrated that financial stressors significantly lower investors' knowledge of investment scams (Obamuyi et al., 2018). However, there is no empirical research on how behavioural finance biases influence the likelihood of becoming a victim of a pyramid scheme.

With the rapid growth of informal financial networks and investment venues, scams are increasing in areas like Colombo. Therefore, this study aims to investigate the behavioural biases that predispose individuals to pyramid scheme victimization. The main objectives are to identify key behavioural biases affecting financial decision-making, to understand how these biases operate within scam contexts, and to provide behavioural evidence to support more effective preventive measures. This research contributes to the existing literature by integrating behavioural finance principles into the analysis of financial fraud.

2. Research Methodology

This research employed a qualitative phenomenological approach grounded in an interpretive research philosophy and inductive reasoning to explore behavioral biases influencing fraud vulnerability. The study was conducted in the Colombo district, identified as a severely affected region due to its

socio-economic diversity and high exposure to informal investment schemes.

The unit of analysis consisted of individuals who had directly experienced pyramid schemes. Data were collected through semi-structured interviews conducted with respondents using snowball sampling techniques to access this hard-to-reach population. A final sample of 12 participants was obtained, determined through data saturation. Interview responses were transcribed and were coded using thematic analysis to identify recurring patterns related to emotional bias, confirmation bias, representativeness bias, framing bias, herd behavior, and overconfidence.

The use of a systematic, open-ended research design, supported by an ethically appropriate methodology enabled the study to generate meaningful and credible insights into how behavioural predispositions increase susceptibility to financial fraud in Sri Lanka.

3. Results/ Findings and Discussion

Three major dimensions of behavioral finance bias were identified: cognitive bias, emotional bias, and social influence bias.

Cognitive biases included overconfidence, representativeness, confirmation, and framing. Overconfidence led participants overestimate their financial knowledge and underestimate investment risks, consistent with Barber (2001). Representativeness caused individuals to judge schemes based on superficial similarities to legitimate businesses, aligning with Kahneman (1974). Confirmation bias resulted in selective attention to positive information while ignoring warnings, consistent with Nickerson (1998). Framing effects were influenced by persuasive language, glamorous presentation, peer endorsements, and perceived outcomes, as discussed by Loewenstein et al. (2001).

Emotions such as excitement, greed, optimism, and fear of missing out (FOMO) were highly influential in decision-making and tended to override rational thinking. Emotions provided the participants with a feeling of urgency and impulsivity, resulting in high-risk decision-making. This can be attributed to the results of Lowenstein (2001), who concluded that emotions contributed significantly to decision-making under uncertainty, and Pompeian (2012), who discovered both greed and optimism to be strong predictors of poor risk decisions.

The third dimension, social influence bias, included herd behaviour and family influence. Participants often joined schemes because trusted friends or relatives had joined giving scams a sense of legitimacy. This supports Bikchandani (2000), who noted that individuals tend to follow collective behaviour under certain conditions.

Although both emotional and cognitive biases contributed to fraud vulnerability, emotional biases had a stronger influence, often overpowering rational assessments of risk. Rational thinking was dominated by enthusiasm, trust, and hope, and people were more likely to make decisions based on their emotions than on facts. Positive emotions dominate over rational judgments of risk. These results align with Slovic et al., (2002), who described the heuristic effect of the situation. Overall findings show that the chances of being victimized to pyramid schemes are not a consequence of financial literacy but a combination of emotional, cognitive, and social biases. The study expands the findings of behavioral finance theory by contextualizing the biases in the informal financial environment of Sri Lanka, where social trust and emotional appeal are linked to a high degree of financial fraud.

4. Conclusion and Implications

The study concludes that behavioural finance biases play a crucial role in making people prone to pyramid scams in Sri Lanka. Emotional, cognitive, and perception distortions, particularly greed, overconfidence, and social validation, tend to suppress the rational evaluation leading to risky investment behaviours. The findings extend behavioural finance theory by demonstrating how these biases operate within deceptive and trust-manipulating contexts. This theoretical study is based on behavioural finance and its application, not in the normal context of investment, but in a fraudulent financial context. In practice, the results suggest that behaviourally informed financial education needs to be built, and it must establish emotional regulation, critical thinking, and psychological knowledge traps used by scammers. The policymakers and the financial institutions must consider behavioural knowledge when developing investor protection policies and communication programs. Intensification of regulatory controls and community-based educational initiatives will also eliminate the susceptibility to scams. By recognizing and critically evaluating behavioural biases, individuals and institutions can develop a more resilient financial culture.

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Keywords: Behavioural finance bias; Pyramid scheme; Vulnerability

IMPACT OF BASEL III REGULATIONS ON INVESTMENT PORTFOLIOS' PROFITABILITY: THE MODERATING EFFECT OF ASSET QUALITY

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1. Introduction

The resilience of banking systems in environments exposed to macroeconomic and credit risks is highly dependent on effective capital and liquidity regulation. The Basel III framework was introduced in 2010 to improve capital strength, limit excessive leverage, and improve liquidity risk management (BCBS, 2010). The Basel III regulations were fully implemented in Sri Lanka in 2017, requiring licensed commercial banks to meet minimum capital and liquidity requirements. While these regulations aim to enhance the resilience of banks, they also pose challenges to investment portfolio management. In particular, banks must balance profitability with liquidity objectives when allocating funds to various investment instruments such as government securities and corporate bonds. Furthermore, the Bank for International Settlements (BIS) notes that adjustments made by banks to comply with higher capital and liquidity requirements negatively impact overall profitability, particularly net interest margin.

Although the Basel III regulations aim to enhance financial stability, the strict requirements in economies with poor credit quality limit banks' investment flexibility, limit risk-taking, and reduce portfolio returns (Brei & Schclarek, 2013). Despite these issues, there is limited empirical evidence on how the Basel III capital requirements (CAR, LR) and liquidity requirements (LCR, NSFR) affect profitability in Sri Lanka.

Moreover, asset quality reflects how well a bank manages credit risk and the strength of its loan portfolio. Credit risk levels are a key indicator of financial stability, as they directly affect a bank's credit investment performance (Abdallah & Ballou, 2024). But no published study has examined whether asset quality moderates the relationship between Basel III regulations and investment profitability.

Therefore, this study aims to analyze whether Basel III capital and liquidity regulations affect the net interest margin of Sri Lankan commercial banks and to assess whether asset quality moderates these relationships. The findings of this study will provide valuable insights to regulators, policymakers, and bank managers in balancing regulatory compliance with sustainable profitability.

2. Research Methodology

This study uses a deductive approach guided by established theories and prior empirical evidence to test pre-specified hypotheses. Furthermore, this study adopts an explanatory research design, including asset quality as a moderator, to identify causal relationships between capital and liquidity regulations and bank profitability.

Furthermore, a quantitative research approach is applied as numerical indicators such as CAR, LR, LCR, NSFR, NIM, and NPL are used.

This study used a purposive sampling technique to select 11 commercial banks in Sri Lanka based on the availability and completeness of secondary financial data. The sample is a panel data set of 11 commercial banks observed during the period 2019-2024 and consists of 66 observations. Data were collected from secondary sources of audited annual reports of banks, ensuring reliability and consistency. This study used a two-step Generalized Method of Moment (GMM) regression model. It has a high ability to address endogeneity, heteroskedasticity, and autocorrelation issues. The aforementioned methodology ensures robust and unbiased estimates and is suitable for providing accurate answers to the research questions. This GMM regression model uses net interest margin as the dependent variable, Capital Adequacy Ratio (CAR), Leverage Ratio (LR), Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR) as independent variables, and includes asset quality (Non-Performing Loans—NPL) as the moderator variable.

3. Findings and Discussion

This study uses two-step GMM regression analysis to examine the impact of Basel III capital and liquidity regulations on investment portfolio profitability as measured by net interest margin and whether asset quality (NPL) moderates these relationships.

Table 1: GMM panel data regression with independent & moderate variable

	Model 1		**Model 2**	
NIM	**Coefficient**	**p-value**	**Coefficient**	**p-value**
L.NIM	1.479	0.000	1.368	0.000
CAR	0.069	0.009	0.109	0.511
LR	-0.030	0.024	-0.298	0.023
LCR	0.013	0.018	0.035	0.052
NSFR	0.001	0.966	0.162	0.070
NPL	-	-	-0.957	0.669
CAR×NPL	-	-	-0.132	0.282
LR×NPL	-	-	0.244	0.028

LCR×NPL	-	-	-0.014	0.123
NSFR×NPL	-	-	-0.008	0.860
Constant	1.097	0.000	0.265	0.408
Observation	66		66	
Number of groups	11		11	
Number of instruments	10		15	
AR (1)		0.313		0.370
AR (2)		0.086		0.780
Sargan test		0.409		0.001
Hansen test		0.583		0.999

Source: STATA Software

Model 1 – Net Interest Margin with Independent Variables

$NIM_{it} = 1.097 + 1.479\ NIM_{it-1} - 0.069 CAR_{it} - 0.030\ LR_{it} + 0.013\ LCR_{it} + 0.001 NSFR_{it} + \epsilon_{it}$

The GMM regression analysis (Model 1) shows that the CDR has a significant positive impact on NIM. This suggests that well-capitalized banks maintain strong profitability due to improved risk capacity. This is consistent with the finding of Kumalo (2023), who highlighted the performance benefits of strong capitalization under the Basel III frameworks.

LR shows a significant negative effect on NIM. This indicates that banks with high leverage face a higher cost of funds and lower profitability. This is consistent with the findings of capital structure theory (Modigliani & Miller, 1958; Anbar & Alper, 2011).

There is a significant positive relationship between LCR and NIM. It highlights that banks with better short-term liquidity conditions are more able to maintain stable income from investment and loan portfolios.

Contrary to the findings of the study by Mahisi and Usman (2024), the NSFR is statistically insignificant, indicating that long-term funding stability does not have a significant impact on the short-term profitability of Sri Lankan banks.

Model 2 – Net Interest Margin with Moderating Variable

$NIM_{it} = 0.265 + 1.368\ NIM_{it-1} + 0.109\ CAR_{it} - 0.298\ LR_{it} + 0.035\ LCR_{it} + 0.162\ NSFR_{it} - 0.957\ NPL - 0.132\ (CAR_{it} \times NPL_{it}) + 0.244\ (LR_{it} \times NPL_{it}) - 0.014\ (LCR_{it} \times NPL_{it}) - 0.008\ (NSFR_{it} \times NPL_{it}) + \epsilon_{it}$

The second model assesses the moderating effect of asset quality (NPL). The results show that asset quality significantly moderates the negative impact of leverage on profitability. That is, when asset quality improves, the negative impact of leverage on profitability weakens.

The other interaction terms (CAR×NPL, LCR×NPL, NSFR×NPL) are insignificant, indicating that asset quality does not significantly modify the direct relationship between these Basel III regulations and profitability.

After estimating both models (Model 1 and Model 2), the diagnostic test results show that there is no second-order autocorrelation (AR (2) - Model 1 - P= 0.086, Model 2 - P= 0.780). Also, the Hansen test is not significant at the 95% confidence level, so the estimation instruments of both models are valid (Model 1 - P= 0.583, and Model 2 - P= 0.999). Therefore, both models are good models.

4. Conclusion and Implications

This study concludes that Basel III regulations significantly affect the investment portfolio profitability of commercial banks in Sri Lanka. The capital adequacy ratio and liquidity coverage ratio show a strong positive impact on net interest margin, indicating that well-capitalized and highly liquid banks maintain strong earning capacity even under strict regulatory standards. However, there is a significant negative relationship between leverage ratio and profitability, while net stable funding ratio does not show a meaningful impact. Furthermore, the relationship between leverage and profitability is only moderated by asset quality, suggesting that strong credit quality can mitigate the adverse effects of leverage on earnings.

As practical implications for regulators, the results highlight the importance of maintaining strong capital and liquidity to safeguard profitability while ensuring systemic stability. Bank managers should also prioritize maintaining high-quality liquid assets and optimizing capital structures to enhance profitability. Strengthening commercial bank credit risk management and reducing non-performing loans can further mitigate the adverse effects of leverage and improve overall financial stability.

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Keywords: Asset quality; Basel III liquidity regulation; Commercial banks; GMM regression model; Investment portfolio profitability

MACROECONOMIC DETERMINANTS OF EXCHANGE RATE VOLATILITY IN SRI LANKA: THE ROLE OF TRADE BALANCE, INFLATION AND INTEREST RATE

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1. Introduction

Exchange rate volatility has been a major concern for developing economies, especially for Sri Lanka, where macroeconomic instability has heightened in recent years. Fluctuations in the exchange rate directly impact international trade, inflation levels, foreign investment, debt servicing, and overall economic performance. Sri Lanka has maintained a managed floating exchange rate system that, since 2015, has come under pressure due to increasing trade deficits, inflation, depleting reserves, and policy imbalances. Such pressures reached their peak during the 2022 economic crisis, as reflected in the sharp depreciation of the Sri Lankan rupee.

The literature identifies trade balance, inflation, interest rates, and money supply as major macroeconomic variables that determine exchange rate behavior. Most studies conducted in Sri Lanka have focused on other macroeconomic indicators that are affected by changes in the exchange rate, rather than identifying the determinants of volatility itself in the exchange rate. Given this knowledge gap, there is a need to study domestic influences on exchange rate instability.

This research, therefore, tries to fill the existing gap in the literature by examining how the selected macroeconomic variables influence the volatility of the exchange rate in Sri Lanka, using recent monthly data from 2015 to 2024. The findings provide insights that can help policymakers, researchers, and financial institutions in formulating strategies to enhance exchange rate stability and overall economic resilience.

2. Research Methodology

This study is based on a positivist philosophical basis and a quantitative research design to investigate the causal nexus among the macroeconomic variables that determine the volatility of the exchange rate. In this respect, the research approach will be deductive, informed by theory and empirical literature. Monthly secondary data for the period from 2015 to 2024 were obtained from the Central Bank of Sri Lanka, the World Bank, and the IMF. The variables include exchange rate volatility, trade balance, inflation (CPI), interest rate (AWCMR), and money supply (M2b).

Time series econometric techniques were applied to test stationarity using the Augmented Dickey-Fuller (ADF) test. The ARDL model was chosen because of the mixed integration order of variables (I (0) and I (1)). Lag length selection was done through the Akaike Information Criterion (AIC), and an ARDL bounds test was performed for the existence of long-run cointegration. Estimates of both short-run and long-run coefficients were calculated to identify macroeconomic determinants of exchange rate volatility.

3. Results/ Findings and Discussion

Descriptive statistics showed that all the series of macroeconomic variables fluctuated tremendously, reflecting the very volatile economic conditions in Sri Lanka between 2015 and 2024. The ADF unit root results confirmed the presence of mixed integration orders, hence justifying the application of the ARDL model. Lag length criteria showed that lag 2 was the best specification.

Some of the key short-run results are that increased inflation and money supply significantly raise exchange rate volatility, implying that heightened price levels and excessive liquidity result in the short-term depreciation of the Sri Lankan rupee. The trade balance, though not immediately significant, became significant with lag, which describes that the trade performance impacts the value of the domestic currency with a time lag.

The ARDL bounds test confirmed that there is long-run cointegration among the variables. In the long run, interest rate, money supply, and trade balance were found to be the statistically significant determinants of the volatility in the exchange rate. Higher interest rates were associated with a depreciating currency, reflecting tightened monetary conditions. Expansion in money supply contributed to long-term depreciation, while an improved trade balance supported the appreciation of a currency. Inflation was insignificant in the long run, suggesting its long-term effects are mitigated by policy interventions.

Overall, the findings highlight that sound monetary management supported by a strengthened trade sector is of paramount importance in stabilizing the Sri Lankan exchange rate.

4. Conclusion and Implications

This study concludes that macroeconomic fundamentals are the significant determinants of exchange rate volatility in Sri Lanka. Inflation and money supply are the major short-run volatility determinants, while interest rate, money supply, and trade balance are the significant long-run determinants. Inflation's insignificance in the long run implies that its effects are temporary and controllable.

The findings suggest that policymakers should pursue disciplined monetary policies, restrain liquidity growth, and improve the trade balance by promoting export diversification and reducing import dependence. Changes in interest rates need to be made very carefully since they have a very strong long-term impact on currency stability. The study also provides an opportunity for entrepreneurs and investors to learn how to hedge against exchange-rate risks.

Other variables like remittances, foreign reserves, political stability, and global commodity prices may also be considered in future studies, or advanced econometric models like GARCH or VECM may be applied for more profound analysis.

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Keywords: Exchange rate volatility; Inflation; Interest rate; Money supply; Trade balance

EFFECTS OF ECONOMIC AND POLITICAL EVENTS ON STOCK MARKET PERFORMANCE: AN EVENT STUDY APPROACH IN COLOMBO STOCK EXCHANGE, SRI LANKA

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1. Introduction

Political and economic events affect stock market performance, both positively and negatively (Peiris, 2012). Stable economic performances and stable political environments increase investor confidence and encourage market growth. Conversely, market uncertainty reduces investor confidence. Over the past several years, the Colombo Stock Exchange (CSE) has become increasingly volatile due to both economic and political events in Sri Lanka (Ramesh & Rajumesh, 2015). Rising inflation, currency depreciation, frequent government policy changes, external economic crises, and the Covid-19 pandemic all contributed to significant market instability. Further, political events such as elections, civil unrest, and leadership changes have created uncertainty and market risk.

This study investigates the effects of economic and political events on the performance of the CSE. The events considered for this study are, first, the selected political events, described below. 20th Amendment to the Constitution, Cabinet resignation, President Gotabaya Rajapaksa resigns, Announcing the presidential election. Further, the economic events selected for this study are described below: the prohibition of the import and use of chemical fertilizers. The government has banned imports of vehicles, electronic equipment, and luxury goods to conserve foreign exchange and support debt restructuring. The unexpected central bank rate is high.

2. Research Methodology

The objective of this research is to analyze the abnormal reactions in stock returns in the CSE following both political and economic events in Sri Lanka during the period from 2020 to 2024. The study adopts a positivist research paradigm and applies a quantitative methodological approach. This study employed a Purposive sampling technique to select the eight major political and economic events mentioned above in Sri Lanka. An event study methodology was used to examine the short-term stock market reactions to eight major political and economic events, focusing on the effects of each event before and after it occurred. Daily ASPI returns were obtained from the CSE, and the sample period consisted of an estimation window of 165 days, with an event window of ±15 days used to calculate expected returns

and abnormal returns (Dharmarathna & Amarasekara, 2016). The Augmented Dickey-Fuller (ADF) test was used to test for stationarity. Following Peiris (2012) expected returns were estimated through ARMA models, while GARCH, EGARCH, and TGARCH models were employed to capture volatility clustering and asymmetric volatility effects. This methodological approach is suitable given that financial return series generally exhibit heteroskedasticity and non-normality, because the event study approach is widely recognized for evaluating market reactions. The unit of analysis for this study is the ASPI market index, and the model-based, structured approach adopted enables clear identification of event-driven effects on market returns through abnormal returns, average abnormal returns, and cumulative average abnormal returns.

3. Results/ Findings and Discussion

The analysis provides clear evidence that political and economic events affect the Sri Lankan stock market differently, with economic events having a greater and more pronounced impact on market behavior. The Augmented Dickey-Fuller (ADF) unit root test was used to test the stationarity of all the ASPI return series, and it was found that they were all stationary; thus, time-series models could be used effectively in the analysis. Descriptive statistics showed that return distributions were non-normal, leptokurtic, and left-skewed for most events, indicating the presence of extreme negative price movements and volatility clustering in emerging markets. The GARCH-family models, as such, shed more light on these volatility behaviors. The standard GARCH results indicated volatility persistence across all economic events, suggesting that the effects of shocks during these periods were long-lived. EGARCH models demonstrated a significant leverage effect, meaning that negative shocks increased volatility more than positive shocks of the same magnitude. This asymmetric volatility effect was strongest during policy-related events, especially the fertilizer bans and interest-rate adjustments, demonstrating that the market reacts more sharply to adverse economic news than to favorable political information. The findings of this study are consistent with previous literature on emerging markets, demonstrating that political events have a short-term impact. In contrast, economic policy changes and volatility have a profound structural impact on investor sentiment.

The results of this event study showed various patterns. Political events such as the 20th Amendment to the Constitution, cabinet resignations, and the resignation of President Gotabaya Rajapaksa generated short-term Abnormal Returns (ARs) that generally returned to normal within a few days. Furthermore, these political event shocks generated largely insignificant CARs, indicating substantial information absorption and limited long-term market impact. Such behavior leads to poor efficiency, where prices quickly respond to widely anticipated political events.

Conversely, economic events, including the ban on the import and use of chemical fertilizers, the cancellation of vehicle imports to conserve foreign exchange, electronic equipment, and luxury goods, as well as changes in central bank policy rates, showed large and statistically significant fluctuations in AR and CAR. The values of CAR were negative in several days after these events, indicating investor concern, increased uncertainty, and slower market adjustment. These findings highlighted that economic shocks carry greater risk implications for firms, leading to delayed corrections as investors reassess earnings expectations, liquidity conditions, and future economic forecasts. In general, the Colombo Stock Exchange exhibits feature consistent with weak-form efficiency; however, it also displays short-term inefficiency in response to extreme macroeconomic policy shocks, indicating increased vulnerability to unexpected macroeconomic events.

4. Conclusion and Implications

This study concludes that political events in Sri Lanka generate short-term market reactions with rapid corrections, while economic event shocks produce stronger, more persistent negative impacts on returns. The clustering of volatility and leverage effects is an additional indication of traders' increased sensitivity to bad economic news. The findings confirm that the CSE shows weak-form efficiency overall, but efficiency weakens during periods of severe economic uncertainty.

Theoretically, the study enriches the event-study approach in emerging markets by integrating AR/CAR analysis with asymmetric volatility modelling. In practice, the findings indicate that policy communication must be effective and timely, as sudden or poorly announced economic actions can cause a significant decline in market confidence. Investors should monitor policy-related signals to actively adjust portfolios, while regulators may consider improving transparency and strengthening market-stabilization mechanisms to reduce the impact of sudden shocks.

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Keywords: Abnormal return; Cumulative abnormal return; Event study; EGARCH; GARCH

THE RELATIONSHIP BETWEEN TRADE OPENNESS AND FDI: A COMPARATIVE ANALYSIS OF UPPER AND LOWER MIDDLE-INCOME COUNTRIES WITH POLITICAL STABILITY AS A MODERATOR

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1. Introduction

Foreign direct investment has become a central driver of economic growth, structural transformation, and global integration in developing and middle-income economies. Trade openness, often measured through reduced tariffs, eased import–export procedures, and liberalization, has been widely recognized as a major driver of FDI inflows. Empirical evidence indicates that Albahouth and Tahir (2024) found that greater trade openness significantly increases long-run FDI inflows in Asian economies. That trade liberalization enhances productivity and attracts foreign investment, as shown by data from 90 middle-income countries. However, openness alone does not guarantee sustained FDI, especially in environments characterized by political uncertainty. Political stability plays a critical role in shaping the effectiveness of trade policies. Studies show that politically stable countries are more successful in converting trade openness into actual investment gains. For instance, Asiedu (2006) and Busse and Hefeker (2007) demonstrated that the positive effect of transparency on FDI is conditional on institutional quality and political stability. Similarly, revealed that governance moderates the relationship between openness and economic performance across African economies. Yet, despite the growing evidence, comparative studies examining how political stability moderates the trade openness–FDI nexus across Asian income groups remain limited, creating a clear research gap.

Against this background, the present study aims to examine the impact of trade openness on FDI inflows in Asian middle-income economies and determine how political stability moderates this relationship across upper- and lower-middle-income groups. The study is significant because middle-income Asian economies differ widely in institutional quality, governance, market size, and resilience. By providing updated evidence from 2009 to 2023 using advanced panel econometric techniques, this research contributes both theoretically and empirically by clarifying whether political stability strengthens, weakens, or differentiates the influence of trade openness on FDI across income classifications. The findings will offer policymakers critical insights into designing stable, open, and investment-friendly environments for sustainable economic growth.

2. Research Methodology

This study adopts a positivist research philosophy, which assumes that relationships between trade openness, political stability, and FDI can be objectively measured using empirical data. A quantitative approach is employed because it allows statistical testing of causal relationships and moderating effects using large panel datasets across countries and years. This study follows an explanatory research strategy, suitable for identifying how and why trade openness influences FDI and whether political stability alters this relationship. Moreover, The researcher shows the General Objectives of this study as To examine the impact of trade openness on foreign direct investment (FDI) inflows in Middle Income Asian countries and to analyses how political stability moderates this relationship across upper and lower middle-income countries, and aims to achieve through three Specific Objectives as (1) To analyze the impact of trade openness on FDI inflows in middle-income Asian countries, (2) To examine the effect of political stability on FDI inflows in middle-income Asian countries and (3) To investigate how political stability moderates the relationship between trade openness and FDI inflows across middle-income Asian countries. The research context focuses on upper and lower-middle-income Asian countries, reflecting structural differences in institutional quality and economic resilience. A sampling technique is used to select countries based on World Bank income classification and data availability. The final sample includes eight upper-middle-income and six lower-middle-income Asian countries over the period from 2009 to 2023 for capturing post-global financial crisis trade reforms and modern FDI patterns. Data were collected entirely from secondary sources, including the World Bank's World Development Indicators and the IMF database, ensuring accuracy and international comparability. The study uses advanced panel econometric techniques, specifically the Pooled Mean Group (PMG) and Mean Group (MG) estimators, because they account for heterogeneity across countries while identifying long-run equilibrium relationships. This methodology is uniquely appropriate because it accommodates cross-country differences, captures dynamic adjustments, and directly tests the moderating effect of political stability, making it well-suited to answering the research questions.

3. Results/ Findings and Discussion

The research used the descriptive statistics, correlation analysis, collinearity measures, unit-root tests, and the sophisticated panel data estimators, Mean Group (MG), Pooled Mean Group (PMG), and Dynamic Fixed Effects (DFE) to examine the role of political stability in mediating the relationship between trade openness and FDI in the upper and lower middle-income Asian economies. The results of unit-root tests indicate that all variables are I (1), supporting their suitability for long-run econometric modelling. All the Hausman tests consistently found the PMG estimator to be the most suitable, indicating that the long-run relationships are homogeneous across all the

countries studied. The empirical evidence shows that trade openness positively influences long-run FDI inflows, and the effect is quite strong in lower-middle-income economies, where liberalization plays a critical role in attracting foreign investment. This finding is justified by evidence on a global scale (Duong & Huynh, 2022) that openness increases market access and the appeal of host countries. Conversely, economies in the upper middle-income range, which are already more structured in trade and more diversified in the market, are affected by openness more consistently, albeit with a weaker effect. Another crucial factor is political stability, which is a major influence on FDI inflows across the two income groups. Also, the research shows that control variables, such as exchange rate volatility and inflation, have significant negative impacts on FDI, particularly in lower-middle-income economies that are more susceptible to macroeconomic shocks. There is greater resilience and the ability to maintain longer-term foreign investment commitments in upper-middle-income countries with rather stronger macroeconomic fundamentals. These results support the suggestion that macroeconomic stability is a significant base in attracting and keeping FDI. One of the contributions this research has made is confirming that political stability moderates the association between trade openness and FDI. The relevance of the interaction term (TRPS) indicates that openness to trade is more effective in politically stable conditions. In comparison, the upper middle-income countries show stronger and more consistent long-run dependencies, whereas the lower middle-income countries are more vulnerable in the face of political fluctuations and economic recessions. In general, the findings highlight the key role that the interaction of trade liberalization and political stability plays in maintaining the FDI inflows in the Asian region.

Table 1: Unit mean analysis of upper middle-income Asian countries

Test	Chi2 value	Probability value	Decision
MG vs. PMG	25.89	0.0001	PMG selected
DFE vs. PMG	16.28	0.0061	PMG selected

Source: STATA version 11 computation

P-value is less than 0.05 thus we reject the null hypothesis. This implies that there is a big disparity between the Mean Group (MG) and the Pooled Mean Group (PMG) models. In that instance, PMG model would be the most preferred as it captures the short-run dynamics as compared to the MG as well as the long-run relationships.

Table 2: Unit mean analysis of lower middle income Asian countries

Test	Chi2 value	Probability value	Decision
MG vs. PMG	52.03	0.0000	PMG selected
DFE vs PMG	37.16	0.0000	PMG selected

Source: STATA version 11 computation

Which compares the MG, PMG, and DFE models to determine the most appropriate estimation, has Chi-square values of 52.03 and 37.16, both highly significant with probability values of 0.0000. As a matter of fact, there is strong statistical evidence to reject the null hypothesis of no systematic difference between the models. Because the PMG model is chosen in both comparisons, it suggests that the PMG estimator is more consistent and efficient than the MG and DFE models. Therefore, the PMG model is most suitable for analyzing the long- and short-run relationships between FDI and the selected variables, thereby enabling a more reliable interpretation of the results.

4. Conclusion and Implications

The research finds that political stability is a key factor that enhances the beneficial effect of trade openness on FDI inflows of the Asian middle-income economies. The credibility of trade reforms in countries with stable political environments is also higher, and this minimizes the level of investor uncertainty and maximizes the long-term investment prospects. The results also suggest that this relationship is more valuable to the economies of the upper-middle-income brackets because they have a rather well-developed institutional setup and a quality of governance. Altogether, the findings demonstrate that political stability is not just an independent variable determining FDI, but also one of the important moderating variables that increases the utility of trade openness in attracting foreign direct investment.

The results have significant theoretical and policy implications. Ideally, the research paper is useful in the literature of institutional economics and international investments because it illustrates the role and influence of governance quality and political circumstances in determining the effects of macroeconomic openness. It confirms the idea that reforms in structure cannot succeed without a favorable political climate. In practice, policymakers ought to focus on strengthening the institutions of governance, as well as increasing transparency and ensuring a steady stream of regulatory practices to boost investor confidence and the gains of trade liberalization. Ensuring macroeconomic stability, especially by having low rates of inflation and exchange rates, is also critical in providing a conducive environment that leads to sustainable FDI inflows.

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Keywords: Asian economies; Foreign direct investment; Moderating analysis; Political stability; Trade openness

IMPACT OF GLOBAL CRUDE OIL PRICE ON STOCK MARKET PERFORMANCE: THE MEDIATING ROLE OF EXCHANGE RATE IN SRI LANKA

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1. Introduction

Fluctuation of the global crude oil prices has become one of the most influential determinants of financial market performance, particularly in oil-importing economies such as Sri Lanka. As a country highly dependent on petroleum imports, fluctuations in crude oil prices have far-reaching consequences for inflation, production costs, and investors' confidence. These changes directly affect stock market returns, which serve as a barometer of economic performance. However, the existing literature in Narayan and Narayan (2010) examines whether the oil prices have a positive effect. Despite these insights, limited studies have examined the mediating role of the exchange rate in the Sri Lankan context. Exchange rate fluctuations can transmit oil price changes to the stock market by influencing import bills, currency depreciation, and corporate profitability. The main objective of understanding the relationship between these two markets is necessary because the investors may be able to invest better by seeking the fluctuation of oil prices. Therefore, this research aims to investigate the impact of global crude oil price changes on stock market performance through the mediating effect of the Exchange Rate, using evidence from the Sri Lankan context. The study contributes to closing contextual and methodological gaps and offers evidence relevant to emerging market conditions.

2. Research Methodology

This study adopts a positive philosophy and a quantitative research approach to empirically examine the causal relationships among global crude oil prices, exchange rate, and stock market performance in Sri Lanka. The research strategy is exploratory in nature, designed to test hypotheses and identify both direct and indirect effects. Monthly secondary data from 2005-2024 were obtained from the Colombo Stock Exchange, Central Bank of Sri Lanka, World Bank, U.S. Energy Information Administration (EIA), and International financial websites. The unit of analysis is the Sri Lankan economy, represented by the time-series indicators in the global crude oil price (Brent) acts as an Independent Variable, the dependent variable is stock market performance (All Share Price Index -ASPI), and the Mediator is

the exchange rate (LKR/USD). Control variables include inflation rate, Balance of Trade, Money Supply, Interest Rate, and Industrial Production Index. The Three-Stage Least Squares (3SLS) model was employed in the study due to its ability to handle simultaneity and endogeneity compared to VAR/VECM models. Diagnostic tests for multicollinearity were conducted to validate model reliability. The Sobel test further confirmed the mediation effect of the exchange rate. The methodology's strength lies in integrating advanced econometric modelling with mediation analysis, providing a rigorous and context-specific examination of how global energy price volatility influences stock market performance in an import-dependent economy such as Sri Lanka.

3. Results/Findings and Discussion

The 3SLS results indicated that global crude oil price changes have a significant positive direct impact on the Sri Lankan stock market performance. This indicates the increase in oil prices is associated with the higher stock market returns, possibly due to investor anticipation of higher corporate revenue in certain sectors or adaptive market reaction to macroeconomic adjustment. However, the exchange rate acts as a significant negative mediator; rising oil prices lead to currency depreciation, which in turn weakens stock market performance by increasing import costs and reducing investor confidence. The Sobel test confirmed that the exchange rate serves as a crucial transmission channel between the oil prices and stock market performance.

The findings are consistent with the results of the previous researchers (Basher et al., 2012; Dutta et al., 2017), who have found that oil price shocks and exchange rate fluctuations significantly influence stock market performance in emerging economies. However, Sharma et al. (2018) indicate a positive direct effect, and Kilian and Park (2009) report a negative relationship in oil-importing countries. The following tables show the results of this research.

Table 1: Direct effect

	Variables	Coefficient	Standard Error	p- value	Interpretation
All Share Price Index	Crude Oil	0.596	0.054	0.000*	Significant
	Exchange Rate	1.297	0.138	0.000*	Significant
	Interest Rate	-0.565	0.180	0.002	Significant
	Money Supply	0.130	0.050	0.010	Significant
	Inflation Rate	-0.106	0.022	0.000	Significant

Source: Developed by the Author

Table 1 shows the measure direct effect relationship between Crude oil price and ASPI. The results show that the direct effect results in p-value of the Crude oil price is 0.000, which is less than the 0.05 significance level at a 95% confidence level. That means the global crude oil price is significant on the stock market performance in Sri Lanka. The coefficient of this is 0.596, and it shows a positive coefficient. However, the mediation effect of the exchange rate is also significant in the stock market performance, as the p-value of 0.000, which is less than the significance level in 0.05 in a 95% confidence level. The results indicate that positive coefficient of the exchange rate.

Table 2: Indirect effect

	Variables	Coefficient	Standard Error	P value	Interpretation
Exchange Rate	Crude Oil	-0.147	0.069	0.033*	Significant
	Industrial Production Index	3.664	0.458	0.000	Significant
	Interest Rate	0.025	0.020	0.210	Insignificant
	Balance of Trade	0.249	2.038	0.004	Significant

Source: Developed by the Author

Table 2 shows that crude oil price indicates a negative coefficient of -0.147, and other control variables show a positive coefficient of 3.664, 0.025 and 0.249, respectively. Also, the results indicate that crude oil price has a significant negative correlation with the exchange rate in Sri Lanka.

The difference between these international findings and the current study's results may be attributed to Sri Lanka's unique economic structure as an oil-import-dependent developing economy. In these results, import and export companies are affected differently. For export firms, a rise in global crude oil prices often leads to depreciation of the Sri Lankan rupee, making their products more competitive in international markets and increasing export revenues in local currency terms. This strengthens their profitability and can positively influence their stock prices, contributing to the overall market's upward movement. But these results are not good for the import companies face higher inputs and transportation costs due to expensive oil imports, which can reduce profit margins.

4. Conclusion and implications

This research concludes that global crude oil price changes have a significant positive impact on Sri Lankans' stock market performance. At the same time, the exchange rate plays an important mediating role by transmitting part of this effect negatively. The results indicate that although Sri Lanka is an oil-

importing country, rising oil prices may initially reflect improved global economic activity and investor optimism, which enhance market performance. However, exchange rate depreciation caused by higher oil import costs can partially offset this positive effect.

Theoretically, the study contributes to the literature by integrating the mediating role of the exchange rate into the oil price-stock market relationship within an emerging, import-dependent economy. It expands understanding of how external energy shocks influence the domestic financial market through macroeconomic transmission channels. The practicality of the findings provides valuable insights for policymakers and investors. Policymakers should focus on exchange rate stabilisation and energy import management to reduce financial vulnerability from global oil price fluctuations. Overall, the study emphasises the importance of maintaining macroeconomic stability to safeguard Sri Lanka's stock market against external Shocks.

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Keywords: Exchange rate; Global crude; Mediating role; Stock market

EXCHANGE RATE EXPOSURE AND EXCHANGE RATE RISK MANAGEMENT: MODERATING ROLE OF FIRM RISK PROFILE IN SRI LANKAN MANUFACTURING COMPANIES

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1. Introduction

Companies engaging in international trade and investments are increasingly subject to exchange rate fluctuations in a globalised economy. These exchange rate fluctuations can have a major impact on a company's financial performance, particularly for those involved in international trade operations involving imports, exports, and foreign currency loans (Sun, 2022). Sri Lankan Manufacturing companies depend heavily on imported raw materials and machinery to keep their operations running smoothly. While increased imports are not necessarily harmful, they increase a company's exposure to exchange rate risk, especially given the steady currency depreciation over the past decade. Hence, financial managers are giving more attention to managing foreign exchange risk through different hedging strategies. When this risk increases, companies often use a mix of natural hedging methods and financial derivatives to protect their cash flows and maintain firm value (Dao, 2021). However, selecting these hedging strategies heavily depends on the company's risk profile. In this context, the current study measures the moderating effect of company risk profiles on the relationship between exchange rate exposure and exchange rate risk management.

2. Methodology

This study employs a deductive quantitative research approach. It examines the effect of exchange rate exposure on exchange rate risk management, with the company's risk profile serving as a moderating variable. The sample consists of 15 manufacturing companies listed on the Colombo Stock Exchange, selected based on the scale of their import and export activities. Manufacturing firms are typically exposed to a higher exchange rate due to the higher levels of imports and exports. When the exchange rate depreciates, this exposure converts into a risk. Therefore, we selected manufacturing sector firms for this investigation. Firms with higher import activity relative to export activity are considered to face higher exchange rates.

This produced a panel dataset of 120 firm-year observations covering the period from 2018 to 2025. Prior to 2018 Sri Lankan firms rarely used

hedging practices to mitigate exchange rate risk, and after 2018 exchange rate experienced a significant depreciation. The panel models were developed by taking exchange rate risk management (proxied by using derivative usage ratio) as the dependent variable, (Allayannis, 2001) exchange rate exposure (proxied by trade balance), and an interaction term of exchange rate exposure and company risk profile (proxied by debt-to-equity ratio) as the moderator.

Descriptive statistics and correlation analysis were performed as preliminary tests. The correlation matrix showed no serious multicollinearity issues among the variables. This investigation was conducted using traditional panel data models of: pooled Ordinary Least Squares (OLS); fixed effects model; and random effects. The redundant fixed effect test and Hausman test were used to select the most appropriate model for interpretation. Although many studies investigate the impact of exchange rate exposure on exchange rate risk management, limited attention has been given to the moderating role of company risk profile. Many recent investigations focus on how companies recognise exchange rate risk and mitigate exchange rate risk using hedging techniques and derivatives, but there is limited empirical evidence regarding the influence of company risk profiles.

3. Results/ Findings and Discussion

According to model selection tests, the fixed effect model was found to be the best fit for the data. Exchange rate exposure (P-value = 0.0102) indicates a positive and significant effect on exchange rate risk management, implying that firms with higher exposure to currency fluctuations are more likely to engage in risk management practices.

The moderation term representing the moderating effect of the firm's risk profile (P-value = 0.2369), was not significant. This indicates that a company's risk profile does not moderate the relationship between exchange rate exposure and exchange rate risk management. These results may be due to several reasons. First, during the study period, managers made decisions under abnormal circumstances due to Covid -19 pandemic and the subsequent economic and political crisis. Secondly, the limited availability of derivative options in the Colombo Stock Exchange may have discouraged managers from hedging the exchange rate risks even if companies followed a risk-averse policy.

Among the control variables, firm size (FS), P-value = 0.0485 and leverage (LW), P-value = 0.0212, are statistically significant. This suggests that larger and more leveraged firms are more active in hedging practices. More profitable companies rely on less formal hedging practices. The model R-squared value of 0.314887 indicates that approximately 31% of the variation in risk management is explained by the explanatory variables.

These results imply that the decision of manufacturing firms to engage in risk management is primarily influenced by the level of exchange rate exposure and firm-specific characteristics, rather than by their internal risk profiles.

4. Conclusion and Implications

This study examined how exchange rate exposure affects risk management in manufacturing companies and whether the firm's risk profiles moderate this effect. The results show that higher exchange rate exposure leads firms to adopt more active risk management practices. However, a firm's risk profile does not significantly influence its risk management decisions. This suggests that companies' hedging choices are more closely linked to the intensity of their exposure than to their own risk preferences. The study provides insights for financial managers in developing effective risk management strategies and suggests that policymakers can help by improving access to risk management tools. Since the study focused on listed companies on the Colombo stock exchange, its conclusions may not be generalizable to private or government firms. Additionally, the study was limited to a specific time period, so some trends and shifts may have been overlooked.

This research enhances understanding of how exchange rate exposure affects risk management decisions in Sri Lanka, a developing country with limited derivative markets. The results highlight the need for Sri Lankan authorities to support the development of a domestic derivatives market to improve companies' access to risk mitigation tools. Future research could expand the sample across industries or countries to improve the generalizability. Qualitative methods, such as interviews with finance managers, could provide additional insights into behavioral and strategic aspects of managing exchange rate risk. Further factors, like financial literacy or corporate governance, could further clarify the influences on hedging practices. Finally, using dynamic panel models or extending the study period could reveal long-term relationships between risk management strategies and exchange rate fluctuations.

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***Keywords*:** Derivatives; Exchange rate exposure; Exchange rate risk; Hedging; Company risk profiles

ROLE OF FINANCIAL INCLUSION IN POVERTY ALLEVIATION OF SAARC COUNTRIES

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1.Introduction

Poverty has been identified as one of the most pressing challenges within the SAARC region, where millions of people are left deprived of access to opportunities for enhanced income, sound financial security, and adequate access to basic services. The World Bank (2022) has reported that South Asia continues to host over 200 million people living below the international poverty threshold of USD 2.15 a day.

One of the key techniques to reduce the poverty is make opportunities to start own business or give employment opportunities (Allen et al., 2016). Lack of access to formal financial services like credit facilities, savings, insurance, and online transactions has also been a significant obstacle for people to move towards the startups that make it hard to eradicate poverty (Sarma, 2008). This has consequently led to the lower adoption of financial inclusion as a prominent instrument within the region's strategies (Demirgüç-Kunt et al., 2018).

Though there is sufficient international proof of the importance of financial inclusion to eradicate poverty (Chattopadhyay & Bandyopadhyay, 2021), the SAARC area does not have any conclusive studies that accurately reflect the effectiveness of financial inclusion. The factors that hinder the higher financial inclusion and poverty alleviation are financial illiteracy, poor institutional support, regional geopolitical issues, and unstable financial development and macroeconomic variables like GDP per capita, unemployment, and inflation (Allen et al., 2016; Choudhury & Jain, 2019).

Thus, the objective of the study is examining the impact of financial inclusion towards alleviating poverty among the SAARC countries overlooking the world data on the period of 2004 to 2023. Therefore, this study makes a significant contribution to the empirical world and the direct the policy makers through making valuable insights.

Moreover, there is also empirical evidence supporting the idea that the connection between poverty and financial inclusion varies by context. There is evidence that financial inclusion has a strong relationship to poverty, but that the strength of the relationship between the two is geographic and highly dependent on region: it varies greatly depending on economic structure, institutional quality, and cultural norms. Demirgüç-Kunt et al.

(2022) provide evidence from global studies demonstrating that financial systems that are more inclusive are strongly correlated with an increase in economic abilities of the poorest countries through greater access to credit, digital finance, and payments; however, these findings may not apply to the SAARC region because of diversity within the region in economic and political situations. The overwhelming majority of previous research has been conducted at the national level and/or has not used a comprehensive set of financial inclusion indicators, resulting in a significant lack of regional evidence for South Asia. Previous empirical research has rarely employed a mix of long-term secondary data and the ability to look at multiple countries from both a traditional and digital perspective, preventing a solid understanding of the extent and manner in which financial inclusion has contributed to poverty reduction in SAARC over the past 20 years. The examination of this relationship using comprehensive datasets from 2004 to 2023 is thus a significant empirical gap that this research aims to fill by providing greater evidence for the region and providing a more trustworthy basis for policymaking.

2.Research Methodology

The study used a positivist paradigm and a research philosophy that focuses on the objective measurement of data since the study explores the relationship between financial inclusion and poverty alleviation using data from SAARC nations. The study follows a deductive method that involves the formulation of hypotheses using pre-existing knowledge and theoretical constructs. The study also follows a quantitative method that uses the explanatory approach.

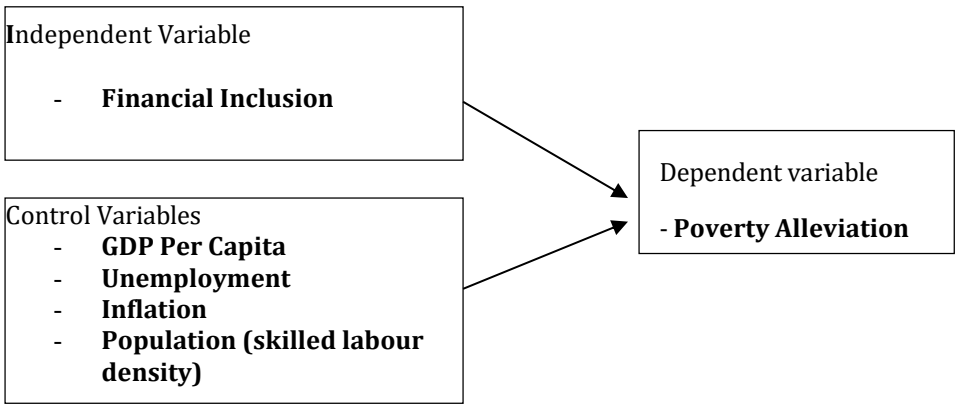

Figure 1: Conceptual Framework
Source: Developed by the Author

All the SAARC countries were used for the analysis and the sample period spanning from 2004 to 2023. All the preliminary tests we done including serial correlation test, cross sectional dependency, unit root with cross sectional dependency and inter colinearity. According to the preliminary test statistics, it was decided to use dynamic ARDL models since the features of the data set suggest to utilize long panel dynamic data analysis tools. The best fit model was decided by Hausman test results.

Econometric Model

$$GINI_t = \alpha_0 + \beta_1 FII_t + \beta_2 GDPPC_t + \beta_3 UN_t + \beta_4 INF_t + \beta_4 PP_t + \epsilon \ldots (1)$$

Where; $GINI_t$ shows the poverty at time "t" while FII_t presents the Financial Inclusion. $GDPPC_t$ represents the economic growth and UN_t shows the Unemployment rate. While INF_t presenting the Inflation rate, pp_t says the skill labour growth in SAARC countries.

3.Results/Findings and Discussion

The empirical analysis was done after employing the Pooled Mean Group (PMG). Mean Group (MG) and Dynamic Fixed Effect (DFE) estimators to examine the long-run and short run couplings of poverty with financial inclusion, economic growth, unemployment, and population within the SAARC nations.

The rationale for employing the PMG estimator specifically for the analysis stems from the fact that the model permits having a common long-run relationship with a shared objective of development among the nations, yet having divergent experiences within the short run due to the differing levels of financial development among the SAARC nations. According to hasuman test statistics, PMG was selected as best fitting model.

The most remarkable finding of the study was the strong negative long-run relationship between financial inclusion and poverty, indicating that formal financial accessibility is essential for households to manage consumption volatility and accumulation of wealth. Sarma and Pais (2011), Demirguc-Kunt et al. (2018), and Demirgüç-Kunt, et al. (2022) have found the same and highlighted the positive involvement of financial inclusion to eradicate prevalence of extreme poverty.

Moreover, a line the findings of Kyara, et al. (2022) and Inoue (2024), the study proved that Economic growth (GDPPC), and improvement of labour force (PP) reduces the poverty level of SAARC countries. The population dynamics in terms of skill labour is found to be more complex: the PMG estimate shows that population has a negative effect on poverty over the long run but makes a significant positive effect in short run. Thus, a growing population with skilled labour leads to improve the productive and eradicate poverty in long term but leads to increase the poverty in short run since in short term economy has to bear the cost of producing skill labour

rather invest on profitability projects. This verifies the theory of growth-employment-poverty relationship and the empirical work of Fields (2023), who suggests that the effects of growth could be enhanced through the participation of the working population.

Conversely, the unemployment rate is positively related to poverty, showing that a poor performance of the labor market increases poverty. As confirmed by Ngubane et al. (2023), the study highlight that unemployment makes a significant effect on worsening poverty even within the long run in SAARC countries. The speed of adjustment indicates that economic shock in financial inclusion, economic growth, unemployment and skill labour population remains a significant effect on poverty in SAARC countries for one and half years.

Taken collectively, the key implication of the study emphasis that financial inclusion, and sustainable economic growth and high skilled labour density are powerful drivers of poverty reduction in the SAARC nations while unemployment remains a significant structural barrier, and demography has the potential to be both a cause and a solution to the poverty problem depending on the appropriate harnessing of the demographic resources.

Table 1: Pooled mean group analysis

Dependent Variable	Poverty alleviation	Speed of adj.	-0.6318286*
Long run		**Short run**	
FII	-3.294594*	FII	-23.58397
UN	0.8882084***	UN	-0.6217845
GDPPC	-0.1207528**	GDPPC	0.0300896
PP	-2.508105***	INF	0.294515
		PP	5.526656*

Source: STATA output

Final Model

GINI=22.024 – 3.2946FII+ 0.8882UN – 0.1208GDPPC -2.5081PP+e (2)

4.Conclusion and Implications

The study conclude that financial inclusion significantly affects to eradicate the poverty level of SAARC countries. Thus, high level of credit access facilities, high saving, and participation in digital financial services should be the primary forces to reduce poverty. Furthermore, sustainable economic growth, and skill labour force makes a significant support to overcome the poverty issue while unemployment is the key obstacle to achieve that target.

Therefore, this study enriches with theoretical aspect since it confirms that general financial inclusion-poverty nexus in structurally diverse economies.

The research enhances financial inclusion and development theory by illustrating both conventional and digital channels in reducing poverty.

According to that, the implications and recommendations emerging from the above discussion are directed at governments and other stakeholders to plan and develop infrastructure and financial systems, as well as draw on lessons from other successful models and approaches.

In addition to these points, the research makes a contribution to the body of work by providing clear and specific evidence related to the SAARC region, something which has been largely overlooked by previous studies. Many previous studies were based on all countries of the world or on just one or a few countries. This research illustrates how financial inclusion functions in a regional context of countries with varying economic and social environments and uses both traditional finance and digital finance over an extended time period to create a more in-depth understanding than earlier studies provided. For example, this study provides an enhanced understanding of the ways financial inclusion promotes poverty reduction in developing regions and demonstrates that financial inclusion is related to more than just financial inclusion. Other variables that contribute to the overall success of financial inclusion include: economic growth, human capacity and low unemployment.

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***Keywords*:** Financial inclusion; GDP per capita; Population; Poverty alleviation; Unemployment

THE ROLE OF DIGITAL FINANCIAL SERVICES IN ENHANCING WOMEN'S ECONOMIC EMPOWERMENT IN SRI LANKA

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1. Introduction

Women economic empowerment is a crucial driver of gender equity and poverty reduction worldwide. Economic empowerment leads women, engage more in economics, make informed choices about finances, as well as obtain resources benefiting individuals as well as households (Kabeer, 2012). At the same time, rapid technological advancements continue to transform the financial system, making women's involvement in digital financial services essential for inclusive growth. However, the contribution of Sri Lankan women to the labor force still remains lower compared to men, with the labor force participation of as low as 31.6% as opposed to men of 69.8% (World Bank, 2023). In addition to that, the autonomy indicators reveal lower levels of decision-making of women, with only 35% of women having autonomy in healthcare decision-making and only 20% having autonomy of decision-making for significant household expenditure (DHS, 2016).

In the current context, it is increasingly important to understand how digital financial services act as a catalyst for women's economic empowerment. Research exploring this relationship can offer valuable insights for policymakers, banking entities, and development agencies seeking to design inclusive financial systems. Therefore, this study examines the role of digital financial services in enhancing women's economic empowerment, examining the effect of digital financial services on women's access to resources, agency, and their achievements, caused by the usage of digital financial services.

2. Research Methodology

A qualitative method was adopted to understand how digital financial services influence women's economic empowerment in Sri Lanka. Interview questions were prepared based on key empowerment variables including health, education, personal access to networks, decision making autonomy and stress reduction. Using purposive sampling, semi-structured interviews were conducted with women who use financial technology, such as mobile banking, online banking and credit/debit cards. Data collection took place between August and September 2025. An Interpretivist philosophical approach was used, as it acknowledges the fact that the reality of women

workers in Sri Lanka, in terms of the use of digital financial services, is dependent upon the social reality that they live in. Thematic Analysis was employed in the study to identify underlying structures, themes, and patterns, which contributed to the role of digital financial services in enhancing women's economic empowerment.

3. Results / Findings and Discussion

The thematic analysis identified four themes related to that illustrate how digital financial services contribute to women's economic empowerment.

Access to essential life-enhancing resources, autonomy in financial decision-making, ability to act in achieving personal goals and absence of stress with resilience in emergency situations are the four main themes that align with the main dimensions of women 's economic empowerment which are resources, agency and achievements.

Availability of digital solutions enables convenient access to healthcare appointments and payments, and it also minimizes delays and costs involved in accessing important services. Most of the participants have explained that it was easy for them to access healthcare services in their healthcare matters while performing their various duties. Access to essential resources such as healthcare and education have been consistently linked to women's economic empowerment. Studies suggest that having access to basic healthcare services and educational opportunities is crucial in enhancing women's economic roles (World-Bank, 2023).

The role of financial autonomy in women's economic empowerment has been well-mentioned in previous research. According to studies by Kabeer (2012) and (Duflo, 2011), autonomy in economic decision-making is linked to greater financial independence, which in turn leads to improved social status and well-being. The results obtained in this study corresponds to the preceding studies, as the respondents highlighted the importance of digital financial services in enabling them to make independent financial decisions.

Previous research too has indicated the importance of women's economic empowerment in terms of the role of women's agency in enabling them to realize their goals, thereby developing self-efficacy levels in the women, as well as developing confidence in them. Studies by (Kabeer, 2012) and (Jugder, 2016) highlight the significance of the women's agency role in decision-making, especially in areas such as personal health, business, and education. The current findings align with these ideas, as they show that women, through digital financial platforms, are increasingly able to achieve both career and personal goals.

The findings also depict the absence of stress with resilience in emergency situations is an integral part of women's capabilities to cope with financial risks, lower stress, and maintain emotional well-being despite challenges. By tapping into digital financial solutions, women are better equipped to cope

with emergencies, make well-informed decisions, and maintain overall well-being. This aspect of resilience is not only a strength to women in economic empowerment but also their feelings of renewed confidence, peace of mind, and accomplishment.

4. Conclusion and Implications

Digital financial services play a significant role in advancing women's economic empowerment in Sri Lanka by promoting financial inclusion and independence. Hence, a growing need for extensive digital educational programs, mainly targeting women, in rural and semi-urban regions. Unlike previous Sri Lankan studies that focused on digital financial inclusion or usage rates, this research provides a novel contribution by highlighting the women's lived experiences and mapping the empowerment pathways facilitated by digital finance. By focusing on the interplay between access to essential resources, autonomy in financial decision-making, goal achievement, and resilience in emergency situations, the study provides key insights into how these services have facilitated women's financial independence and personal growth. Financial education can be made an integral part of digital inclusion efforts of any country, as this would enable women to be aware of technology not only as an instrument, but as a means of securing themselves against frauds that can take place on digital platforms. To tap the potential of digital finance, development activities need to be more inclusive, equitable, and contextualized as well. By offering women adequate support structures, digital financial solutions empowered women and enabled them to move away from dependence towards autonomy.

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Keywords: Decision making autonomy; Digital financial services; Economic empowerment; Household finance; Mobile banking

STOCK MARKET RESILIENCE TO ECONOMIC, PANDEMIC, AND POLITICAL EVENTS IN SRI LANKA: AN EVENT STUDY WITH STRUCTURAL BREAK AND RECOVERY ANALYSIS

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1. Introduction

In recent years, the Sri Lanka stock exchange experienced lot of ups and downs due to the economy, politics and the pandemic events. The uncertainties and sudden movements in market were caused by significant events like the first COVID-19 case in the country in 2020, the Sovereign Debt Default of 2022, the Domestic Debt Restructuring of 2023, and the presidential transition of 2024. Understanding both the market's immediate reactions to these events and its subsequent recovery is essential for assessing resilience in Sri Lanka's emerging financial environment.

There is a wide range of studies that have looked into the market's short-term reactions, its volatility, and the effects on specific sectors, yet the recovery process after the shock has been neglected in most of the research, especially when a sophisticated time series analysis capable of identifying structural changes and recovery turning points is used. This results in a large empirical gap in the stock market's resilience understanding during major crises affecting the nation for an extended period. The current research intends to close this gap and studies the reaction, the All-Share Price Index (ASPI) changes in structure, and the price recovery process of the index during four major national crises events. The study employs a combination of Event Study Methodology, Bai-Perron Structural Break Analysis, and the Reverse-BSADF-based Time to Recovery (TTR) framework, thus providing an all-embracing, multi-faceted approach to market resilience that has not been applied in Sri Lanka before.

The main question of the research is, how does the Sri Lankan stock market react and recover from the major economic, political, and pandemic events? The results not only validate the concept of recovery for Sri Lanka but also provide practical information for policymakers, regulators, and investors whose main concern would be the stability of the market and the preparedness for crises.

2. Methodology

This study adopts a positivist, quantitative, and deductive research approach to examine how the Sri Lankan stock market will react and recover from major events. Daily ASPI time-series data from 2019–2024 are used to capture market behaviour across the COVID-19 pandemic period, the 2022 sovereign default, and, thereafter, the economic and political transitions in the country.

The method consists of three main parts. The first one involves the Event Study Methodology to identify the immediate market response to four significant events. The expected returns are predicted using ARMA-GARCH models, and the abnormal returns are determined in the defined event windows (pre-event: -15 to -1; post-event: +1 to +15) to quantify the short-term reactions.

The second stage involves the use of the Bai–Perron test only to ascertain if the events indeed corresponded with significant changes in return behaviour, thereby providing supportive evidence for the reaction analysis.

The last stage focuses on the recovery dynamics, which are assessed using the Reverse-BSADF-based Time to Recovery (TTR) method, which determines the exact date when the market stabilizes after each shock.

This combined technique is fully in line with the study's objective of not only knowing the market reaction but also its recovery.

3.Results/ Findings and Discussion

The findings indicate that the Sri Lankan stock market between 2019 and 2024 responded to major events in an asymmetric manner. The results of the event study showed that crisis-related events had the biggest negative impact. The first local case of COVID-19 resulted in a very significant post-event CAAR of −0.2685 ($p < 0.05$), which mirrored panic selling followed by uncertainty. The 2022 Sovereign Debt Default caused a similar reaction. Its post-event CAAR of −0.2771 was highly significant ($p < 0.05$), indicating not only panic across the system but also a complete loss of trust among investors. On the other hand, political and policy-related events brought about the positive changes. The Domestic Debt Restructuring (DDR) announced in 2023 led to a post-event CAAR of +0.155 ($p < 0.05$), which was very positive and meant, along with other factors, that the investors were relieved and were willing to take that risk again in the IMF-backed fiscal reforms. The 2024 Presidential Transition had a similar impact; it was not very a big but significantly positive CAAR of +0.055 ($p < 0.05$) market participants interpreted positively the incoming stability in the political arena. These behaviours are in line with previous results from Sri Lanka, which indicated that credible policy signals and leadership transitions usually bring back investor optimism. The structural break analysis lent additional backing to these conclusions. The Bai–Perron test pinpointed a

significant break during the COVID-19 period, thus confirming the pandemic's role in changing the market's behaviour drastically. Chow Breakpoint Tests for the other events revealed the magnitude of the structural changes as statistically significant: that of Debt Default (F = 216.17), DDR (F = 9.66), and Presidential Transition (F = 3.36). These outcomes serve to corroborate that no matter what the nature of the events was the level and behaviour of ASPI returns changed as a result.

Table 1: CAAR results for pre, post, and full-event windows

	PRE (-15, -1)		POST (+1, +15)		FULL (-15, +15)	
Events	**Coefficient**	**T-value**	**Coefficient**	**T-value**	**Coefficient**	**T value**
1st COVID Patient	-0.0590	-8.0124	-0.2685	-18.2881	-0.1638	-8.0422
DEBT DEFAULT	-0.1185	-4.7283	-0.2771	-20.6780	-0.1654	-6.6496
DDR	0.0432	8.6495	0.1548	25.5488	0.0980	9.1238
Presidential Election	-0.0019	-0.7839	0.0556	15.3928	0.0264	4.7588

Source: EViews-generated results

The recovery dynamics, which were evaluated by the Reverse-BSADF method, showed different resilience patterns. The COVID-19 pandemic had the first recovery on July 2, 2020, followed by the Debt Default Restructuring (DDR) on August 9, 2023, and the Presidential Transition on November 4, 2024, respectively. Even after the Sovereign Debt Default, no recovery was observed, which means the market was still unstable. The Time-to-Recovery (TTR) figures clearly pointed out these differences: while COVID-19 took 114 days for recovery, the DDR and the Presidential Transition occasions took 42 and 44 days respectively. Hence, it can be said that the market recovery is faster in the case of events involving clarity in policy or improvement in governance rather than in situations of great economic or financial distress.

Table 2: The time to recovery results

Event	Detected Recovery Date	TTR (Days)	Interpretation
1st COVID Patient (March 10, 2020)	2020-07-02	114	Gradual recovery as investor trust was restored.
Sovereign Debt Default (April 12, 2022)	No recovery detected	–	Prolonged instability and weak confidence.

Domestic Debt Restructuring (DDR) (June 28, 2023)	2023-08-09	42	Quick rebound driven by policy clarity.
Presidential Transition (September 21, 2024)	2024-11-04	44	Fast recovery amid political stability.

Source: Developed by the Author

The outcomes verify that the three hypotheses were all supported. These results are in accordance with the Adaptive Market Hypothesis and Prospect Theory and indicate overreaction, herding, and slow adjustment under uncertainty as factors in investor behaviour. In conclusion, the research has given robust proof of partial efficiency and context-dependent resilience in the stock market of Sri Lanka.

4.Conclusion and Implications

The findings shows that the Sri Lankan stock market reacts to major economic, political, and pandemic events with partial resilience and adaptive efficiency. The crisis events like COVID-19 and the 2022 Debt Default caused the stock market to experience the deepest and longest downturns, while the 2023 Domestic Debt Restructuring and the 2024 Presidential Transition brought rapid recoveries that showed investor confidence had been restored. It is confirmed by these patterns that the recovery speed depends on both the events nature and the credibility of policy interventions.

This research enhances the theoretical understanding of the Adaptive Market Hypothesis by showing how investor learning and behavioural adjustments (the main ideas of the AMH) were manifested through abnormal returns and Time-to-Recovery outcomes. The integration of the Reverse-BSADF-based TTR framework brings a new contribution to the field by connecting market responses with recovery dynamics in the context of an emerging market.

On a practical level, the findings point out the role of clear policy announcements, stable fiscal policies, and political continuity in minimizing the level of uncertainty and boosting the resilience of the market. The analysis in future studies could possibly go beyond ASPI to sector-based trends, sentiment indicators or even cross-market comparisons.

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Keywords: Bai-perron structural break; Event study; reverse BSADF; Market resilience; Time to recovery

EXPLORE THE LINK BETWEEN FINANCIAL LITERACY AND DIGITAL FINANCIAL INCLUSION: A QUALITATIVE INQUIRY INTO PRIVATE SECTOR EMPLOYEES

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1. Introduction

The global financial landscape is rapidly shifting with a swift digital transformation, making Digital Financial Inclusion (DFI) as a fundamental catalyst of modern economic progress. DFI leverages digital technologies to widen access to, minimize the cost of, and improve the efficiency of financial services. Financial Literacy (FL) is known as the integration of knowledge, attitude, and behavior needed for informed decision-making and remains critical for navigating the digital finance landscape. In the Sri Lankan context, even though private sector employees possess bank account ownership and access to technology, there is a notable gap between access to and meaningful use of digital financial tools. Previous studies recognized this gap yet failed to explain the underlying behavioral factors that prevent individuals from the meaningful adoption of digital financial tools. Addressing this gap, this study aims to explore how financial literacy influences the effective use of digital financial tools among private sector employees in Sri Lanka. This study further aims to explore how private sector employees perceive and demonstrate financial literacy in the digital context, barriers to adoption to digital financial tools, and highlight the opportunities for enhancing digital financial inclusion. This study emphasizes notable significance by providing actionable insights for policy makers and financial institutions to formulate informed strategies. From theoretical viewpoint, it contributes to the existing body of knowledge by presenting a qualitative interpretation of FL as multifaceted catalyst of DFI. Methodologically, it addresses a critical gap by employing an interpretivist, qualitative approach by delivering the lived experiences of individuals than what quantitative statistics alone can reveal, providing rich implications for establishing an inclusive and digitally empowered ecosystem.

2. Research Methodology

This study employed a qualitative research design under the interpretivist paradigm, allowing researcher to explore complex and rich insights of individuals. The study focus was on private sector employees in Sri Lanka, particularly those at managerial level. A purposive sampling strategy was used to select participants from diverse industries, ensuring access to

information rich perspective. Data collection was carried out over a period of five weeks through semi-structured interviews, guided by Organization for Economic Co-operation and Development framework, which provides flexibility to probe into the responses of participants while keeping focused on the research objectives; this supports the interpretivist aim of understanding participants' subjective meanings. Subsequently, the data were analyzed using thematic analysis, following Braun and Clarke's (2006) six-phase approach. It allows to identify the potential themes that emerged through inductive coding. Trustworthiness was ensured through member checking. Ethical standards were maintained through informed consent while keeping the anonymity of the participants. Ultimately, this qualitative design was essential for capturing the nuances behavioral and perceptual elements, thereby ensuring the research questions were applied with depth and clarity.

3. Results / Findings and Discussion

The findings revealed that following four interconnected themes that provides in detail explanation linking FL and DFI among private sector employees in Sri Lanka.

Theme-01-Financial Literacy as Multidimensional Capability

The findings concluded FL serves as a multidimensional capability beyond mere financial knowledge to uncover three vital components: cognitive understanding of financial concepts and digital tools, psychological capability and trust in utilizing digital financial tools, and behaviorally informed financial practices. This triad highlights that the effective utilization of digital financial tools occurs from both comprehension and acting on the knowledge and discipline to make informed decisions through digital channels, corroborating with Huston's (2010) conceptualization of FL.

Theme-02-Barriers Weakening the Link between FL and DFI

Barriers emerged across several levels to hinder effective utilization of digital financial tools, such as user-related barriers that highlighted limited awareness, lack of trust, and variations in demographic context; platform-related barriers that highlighted technical inefficiencies, limited functionality, and security vulnerabilities; and external barriers that encompassed rigid regulatory frameworks and the prevailing preference for cash-based transactions among merchants. Collectively, these findings align with Demirgüç-Kunt et al. (2018) and Ozili (2021), who identified similar structural and behavioral barriers in developing economies.

Theme-03-Opportunities for Strengthening the Link Between FL and DFI

Third, findings revealed opportunities for strengthening the use of digital financial tools. Professionals in the financial institutions highlighted

education programs at the school level and conducting workplace training and awareness campaigns. In addition, the collaboration among institutions and alignment with global standards. The development of tailored digital solutions, including customized corporate solutions and lifestyle-oriented retail products driven by customer analytics, was identified as a pathway to promote inclusivity across user segments.

Theme-04-DFI as the Practical Manifestation of FL

When FL is applied within a supportive ecosystem, it results in strategic access, routine, and diverse usage, increased financial well-being, and trust. This highlights that DFI is the tangible outcome of applied FL supporting Lyons and Kass-Hanna's (2021) assertion that FL facilitates individuals to actively engage with digital financial tools, demonstrating that FL should be coupled with enabling conditions to enable meaningful DFI, providing critical insights to bridge the usage and access gaps in the utilization of digital financial tools in Sri Lanka.

4. Conclusion and Implications

The study concludes that FL functions as a crucial and multidimensional enabler encompassing knowledge, attitude, and behavior that enables meaningful engagement with digital financial tools among private sector employees in Sri Lanka. However, barriers that weaken the impact of FL. Opportunities such as targeted education, institutional and regulatory initiatives, and customized solutions can address those barriers and facilitate sustained DFI.

The study provides the theoretical implication by conceptualizing FL as a dynamic multidimensional construct encompassing knowledge, confidence, and behavior, though its impact is shaped by systemic considerations such as platform reliability and regulatory and institutional supports. This perspective widens the scope of existing literature by explaining behavioral and experiential pathways bridging the access and usage.

Practically, the findings emphasize that coordinated and informed actions for policymakers and education institutions to integrate financial education into school and the higher education curriculum while financial institutions take initiatives to design intuitive and user-centric digital solutions. Besides workplace programs by employers in the private sector ensuring that FL facilitates confident digital financial engagement.

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Keywords: Digital financial inclusion; Financial literacy; Private sector Employees; Sri Lanka; Thematic analysis

EFFECT OF GOVERNMENT TAX INCOME ON FINANCIAL STABILITY IN ASIAN COUNTRIES: THE MEDIATING ROLE OF POLITICAL STABILITY

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1. Introduction

Although government income primarily depends on tax revenue, and financial stability typically supports higher tax collection, the relationship can also operate in the opposite direction (Skarzauskas, 2024). In certain conditions, this negative impact occurs when increased government tax pressure strains economic activity, investor confidence, and market behaviour. When governments try to raise tax revenue by increasing tax rates or tightening tax enforcement, businesses and individuals may face higher financial burdens. These outcomes can weaken economic growth, reduce business profitability, and ultimately destabilize the financial system. Even though the intention behind higher tax income is to strengthen public finances, the short-term negative impact on consumption, investment, and business confidence can generate financial stress in the economy. This is especially important in developing Asian countries, where financial markets are more sensitive to policy changes. Moreover, political stability plays a key role in determining whether tax increases contribute to or undermine financial stability. In politically stable environments, tax reforms are usually better planned, predictable, and supported by strong administrative systems. This reduces uncertainty and ensures that increases in government income do not disrupt financial markets. However, in politically unstable settings, frequent tax changes, unclear regulations, or sudden increases in tax rates can create uncertainty among investors and consumers. Such instability weakens trust in the tax system and may lead to reduced investment, capital flight, and slower economic activity. As a result, attempts to increase tax income can unintentionally harm financial stability. Recent rapid or poorly structured tax reforms in Sri Lanka can reduce financial stability by weakening economic performance and investor confidence, making the moderating role of political stability central. Stable governance ensures tax policies support, rather than disrupt, long-term financial stability. Therefore, the study investigates the moderating effect of political stability on the relationship between government tax income and financial stability.

2. Research Methodology

The study used a quantitative research design to examine how government tax income affects financial stability in Asian countries, with political stability as a mediating variable. The research context includes 11 Asian countries selected using a purposive sampling technique based on the availability, reliability, and completeness of data on government tax income, financial stability, political stability, and key macroeconomic control variables. In addition, the study covers a sample period from 2000 to 2023. It provides 264 panel observations to examine long-term behavioural patterns, structural changes, and dynamic interactions among variables within the Asian context. Moreover, appropriate control variables (Unemployment, Inflation Rate, Exchange Rate, Broad Money, Foreign Direct Investment, domestic credit to the private sector, Control of Corruption, Voice & Accountability, Regulatory Quality, Government Effectiveness, GDP Growth, and Trade openness) were included to strengthen model reliability and isolate true causal effects. The study aims to achieve two main research objectives: (1) to examine the direct effect of government tax income on financial stability in Asian countries, and (2) to determine whether political stability mediates the relationship between tax income and financial stability. Financial stability is measured by the Financial Stress Index (FSI); government tax income is measured as tax revenue (% of GDP); and the Political Stability and Absence of Violence indicator measures political stability. All data collection was based on secondary sources, including the World Bank, ADB, IMF, and national financial reports. This study used three primary analytical methods, including Descriptive statistics, Three-Stage Least Squares (3SLS), and the Sobel test (with Aroian and Goodman variations). Indeed, Three-Stage Least Squares (3SLS) were selected over other mediation analysis techniques because the system of equations developed in the study includes some common variables.

3. Results / Findings and Discussion

Financial Stability is measured through the Financial Stress Index, which showed large fluctuations over the cross-sections. This indicates that most countries faced varying levels of financial stress. The 3SLS analysis allowed the study to capture simultaneous relationships among tax income, political stability, and financial stability. The findings indicated that government tax income has a significant negative impact on financial stability. This suggests that higher tax burdens, especially in developing Asian economies, may discourage private investment, reduce economic efficiency, and increase financial stress. This finding aligns with previous studies, such as Wang (2022), which noted that higher taxes can weaken financial performance when not accompanied by appropriate tax planning. Similarly, Political stability had a positive, highly significant effect on financial stability, indicating that strong governance and consistent policies enhance confidence in financial markets. This result is consistent with Aisen & Veiga

(2006) and Radu (2015), who emphasized that political stability contributes significantly to economic and financial system performance. The Sobel test confirmed that political stability significantly mediates the relationship between government tax income and financial stability. This means the negative effect of tax income on financial stability can be mediated when a country maintains stable governance structures. This supports empirical evidence from Nnyanzi et al. (2018), which found that financial systems and tax revenues function better under stable political environments. Overall, the findings imply that while taxation is essential for government revenue, high tax levels combined with political instability intensify financial stress. Stable political environments buffer this impact by improving policy effectiveness, investor confidence, and economic predictability. Therefore, financial stability in Asian countries requires not only fair taxation policies but also strong political institutions and good governance.

4. Conclusion and Implications

This study finds that government tax income has a significant negative effect on the financial stability of Asian economies. In contrast, political stability has a positive mediating effect, mitigating the negative effect of the high tax burden on the financial system. Theoretically, the results corroborate the Classical Taxation Theory, which holds that taxation must be efficient, predictable, and fair to promote economic stability. They also support the Minsky hypothesis of Financial Instability and demonstrate how financial stress and economic weakness can be exacerbated by uneven or excessive taxation in unstable political situations. Political stability emerges as a key institutional factor that transforms government tax income into effective financial outcomes, highlighting its theoretical importance in macroeconomic stability models. In practice, the study demonstrates that policymakers must design balanced, growth-friendly tax structures while strengthening governance systems to ensure a predictable fiscal environment. Stable political institutions enhance investor confidence, support efficient tax administration, and reduce financial volatility. Asian governments should prioritize transparency, regulatory quality, and anti-corruption reforms to improve tax compliance and the performance of their financial systems. Overall, the study provides evidence-based guidance for governments to harmonize taxation policies with political governance to achieve long-term financial stability.

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Keywords: Financial stability; Government tax income; Mediation analysis; Political stability; Three-Stage Least Square (3SLS)

DYNAMIC RELATIONSHIP BETWEEN STOCK MARKETS OF SRI LANKAN TRADING PARTNERS: MEDIATION AND MODERATION EFFECT OF TRADE RELATIONS

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1. Introduction

In the global financial landscape, stock markets have long been recognized as highly interconnected systems that evolve in response to international economic forces. Past research has extensively studied the interconnectedness of global stock markets (Samarawickrama & Pallegedara, 2023). They confirmed that there is a dynamic relationship among stock exchanges worldwide (Keith & Tebogo, 2001). The ever-growing stock exchanges never operate in isolation. It exhibits dynamic linkages with foreign stock exchanges through multiple channels. Some of them are foreign direct investment, global financial integration, macroeconomic factors (such as interest rates, inflation, exchange rates, investor behavior and sentiment, technological advancement, financial liberalization policies, multinational companies, etc. (Badullahewage, 2018). Stock markets exhibit co-movement that is mainly driven by international portfolio investment, leading to financial contagion and spillover effects (Peiris & Dayaratne, 2011).

However, when shifting attention to the Sri Lankan context, a notable event can be observed over the past decades. Sri Lanka has maintained strong and diversified trade relationships with several key foreign partners. So, trade relations can become important as a key criterion in determining the interlinkages between stock markets (Ali & Maosen, 2005). So, the interaction between these trade and financial markets suggests that the trade relationship may be a fundamental force behind the stock market linkages. Therefore, uncovering the true role of trade relations, whether as a mediating mechanism or a moderating force, in the relationship between stock markets forms the central focus and unique contribution of the present study.

2. Research Methodology

The study adopted a quantitative research approach to achieve the research objectives of direct dynamic interactions between the stock markets of Sri Lankan trading partners and the mediating and moderating effects of trade in the above-stated relationship. The data on trade balances (exports and imports), stock market indices, and control variables were collected from

the Central Bank of Sri Lanka, World Trade Statistics (WTS), and World Integrated Trade Solutions (WITS), respectively, over the period from 2003 to 2022. A VAR model was used to test the direct dynamic relationship, as the Pedroni Cointegration test was not statistically significant for the considered data set. Later, this dynamic analysis was extended by using Impulse Response Analysis. The Moderation effect of trade was tested by augmenting the previously used VAR model with an interaction variable, developed using either import or export, and the relevant stock market index. Finally, the mediation effect of trade was tested using a SEM within the 3SLS framework, as several common variables appear across the equations.

3.Results/Findings and Discussion

The findings of this study provide strong evidence of the interconnectedness between stock market movements and trade relations among Sri Lankan trading partners. The descriptive statistics show that countries such as China, Germany, Japan, and the United States demonstrate stable trade flows supported by strong stock market performances. In contrast, emerging economies like India and Sri Lanka show higher volatility in both stock markets and trade activity, highlighting their sensitivity to global shocks. The correlation analysis further strengthens this understanding. Except for Italy, all countries show strong, positive associations between stock market indexes and trade variables. This means that when exports and imports increase, stock market values also rise, suggesting that trade performance and financial market activity move together. Dynamic analysis results also reveal important patterns. The Granger causality test shows a unidirectional relationship in which the stock market of Country j significantly influences Country i, but not vice versa. Although this confirms the existence of dynamic linkages, the VAR model shows that most lag values are not strongly significant. This suggests that direct dynamic effects between the two stock markets are relatively weak. The impulse response analysis provides deeper insights, showing that shocks from Country i create a positive and persistent effect on Country j, while shocks from Country j negatively affect Country i. Even though a similar response for the two figures was expected, because there is no significant difference between the response and innovation variables, the responses are significantly different. This may be due to the effect of some moderator or mediator variables.

The study also finds strong evidence for the moderating role of trade. The interaction terms for imports and exports are significantly positive in all models, indicating that trade strengthens the dynamic connection between the two stock markets. Further, this indicates that when trade links expand between countries, the direct dynamic relationships between those countries' stock markets become difficult to predict. The mediation analysis confirms that trade channels act as a bridge between stock markets. The 3SLS results show that Countryi's stock index significantly increases trade,

while trade in turn significantly boosts Countryj's stock market. That means, the current values of Country i index significantly and positively influence the Country j index. Thus, the mediator variable (tt) significantly influences the dependent variable (j) and the independent variable (I), and significantly influences the mediator variable (tt). This indicates the potential of trade in mediating the relationship between stock markets. To confirm the statistical significance of this, the Sobel test (1982) is performed. Therefore, the tested mediation effect is statistically significant at 95% confidence level. So, this study confirms that significant growth in stock markets can expand trade, and that expanded trade, in turn, can improve the stock market performance of trading partners. The potential of trade to significantly mediate the relationship between stock markets further confirms the difficulty of predicting the direct dynamic relationships between them.

4. Conclusion and Implications

This study examined the dynamic relationship between the stock markets of Sri Lanka and its major trading partners, with a focus on how trade acts as both a moderator and a mediator. Three hypotheses were tested using theoretical and empirical reasoning. Initially, by considering international portfolio investors' potential in integrating international stock markets and at times their delayed reactions, this study hypothesized a direct and dynamic relationship between stock markets. Although the VAR model and impulse response results indicated some level of integration, the effects were weak, suggesting the presence of other influencing factors.

Trade was then introduced as a key variable, grounded in Viner's (1951) theory of economic integration. Four augmented VAR models confirmed that both imports and exports positively moderate the relationship between stock markets, indicating that stronger trade ties increase financial interconnectedness. The mediation analysis using SEM (3SLS) further confirmed that stock market growth in one country leads to increased trade, which then enhances the stock market performance of its trading partner. The Sobel test validated the statistical significance of this mediation effect. Overall, the findings show that trade plays a crucial role in shaping and strengthening stock market linkages.

The results highlight the importance of promoting trade liberalization, strengthening bilateral and regional trade agreements, and improving trade-related infrastructure. Enhancing trade flows can deepen financial integration, attract investors, and support stable stock market growth for Sri Lanka and its trading partners.

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Keywords: Dynamic relationships; Mediation and moderation effect; Stock market linkages; Trading partners

IMPACT OF CORPORATE SUSTAINABILITY REPORTING ON FIRMS' FINANCIAL PERFORMANCE: MODERATING ROLE OF FIRM SIZE IN THE SRI LANKAN FINANCIAL SECTOR

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1. Introduction

Corporate Sustainability Reporting (CSR) has become an important part of modern corporate disclosure as firms are increasingly expected to communicate their environmental, social, and economic responsibilities in a transparent manner. The introduction of global sustainability frameworks such as the Global Reporting Initiative (GRI) has encouraged Sri Lankan financial institutions to align reporting with internationally accepted standards, reflecting a growing commitment towards responsible business conduct and sustainable corporate performance.

Although CSR is often associated with enhancing firm reputation, stakeholder confidence, and long-term financial outcomes, empirical findings regarding its actual impact on firm performance remain mixed. While a number of studies report positive effects, others indicate weak or inconclusive relationships, particularly in developing countries where institutional conditions and reporting maturity differ. These contrasting findings suggest that CSR may not influence all firms equally and therefore requires further investigation in specific contexts such as Sri Lanka's financial industry.

In this regard, firm size has been highlighted as a potential explanatory factor. Larger financial institutions generally possess greater resources, more advanced reporting capabilities, and stronger stakeholder expectations, which theoretically position them to benefit more from sustainability initiatives. This provides a clear foundation for investigating firm size as a moderating variable that may help explain variation in CSR outcomes across firms.

Accordingly, the present study examines whether Corporate Sustainability Reporting is positively associated with financial performance in Sri Lanka's financial sector, and whether the relationship becomes stronger as firm size increases.

This study is significant because it responds to ongoing empirical uncertainty while introducing a theoretically grounded moderating factor into the Sri Lankan context. The findings are expected to provide practical insights for financial institutions and policymakers seeking to strengthen

transparency, accountability, and sustainable competitive performance within the sector.

2. Research Methodology

This study adopts a quantitative approach and a correlational research design to examine the relationship between Corporate Sustainability Reporting (CSR) and financial performance, together with the moderating effect of firm size, among financial institutions listed on the Colombo Stock Exchange (CSE). A purposive sample of 18 institutions was selected based on the availability of GRI-based annual reports, which is appropriate for the research purpose, although the use of purposive sampling may introduce selection bias.

Secondary data were collected from annual reports for the period 2021–2024, following the adoption of the GRI Standards 2021, yielding 72 firm-year observations. While this period reflects current reporting practices, the four-year horizon represents a relatively small sample for GMM estimation and should be acknowledged as a methodological limitation. CSR was measured using a weighted Sustainability Reporting Index based on GRI Standard disclosure categories, and financial performance was measured using Return on Assets (ROA); however, relying on a single financial indicator may reduce robustness.

This study adopts the two-step System GMM estimator to control for dynamic endogeneity, unobserved heterogeneity, and potential reverse causality in the relationship between corporate sustainability reporting and financial performance. System GMM was selected instead of First-Difference GMM because it provides more efficient and reliable estimates in short panels with persistent variables, while also reducing the risk of weak instruments that may arise when only differenced equations are used. Diagnostic procedures were applied to examine serial correlation and the suitability of the instrument set, and potential over-identification concerns are therefore acknowledged as a methodological limitation of the GMM framework.

3. Results/Findings and Discussion

This chapter presents the results of the study using descriptive statistics, correlation analysis, and the Two-Step System GMM model to examine the impact of Corporate Sustainability Reporting (CSR) on firm performance, with firm size as a moderating variable. The analysis is based on 18 listed financial institutions observed over four years (72 observations). The following GMM regression results show the impact of CSR on firm performance.

Table 1: Independent regression analysis

Number of Groups= 18				F (4, 17) = 45.80		
Number of Instruments= 8				Probability > chi2= 0.000		
ROA	Coef.	Std. Err.	t	P>| Z |	95% Conf.	Interval
ROA Lag 1	-0.2139	0.0238	-8.95	0.000 *	-0.2643	-0.1635
Corporate Sustainability Reporting Index	0.1101	0.7556	1.46	0.163	-0.0492	0.2695
Financial Leverage	-0.0035	0.0006	-5.50	0.000 *	-0.0048	-0.0021
Management Efficiency	0.0071	-0.0036	1.95	0.068	-0.0005	0.0149
_Cons	-0.0598	0.0712	-0.84	0.412	-0.2101	0.0903
Arellano - Bond test for AR (1) in first different: Z = 0.22					Pr> z= 0.828	
Arellano - Bond test for AR (2) in first different: Z = _					Pr> z= _	
Sargan Test of overid Restrictions: chi2 (3) = 42.51					Pro > chi2 = 0.000	
Hansen Test of overid. Restrictions: chi2 (3) = 3.87					Pro > chi2 = 0.276	

Source- STATA Output
(*) indicates significance at the 5% level.

The following GMM regression results show the impact of CSR on firm performance and the moderating impact of firm size.

Table 2: Moderate regression analysis

Number of Groups= 18				F (6, 17) = 29.75		
Number of Instruments= 10				Probability > chi2= 0.000		
ROA	**Coef.**	**Std. Err.**	**t**	**P>| Z |**	**95% Conf.**	**Interval**
ROA Lag 1	-0.1821	0.0423	-4.30	0.000 *	-0.2714	-0.0928
Corporate Sustainability Reporting Index	0.2604	0.2201	1.18	0.253	-0.2040	0.7249
CSR X Firm Size	-0.0178	0.0258	-0.69	0.501	-0.0724	0.0368
Firm Size	0.0165	0.0231	0.72	0.483	-0.0321	0.0653
Financial Leverage	-0.0036	0.0004	-7.51	0.000 *	-0.0047	-0.0026
Management Efficiency	0.0079	0.0025	3.08	0.007 *	0.0024	0.0133
_Cons	-0.2006	0.1985	-1.01	0.326	-0.6196	0.2183

Arellano - Bond test for AR (1) in first different: Z = 0.31 z= 0.755	Pr>
Arellano - Bond test for AR (2) in first different: Z = _ z= _	Pr>
Sargan Test of overid Restrictions: chi2 (3) = 42.98 0.000	Pro > chi2 =
Hansen Test of overid. Restrictions: chi2 (3) = 4.09 0.252	Pro > chi2 =

Source- STATA Output
(*) indicates significance at the 5% level.

The results show that CSR has a positive but statistically insignificant effect on financial performance in both models. This suggests that, although CSR does not generate immediate financial gains, it may still contribute to long-term benefits through improved reputation, stakeholder trust, and legitimacy. A key theoretical explanation is the time-lag of sustainability initiatives, whereby firms incur costs in the short term while the financial benefits often materialize later (Eccles et al., 2014). This view is supported by Sri Lankan evidence such as Gunawardana et al. (2015), which indicates that the impact of CSR is more visible in long-term performance than in short-term profitability.

The moderating effect of firm size is also statistically insignificant, indicating that larger institutions do not gain stronger financial advantages from CSR than smaller ones. A possible explanation is that CSR practices in the Sri Lankan financial sector are increasingly shaped by common regulatory requirements and stakeholder expectations, reducing differences based on firm size. This finding is in line with Giannarakis (2014), who notes that firm size does not always strengthen the CSR–performance relationship, and it is broadly consistent with Sri Lankan studies suggesting that both large and small institutions are now similarly engaged in CSR due to sector-wide pressures.

Among the control variables, financial leverage shows a strong negative impact on ROA, confirming that high debt levels reduce profitability, consistent with Flamini et al. (2009). In contrast, management efficiency demonstrates a significant positive effect, highlighting the importance of operational effectiveness and resource utilization, similar to findings by Ongore and Kusa (2013). The results show that CSR contributes positively but not significantly to short-term financial performance. Firm size does not moderate this relationship, while leverage and management efficiency remain the main drivers of profitability in Sri Lanka's financial sector.

4. Conclusion and Implications

This study examined the impact of CSR on financial performance in Sri Lankan financial institutions and the moderating role of firm size. CSR showed a positive but insignificant short-term effect, suggesting that sustainability activities contribute more to long-term value creation than immediate profitability. Firm size did not moderate the relationship, indicating that both large and small institutions benefit similarly from CSR. The findings also highlight the negative influence of high financial leverage and the positive contribution of management efficiency.

Theoretically, the study reinforces the view from the Triple Bottom Line and Stakeholder Theory that CSR enhances long-term value despite limited short-term financial effects. Methodologically, the use of System GMM adds to the CSR literature by addressing endogeneity concerns. Contextually, the study extends evidence from Sri Lanka's financial sector, a setting where CSR is shaped by regulatory pressure, rising stakeholder expectations, and increasing alignment with global reporting standards.

Practically, the results suggest that CSR should be viewed as a long-term strategic investment for all institutions regardless of size. Limitations include the short study period and reliance on a single financial performance measure. Future research may incorporate longer time horizons, additional performance indicators, and cross-sector comparisons.

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Keywords: Corporate sustainability reporting; Financial sector-Sri Lanka; Firm performance; Firm size; Management efficiency

IMPACT OF FINANCIAL REPORTING QUALITY ON FIRM VALUE: MODERATE ROLE BY CORPORATE GOVERNANCE IN CSE LISTED MANUFACTURING FIRMS

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1. Introduction

The quality of financial reporting has become increasingly important due to globalization, sensitive stakeholder expectations, and the growing need for transparency within corporate environments. High-quality financial reports reduce information asymmetry, support effective decision-making, and enhance investor confidence. However, financial reporting quality can be compromised by managerial discretion and earnings manipulation, which weakens the reliability and relevance of financial information. Prior research provides mixed evidence on the relationship between financial reporting quality and firm value. While several studies indicate a positive association, others reveal negative or insignificant outcomes. Additionally, corporate governance is very important for enhancing transparency and limiting opportunistic behavior. Board independence, audit committee oversight, and reduced CEO duality are good governance practices that are likely to increase financial reporting credibility. Irrespective of the regulatory frameworks developed under the Companies Act, IFRS adoption, and the CSE listing regulations, there are differences in governance practices among Sri Lankan firms, especially those in the manufacturing sector, which are more prone to earnings manipulation. Therefore, this uncertainty presents an opportunity for further investigation.

Therefore, the objectives of this study are (1) to assess the effect of financial reporting quality on firm value and (2) to evaluate the moderating role of corporate governance in the relationship between financial reporting quality and firm value.

The relevance of the research is that it offers information to policymakers, investors, managers, and regulators on how better financial transparency, safeguarding of stakeholder interests, and overall market efficiency within the manufacturing industry in Sri Lanka can be achieved by higher governance practices.

2. Research Methodology

The study takes a deductive methodology, trying hypotheses that are based on the theory by using statistical models that test the causal relationship between the quality of financial reporting and the value of the firm and the moderating effect of corporate governance. This research relied on secondary data of only 33 listed companies in the manufacturing industry in Sri Lanka. This industry is one of the most significant leading industries, making a considerable contribution to the national economy. The sample period will be between 2019 and 2024. The variables are firm value (dependent variable) measured through Tobin's Q ratio, financial reporting quality (independent variable) measured through the modified Jones model, and corporate governance (moderating variable) measured through the corporate governance index. In addition, three control variables were used, namely firm size, return on assets, and leverage. For this study, panel data, pooled ordinary least squares, a fixed-effect model, and a random effect model can be used. Among those models, the most suitable one is selected. The Lagrange Multiplier Test was used to determine the suitable model between the common effect and the random effect. The Hausman test helped to determine the best model between the random effect and the fixed effect. According to the Hausman test results ($p < 0.05$), the fixed effect model was used in order to meet the research objectives.

3. Results/Findings and Discussion

This paper examines the impact of the quality of the financial reporting on the value of firms and whether corporate governance can moderate this relationship in manufacturing firms listed on the CSE. After using several tests, the fixed-effect model was chosen as the best method.

Table 1: Summary statistics of the fitted fixed effects model – Direct effect

Model	Coefficient	Std. Err.	Prob.
Financial Reporting Quality	-2.0238	0.9788	0.047*
Firm Size	-0.7935	0.5864	0.185
Return on Assets	4.3174	1.1159	0.001 *
Leverage	-0.0202	0.8211	0.980
$p < 0.05$ *			

Source: STATA Output

The quality of financial reporting has a considerable negative impact on firm value at the 5% significance level. An increase of one unit in financial reporting quality results in a decrease of approximately 2.02 units in firm value, indicating that greater accruals or diminished transparency undermine investor confidence. Return on assets has a significant positive influence on firm value, with enhanced profitability substantially boosting it. Conversely, firm size and leverage do not show a statistically significant

effect on firm value. Overall, the 5% significance level confirms that the model accounts for value variance within the firm.

The initial hypothesis of this study,

H_1: There is a significant impact from financial reporting quality and firm value of CSE-listed manufacturing firms.

The independent variable of financial reporting quality has a p-value of 0.047, which is less than 0.05; thus, it is statistically significant. The coefficient for the variable is -2.0238, indicating a negative relationship with firm value, suggesting that financial reporting quality is negatively associated with firm value in CSE-listed manufacturing firms. This finding aligns with the argument presented by Rathnayake (2021), and Houqe and Van Zijl, (2010), who noted that the higher the quality of financial reporting in an emerging market, the more risks or inefficiency in the business that was previously covered in confidentiality would be revealed, which in turn may temporarily decrease firm value. Then, hypothesis H_1 is accepted.

Table 2: Summary statistics of the fitted fixed effects model – Moderating effect

Model	Coefficient	Std. Err.	Prob.
Financial Reporting Quality	10.6733	5.5158	0.062
Corporate governance* Financial Reporting Quality	1.2419	0.9291	0.192
Firm Size	0.7927	0.5871	0.186
Return on Assets	4.2862	1.1343	0.001 *
Leverage	0.0226	0.8247	0.978
p < 0.05 *			

Source: STATA Output

Moderate regression analysis is a test used to determine whether moderating variables strengthen or weaken the influence of the independent variable on the dependent variable.

The second hypothesis of this study,

H_2: Corporate governance can moderate the effect of financial reporting quality on the firm value of CSE-listed manufacturing firms.

According to the results of the above moderation test, the interaction variable shows a coefficient of 1.2419 and a p-value of 0.192. This probability value is greater than the expected significant level (0.192 > 0.05). This indicates that the corporate governance variable does not interact with the financial reporting quality and firm value. Thus, corporate governance is

not a moderator variable. Then, hypothesis H2 is rejected. Financial reporting quality and the value of the firm might not be moderated by corporate governance, since corporate governance practices in Sri Lanka are often poorly implemented or not valued by investors. Good reporting is likely to expose covered problems that decrease firms' value in the short run, and governance systems are too weak to change market responses. Weak financial literacy and a compliance-oriented governance culture also contribute to the lack of a moderating effect on investor behavior. In terms of control variables, return on assets has a significant relationship with firm value, with a coefficient of 0.001. Other control variables do not have a significant impact on firm value.

4. Conclusion and Implications

This study examined how financial reporting quality affects firm value and whether corporate governance alters this relationship among manufacturing companies listed on the CSE. The fixed-effect model results show that when companies report their financial information more accurately and transparently, their firm value becomes lower. This is likely because better reporting reveals problems or inefficiencies that were previously hidden. Corporate governance did not have a significant moderating effect, indicating that Sri Lanka's governance systems are not strong enough to influence how investors respond to transparent reporting.

These results favor Signaling theory, as negative information can be revealed with greater transparency in developing markets. The outcomes also align with Stakeholder theory, which holds that effective governance is required to minimize adverse market reactions.

To enhance long-term investor confidence, managers need to focus on good governance and transparent reporting. When making investment decisions, investors must base their decisions on reporting quality and governance. Regulators ought to strive to strengthen governance rules and reporting standards to build investor confidence.

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Keywords*:* Corporate governance; Financial reporting quality; Firm value; Fixed effect model; Manufacturing firms

IMPACT OF OWNERSHIP CONCENTRATION ON EARNINGS MANAGEMENT IN SRI LANKA: THE MODERATING ROLE OF CORPORATE GOVERNANCE

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1. Introduction

This research investigates how the concentration of ownership affects earnings management in listed manufacturing firms in Sri Lanka and whether corporate governance moderates this relationship. Sri Lankan companies have highly concentrated ownership, with a family or a small group of powerful shareholders owning the business, which may greatly influence financial reporting transparency. There are divergent findings from earlier research: some researchers claim that large shareholders reduce earnings manipulation because they are among the first to control managers, while others argue that powerful shareholders can influence managers to manipulate earnings to benefit themselves. Despite extensive research in developed economies, evidence in emerging economies such as Sri Lanka is sparse and inconsistent. The majority of current research on Sri Lanka focuses on general governance or board attributes and fails to critically examine the impact of concentrated ownership on earnings management, particularly in industries with highly concentrated ownership. There is also a definite gap in the knowledge of the moderating effect of corporate governance. Although these factors, such as board independence, audit committees, and board structure, can also affect managers' behavior, very few researchers have investigated how these mechanisms enhance or undermine the impact of ownership concentration on earnings manipulation in the Sri Lankan context. One of the areas that has been considered for its clear ownership patterns and high agency conflict potential is the manufacturing sector, which makes a significant contribution to the Colombo Stock Exchange. This study investigates the correlation between ownership concentration and earnings management in the listed manufacturing companies, and investigates whether (or whether not) corporate governance moderates the correlation between ownership concentration and earnings management. The study offers valuable information to investors, regulators, and policymakers to improve financial transparency and the position of minority shareholders in emerging markets by incorporating updates from an empirical study conducted in 2019-2024.

2. Research Methodology

This research follows a deductive approach and relies on quantitative secondary data gathered from the 2019-2024 annual reports of 32 listed manufacturing companies in Sri Lanka. A longitudinal panel design was employed to monitor changes in the firms over a long period. The discretionary accruals were used to measure earnings management using the Modified Jones Model. The degree of ownership concentration was measured by the Herfindahl-Hirschman Index, and the degree of corporate governance was measured by the composite governance index. Control variable factors consisted of firm size and firm growth. The two-step Difference Generalized Moment Method (GMM) was applied to analyze the data, as it is appropriate when panel data are subject to endogeneity, autocorrelation, and unobserved firm-specific effects. GMM is also more accurate in estimation when the explanatory variables are related to the previous earnings behavior. The manufacturing companies were chosen because they represent one of the largest segments of the Colombo Stock Exchange and are often highly concentrated in ownership, which makes them appropriate for assessing the aims of the study.

3. Results/ Findings and Discussion

Descriptive Analysis

The descriptive statistics reveal that the average discretionary accruals is a moderate indicator of earnings manipulation, and the standard deviation indicates that practices vary across firms. There is also a high degree of concentration of ownership, indicating the presence of both widely and highly concentrated ownership structures in the industry. A weak negative correlation is observed between earnings management and ownership concentration.

GMM Regression Results

Table 1: Dynamic panel data two-step model

Model	Coefficient	Std. Error	Prob.
Earning Management L1.	-0.06	0.12	0.622
Ownership concentration	-0.00003	9.48	0.009*
Firm Size	0.08	0.03	0.039*
Firm Growth	-0.01	0.00	0.039*
p<0.05*			

Source: STATA Output

This table shows that the p-value is significant ($p < 0.05$; 0.009) and that there is a negative relationship between ownership concentration and earnings management (- 0.00). And firm size has a significant (0.039) positive relationship (0.08) with earnings management, and firm growth has

a significant (0.039) negative relationship (-0.01) with earnings management. To analyze the results, the researcher developed hypotheses for the study.

H_1: There is a significant relationship between ownership concentration and earnings management.

In support of Hypothesis A, this study found a statistically significant negative relationship between ownership concentration and earnings management, with a negative regression coefficient ($p < 0.05$). The independent variable in model 01, ownership concentration, has a p-value of 0.009, which is less than 0.05; thus, it is statistically significant. The coefficient for the variable is -0.00003, indicating a negative relationship with earnings management, suggesting that ownership concentration is negatively associated with earnings management in CSE-listed manufacturing firms. Then, hypothesis H_1 is accepted. Therefore, the negative coefficient suggests that higher ownership concentration is associated with lower earnings management. The result that ownership concentration increases earnings management supports the entrenchment hypothesis within agency theory. Also, this study has a lower number of instruments (13) than the number of groups (32), which indicates a favorable value for the Hansen test (0.524). That is exceeding 0.5; therefore, it indicates that the instruments are valid. The Sargan test is also higher than 0.05 (0.273), indicating that the instruments are valid. Unlike before the collapse, the Arellano and bond test for AR (02) yields a statistically insignificant p-value of 0.066, indicating that there is no serious autocorrelation in the study.

Dynamic Panel-Data Estimation, Two-Step Difference GMM (Moderate Regression Analysis Testing)

Table 2: Moderate regression analysis

Model	Coefficient	Std. Error	Prob.
Earning Management L.	-0.060	0.1226538	0.627
Ownership concentration	0.011	0.0815328	0.889
Firm Size	0.078	0.0382725	0.049*
Firm Growth	-0.007	0.003375	0.041*
Corporate Governance	0.002	0.0116475	0.889

Source: STATA Output

Based on the result of the above moderation test, the interaction variable shows a coefficient value of -0.002, and the moderation probability is 0.889. This probability value is larger than the expected significant level (0.889>0.05). This indicates that the corporate governance variable does not interact with the ownership concentration variable, and there is no

significant relationship with earnings management. Then H_2 is rejected. It means H_2: corporate governance moderates the relationship between earnings management and ownership concentration, such that stronger governance weakens it. This means corporate governance does not moderate ownership concentration or earnings management. In this study, the number of instruments (14) is lower than the number of groups (32), indicating a desirable and valid model specification. The value of the Hansen test (0.452). That is exceeding 0.5; therefore, it indicates that the instruments are valid. Similarly, the Sargan test is also greater than 0.05 (0.248), indicating the validity of the selected instruments. In addition, the Arellano-Bond test for AR (2) yields a p-value of 0.063, which is statistically insignificant, indicating that there is no serious autocorrelation in the residuals. These results confirm that the model satisfies the necessary GMM assumptions, ensuring reliability and consistency.

4. Conclusion and Implications

This research paper demonstrates that ownership concentration is a key factor in minimizing earnings management practices among listed manufacturing companies in Sri Lanka. A small number of major owners holding a substantial share of the company keeps the managers closer to the ear, and such tight control prevents earnings manipulation. The research also concludes that corporate governance enhances transparency, but its moderating influence varies across governance aspects.

Theoretical Implications

The institutional environment can be beneficial or detrimental to a firm depending on ownership concentration. Where there is weak governance, it can lead to entrenchment, whereas effective governance can convert it to effective monitoring. This is in favor of agency and stewardship theories. The GMM outcomes indicate a weak negative correlation with earnings management, and concentrated owners minimize manipulation through increased control.

Practical Implications

The managers ought to enhance financial reporting transparency, as concentrated shareholders are keen on the firm's performance. Information asymmetry can be reduced with concentrated ownership, and minority shareholders can be protected. Management of corporate governance policies should be reinforced by policymakers, and future research may explore earnings management in financial-sector corporations or focus on empirical research to gain a deeper understanding.

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Keywords: Colombo stock exchange; Corporate governance mechanism; Ownership concentration; Earnings management

CORPORATE GOVERNANCE MECHANISMS AND EARNINGS MANIPULATION: EVIDENCE FROM SRI LANKA USING BENEISH M-SCORE APPROACH

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1. Introduction

Financial statement manipulation has become an increasingly critical concern in emerging markets, where regulatory limitations, competitive pressures, and weak governance structures heighten the risk of unethical managerial behaviour. While fraud broadly refers to intentional deception carried out for personal or organizational gain, financial statement manipulation is particularly harmful as it affects investors, creditors, regulators, and the stability of capital markets. By altering revenues, expenses, or asset valuations, managers can create an artificial impression of profitability or financial strength, leading stakeholders to make decisions based on inaccurate information. Although the Beneish M-Score model is widely applied as a forensic analytical tool to detect financial misreporting, limited empirical evidence exists on how corporate governance mechanisms influence the likelihood of manipulation within the Sri Lankan context. This study addresses this gap by examining the effectiveness of the Beneish M-Score model in identifying earnings manipulation in listed manufacturing companies and investigating the influence of key corporate governance mechanisms on the likelihood of earnings manipulation. The manufacturing sector has been identified as the second-most frequently reported sector for financial statement manipulation. The research specifically evaluates board independence, board size, audit committee independence, CEO duality, ownership concentration, and meeting frequency as governance factors that may strengthen or weaken manipulation risk. The objectives of the study are to investigate the relationship between Beneish M-Score financial indicators and earnings manipulation and to examine the effect of corporate governance mechanisms on the likelihood of manipulation among listed manufacturing companies in Sri Lanka. The manufacturing industry is identified as the second-most affected sector globally in terms of fraud incidents, highlighting its vulnerability due to operational complexity, high transaction volumes, and competitive pressures in the Sri Lankan context. The study is significant as it contributes to forensic accounting knowledge in the Sri Lankan context, provides practical insights for regulators, auditors, and investors to identify high-risk firms, and informs policymakers on strengthening corporate governance frameworks to mitigate earnings manipulation and enhance market stability.

2. Methodology

This study adopts a positivist research philosophy, assuming that financial reporting behaviour can be objectively measured through observable indicators. A deductive approach is applied, beginning with established theoretical foundations, particularly the Beneish M-Score model, and testing their applicability within the Sri Lankan manufacturing sector. An explanatory research design is employed to analyse cause-and-effect relationships between corporate governance mechanisms and earnings manipulation. The study utilizes secondary data extracted from the published annual reports of 27 listed manufacturing companies on the Colombo Stock Exchange over a seven-year period (2018–2024), with the firm serving as the unit of analysis.

Earnings manipulation, measured using the Beneish M-Score, is the dependent variable, and the eight financial indicators are incorporated into a multiple linear regression to assess their influence on manipulation behaviour. Descriptive statistics were initially used to identify patterns between manipulators and non-manipulators. Subsequently, binary logistic regression was employed to examine the impact of corporate governance mechanisms, board independence, board size, audit committee independence, CEO duality, ownership concentration, and meeting frequency on the likelihood of manipulation. This methodological approach effectively integrates forensic accounting and governance analysis, ensuring objectivity, replicability, and contextual relevance to the Sri Lankan corporate environment.

3. Results and Discussion

The results show clear differences between manipulators and non-manipulators across the Beneish indices, with manipulators exhibiting higher DSRI, GMI, AQI, SGI, and TATA values, indicating greater receivable growth, margin deterioration, unusual accruals, higher sales growth, and elevated accrual intensity.

Table 1: Multiple linear regression analysis for Beneish M-Score indices

Model	B	Std. Error	Sig
(Constant)	.265	.052	.000
DSRI	.124	.027	.000
GMI	.009	.004	.017
AQI	.024	.009	.005
SGI	.021	.006	.001
DEPI	.001	.001	.024
SGAI	-.002	.001	.004
LEVI	-.007	.014	.615
TATAI	.841	.105	.000

Note: Days' Sales in Receivables Index (DSRI), Gross Margin Index (GMI), Asset Quality Index (AQI), Sales Growth Index (Sgi), Depreciation Index (DEPI), Sales, General and Administrative Expenses Index (SGAI), Leverage Index (LVGI), And Total Accruals to Total Assets (TATA).

Source: SPSS Output

The multiple linear regression results further confirm that DSRI, GMI, AQI, SGI, and TATA are significant predictors of earnings manipulation, demonstrating strong positive relationships. These findings suggest that firms with abnormal revenue patterns, declining profitability, and aggressive growth behaviours show a higher likelihood of manipulation. LEVI remained statistically insignificant, indicating no meaningful effect on manipulation. The logistic regression results reveal that among the examined corporate governance mechanisms, meeting frequency and ownership concentration significantly influence earnings manipulation. Higher meeting frequency reduces the likelihood of manipulation, indicating that active board engagement strengthens monitoring. Similarly, concentrated ownership decreases manipulation, as dominant shareholders possess greater incentives to control managerial opportunism. These findings align strongly with Agency Theory, which posits that effective oversight mitigates conflicts between managers and owners. CEO duality, board independence, board size, and audit committee independence were statistically insignificant, suggesting that structural governance elements alone do not ensure stronger control without active involvement. In practice, the results emphasize the importance of maintaining regular board meetings and ensuring vigilant oversight structures to enhance financial reporting integrity. Firms should prioritize active monitoring practices rather than relying solely on traditional governance configurations. Regulators and auditors can use these insights to identify firms with weaker oversight patterns, while organizations should reconsider leadership concentration and strengthen internal monitoring to reduce manipulation risks.

Table 2: Binary logistic regression

	B	**Sig.**	**Exp(B)**
Board Independence	-0.145	0.209	.865
Board size	-0.096	0.237	.909
Audit Committee Independence	-0.427	0.203	1.533
CEO Duality (1)	-0.634	0.108	.531
ownership concentration	-0.039	0.004	.961
Meeting Frequency	-0.247	0.014	.781
Constant	5.234	0.000	187.539

Hosmer and Lemeshow Test			
Chi-square	13.652	8	.091

Model Summary	
-2 Log likelihood	228.041[a]
Cox & Snell R Square	.123
Nagelkerke R Square	.166

Source: SPSS Output

4. Conclusion

This study provides clear evidence that earnings manipulation within Sri Lanka's manufacturing sector is strongly shaped by firms' internal accounting practices and the strength of their monitoring structures. The patterns observed between manipulators and non-manipulators highlight that manipulation often arises when managers rely on aggressive revenue recognition, inflated asset values, and extensive accrual adjustments to portray improved performance. These behaviours indicate that manipulation is largely operational and accounting-driven rather than influenced by financing pressures. In contrast, non-manipulated firms demonstrate more disciplined financial reporting, stable performance patterns, and accounting practices that reflect genuine business activities.

The findings also emphasize the importance of effective governance in constraining managerial discretion. Firms characterized by active oversight, particularly frequent board engagement, and stronger ownership involvement tend to show lower manipulation tendencies, while concentrated leadership power increases the opportunities for opportunistic reporting. This supports the broader perspective of Agency Theory, which argues that weak monitoring environments enable managers to pursue personal or short-term gains at the expense of transparent reporting. Based on your research, the practical implication is that regulators can strengthen monitoring mechanisms, investors can make more informed decisions by assessing earnings quality, and corporate managers can enhance governance practices to reduce the likelihood of earnings manipulation.

This study offers a novel contribution to the Sri Lankan context by integrating corporate governance mechanisms with a forensic accounting tool like the Beneish M-Score, which has been rarely applied in local empirical research. While prior studies in Sri Lanka have examined governance and earnings quality separately, combining a globally recognized fraud-detection model with governance variables offers a new analytical perspective. Overall, the study underscores that maintaining

financial reporting integrity in developing markets requires more than formal governance structures; it demands active, consistent oversight and accounting practices grounded in transparency. These insights offer valuable implications for regulators, boards, auditors, and policymakers aiming to strengthen the credibility of corporate financial reporting in Sri Lanka.

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Keywords: Earnings manipulation; Beneish M-Score; Corporate governance; Forensic accounting; Manufacturing sector; Sri Lanka

SOCIAL MEDIA INFLUENCE ON INVESTOR BEHAVIOR IN THE COLOMBO STOCK EXCHANGE: A STUDY ON TRADING FREQUENCY, HERDING, AND OVERCONFIDENCE

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1. Introduction

Social media has emerged as a key source of financial information for investors, particularly in developing markets where access to professional investment advisory services is limited. On the Colombo Stock Exchange (CSE), platforms such as Facebook, WhatsApp, YouTube, and X (Twitter) provide real-time market updates, discussions, and sentiment that directly influence investors' decisions. Prior global studies have shown that social media can intensify behavioral biases, such as increased trading frequency, herding, and overconfidence; however, Sri Lankan-focused evidence remains limited. Addressing this gap, the present study examines the research problem: to what extent does social media influence investor behavior in the CSE, including trading frequency, herding, and overconfidence? While also evaluating the moderating role of demographic factors, including age, gender, education, income, and investment experience. Based on this problem, the key objectives of the study are to determine the extent to which social media usage increase trading frequency among investors in the Colombo Stock Exchange, to analyze how social media usage, contribute to herding behavior among investors in the Colombo Stock Exchange to assess whether social media usage lead to overconfidence among investors in the Colombo Stock Exchange to evaluate whether demographic factors moderate these relationships. The study contributes to the behavioral finance literature by offering localized empirical insights crucial to regulators, financial educators, and investors. The findings are also significant for designing awareness programs and regulatory interventions to improve rational decision-making in the Sri Lankan equity market.

2. Research Methodology

This study adopts a positivist philosophical stance and a deductive research approach. A quantitative survey method was used to examine the relationship between social media usage and investor behavior. The research design was cross-sectional, and data were collected using a structured, self-administered questionnaire distributed to active retail investors of the Colombo Stock Exchange. A purposive sampling technique

was adopted to ensure the inclusion of investors who actively use social media for investment-related activities, yielding a valid sample of 380 respondents. This study adopts a positivist philosophical stance and a deductive research approach. A quantitative survey method was used to examine the relationship between social media usage and investor behavior. The research design was cross-sectional, and data were collected using a structured, self-administered questionnaire distributed to active retail investors of the Colombo Stock Exchange. A purposive sampling technique was adopted to ensure the inclusion of investors who actively use social media for investment-related activities, yielding a valid sample of 380 respondents. The study measured social media influence, trading frequency, herding behavior, and overconfidence using a Likert scale and demographic factors using categorical data. Data were analyzed using SPSS, employing descriptive statistics, correlation analysis, simple linear regression, and moderator analysis. The adopted methodology is appropriate as it quantifies behavioral tendencies and statistically tests the hypothesized relationships, thereby enabling the identification of social media's influence on investor decision-making in the CSE context.

3. Results/Findings and Discussion

Correlation analysis revealed significant positive relationships between social media influence and all three behavioral outcomes (Table 1). Social media showed a moderate and statistically significant association with trading frequency ($r = 0.487$, $p = 0.000$) and herding behavior ($r = 0.569$, $p = 0.000$), while its relationship with overconfidence was weaker but still significant ($r = 0.261$, $p = 0.000$). Regression analysis further confirmed these findings (Table 2), indicating that social media influence significantly predicts trading frequency ($R^2 = 0.166$, $\beta = 0.366$, $p = 0.000$), herding behavior ($R^2 = 0.220$, $\beta = 0.422$, $p = 0.000$), and overconfidence ($R^2 = 0.034$, $\beta \approx 0.175$, $p = 0.000$). Among the three effects, herding behavior demonstrated the strongest predictive relationship, suggesting that collective sentiment, peer discussions, and online group dynamics strongly shape investor reactions in the Colombo Stock Exchange. All measurement scales demonstrated acceptable internal consistency, with Cronbach's alphas ranging from 0.714 to 0.831 (Table 3), indicating the reliability of the constructs. However, the moderator analysis revealed that demographic factors do not significantly moderate the relationship between social media influence and the three behavioral outcomes. The interaction effects of age, gender, education, income, and investment experience were statistically insignificant across all models ($p > 0.05$), indicating that these demographic characteristics do not meaningfully alter the effects of social media on trading frequency, herding, or overconfidence. This contrasts with some prior global findings but suggests that in the Sri Lankan context, social media exerts a uniform psychological influence across different investor groups. (Jin & Yu, 2022; Awad et al., 2025).

Table 1: Summary of correlation results

Relationship	Correlation (r)	Sig. (p-value)
Social media & Trading frequency	0.487	0.000
Social media & Herding behavior	0.569	0.000
Social media & Overconfidence	0.261	0.000

Source: Developed by the Author

Table 2: Summary of regression results

Dependent Variable	R	R^2	Beta	t-value	Sig. (p value)
Trading frequency	0.408	0.166	0.366	8.685	0.000
Herding behavior	0.469	0.220	0.422	10.320	0.000
Overconfidence	0.184	0.034	0.175	3.648	0.000

Source: Developed by the Author

Table 3: Reliability statistics (Cronbach's Alpha)

Construct	Cronbach's Alpha
Social media influence	0.762
Demographic factors	0.831
Trading frequency	0.714
Herding behavior	0.744
Overconfidence	0.793

Source: Developed by the Author

4. Conclusion and Implications

This study concludes that social media significantly affects investor behavior in the Colombo Stock Exchange by increasing trading frequency, encouraging herding, and elevating overconfidence. However, demographic factors do not significantly moderate these relationships. This indicates that social media's influence on investor decisions is broadly similar across diverse investor groups, regardless of age, gender, education level, income, or investment experience. Theoretically, the findings provide new evidence from a developing market by demonstrating that social media-driven investor behavior occurs uniformly across demographic segments in Sri

Lanka. These challenges, prior research suggests, are associated with significant demographic differences in behavioral susceptibility.

In practice, since all demographic groups are similarly influenced, investor education and regulatory interventions must be designed for all investor categories, not just younger or less experienced investors. Financial regulators such as the SEC and the CSE should strengthen monitoring of online investment content and develop guidelines to reduce misinformation and sentiment-driven speculation. Financial educators and advisors can use these insights to promote critical evaluation of social media content before making investment decisions.

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Keywords: Social media influence; Herding; Trading frequency; Overconfidence; Colombo stock exchange

GLOBAL INSIGHTS INTO CENTRAL BANK DIGITAL CURRENCIES: MOTIVES, CHALLENGES, AND KEY TAKEAWAYS

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1. Introduction

Money is any item generally accepted to facilitate the payment for goods and services and repayment of debt (Mishkin, 2019). Over the years, the concept of money has changed drastically, moving from a barter system to commodity money and traditional fiat currencies, which form the backbone of the economy. In every market, the Central Bank has a responsibility to ensure public trust in money by preserving its internal and external value. With the advancement of technology, the rise of cryptocurrencies, and the COVID-19 pandemic, it raises questions about the role of Central Bank money, financial intermediation, and the direct accessibility of Central Bank liabilities. As a result, the decline in the use of fiat currencies reflects that the public are not ready to go without physical cash while monetary policies and financial structures change.

In response, nowadays, central banks are considering Central Bank Digital Currency (CBDC) as a new form of sovereign digital money. More than 130 countries are examining their possibilities, while only three have progressed to full implementation. (Atlantic Council, 2025).

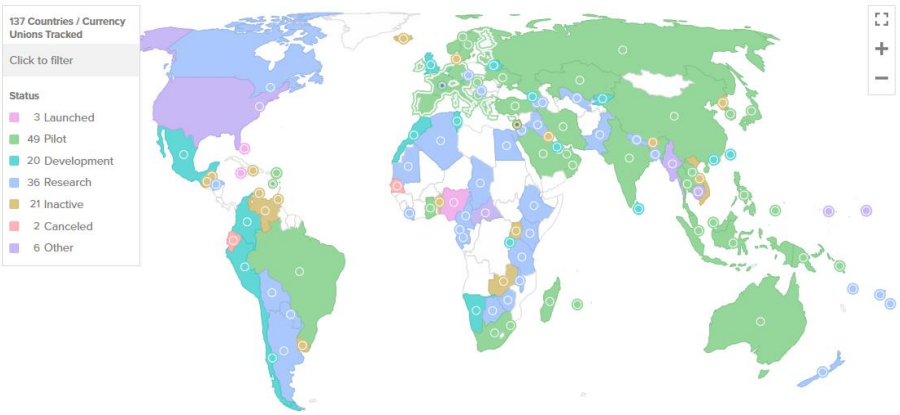

Figure 1: Countries exploring CBDC
Source- Atlantic Council (2025)

This raises a critical question: “Even though the global world is in a digital era, why are the countries struggling with implementing CBDC?” Although the existing literature has discussed the policy implications and design aspects, a significant research gap remains in comparative and stage-based studies that examine the key drivers and challenges faced by countries.

Addressing this gap, the study pursues two primary objectives.

To explore key motives behind the CBDC implementation.

To explore the potential issues and barriers of implementing and adopting CBDC.

The significance of this study is to provide meaningful insights for regulators, policymakers, and future researchers, highlighting the diverse factors shaping global CBDC progress.

2. Methodology

According to Saunders et al. (2019), the interpretivist philosophy allows researchers to capture diverse viewpoints and specific social behaviors that cannot be investigated through the quantitative paradigm. Since the study aims to understand the context-specific, socially constructed motives and issues underlying CBDC implementation, an interpretivist philosophy is adopted. An inductive approach is employed, which is appropriate in areas where limited theory exists, and supports the identification of patterns and insights (Hyde, 2000).

Consistent with this approach, the study allows a qualitative methodology to explore the factors shaping the development of CBDC. Case studies are useful for answering “how” and “why” questions and for examining current events in real-world settings (Yin, 2018). Therefore, a multiple- case study strategy is recommended.

Seven countries that represent different stages of CBDC Development, namely the Bahamas, China, Rwanda, Canada, Denmark, the Marshall Islands, and Ecuador, serve as the unit of analysis. Purposive sampling is used to select rich information cases, as recommended in qualitative research (Palinkas et al., 2013). Data were collected from 40 secondary documents published between 2019-2025, including Central Bank reports, research articles, Bank for International Settlements reports, and IMF reports. All documents were analyzed using a content analysis procedure involving systematic coding and category development.

3. Findings and discussions

Documents were systematically coded to identify motives and issues related to CBDC development using NVivo 15, and the analysis extends to how these codes reflect underlying contextual factors.

Table 1: Initial codes and categories - RQ 1

Initial Code	Category
Accessibility	Financial Inclusion and Accessibility
Financial Inclusion	
Offline	
Internet	
Power outage	
Financial stability	Monetary policy and financial stability
Cost	
Seigniorage income	
Efficiency	Payment system efficiency and innovation
Cross border payments	
Interoperability	
Innovative	
Sovereignty	Sovereignty and geopolitical consideration
Sanction	
US	
Natural disasters	
AML/CFT	Security and compliance
Anonymity	
Tax	Economic and political objectives
Competition	
Cash	

Source: Developed by the Author

Motives for CBDC implementation vary across the seven countries, depending on their technological capacity, geopolitical priorities, and economic contexts. Developing countries such as Ecuador, the Bahamas, Rwanda, and China primarily explored ways to enhance accessibility, reduce costs, improve payment efficiency, and increase financial inclusion, while reducing dependence on physical cash, with features of offline functionality and interoperability in cash-dominant, geographically fragmented environments. The initial codes, such as offline, accessibility, and cost, reflect structural gaps in existing payment systems. Additionally, China is further extending efforts to reduce dependence on private payment giants and enhance global digital influence through projects like the m-CBDC Bridge. Strengthening cross-border payments, monetary sovereignty, and payment system modernization were the key motives for developed economies such as Canada and Denmark. Asserting national sovereignty and economic independence from the United States Dollar, and direct wealth distribution to citizens, showcased a unique motive in the Marshall Islands.

Table 2: Initial codes and categories - RQ 2

Initial Code	Category
Bank run	Financial system instabilities
Liquidity	
Reserves	
Instability	
Monopoly	
Privacy	Privacy and trust concerns
Trust	
Confidence	
Legal framework	Regulatory and legal issues
Financial integrity	
Cyber attacks	Operational and technical risks
Information access	
Incentives	Adoption and usability
Adoption	
Cross-border payments	Economic and market concerns

Source: Developed by the Author

Remarkably, across all the cases, structural challenges were identified. High-frequency codes such as cybersecurity, privacy, legal frameworks, and trust point to widespread concerns that transcend development levels. The Ecuador project failed due to resistance from banking institutions, poor usability, and public distrust. In contrast, the Bahamas project faced adoption barriers stemming from competition with existing card-based payment systems and low awareness. Canada and Denmark identified risks of bank runs, financial disintermediation, and cybersecurity vulnerabilities, while the Marshall Islands struggle with the complexities of managing a dual-currency system, legal inadequacies, and governance gaps.

4. Conclusion

Fulfilling the first research objective, the cross-country analysis concludes that motives for Central Bank Digital Currency implementation differ across geopolitical and economic contexts, ranging from increasing payment efficiency and cost reduction to enhancing financial inclusion in developing countries and innovation, payment system modernization, and monetary sovereignty in developed economies. Addressing the second research objective, the findings reveal that the challenges, such as regulatory gaps, privacy concerns, limited interoperability, trust deficits, and cybersecurity vulnerabilities, are similar across all seven countries. Further findings highlighted that Central Bank Digital Currency outcomes depend not only on

the technology but also on public acceptance and the capacity of financial institutions.

Theoretically, this study demonstrates that the motives for CBDCs vary across country contexts, while the implementation challenges remain structurally similar. It supports models of Central Bank Digital Currency adoption and extends theories of Central Bank innovation and the digital financial ecosystem. In practice, the study helps policymakers design the Central Bank Digital Currency Framework by addressing country-specific needs. Further, the findings encourage the development of public awareness strategies and a strong regulatory framework for the successful deployment of Central Bank Digital Currencies.

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Key words: Central bank; Digital currencies; Financial inclusion; Issues; Motives

IMPACT ON FINANCIAL LITERACY ON SPENDING BEHEVIOUR AMONG MANAGEMENT UNDERGRADUATES IN SABARAGAMUWA UNIVERSITY OF SRI LANKA: MODERATING ROLE OF MOBILE PAYMENT APPLICATIONS

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1. Introduction

This study investigates the spending behaviour of management undergraduates in Sabaragamuwa University of Sri Lanka by extending the traditional financial literacy framework with mobile payment application usage, tested both as a direct predictor and as a moderating factor. Drawing upon established behavioural finance theories alongside technology adoption perspectives, the model incorporates financial literacy as the primary determinant of spending behaviour while evaluating how mobile payment applications shape and alter this relationship within an increasingly digital financial environment. The World Bank (2022) defines financial literacy as the ability to understand important financial concepts, such as budgeting, saving, managing credit, and investing, in order to make sound financial decisions and effectively manage financial resources (Bank, 2022).

Similarly, the Organization for Economic Cooperation and Development (OECD) characterizes financial literacy as "a combination of awareness, knowledge, skills, attitudes, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing" (OECD, 2023). The Spending behaviour refers to the ways, styles, attitudes, perceptions, and decision-making patterns that consumers employ while dealing with their financial resources between paying off debts, savings, investments, and consumption. (Fernando & Pasthorini, 2021). In recent years, mobile payment applications have revolutionized financial transactions worldwide. A "mobile payment application" refers to an application that allows users to conduct financial transactions through mobile phones, including transfers, payments, and online purchasing (Dehilberg et al., 2015).

Literature Review

The model is conceptually based on Financial Literacy Theory, the Theory of Planned Behaviour, Behavioural Life Cycle Theory, Consumer Socialization Theory, and the Unified Theory of Acceptance and Use of Technology. These combined theories underpin a conceptual understanding of how knowledge,

social influence, self-control, attitudes, and technological acceptance drive consumer spending.

2. Research Methodology

This research follows the positivist research philosophy and deductive approach, aligned with existing theories in behavioural finance and technology adoption, to investigate the impact of financial literacy and mobile payments on spending behaviour among management undergraduates. A quantitative strategy that ensures objectivity and replicability was utilized in this study; the research context was focused on the Faculty of Management Studies at Sabaragamuwa University of Sri Lanka. The individual undergraduate student will be the unit of analysis.

A sample of 330 students was selected using Yamane's formula, representing all academic years. Data were collected using a structured, closed-ended questionnaire in which the respondents could indicate their perceptions on a five-point Likert scale. The use of clause-centred and concise statements ensured clarity, reduced ambiguity, and supported efficient data collection from a large student population. (Yamane, 1967).

In here, data were analysed using Partial Least Squares–Structural Equation Modelling, since it is appropriate for predictive analysis and the extension of theory. Reliability was confirmed through Cronbach's Alpha and Composite Reliability, while convergent validity was supported by AVE values that exceeded recommended thresholds. The structural model assessed direct effects and also how mobile payment applications moderate the relationship between financial literacy and spending behaviour.

3. Result & Discussion

The measurement model has shown good statistical adequacy, and all the constructs-FL, MA, and SB-have obtained factor loadings greater than 0.70, showing indicator reliability. Also, Cronbach's Alpha and Composite Reliability values are within the range of 0.8-0.9 for each construct, indicating high internal consistency. AVE values have been found to be greater than 0.50 for each construct, confirming convergent validity. Thus, it can be established that the questionnaire is able to capture the theoretical concepts explored.

The structural model showed significant associations among the core variables. Financial Literacy had a positive and significant effect on Spending Behaviour ($\beta = 0.388$, $p = 0.000$), thus students with greater financial knowledge tend to be more responsible when it comes to spending money. Mobile Payment Applications have a stronger positive influence on Spending Behaviour ($\beta = 0.501$, $p = 0.000$), therefore, interactions with digital means of finances could be improving the quality of one's financial decisions due to increasing visibility of transactions and ease of control over them.

The model explained a significant amount of variance in Spending Behaviour, with $R^2 = 0.569$; hence, 57% of the variance in Spending Behaviour is explained by FL and MA together. The statistical result of the moderation analysis indicated a negative interaction effect of FL and MA on Spending Behaviour ($\beta = -0.071$, $p = 0.014$). That is, although both factors separately enhance spending behaviour, the convenience provided by mobile payment applications can weaken, to some extent, the positive effect of financial literacy. The highly literate but frequent users of digital payments may still show impulsive spending due to transaction speed and reduced psychological barriers in cashless environments.

Compared to previous research, the findings are in line with the results that financial literacy leads to responsible spending and that digital finance tools support financial management. However, the negative moderating influence brings in a new insight: technology convenience can dilute rational financial behaviour. This is contrary to previous literature, which has assumed that technology uniformly strengthens the financial discipline of individuals. Therefore, these findings extend existing knowledge by underlining the complex and sometimes contradictory impact that digital financial tools have on youth spending patterns.

4. Conclusion

This study establishes that financial literacy and mobile payment applications are both important factors in influencing spending behaviour among university undergraduates. Financial literacy will enhance responsible financial decisions, while mobile payment applications present tools to monitor and manage expenses more effectively. However, this negative moderation effect suggests that digital convenience can partly offset the positive influence of financial knowledge on spending behaviour, reiterating the complexity of financial decision-making in the digital context.

Theoretical implications involve integrating the behavioural finance and technology adoption perspectives, showing that digital financial tools do not always support rational behaviour. The findings add nuance to the existing literature by showing that ease of technology can override financial discipline even in knowledgeable users.

Practical implications underline a need for educational programs combining financial literacy and responsible usage of digital finance. Awareness programs should be designed by universities, policymakers, and providers of financial services centered not only on financial knowledge but also on behavioural risks related to mobile payment systems. Responsibility in digital finance needs strengthening to ensure that technological developments support, rather than hinder, good financial behaviour among young adults.

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Keywords: Finance literacy; Mobile payment application; Spending behaviour; SEM

EVALUATING THE IMPACT OF GREEN BONDS ISSUANCE ON CARBON EMISSION: EVIDENCE FROM LEADING GREEN BOND ISSUING COUNTRIES

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1. Introduction

Global CO_2 emissions from fossil fuels continue their upward trajectory, reaching 40.8 Gt in 2024 and pushing the world perilously close to breaching the 1.5°C threshold established by the Paris Agreement. Within the climate finance landscape, Green Bonds (GBs) have emerged as the dominant instrument, contributing to cumulative sustainable debt that exceeded USD 6.2 trillion by the end of 2024. Despite this remarkable market expansion, empirical evidence remains inconclusive regarding whether GB issuance effectively reduces national CO_2 emissions, particularly in countries with fossil fuel-dependent energy infrastructures (e.g., Flammer, 2021; Tolliver et al., 2020). This ambiguity poses a critical challenge for emerging economies as they weigh the prioritization of GB market development against alternative climate policy instruments.

This study examines the relationship between GB issuance and CO_2 emissions across the twenty largest GB-issuing countries over the period 2014–2023. The research addresses two primary objectives:

What is the direct impact of green bond issuance on CO_2 emissions in the twenty leading green bond-issuing countries, after accounting for energy consumption structure?

How do energy consumption variables (crude oil, coal & coke, natural gas) independently affect CO_2 emissions in these countries?

Employing System Generalized Method of Moments (GMM) estimation with cross-country panel data sourced from the Climate Bonds Initiative, the World Bank, and the U.S. Energy Information Administration, this study addresses a significant empirical gap in the literature. It provides robust econometric evidence on whether GBs generate substantive environmental benefits or merely represent symbolic relabeling of conventional debt instruments.

2. Research Methodology

This study is grounded in a positivist philosophical paradigm and employs a deductive, quantitative, and explanatory research design. The analysis uses annual panel data spanning 2014–2023, capturing a decade of green finance market evolution and emission trends. A purposive sampling strategy is adopted to identify the twenty countries with the highest cumulative Green Bond issuance, measured in USD-equivalent terms. This criterion-based selection ensures the sample comprises the most active and influential jurisdictions in the global GB market, thereby providing meaningful insights into the emission-reduction efficacy of substantial green finance flows. The analytical framework designates CO_2 emissions as the dependent variable, with GB issuance serving as the primary explanatory variable of interest. The model incorporates several control variables to account for alternative emission drivers: crude oil consumption, coal consumption, natural gas consumption, population density, and GDP growth rate. This specification enables isolation of the GB effect while controlling for traditional determinants of national emission levels. System Generalized Method of Moments (GMM) estimation is employed to analyze a balanced panel comprising 200 country-year observations (N = 20 countries, T = 10 years). This estimation strategy is particularly appropriate for addressing multiple econometric challenges inherent in dynamic panel data: emission persistence across time periods, potential endogeneity between green finance and environmental outcomes, unobserved country-specific heterogeneity, and Nickell bias in fixed-effects estimation with lagged dependent variables. The System GMM estimator utilizes internal instruments constructed from lagged levels and differences of the explanatory variables, thereby exploiting the panel structure to generate consistent and efficient parameter estimates.

3. Results/ Findings and Discussion

The empirical analysis employs two-step System GMM estimation on a balanced panel comprising 20 leading Green Bond-issuing countries over the period 2014–2023 (N = 20, T = 10, yielding 200 observations). All continuous variables except GDP growth are log-transformed and winsorized to mitigate the influence of outliers. Green Bond issuance and fossil fuel consumption variables (crude oil, coal, and natural gas) are treated as endogenous, with lagged levels and differences serving as internal instruments. Descriptive statistics reveal substantial persistence in CO_2 emissions alongside considerable cross-country variation in both Green Bond issuance volumes and energy consumption structures. Pairwise correlations indicate strong positive associations between CO_2 emissions and fossil fuel consumption (r = 0.65–0.96) and a weak negative correlation with Green Bond issuance (r = 0.11). The two-step System GMM estimation demonstrates robust model validity across key diagnostic criteria. The Arellano-Bond test confirms significant first-order autocorrelation (AR (1),

$p < 0.05$) and appropriately insignificant second-order autocorrelation (AR (2), $p = 0.952$), validating the absence of serial correlation in the differenced residuals. The Hansen test of over-identifying restrictions yields a p-value exceeding 0.25, confirming instrument validity and appropriate model specification. These diagnostic results collectively establish the reliability and consistency of parameter estimates.

Key findings:

Table 2– System GMM estimation results of green bond impact on CO_2 emissions

Variable	Coefficient	Std. Error	t-value	p-value P>|t|	Significance [95% Conf. Interval]	
L1. Ln_CO2	0.9906	0.0588	16.83	0.000	0.86742	1.11388
Ln_GB	-0.00280	0.00068	-4.090	0.001	-0.00423	-0.00137
Ln_CRO	-0.10031	0.03554	-2.820	0.011	-0.17469	-0.02594
Ln_CL	0.01339	0.01235	1.080	0.292	-0.01246	0.03924
Ln_NG	0.07910	0.02166	3.650	0.002	0.03376	0.12444
GDP Growth	0.00669	0.00099	6.730	0.000	0.00461	0.00877
Ln_PD	-0.00135	0.00663	-0.200	0.841	-0.01523	0.01253
_cons	0.08225	0.12930	0.640	0.532	-0.18838	0.35288

Source: Author's calculation using two-step System GMM in Stata 14. Data: Climate Bonds Initiative (Green Bond issuance), World Bank Open Data (CO_2 emissions, GDP growth, population density), and U.S. Energy Information Administration (crude oil, coal & coke, natural gas consumption), 2014–2023.

The analysis reveals substantial emission persistence, with the lagged dependent variable coefficient estimated at 0.991 ($p < 0.01$), indicating that approximately 99% of prior-year emission levels persist into the current period. This pronounced inertia underscores the path-dependent nature of national emission trajectories. Critically, Green Bond issuance exhibits a statistically significant negative effect on emissions ($\beta = -0.0028$, $p = 0.001$), whereby a 10% increase in issuance corresponds to an approximately 0.028% reduction in CO_2 emissions after controlling for energy structure. While modest, this effect represents genuine environmental additionality within highly persistent emission systems. Disaggregated fossil fuel analysis reveals heterogeneous impacts. Natural gas consumption significantly increases emissions ($\beta = 0.079$, $p = 0.002$), consistent with its combustion profile. Intriguingly, crude oil consumption exhibits a negative coefficient ($\beta = -0.100$, $p = 0.011$), potentially reflecting fuel substitution and efficiency improvements in advanced economies, aligning with recent panel evidence from Dong et al. (2023). Coal consumption remains statistically insignificant, possibly due to multicollinearity or heterogeneous utilization patterns. GDP growth positively affects emissions, confirming persistent economy-carbon coupling. These findings corroborate Flammer (2021), Tolliver et al. (2020),

and Bhutta et al. (2022), who documented emission reductions attributable to green bond financing. The persistent negative Green Bond coefficient, even after controlling for fossil fuel consumption, provides stronger causal evidence than earlier cross-sectional studies (Zhou, 2019; Cui, 2019). Collectively, this evidence refutes the greenwashing hypothesis, demonstrating that Green Bonds facilitate measurable environmental additionality by channeling capital into emission-reducing projects, even within fossil-fuel-dependent energy systems. This validates green finance as a viable complement to technological transitions. For emerging markets like Sri Lanka, these findings underscore the urgency of developing robust domestic Green Bond frameworks as powerful market-based decarbonization instruments.

4. Conclusion and Implications

This study provides robust empirical evidence that Green Bond issuance significantly reduces CO_2 emissions across the 20 largest issuing countries during 2014–2023. Employing two-step System GMM estimation, the analysis demonstrates that Green Bond volume exerts a consistent negative effect on national emissions ($\beta = -0.0028$, $p = 0.001$) after controlling for energy consumption structure, thereby confirming genuine environmental additionality rather than mere symbolic relabeling of conventional debt instruments. These findings contribute substantively to sustainable finance theory by establishing a direct transmission mechanism through which labeled debt instruments translate into measurable emission reductions, independent of technological changes in the underlying energy mix. The results extend ecological modernization theory by demonstrating that financial market innovations can accelerate decarbonization trajectories even within fossil fuel-dependent economic structures. The persistent negative coefficient of Green Bond issuance, robust to controls for heterogeneous energy consumption patterns, refutes the greenwashing hypothesis and validates green finance as a credible complement to technological transitions. The evidence carries significant implications for the architecture of climate policy in both developed and emerging economies. Policymakers should prioritize the development and expansion of domestic Green Bond markets through targeted interventions, including tax incentives for green bond investors, standardized issuance frameworks aligned with international best practices (e.g., Climate Bonds Standard), and mandatory impact reporting requirements to ensure transparency and accountability. For late entrants such as Sri Lanka, establishing a robust regulatory infrastructure for green bond certification represents a strategic pathway toward market-based decarbonization. Capital mobilized through Green Bonds must be strategically allocated to high-impact sectors, such as renewable energy infrastructure, energy efficiency retrofits, and clean transportation systems, to maximize the emission-reduction potential per unit of investment. However, the persistent positive effects of natural gas

consumption and GDP growth on emissions underscore a critical caveat: green finance alone is insufficient. Comprehensive decarbonization requires integrating Green Bond development with complementary policy instruments, including aggressive energy transition strategies, carbon pricing mechanisms, and regulatory frameworks that decouple economic growth from emissions intensity. Green Bonds represent more than a symbolic commitment; they constitute proven, scalable financial instruments for achieving Paris Agreement targets and constructing climate-resilient economies. As global emissions continue their upward trajectory toward critical thresholds, the strategic deployment of green finance supported by rigorous impact measurement and complementary policy interventions offers emerging and developed economies alike a pragmatic pathway toward sustainable development. The evidence from this study affirms that when properly designed and deployed, Green Bonds can generate measurable environmental benefits while mobilizing the capital necessary for systemic decarbonization.

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Keywords: Carbon emissions; Climate finance; Energy transition; Green bonds; System GMM

BANKING & INSURANCE

HOW THE INTERCONNECTEDNESS BETWEEN THE BANKING AND INSURANCE SECTORS INFLUENCES FINANCIAL RISK IN ASIAN COUNTRIES

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1. Introduction

The increasing interconnection between the banking and insurance sectors has become a critical determinant of financial risk in Asian economies. Banks, traditionally, are liable for managing credit and liquidity, and insurers, focused on risk management and long-term investments, are increasingly connected through shared investments, cross-sector exposures, and inter-sectoral lending. The analysis covers the period from 2008 to 2024, providing insights across multiple economic cycles and regulatory environments in Asia. These growing interconnections produce channels for risk transmission that can boost systemic vulnerabilities. Expertise in how interconnection shapes financial risk is important, especially in Asia, where financial markets are rapidly growing and integrating across various regulatory environments.

The unresolved ideas arise from the narrow understanding of how the interconnection between banks and insurers impacts financial risk in Asia's diversified financial landscape. While previous research in Western countries has documented that interconnectedness can surge risks such as credit, liquidity, market, and solvency risks (Acharya et al., 2010; Brunnermeier, 2009), there is inadequate empirical evidence specific to Asian countries. The unique economic frameworks and regulatory variations in Asia complicate the management of these risks, leaving a knowledge gap that limits fruitful policy responses to shelter financial stability.

The key objective of this research is to investigate how the interconnectedness between the banking and insurance sectors influences financial risk in Asian countries. Specifically, the study aims to (1) examine the impact of the banking sector on financial risk through its interconnectedness with the insurance sector and (2) examine the impact of the insurance sector on financial risk through its interconnectedness with the banking sector. By achieving these objectives, the study expects to escalate understanding of the transmission channels and systemic vulnerabilities in Asia's financial systems.

A review of previous studies highlights the difficulty of financial interconnectedness and its impact on systemic risk. Theoretical frameworks such as Financial Interconnectedness Theory and Systemic Risk Theory indicate that linkage can both diversify risk and facilitate contagion across sectors (Allen & Gale, 2000; Schwarcz & Schwarcz, 2014). Empirical studies show that cross-sector exposures and shared portfolios increase market and liquidity risks, particularly in emerging Asian countries (Adrian & Brunnermeier, 2016; Jang et al., 2020; Park & Mercado, 2015). The conceptual framework integrates bank-specific variables with insurance-specific variables. These variables interact through interconnectedness indicators, which act as channels for risk transmission. This framework shows how changes in one sector can grow through this connection, increasing financial risks and eventually affecting the overall stability of the financial system in Asia.

2. Research Methodology

This research addresses the research question: How does the interconnectedness between the banking and insurance sectors influence financial risk in selected Asian countries? A quantitative panel data approach covering 2008 to 2024 is used, including bank- specific, insurance-specific, and interconnectedness variables as independent variables influencing financial risk. Data are gathered from credible sources such as the International Monetary Fund (IMF) and World Bank.

The Three-Stage Least Squares (3SLS) estimation technique (Zellner & Theil, 1962) is employed to model the simultaneous and interdependent relationships between banking, insurance, and financial risk, accounting for endogeneity and feedback effects. Additionally, the Sobel test is employed to evaluate whether interconnection mediates the relationship between banking and insurance variables and financial risk, quantifying indirect effects (Sobel, 1982).

3. Results/Findings and Discussion

The findings disclose considerable differences in how the banking and insurance sectors impact financial risk. Intersectoral lending shows a positive and statistically significant impact on financial risk, confirming that huge banking insurance interconnection boosts systemic vulnerability, consistent with Billio et al. (2012), who argue that interconnectedness accelerates contagion channels during stress periods.

Table 1: 3SLS Regression results

	Direct Model	Indirect Model
R^2	0.7003	0.9345
INSP	-1.123164 (-0.32)	114.9907 (37.80)
NPL	-.171823 (-1.82)	.5434452 (2.44)
INSL	.0906635 (3.20)	-
UNEMP	.5510191 (4.45)	-1.142659 (-3.99)
POP	-2.83e-11 (-0.02)	1.03e-08 (2.32)
GDPG	1.21438 (7.58)	-.6854199 (-1.80)

Source: Developed by the Author

The banking sector illustrates a meaningful impact on financial risk. Non-performing loans (NPLs) show a marginally significant relationship at the 10% level, stipulating that although the expected positive direction is moderated, likely due to strengthened post-crisis prudential controls, credit quality remains central to systemic stability. Also, unemployment and GDP growth, macroeconomic factors that are highly linked to banking performance, show a huge significant impact on financial risk. These findings align with Acharya et al. (2012), who highlight macro-financial vulnerabilities as crucial determinants of systemic instability.

In contrast, the insurance sector does not have a statistically significant influence on financial risk. Insurance penetration, despite showing the expected negative direction, remains insignificant, suggesting that the stabilizing role of insurance markets in Asia is still limited. This resonates with Beck et al. (2013), who argue that insurance market depth and sophistication vary widely across developing economies, limiting their shock-absorbing capacity.

The Sobel mediation analysis discloses partial mediation in the banking sector, where inter-sectoral lending transmits indirect effects of NPLs on financial risk. However, no mediation is found in the insurance sector, stipulating that insurance-related shocks do not meaningfully grow through inter-sectoral lending. This reinforces previous findings that banking systems, not insurance markets, remain the dominant source of systemic risk transmission in interconnected Asian financial systems.

4. Conclusion and Implications

The research concludes that financial risk in Asian countries is mostly driven by banking-sector dynamics and inter-sectoral interconnectedness, while the insurance sector plays a statistically insignificant role. Inter-sectoral lending appears as a critical transmission channel amplifying systemic vulnerability. Theoretically, this research contributes to systemic risk literature by empirically showing how cross-sector connections differentially influence financial stability across Asian countries. Practically, the findings highlight the need for integrated macroprudential oversight, increased disclosure of cross-holdings, sector-wide stress testing, and coordinated banking and insurance procedures. Policymakers should prioritize early warning mechanisms and harmonized supervision frameworks to reduce contagion risks as financial markets across Asia continue to develop and escalate.

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Keywords: Bank–Insurance interconnectedness; Financial risk; Inter-sectoral lending; Sobel test; Three-Stage Least Squares (3SLS)

MODERATING EFFECT OF BANK SIZE ON DETERMINING FINANCIAL PERFORMANCE: EVIDENCE FROM LICENSED COMMERCIAL BANKS IN SRI LANKA

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1. Introduction

The banking sector plays a key role in economic growth by providing financial intermediation, supporting efficient resource allocation, and contributing to overall economic growth. Within this sector, commercial banks are a key pillar of Sri Lanka's economic growth by mobilizing savings, extending credit to individuals and businesses, and conducting national and international transactions. Bank performance is generally reflected in the return on assets. These profitability indicators are influenced by macroeconomic and bank-specific factors (Weersainghe, 2013). Although the determinants of bank profitability have been widely studied, their impact is not uniform across all banks, particularly those of different sizes. Large banks generally benefit from economies of scale, capital buffers, revenue diversification, and resilience to economic shocks. Conversely, small and medium-sized banks often face structural constraints, including increased operating costs, limited access to capital markets, liquidity constraints, and weak risk management capabilities (Hassan, 2023). These structural differences indicate that bank size significantly shapes how the determinants of financial performance are translated into profitability.

Despite the relevance of this issue, limited research has examined the moderating effect of bank size, especially in developing countries such as Sri Lanka, where the banking sector is highly concentrated and vulnerable to macroeconomic shocks (Al-Homaidi, 2018). Sri Lanka has recently experienced an economic downturn, including inflationary pressures, interest rate changes, currency depreciation, and various liquidity constraints, highlighting the need to understand how banks of different sizes respond to such shocks. While macroeconomic factors affect all banks, internal factors vary widely by size, indicating that the determinants of financial performance cannot be explained uniformly.

Therefore, this paper examines the moderating effect of bank size on the financial performance (as measured by return on assets) of listed commercial banks in Sri Lanka. A strong understanding of the moderating effect is crucial for policymakers, bank managers, regulatory authorities, and investors as it guides strategic decisions, risk management practices, and regulatory planning. By addressing this gap, this study contributes to a

consistent conclusion regarding financial performance in Sri Lanka's banking sector.

2. Research Methodology

The study adopts a positivist philosophy and a deductive approach, supported by a quantitative research methodology commonly used in bank profitability studies (Al-Homaidi, 2018). A purposive sampling technique was used to select 10 licensed commercial banks listed on the Colombo Stock Exchange (CSE) based on the availability of consistent annual reports and operational stability, covering the sample period from 2012 to 2024. Secondary data were collected from the published annual reports of selected banks and statistical reports issued by the Central Bank of Sri Lanka.

Return on Assets (ROA) was used as the dependent variable to measure financial performance, while independent variables included asset quality, liquidity, capital adequacy, cost-income ratio, deposits, inflation, interest rate, and broad money supply. Bank size, measured as the natural logarithm of total assets, was treated as a moderating variable with interaction terms constructed between bank size and each bank-specific factor to test moderation effects. The data were analysed using panel regression techniques supported by descriptive statistics, correlation analysis, and diagnostic tests for multicollinearity, heteroscedasticity, and autocorrelation, to ensure robustness. Both fixed effects and random effects regression models were estimated, and the Hausman test was used to select the most appropriate model.

3. Results/ Findings and Discussion

The analysis began with descriptive and correlational analyses to examine the behaviour of selected variables across 10 licensed commercial banks between 2012 and 2024. Diagnostic tests indicated heteroscedasticity and autocorrelation in the panel dataset, conditions that may distort coefficient significance and lead to inefficient estimates. To address these issues, the study used robust standard errors to ensure reliable, consistent coefficients that reflect the true strength of the relationships between the outcome variables (Wooldridge, 2016).

The regression results in Table 1 showed that liquidity had an adverse, statistically significant effect on financial performance ($\beta = -0.822$, $p = 0.000$), indicating that excess liquidity reduces the ability to generate profits. Inflation also had a negative and significant effect ($\beta = -0.033$, $p = 0.000$), indicating that higher inflation is associated with a deterioration in bank profitability. Similarly, the cost-income ratio was negative and significant, suggesting that higher operating costs adversely affect financial performance. The interest rate also had a negative and significant effect on ROA ($p = 0.000$), indicating that changes in the interest rate exerted pressure on banks' earnings.

In contrast, the coefficient of Asset Quality (AQ) was 0.068 with a p-value of 0.007, which is statistically significant at the 95% level. This highlighted the positive and significant relationship between asset quality and ROA. The broad money supply showed a significant and positive effect on ROA (β = 0.027, p = 0.000), which indicates that an increase in money circulation leads to higher financial performance. The variables capital adequacy (β= -0.087, p = 0.413), and deposits (β = 0.076, p = 0.082) were not statistically significant, meaning that they did not have a significant direct impact on ROA during the period considered. The extended regression model was specified as follows:

The findings on the moderating effect of bank size showed a significant trend. Bank size positively moderated the relationship between liquidity and financial performance and strengthened the relationship between cost-to-income ratio and return on assets. This suggests that larger banks are better able to withstand liquidity pressures and manage operating costs due to their broader resource base and economies of scale. Conversely, bank size exerted a negative moderating effect on asset quality, suggesting that improving asset quality contributes less to the profitability of large banks than of small banks. The moderate effect on capital adequacy was not significant, and deposits were partially significant.

Table 1: Random-Effects regression results with robust standard errors with moderator (Bank size)

ROA	Coef.	p-value
CAR	-0.087	0.413
AQ	0.068	0.007
LR	-0.822	0.000
CIR	-0.165	0.000
DE	0.076	0.082
INF	-0.033	0.000
IR	0.1	0.000
BMS	0.027	0.000
CAR_BS	0.01	0.313
AQ_BS	-0.005	0.021
LR_BS	0.069	0.000
CIR_BS	0.011	0.000
DE_BS	-0.007	0.054
Constant	0.981	0.453

Mean dependent var	1.173	**SD dependent var**	0.73
Overall r-squared	0.673	**Number of obs**	130
R-squared within	0.5	**R-squared between**	0.955

Source: Stata Output (2024)

4. Conclusion and Implications

This paper concludes that bank-specific and macroeconomic factors significantly influence the financial performance of listed commercial banks in Sri Lanka, with bank size a critical moderating factor. For example, larger banks have economies of scale, greater diversification, and improved liquidity and operational stress protection, while smaller banks are more vulnerable to shifts in asset quality and efficiency.

These findings have theoretical and practical implications. Theoretically, the research contributes to the existing literature by examining the interaction between bank size and bank-specific and macroeconomic determinants to better understand bank profitability in emerging markets. In practice, the results have implications for policymakers, regulators, and bank managers in determining strategies, risk management, and the use of regulatory frameworks that account for bank size. Moreover, these insights can make decisions about bank performance more efficient for investors and financial analysts. Overall, this study highlights the importance of scale in achieving profitability, efficiency, and resilience, as banks of different sizes typically require specific guidance in the Sri Lankan context.

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Keywords: Bank size; Bank-Specific factors; Financial performance; Moderating effect

EXAMINE THE IMPACT OF FACTORS AFFECTING BLOCKCHAIN ADOPTION IN THE SRI LANKAN BANKING INDUSTRY

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1. Introduction

The implementation of blockchain technology has entered the world of financial systems as a transformative force that provides increased transparency, security, and efficiency of operations (Zheng et al., 2022). Nonetheless, the use of blockchain by licensed commercial and specialized banks is exceedingly low in Sri Lanka remains exceedingly low despite its potential use in following areas: Know Your Customer (KYC) procedures, trade finance, and international payments (Choi et al., 2023).Current Sri Lankan research provides minimal empirical evidence on why banks are reluctant to implement these technologies;, and as such, there is a gap the literature on institutional, regulatory, and organizational impediments. Although technological and cost-based factors are the key focus of international research, in Sri Lanka the specifics of the emerging-market environment are impactful and significantly influenced by regulatory ambiguity and organizational readiness concerns, which have not been studied locally to the same extent (Kshetri, 2024; Sharma & Sahoo, 2023). Thus, the paper examines the impact of technological, organizational, and environmental factors on blockchain adoption within the Technology-Organization-Environment (TOE) model (Oliveira & Martins, 2011). The research also contributes by situating the adoption of blockchain within the Sri Lankan institutional environment, where regulatory predictability and internal potential are key fueling factors of digital transformation.

2. Research Methodology

The research employed a pragmatic research philosophy within the Exploratory Sequential Mixed-Methods Approach (Qualitative to Quantitative).

Phase I – Qualitative Study

A purposive sample of ten IT and banking professionals was selected. Semi-structured interviews were conducted to identify local determinants of adoption. TOE variables, including perceived usefulness, compatibility, complexity, organizational readiness, and regulatory clarity, were refined using thematic analysis (Sharma & Sahoo, 2023).

Phase II – Quantitative Study

The developed constructs were transformed into a structured questionnaire, which will be conducted. The proportionate sampling method was used, which is a reflection of the real structure of the banking industry: 24 Licensed Commercial Banks (LCBs) and 06 Licensed Specialized Banks (LSBs) (30 in total). Four (04) respondents in the managerial level were selected per bank to stabilise institutional representation, giving a final sample of 120 respondents, which is in line with examiner recommendations on proportionality.

The validated TOE scales from the existing literature were used to measure all variables (Oliveira & Martins, 2011). Reliability and validity tests were conducted prior to using Multiple Regression Analysis. The rationale for selecting regression is that it is an effective tool for combining the variables of TOE and measuring the effect of every determinant on the adoption intention (Zheng et al., 2022).

3. Results/Findings and Discussion

The regression analysis revealed that the three dimensions of TOE had a significant impact on intention to adopt blockchain ($p < 0.05$). Perceived Usefulness (= 0.342, p = 0.001) and Compatibility (= 0.291, p = 0.004) among technological factors had strong positive associations, and Complexity had a significant negative impact (= – 0.266, p = 0.008), which is consistent with the results of Choi et al. (2023).

The highest predictive power was generated by the organizational factors, including Top Management Support (= 0.387, p = 0.000) and the Employee Expertise (= 0.304, p = 0.003), which reflects the insights of the global perspective on organizational prioritization (Zheng et al., 2022). Environmental factors also played an important role, as Regulatory Clarity (= 0.355, p = 0.002) and Competitive Pressure (= 0.228, p = 0.015) were identified as vital factors. The thematic results are agreement with the quant consistent active results. According to the interviewees, regulatory uncertainty and a lack of qualified human resources were defined as the most significant obstacles. This follows institutional theory, which emphasizes that, in emerging economies, institutional clarity is more important than market incentives (Kshetri, 2024). The Sri Lankan setting is evidence that regulatory and institutional elements have been shaping adoption decisions at the expense of technical efficiency, compared with the global literature, and provides new information applicable to developing financial systems.

4. Conclusion and Implications

The paper concludes that regulatory ambiguity and poor organizational preparedness (including a lack of technical skills and structured change-

management procedures) are the key barriers to blockchain adoption in the banking sector of Sri Lanka. The study builds on the TOE framework by showing that institutional and regulatory pressures have the most significant impact on emerging markets (Sharma & Sahoo, 2023). In practice, banks must make investments in specialized training, building internal capabilities, and organizing transformation programs. To increase clarity and decrease uncertainty in the financial sector, policymakers and the Central Bank of Sri Lanka need to implement regulatory sandboxes, guidelines, and institutional structures to accelerate the adoption of blockchains in the financial sector.

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Keywords: Banking industry; Blockchain adoption; Regulatory framework**;** TOE framework

THE INFLUENCE OF AI CHATBOT SERVICE QUALITY ON CUSTOMER LOYALTY IN THE BANKING SECTOR: EVIDENCE FROM MATALE DISTRICT, SRI LANKA

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1. Introduction

Digital platforms are already preferred by more than 70% of customers, and the global banking sector is on its way to becoming completely digital. Thus, Sri Lanka is taking part in this transition, with the Central Bank's digitalization initiatives, along with the National Digital Strategy 2030, being its power sources, while AI chatbots are increasingly important for customer service enhancers. Forecasted global chatbot market growth is impressive; it will grow from USD 7.76 billion in 2024 to USD 27.29 billion by 2030. In Sri Lanka, rising internet penetration, from 12.4 million users in early 2025 to a projected 13.9 million by year-end, strongly supports the increasing adoption of AI chatbots and digital financial services. Major Sri Lankan banks, like Bank of Ceylon, Commercial Bank, People's Bank, Sampath Bank, and Seylan Bank, already take part in the chatbot trend.

Simply adopting chatbot technology is insufficient; success depends on the quality of service delivered. Customers judge effectiveness and trustworthiness based on the SERVQUAL dimensions, tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman et al., 1985). High-quality chatbot service shapes customer satisfaction and loyalty. Despite the growing adoption of AI chatbots in banking, research on how chatbot service quality affects customer loyalty is very limited in developing countries, particularly in semi-urban and rural areas (Arshard & Imthiyas, 2024). The majority of studies focus on developed economies. In Matale District, AI chatbot adoption is increasing, but research on customer loyalty, the role of satisfaction, and validated service quality models is limited, reflecting the need for empirical research in this context (Sewwandi & Dias, 2023). This research aims to identify AI chatbot service quality dimensions influencing satisfaction and loyalty, examine service quality's effect on loyalty, and assess customer satisfaction's mediating role in this relationship. This study contributes to theory and practice, broadens the SERVQUAL and related frameworks, and directs financial institutions, technology companies, and regulators.

2. Research Methodology

This research is based on the positivist philosophy and employs a deductive, quantitative method. A cross-sectional survey strategy was used to gather

customer perspectives at a single point in time. The research was conducted in the banking sector of Matale District, targeting single digital banking customers who had interacted with AI-based chatbots within the last six months. Purposive non-probability sampling method was used to recruit customers who interacted with the AI chatbots. As stated by Krejcie and Morgan (1970), 482 questionnaires were distributed, of which 434 were considered valid responses. Data collection utilized a printed questionnaire in Sinhala, Tamil, and English, covering respondents' demographics and verification items related to chatbot usage. It included SERVQUAL-based measures assessing service quality, satisfaction, and loyalty using a five-point Likert scale. Four hypotheses were formed, including the mediating role of satisfaction. Demographic and descriptive statistics were analyzed using SPSS, and PLS-SEM was performed in SmartPLS 4.0. The situation regarding the quality of measurement was established through tests of reliability, convergent validity, discriminant validity, and multicollinearity. The employed method is appropriate for objectively measuring and reliably testing both direct and indirect relationships pertinent to the research focus.

3. Results/Findings and Discussion

Data analysis was done through SPSS and SmartPLS 4.0. SPSS was used for descriptive statistical analysis and to provide the demographic profile, while SmartPLS was used to assess the measurement and structural models using the PLS-SEM method. The assessment of the measurement model showed that all constructs exhibited strong internal consistency, and the values of Cronbach's alpha and composite reliability were higher than 0.70. Convergent validity was established due to AVEs being more than 0.50 and VIFs being below the accepted limits, which suggested that there was no multicollinearity. The structural model demonstrated acceptable fit, and the R^2 values showed that AI chatbot service quality accounted for a substantial proportion of the variance in customer satisfaction and loyalty.

The path analysis exposed that the quality of AI chatbot service has a significantly positive impact on both customer satisfaction and loyalty, thereby corroborating hypotheses H_1 and H_2. Customer satisfaction, was also found to exert a strong positive influence on loyalty, thereby supporting H3. Most importantly, the mediation analysis revealed that customer satisfaction is a partial mediator between chatbot service quality and customer loyalty, thus authenticating H4. This means that even if customers directly appreciate the service quality, satisfaction will help in the loyalty-building process even more.

The results obtained in this study are very similar to those from previous studies. This study reaches the same conclusion as the work of El-Shihy et al. (2024) that the three factors of responsiveness, reliability, and assurance are the main ones that lead customers to judge AI-enabled services positively. The significant influence of chatbot service quality on consumer

satisfaction and loyalty also reflects the findings from studies conducted in India, the Middle East, and South Asia, which pointed out the importance of fast, accurate, and trustworthy interactions with chatbots. In addition, the role of satisfaction as a mediator aligns with digital service research, which posits that satisfaction is the main psychological mechanism through which perceived service quality turns into loyalty (Fouad & Dinana, 2025). The results suggest that consumers in the semi-urban Matale area are already responding favorably to advanced AI chatbot experiences. This supports the idea that AI systems, if thoughtfully designed, can not only fill gaps in service but also gain the trust of customers across different demographic segments on online platforms.

4. Conclusion and Implications

This research has determined that the quality of AI chatbot services has a remarkable positive effect on customer satisfaction and customer loyalty in the Sri Lankan banking sector, specifically in the semi-urban Matale District. Each of the SERVQUAL dimensions was associated with a positive change in customer perceptions. Customer satisfaction was found to have a significant positive impact on loyalty and was also a partial mediator of the relationship between chatbot service quality and loyalty; thus, it is indirectly responsible for long-term customer commitment.

From a theoretical perspective, the study brings the use of SERVQUAL, Expectation-Confirmation Theory, and Customer Relationship Management theory in the context of digital banking powered by AI in a developing country to a new level, providing very important evidence from a semi-urban area. At the same time, the research provides banks, fintech firms, and customer relationship managers beneficial insights. Additionally, the comprehension of customers' perceptions by policymakers and digital strategists can facilitate decisions regarding AI, financial inclusion, and regulation policies. Ultimately, the explanatory power of future research could be enhanced by adding variables like trust perception, value perception, and user experience, which would help to get deeper insights into AI-enabled financial behavior.

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Keywords: AI Chatbots; Service quality; Customer satisfaction; Customer loyalty; SERVQUAL

FACTORS AFFECTING THE SOLVENCY OF THE INSURANCE INDUSTRY IN SRI LANKA

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1. Introduction

The insurance industry in Sri Lanka is one of the most important elements of the country's financial system, serving as a pillar of economic stability and risk mitigation. The industry encompasses the general and long-term insurance businesses and offers much-needed services, such as risk transfer and financial stability, which play a major role in Sri Lanka's service-based economy. The industry in Sri Lanka, through the provision of insurance, is helping to boost its financial industry through the management and growth of funds held, as well as providing individuals with long-term savings opportunities. This industry comprises both long-term insurance and general insurance, both of great significance in benefiting the economy. Insurance companies and financial intermediaries accumulate savings and invest those funds to enhance infrastructural buildups and the growth of the economy. Financial stability is largely determined by the solvency of the insurance industry, which enables the companies to meet their long-term obligations. The insurance industry in Sri Lanka has experienced significant regulatory developments in recent years, driven by the adoption of the Risk-Based Capital (RBC) framework in 2015. This research is aimed at investigating internal financial drivers that affect the solvency of the Sri Lankan insurance sector within the framework of the RBC. Before 2015, Sri Lanka had a fixed solvency margin regime whereby insurers had to hold a specified percentage margin of their liabilities in the form of capital. Nonetheless, this method failed to capture properly the differences in the level of risk exposure between different lines of business. One of the minimum regulatory frameworks is the RBC model, which requires that insurers must support a Total Risk Based CAR of a minimum of 120 percent. This ratio is determined by charging different classes with a risk then it is calculated as a ratio. The study explores how the cost of claims, profitability, leverage, liquidity, underwriting risk, investment returns, retention ratio, and company size impact solvency. These relations are vital to both insurance companies and regulatory authorities to maintain financial stability, especially during economically turbulent times like the 2022-2023 economic crisis. This research paper adds to the general knowledge of solvency factors in Sri Lanka's changing regulatory environment, which would be very beneficial to stakeholders engaged in policy formulation, risk management, and strategic decision-making in the insurance industry. The

research study justifies the problem mentioned above. However, it has been noted that internal firm-specific financial factors, such as Claim Expenses, Investment Return, and Underwriting Risk, directly affect the financial solvency of the Sri Lankan insurance industry during periods of intense economic turmoil. This has not been empirically delimitated since the introduction of the RBC framework in 2015-2016.

2. Research Methodology

This paper is based on secondary data from two sources: audited annual reports and financial statements of licensed insurance companies, and regulatory publications, statistical digests, and annual reports of the IRCSL. The timeframe under analysis spans 2017 to 2024, including the post-implementation stage of the RBC framework and the opportunity to evaluate solvency trends under both constant and fluctuating economic conditions. Each company will compute key financial ratios to operationalize the independent variables in terms of solvency as the dependent variable and the size of the company as the control variable. To analyze, descriptive and inferential statistics are applied in the study. The distribution of variables across insurers and years will be summarized through descriptive analysis, and the relationships between variables will be studied through correlation analysis. The best-suited model will also be determined through regression analysis, fixed-effect, and random-effect models. Before proceeding with the Regression analysis, the study will conduct pretests to ensure that certain assumptions are not violated and to proceed with the model, such as the Multicollinearity test, Heteroscedasticity Test, and Normality Test. The hypotheses will be tested using a panel regression model, which is a good tool for measuring both time-series and cross-sectional changes. STATA will be used to provide firm estimates and interpretations.

The study population includes all insurance companies registered with the IRCSL. There are 29 licensed insurers as of 2024, comprising 13 general insurance companies, 15 long-term insurance companies, and one composite insurer that offers both general and life insurance (IRCSL, 2024). Because the variables of interest in this paper are the factors that influence solvency according to the RBC model, the study would select a sample of those that have continuously published financial information following the mandatory adoption of the RBC framework in 2016. Based on that, the research employs the purposive sampling method, which involves selecting companies licensed under IRCSL, with licenses effective on or before 2015, that have audited financial statements publicly available. Eighteen insurance companies will be used as the study sample, based on availability and the above justification, including both general and life insurance companies and a composite insurer, based on data availability.

3. Findings & Discussions

The findings demonstrate that more than 86 percent of the changes in solvency ratios among Sri Lankan insurers are attributable to internal factors, including claim expenses, profitability, leverage, liquidity, underwriting risk, investment returns, retention ratio, and company size. Investment return was found to be the most important positive determinant of solvency, which makes it an essential factor in the accumulation of capital reserves. On the other hand, the claim expenses were observed to have the greatest negative impact on solvency, and the need to manage the claims efficiently. The other important results are positive correlation between profitability, retention ratio, and company size and solvency, whereby bigger companies with higher profitability and effective risk management policies are in a better position to remain solvent. The results were aligned with the previous studies, which convey that risk management and capital adequacy requirements are necessary to maintain solvency, particularly in times of turbulent economic environments.

Table 1: Descriptive statistics

Variable	Obs.	Mean	SD	Min	Max
SOLV (CAR)	144	5.4853	0.5501	4.15	6.95
CE	144	0.5614	0.1524	-0.87	0.24
PROF	144	0.0910	0.0812	-0.05	0.38
LEV	144	2.7290	1.7100	0.01	7.13
LIQ	144	1.6847	0.7993	0.50	4.06
UR	144	0.9606	0.1803	-1.40	0.50
IR	144	0.1120	0.0516	0.01	0.24
RR	144	0.8791	0.8363	0.62	1.10
SIZE	144	16.5760	1.2731	14.17	19.92

Source: Stata 14.0 Output

The Descriptive Statistics table provides an overview of all the key variables used in the study. Descriptive statistics based on a panel dataset of 144 observations from 18 Sri Lankan insurance companies, including both general and long-term insurance companies, from 2017 to 2024, provide a baseline overview of solvency and its determinants under the RBC framework. The mean of the dependent variable (SOLV) is 549.0623 with a standard deviation of 55.02243, indicating moderate solvency variability and a mean well above the required 120% CAR mandated by the IRCSL. The lowest (4.15) and highest (6.95) values demonstrate resilience even in crises such as the Easter attack in 2019 and the Economic Crisis in 2022-2023, consistent with Risk Management Theory, since good risk pooling can maintain capital adequacy in the face of an underwriting shock.

Table 2: Pooled OLS regression model

Independent Variable	Coefficient	Std. Err	p-value	
CE	-2.2682	0.1154	0.000	Number of obs. = 144
PROF	0.7246	0.2190	0.001	F (8, 135) = 107.09
LEV	0.0293	0.0103	0.005	Prob > F = 0.0000
LIQ	0.0450	0.0224	0.046	R-squared = 0.8639
UR	-0.4428	0.1005	0.000	Adj. R-squared = 0.8558
IR	3.8148	0.3494	0.000	Root MSE = 0.2089
RR	2.1736	0.2181	0.000	
SIZE	0.2123	0.0139	0.000	

Source: Stata 14.0 Output

This discussion entails a comprehensive explanation of the Pooled OLS regression findings, which estimate the influence of the variables on the Solvency of the insurance sector in Sri Lanka using 144 panel observations. The main aim of the Pooled OLS regression is to estimate the linear relationship between eight independent variables and solvency, assuming that the intercept and coefficients are the same across firms and over time. This regression model is beneficial in that it not only allows one to identify the variables that have a significant effect on solvency, but also to quantify their effects.

The F statistic is used to test the significance of the entire model. The value of 107.09 is large, and given a p-value of 0.000, it is confirmed that the null hypothesis that the model is not explanatory of variability in solvency is rejected. The R-squared value of 0.8639 indicates that the independent variables in the model account for about 86.4% of the variation in solvency. This is said to be a very good fit to the data, indicating that the model is very effective at describing solvency. Adjusted R-squared (0.8558) accounts for the number of predictors used and ensures that the model remains valid despite the adjustment. The Root Mean Square Error (RMSE) of 0.2089 is used to calculate the standard deviation of the residuals, indicating the average distance between the observed and predicted solvency values. The smaller this value, the more the model fits the data. In this way, it can be concluded that the model is statistically significant, as one of the factors has a significant impact on solvency.

4. Conclusion & Implications

The solvency of the insurance industry in Sri Lanka has been the subject of a research study, which identified and analyzed the major financial and operational drivers. The research concludes that claim expenses,

profitability, leverage, liquidity, underwriting risk, investment returns, the retention ratio, and company size play important roles in determining an insurer's solvency according to the RBC model. The results are very useful both to insurance companies and to regulators, as effective risk management is crucial, and further regulatory controls should be ensured to determine the financial stability of the insurance industry in Sri Lanka. Knowledge of the key drivers of solvency can be used by insurers to improve risk management techniques, and regulators can design more effective policies to protect the financial position of the industry. This research paper is relevant to the growing literature on insurance solvency, especially in emerging markets such as Sri Lanka, and underscores the importance of further studies on the changing regulatory environment and its effects on industry stability. The research study satisfied the objectives, which were to identify the financial and operational risk factors and to examine the impact of financial and risk factors on the solvency of insurance companies in Sri Lanka under the RBC Framework.

This research has several significant implications for the insurance sector and regulators in Sri Lanka, including Strategic Decision-Making of Insurers, Policy Recommendations of Regulators, and Macroeconomic and Sectoral Implications. Insurance companies need to improve profitability by efficiently managing costs, especially claims costs, and by maximizing liquidity. Hence, they are in a position to fulfill both their short- and long-term liabilities. Underwriting risk must be effectively managed, and its retention ratio should be at a balanced level to help in protecting the solvency in economic uncertainty. The results emphasize the need for a regulatory framework to underpin insurers' solvency requirements.

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Keywords: Claim expenses; Insurance industry; Investment return; Risk based capital; Solvency; Sri Lanka

HOW DOES THE GEOPOLITICAL RISK IMPACT ON BANKING SECTOR DEVELOPMENT? AN EMPIRICAL STUDY IN ASIAN COUNTRIES

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1. Introduction

This research studies the impact of geopolitical risk on the development of the banking sector in Asian countries. The banking sector is crucial to economic development and plays a vital role in the economy by performing diverse activities (Lu, 2020). The banking industry is highly vulnerable to external shocks (Maseke, 2021). The recent global pandemic and the subsequent recovery period significantly affected the banking industry (Lu, 2020). The banking industry faces many risks, including man-made risks and operational risks (Maseke, 2021). Political instability, trade tensions, and diplomatic conflicts between nations create uncertainties that significantly disrupt the banking sector (Bekaert, 2014). In Asia, economic disparities are a significant concern, as the region includes both highly developed and developing states. The weaknesses of the banking sector are liable to geopolitical risk (Adel, 2024). These challenges significantly impact the banking industry of the Asian region, leading to a rise in volatility of liquidity levels, exchange rates, and interest rates. These fluctuations create an unstable environment for banks. Regardless of these challenges, the existing literature is highly focused on the geopolitical risks of the states of Western economy, leaving a notable gap in obtaining an understanding how these risks particularly affect the banking sector in Asia. The impact of macroeconomic variables such as inflation, exchange rate, and GDP growth rate is studied in relation to banking sector performance and the direct effect of this risk remains underexamined in the Asian context. (Montiel, 2004). Geopolitical events pose a unique task because of the unpredictability of geopolitical events. So, banks should navigate unexpected policy changes, economic crises, and trade limitations. It is very important to assess the suggestions on the main banking sector development dimensions like stability, efficiency, depth, and access, considering the increasing number of geopolitical crises (Report, 2013). The aim of this study is to fill this research gap by examining the impact of geopolitical risk on the banking sector development in Asian countries. This study aims to examine the impact of geopolitical risk on the banking sector's stability. Further studies explore the impact of macroeconomic variables (GDP, inflation, exchange rate, and interest rate) on banking sector development with geopolitical risk.

2. Research Methodology

This study employed a quantitative approach, utilizing a panel data study design. The research framework focuses on one independent variable. The Geopolitical Risk Index (GPR) is used as the dependent variable for banking sector development. It includes four dimensions: bank size, efficiency, financial depth, and financial access. Data for these variables are obtained from reputable databases, including transparency. The sample for this study consists of annual data for 18 selected Asian countries from 2008 to 2022. The sample depends on the availability of genuine and consistent data applicable to the research objectives. A dynamic panel regression analysis is conducted to examine the relationships between the independent and dependent variables using STATA software. A dynamic panel estimation method would be biased and inconsistent because the lagged effect of banking sector development is correlated with the error term. The two-step system-GMM estimation technique is employed in this study to examine the dependent variables' lagged influence. The diagnostic tests like AR (1), AR (2), and the Hansesn test are used to confirm the validity (Arellano & Bond, 1991; Roodman, 2009).

3. Results/ Findings and Discussion

The study adopted the two-step GMM method. According to the models, the two-step Difference GMM is more efficient and more robust to heteroscedasticity and autocorrelation than the one-step difference GMM. However, the one-step system GMM uses more instruments than one- step difference GMM. So, system GMM is robust. The two-step system GMM is more efficient and robust than the one-step system GMM because it is better able to address heteroscedasticity and autocorrelation. The results of the two-step GMM system disclose that geopolitical risk significantly impacts banking sector development across 18 Asian countries (Table 1). According to the results of the two-step GMM model on stability in the banking sector in selected nations in the Asian region, it has a strong persistence, and highly significant. Further, it has a positive coefficient ($\beta = 1.0809$, $p < 0.001$ which confirms that the stability in past years strongly affects to the stability in current periods. The geopolitical risk presents a negative effect on the stability ($\beta = -0.03898$). The p-value of this shows as $p = 0.869$, which suggests that a short-run fluctuation in geopolitical tensions does not impact the banking sector in the Asian region. The results show the efficiency model. It reflects a significant and strong effect in persistence, and shows a positive coefficient ($\beta = 0.668$, $p < 0.001$). It reflected that past periods of efficiency in the banking sector strongly influenced the current efficiency. GPR also presents a significant and positive effect on efficiency ($\beta = 0.065$, $p = 0.026$), suggesting that increasing geopolitical tensions have a greater impact on interest margins in the Asian region. Financial depth shows the result of the financial depth model. It demonstrates a highly significant coefficient for depth $\beta = 0.9348$ and p-value in $p < 0.00$. It suggests that

previous values of financial depth have a high impact on the current level of financial depth in the banking sector in the Asian region. The geopolitical risk indicates a significant and positive impact on the financial depth, with a coefficient being $\beta = 0.4579$, and it has a p-value of $p = 0.046$. It suggests that the increasing geopolitical risk may lead to increasing savings and assets of the banks. The access shows the results of the financial access model, indicating a strong persistence, and it is highly significant with a coefficient in $\beta = 1.0106$, with a p-value of $p < 0.001$, and it reflected that the access of past years highly impact to the current financial access. The geopolitical risk shows $\beta = 0.750$ d $p < 0.03$; it has a positive and significant influence. It suggests banks that might expand access w, when geopolitical tensions increase.

Table 1: Results on GPR on banking sector development

Variable	Co-efficient	p-value
Stability	1.080945	0.000
Efficiency	0.668	0.000
Depth.	0.9348	0.000
Access	1.0106	0.000
GDP	0.0690	0.002
Interest rate	-0.1316	0.002
Exchange rate	0.0000	0.341
Inflation	-0.1316	0.002

Source: Developed by the Author

4. Conclusion and Implications

The research used stability, efficiency, depth, and access. The model effectively addresses the dynamic nature of the banking indicators (Roodman, 2009). The findings revealed that geopolitical risk significantly undermines bank stability, and financial resilience is weakened and enhanced by political uncertainty (Bouri et al., 2021). The lagged dependent variables were highly significant, which confirmed the persistence of banking sector behavior (Baltagi, 2008). Mixed results appeared for the use of macro controls, which is also similar to evidence emerging from developing countries (Khan & Ssnhadji, 2001).It carried out diagnostic tests on the instruments, and we found that they were valid and exhibited no serial correlation (Arellano & Bond, 1991). On the whole, the study finds that Geopolitical Risk has both negative and positive effects on banking development.

Geopolitical risk reduces banking stability, so governments need to strengthen organizations and upgrade transparency. Regulators must strengthen macroprudential policies, monitoring the risk and stress testing. Banks should create strong risk management, diversification, and liquidity buffers. International organizations must support high-risk countries, while investors should use geopolitical indicators to balance risks and opportunities.

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Keywords: Banking sector development; Geopolitical risk index; Generalized method of movement

MEDIATING EFFECT OF CAPITAL ADEQUACY ON THE RELATIONSHIP BETWEEN REINSURANCE AND GENERAL INSURERS' PERFORMANCE: EVIDENCE FROM SRI LANKA

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1. Introduction

Reinsurance is a critical tool for risk management and capital protection that allows insurers to transfer part of their risk exposures to reinsurers, stabilizing earnings and improving the solvency of the insurers. The Insurance Regulatory Commission of Sri Lanka (IRCSL) mandates a 30% cession of reinsurance premiums to the National Insurance Trust Fund (NITF), and apart from that compulsory portion, insurance companies transfer their risk to other foreign reinsurance companies. Reinsurance may influence performance by enhancing capital adequacy and reducing the need for insurers to hold excessive capital to cover potential claims. Despite its widespread use and importance, the reinsurance effects on the performance of insurers directly and through the mediator of capital adequacy remain inconclusive across different contexts. Additionally, there is a notable gap in the literature on this mediating effect through capital adequacy. Hence, this study aims to examine the mediating effect of capital adequacy on the relationship between reinsurance and Sri Lankan general insurers' performance, while investigating its direct effect. This study is significant because it offers valuable insights into how capital adequacy mediates the relationship between reinsurance and the performance of general insurers. By examining a mediating variable, this study contributes to the limited literature on reinsurance in developing nations and provides a more comprehensive understanding of insurer performance.

2. Research Methodology

In this study, a quantitative method was employed by the researcher to derive the findings by testing the developed hypotheses. Since the general insurers are involved with these reinsurance operations, the target population consists of all the licensed general insurers (14) registered under the IRCSL. From the population, 8 companies were selected as the sample using the purposive sampling technique based on the data availability for the selected time period from 2016 to 2024, since the capital adequacy mechanism was commenced after 2015 in Sri Lanka. In this study, the dependent variable was general insurers' performance, measured by return on assets (ROA), while reinsurance served as the independent variable,

assessed through the reinsurance ceded proportion. Capital adequacy was incorporated as the mediating variable and was measured using the capital adequacy ratio (CAR). Additionally, firm size, leverage, and deposit structure served as the control variables in this analysis. The secondary data was gathered from the annual reports of 8 selected general insurers in Sri Lanka. Due to the existence of a mediator and structural equations, the researcher employed the Structural Equation Modeling (SEM) method using the Three-Stage Least Squares (3SLS) technique to test the direct and mediating effects, and the Sobel test was used to test the significance of the mediating effect.

3. Results/ Findings and Discussion

The results derived from SEM using the 3SLS technique to test the direct effect of reinsurance on general insurers' performance are depicted in Table 1.

Table 1: Results for direct effect

Dependent Variable	Independent Variable	Coefficient	p-value
ROA	REIN	-0.01956	0.624
	CAR	0.01437	0.007**
	SIZE	0.00300	0.044**
	LEVE	0.21784	0.000**
	Constant	-0.17507	0.000
CAR	REIN	3.24635	0.003**
	LEVE	3.95343	0.003**
	DEST	-3.62749	0.000**
	Constant	1.64592	0.010

*Source: STATA Output (significant at 5% - **)*

As shown in Table 1, reinsurance (REIN) has no significant effect on insurers' performance (ROA) because its p-value (0.624) is not less than 0.05. This result is consistent with the studies done by Lee and Lee (2012) and Abass & Obalola (2018). Further, this study confirms the applicability of firm size (SIZE) and leverage (LEVE) as control variables to this study as their p-values are less than 0.05. Moreover, the tested results derived from Sobel test regarding the mediating effect of reinsurance on insurers' performance through capital adequacy are illustrated in Table 2.

Table 2: Results for mediating effect

Dependent Variable	Mediator Variable	Effect of Mediator on ROA	Effect of REIN on Mediator	Mediating Effect from Sobel	Std Error	t value
ROA	CAR	0.0144	3.2463	0.0467	0.0234	1.993

Source: Sobel Test Calculations

As shown in Table 2, there is a significant positive effect of REIN on ROA through the influence of CAR. This indicates that capital adequacy significantly and positively mediates reinsurance in determining the performance of general insurers, as the calculated t-value is 1.993, which is greater than 1.96 at a 95% confidence level. Thus, it can be concluded that capital adequacy significantly mediates the relationship between reinsurance and general insurers' performance, indicating that reinsurance improves insurers' performance indirectly by enhancing by capital adequacy rather than the direct performance growth. Accordingly, the researcher emphasize that the advantage of reinsurance is achieved mainly in terms of improved solvency rather than direct profit increase. This is consistent with the combined studies done by Bressan (2018), Mutumira (2019), and Abass and Olubusade (2023), as there is a lack of research studies that concentrated on this mediating effect through capital adequacy.

In this study, the Structural Equation Models can be developed as follows,

Main Equation - 01

$$ROA_{it} = -0.17507 - 0.01956REIN_{it} + 0.01437CAR_{it} + 0.003SIZE_{it} + 0.21784LEVE_{it} + e_{it} \quad (1)$$

Sub Equation – 01

$$CAR_{it} = 1.64592 + 3.24635REIN_{it} + 3.95343LEVE_{it} - 3.62749DEST_{it} + e_{it}$$

Overall, it can be concluded that reinsurance protection contributes to the improved capital position of the insurers and, consequently, their improved performance by allowing them to take on more business than they can actually handle.

4. Conclusion and Implications

In conclusion, the findings demonstrated that reinsurance's direct effect on insurers' performance is not statistically significant. However, this study observed that reinsurance increases the capital adequacy, and then it leads to affect favorably for insurers' performance. These results suggest that rather than being a direct source of profit, reinsurance serves as a tool for risk and capital management.

In terms of practical implications, insurance companies should create reinsurance plans that optimize capital efficiency without sacrificing performance. To support solvency and long-term financial stability, the authorities might also encourage reinsurance activities. Overall, by highlighting the critical mediating role of capital adequacy in the relationship between reinsurance and insurers' performance, this study provides new empirical evidence in the Sri Lankan context.

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Keywords: Capital adequacy; Performance of general insurance companies; Reinsurance; Sobel test; Structural equation modeling

IMPACT OF ESG ON THE BANKING INDUSTRY STABILITY: EMPIRICAL STUDY IN THE ASIAN CONTINENT

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1. Introduction

The banking industry is a fundamental pillar of the global financial system. It is well established that the banking industry is a crucial part of the global financial system (Asgari & Molyte, 2023). Today, the banking industry has evolved into a robust sector that fosters economic stability and growth worldwide. We can identify banking stability as a cornerstone for economic progress (Kawai & Morgan, 2012). It provides essential services such as credit facilitation and risk management that hinder economic activity. Banking stability in emerging and developing economies, particularly in the Asian context, is affected by both traditional risks (such as credit, market, and liquidity risks) and modern challenges such as environmental risks, social threats, and governance failures (Vuong et al., 2024). The Environment, Social, and Governance (ESG) risk concept is particularly relevant in Asia's diverse and dynamic economies. It is a fundamental, and well-known concept. The Asian banking industry is strong and flexible, driven by factors as technological advancements, regulatory reforms, and increasing investment in sustainable finance. The problems of the study are ESG risk, the potential for a company to face adverse impacts due to environmental, social, and governance risks, which are growing in the Asian context (Županović, 2014). Another thing is the limited understanding and empirical evidence regarding the impact of Environmental, Social, and Governance (ESG) risks on bank stability within the Asian context.

Research Questions

This study focuses on the following research Questions.

1. How does the ESG risk perform together?
2. How does the ESG risk affect bank stability in the empirical study of the Asian continent?

Research objectives

The objectives include:

1. To construct the ESG index in the empirical study.
2. To evaluate the impact of ESG risks on bank stability in the Asian context.

This study makes a significant contribution to both academic research and practical policymaking.

2. Research Methodology

To conduct this research, data were collected through secondary methods. This study uses a quantitative research approach to examine the relationship between ESG risks and bank stability. This method enables the collection of quantitative data that can be analyzed using econometric methods to determine causal relationships. This research uses two types of variables: GDP Growth and Inflation control. In addition, the data were from the ESG Sovereign Data Portal and the World Bank (Word Bank, n.d.), using a broad panel data set from 2016 to 2023.

ESG Index

The ESG index is constructed by combining selected indicators of ESG risk. The ESG Index was constructed using six indicators representing the three ESG risks. Principal Component Analysis (PCA) was used to derive statistical weights, ensuring that the index reflects the underlying variability structure rather than arbitrary weights. The six ESG-related variables were then standardized to remove differences in measurement scales, enabling comparison across countries and years. Each standardized indicator was multiplied by its corresponding weighting to obtain a weighted score. Finally, the ESG Index for each country-year was derived by averaging these weighted values, producing a comprehensive measure of environmental, social, and governance risks.

3. Results/ Findings and Discussion

3.1 Two-Step System GMM Regression Results

To obtain more accurate and reliable estimates of the relationship between ESG risks and bank stability, a two-step generalized method of moments (GMM) is used. Two-step GMM provides a more reliable estimate by correcting standard errors for heterogeneity and serial correlation.

Table 1: GMM Regression results

Variable	Coefficient (β)	Std. Error	P Value
Z- Scores	.9733265	.0092364	0.000
ESG Index	1.550447	.6146001	0.012
GDP Growth (%)	.0093576	.0051423	0.069
Inflation	.001677	.0014371	0.243
Wald Chi^2/Prob > F	26137.74	0.000	

Source: Developed by the Author

Here is the ESG effect (key finding): ESG index has a positive and statistically significant effect on bank stability at the 5% level ($\hat{\beta} = 1.550$, $p = 0.012$). In simple terms, holding other factors constant, a one-unit increase in the ESG index will be associated with a 1.55-unit increase in the Z-score. Since your

ESG index may be PCA-based or mean-centered, the magnitudes are interpreted relative to the scale of the index; however, the signs and significance indicate that improved ESG performance is associated with higher bank stability in your Asian sample.

The model as a whole is significant. Here, the value is Prob > F value is 0.000. A positive, significant ESG coefficient would support the argument that stronger environmental, social, or governance outcomes (or better country-level ESG conditions in which banks operate) are associated with more resilient banks across Asian countries over the period 2016–2023.

3.2 Model Diagnostic and Validity Tests

The GMM technique requires specific tests to verify the validity of the instruments and to assess the absence of autocorrelation.

Table 2: Autocorrelation tests (Arellano-Bond tests)

Test	Statistic	P-value
Arellano-Bond AR (1) in first difference	-2.48	0.013
Arellano-Bond AR (2) in first differences	0.96	0.335

Source: Developed by the Author

The conclusion is that the Arellano-Bond diagnosis supports a problematic AR (2) serial correlation. Its value will be greater than 0.05. This is a necessary condition for stable GMM estimation.

3.3 Test of Over-identifying Restrictions (Sargan/Hansen Tests)

These tests identify the overall validity of the instruments used in the GMM model.

Table 3: Hansen Tests

Test	χ^2 value	p-value
Hansen Test	7.92	0.161

Source: Developed by the Author

If the model has heterogeneity (as is often the case with a large cross-country panel), Sargan will be overly rejected, and Hanson will remain reliable.

4. Conclusion and Implications

This study examined the impact of ESG risks on the bank stability of Asian banks using a rigorously constructed composite ESG index and a dynamic

panel estimation approach (two-step System GMM). The results verify that bank stability is positively and statistically significantly impacted by ESG risk. In particular, higher Z-scores, indicate greater resilience and lower insolvency risk and are linked to higher ESG scores. These results are consistent with legitimacy, stakeholder, and institutional theories, all of which contend that transparent and socially responsible banking practices enhance long-term stability, lower uncertainty, and increase confidence.

Strong ESG integration improves access to international capital, strengthens operational resilience, and improves reputation. The findings support the development of sustainable finance frameworks, the requirement of uniform ESG disclosures, and the inclusion of ESG risks in supervisory evaluations. Because ESG rankings provide a trustworthy indicator of a bank's stability and long-term value, investors also benefit. By following these directions, researchers can further refine their understanding of how sustainability practices can build a more resilient, responsible, and stable financial future for the Asian continent. Overall, the study highlights ESG as a crucial factor in the stability of Asian banks and an effective tool for fostering a more robust and sustainable banking sector.

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Keywords: Asian banking sector; Bank stability; ESG index; ESG risk; Sustainability finance

EFFECT OF RELATIONSHIP COMMITMENT ON BEHAVIORAL INTENTION: THE MEDIATION EFFECT OF TRUST IN THE SRI LANKAN LIFE INSURANCE INDUSTRY

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1. Introduction

The life insurance industry is essential for providing long-term financial security, savings, as well as risk coverage to individuals and families. Despite Sri Lanka's gross written premiums recording consistent growth rates, some of the ending challenges that have plagued this industry include low policy renewal rates, low policy persistency, and declining customer confidence. Recent reports from the Insurance Regulatory Commission of Sri Lanka (IRCSL) indicate these policy lapses and low customer awareness as the major obstacles to the development of the industry. According to previous research, a lack of proper relationship management and communication between policyholders and insurers also lead to low levels of trust and customer attrition. Although global and regional studies have indicated the significance of relationship commitment and trust in current customer loyalty in long-term financial service provision, there is a dearth of empirical research in the Sri Lankan context of life insurance. Specifically, inadequate attention has been given to the mediating role of trust and how trust can convert customer commitment into positive behavioral intentions like policy renewal, repurchase, and recommendation. This gap is significant to fill, given the nature of this industry marked by perceived risk being high, and the presence of long-term contractual obligations coupled with the growing competition.

This research examines the effect of relationship commitment on the behavioral intention of life insurance policyholders in Sri Lanka with special emphasis on the mediating role of trust. The research hypotheses (1) are the relationship commitment on trust, (2) the connection between trust and behavioral intention, and (3), the direct impact of relationship commitment on behavioral intention. In order to guarantee methodological rigor, the research also evaluates the common method bias in the existing techniques. The results add to the further development of the Commitment-Trust Theory in a growing market situation. In practice, the findings can be useful to insurers and regulators in building on customer trust, the quality of relationships, and boost policy renewal and retention within the Sri Lankan life insurance marketplace.

2. Research Methodology

This research adopts a positivist research philosophy, which is suitable because it allows testing hypotheses established by the existing theories with the help of measurable and objective evidence. The deductive method was used, whereby the well-established theoretical bases were used, that is, the Commitment-Trust Theory and the Theory of Planned Behavior, which gave rise to hypotheses of empirical testing. The study utilized a quantitative research approach, which made it possible to objectively evaluate the relationship between commitment, trust, and behavioral intention. The survey strategy was chosen because it enables the organization to gather standardized information from many life insurance policyholders. The research conducted within the life insurance sector in Sri Lanka, with the target being policyholders in the Colombo District, which is the most vibrant insurance market in Sri Lanka. The individual life insurance policyholders were the unit of analysis.

Since no formal sampling frame was provided, purposive sampling was applied to select individuals with active life insurance policies. An unknown population formula was used by Cochran that calculated the sample size of 384 to achieve sufficient statistical power. The structured online questionnaire was used to collect data based on the validated Likert-scale measures for all constructs. In order to solve the possible common method bias (CMB), Harman's single-factor test and full collinearity VIF were performed, which proved that there was no serious problem of common method bias in the data set. This methodological design is suitable for the research objectives as it combines both relational and behavioral theories and uses the structural equation modeling to test both direct and mediating effects, thereby giving strong answers to the research problem and research questions.

3. Results/ Findings and Discussion

The analysis of the data was done by the Partial Least Squares Structural Equation Modeling (PLS-SEM) by using SmartPLS 4.0, which is appropriate for predictive modeling as well as mediation testing. The measurement model proved to be very reliable and valid with Cronbach's Alpha, Composite Reliability, and AVE value above the recommended levels. The outcome of tests of the Variance Inflation Factor (VIF) established that multicollinearity was not present. Path coefficients, R^2, effect sizes, and bootstrapping were used to assess the importance of all the hypothesized relationships.

Table 1: Summary of key findings

Analysis Component	Result	Interpretation
Path Coefficient RC → BI	β = 0.177, t = 3.153, p = 0.002	Relationship Commitment significantly increases Behavioral Intention.
Path Coefficient RC → Trust	β = 0.852, t = 42.273, p = 0.000	A very strong and significant impact shows that higher commitment leads to higher trust.
Path Coefficient Trust → BI	β = 0.744, t = 14.037, p = 0.000	Trust strongly increases Behavioral Intention.
Coefficient of Determination (R^2) for BI	0.81	The model explains 81% of the variation in Behavioral Intention. The model has strong predictive power.
Coefficient of Determination (R^2) for Trust	0.726	The model explains 72.6% of the variation in Trust.
Effect Size (f^2) RC → BI	0.045	Small effect. Relationship Commitment directly influences Behavioral Intention, but its strength is relatively weak compared to Trust.
Effect Size (f^2) RC → Trust	2.643	Very large effect. Relationship Commitment is the strongest driver of Trust.
Effect Size (f^2) Trust → BI	0.8	Large effect. Trust is a major determinant of Behavioral Intention, showing that trust is more powerful than commitment when predicting customer behavior.
Indirect Effect (Mediation) RC → Trust → BI	β = 0.634, t = 14.544, p = 0.000	The indirect impact is very strong and significant. This means commitment influences Behavioral Intention largely through Trust.
Total Effect RC → BI	β = 0.811, p = 0.000	When combining direct and indirect effects, Relationship Commitment strongly influences Behavioral Intention.
Sobel Test (Mediation)	Z > 1.96, p < 0.001	Sobel test confirms that the mediation effect of Trust is statistically significant. Since the Z-value is above 1.96, Trust significantly carries the effect of Commitment to Behavioral Intention.

Mediation Conclusion	Trust partially mediates RC → BI	Both the direct effect (RC → BI) and indirect effect (RC → Trust → BI) are significant. This means Trust strengthens the impact of Commitment but does not completely replace it — showing partial mediation.

Source: Survey Data (2025)

The results suggest that relationship commitment has a significant positive effect on the behavioral intention. Policyholders with high emotional and psychological attachments to the insurance company are more inclined to renew, repurchase, and make referrals. This is consistent with previous studies that show that customer commitment is a major predictor of loyalty and its involvement in financial services (Gebeyehu & Negassa, 2023). Juharsah (2024) emphasizes that committed customer's likely convert the satisfaction into a stronger behavioral intention.

The research also attests to the positive impact of relationship commitment on trust consistent with theoretical assumptions, according to which prolonged involvement contributes to the customers developing confidence in the dependability and honesty of their insurer. This aligns with the results provided by Fadila et al., (2024) who defined commitment as an influential factor of trust in financial service settings. Trust per se also has a great positive effect on behavioral intention, which implies that the clients who tend to think that their insurers are honest, transparent, and reliable are more predisposed to being engaged (Dias et al., 2025). The mediation analysis indicated that trust mediates the relationship between commitment and behavioral intention partly. Though commitment is directly related to behavioral intention, trust enhances its effect, which proves the theoretical idea that trust transforms commitment into real performance of actions (Dias et al., 2025). The results of the research highlight the need to strengthen commitment and trust to improve policy renewals and customer retention within the life insurance industry. Insurers must emphasize honest communication, reliability, and relationship building methods to improve customer trust as well as loyalty.

4. Conclusion and Implications

This research finds that relationship commitment plays an important role in behavioral intention among policyholders of life insurance in Sri Lanka, with trust being a partial mediator. The emotional and psychological attachment of the policyholders towards their insurers is stronger and hence is more likely to renew the policies, repurchase, and make recommendations. Trust increases this impact by turning commitment into actual behavioral results, validating the major assumption of the Commitment-Trust Theory in an emerging market environment. The results develop the Commitment-Trust Theory by empirically supporting the mediating role played by trust in the

life insurance segment in a developing nation. It emphasizes the fact that commitment is not enough to predict the behavioral intention; trust is an important channel that reinforces the connection between commitment and customer behaviors.

Insurers and regulators would be interested in creating both commitment and trust to enhance the retention of customers, policy renewal, and advocacy. Trust can be improved with the help of such strategies as open communication, high-quality service provision, and relationship-building programs, and thus customer dedication can be transformed into practical actions. The research offers practical information to the practitioners who may wish to enhance long-term associations in the market of life insurance, which is very competitive in Sri Lanka

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***Keywords*:** Behavioral intention; Life insurance; Relationship commitment; Relationship marketing; Trust

THE MEDIATING EFFECT OF PERCEIVED CORPORATE REPUTATION ON CSR & CUSTOMER TRUST IN SRI LANKA'S INSURANCE SECTOR.

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1. Introduction

Corporate Social Responsibility (CSR) has been adopted as a critical strategic attribute for organizations seeking sustainability and stakeholder trust. CSR is vital in the service industry, such as insurance business, in order to affect Customer Trust (CT) and Perceived Corporate Reputation (PCR) because clients are becoming sensitive to ethical, transparent, and socially responsible conduct. However, CT in Sri Lanka's insurance market remains particularly fragile due to frequent claim disputes, inconsistent service quality, and a long-standing perception that insurers prioritize sales over customer welfare. CSR can directly build customer trust by showing ethical behavior, while indirectly strengthening trust by improving the company's reputation.

Although there has been increased participation of the Sri Lankan insurance companies in CSR activities, the industry continues to be confronted with low customer confidence, a lack of transparency, and unproductive market participation. The problem is that the effectiveness of CSR initiatives is not definite and can be strengthened through increased reputation. Although other organizations invest in CSR activities related to education, health, and environmental sustainability, there is limited empirical evidence of their impact on corporate trust.

This study aims to examine the mediating role of PCR between CSR initiatives and CT among Sri Lankan insurance firms. Specifically, the study aims to: (1) determine the direct effect of CSR on CT, (2) identify how CSR influences PCR, (3) assess the effect of PCR on CT, and (4) evaluate whether PCR mediates the CSR and CT.

The study is highly important since it fills the gaps between theoretical and empirical worlds, as it includes the Stakeholder Theory and the Commitment -Trust theory. The findings may be used to guide insurers in establishing genuine CSR initiatives that strengthen PCR and CT, thereby raising the industry's competitive advantage and credibility in Sri Lanka.

2. Research Methodology

The research was based on the positivist philosophy, and the deductive approach was employed to analyze the relation between the hypothesized CSR, PCR, and CT variables. In the study, a quantitative research design was used. A cross-sectional survey design was used in the research, and the sample comprised customers of four major Sri Lankan insurance companies. The four insurers were chosen since they had the largest customer base, which guarantees the reliable, representative, and generalizable results.

The analysis sample comprised individual policyholders because perceptions are the direct measures of CT and PCR measures. A structured questionnaire using validated five-point Likert scales was used to collect the data of 384 respondents. The convenience sampling method was used as it was very easy to access the respondents. The data were analysed using the Structural Equation Modelling (SEM) and SmartPLS4 software to estimate both direct and indirect effects. PLS-SEM was chosen because it is highly suitable for testing mediation effects, handling latent constructs, and providing robust estimates even with non-normal data and medium-sized samples, making it appropriate for the study's model complexity. Common method bias was checked using VIF, and the results confirmed no significant bias.

Table 1 - VIF Values

	VIF
CSR1	2.109
CSR2	1.966
CSR3	1.552
CSR4	1.525
CSR5	1.59
CT1	2.241
CT2	3.03
CT3	2.298
CT4	2.102
CT5	1.668
CT6	2.111
PCR1	1.749
PCR2	1.677
PCR3	1.797
PCR4	2.494
PCR5	2.397

Source: Developed by the Author

3. Results/Findings and Discussion

The purpose of the study was to find out how CSR influences CT in Insurance companies of Sri Lanka using PCR as a mediator. The results show that CSR directly and significantly impacts CT ($\beta = 0.202$, $t = 4.313$, $p < 0.001$), proving the idea that CSR initiatives help the company build CT. This is in line with past research indicating that CSR activities have a positive effect on CT because they are indicative of ethical conduct and social responsibility (Freeman, 1984; Kim, 2016).

CSR also showed a positive impact on PCR ($\beta = 0.723$, $t = 22.749$, $p < 0.001$), indicating that CSR activities have a significant positive impact on the customer perception regarding the reputation of the company. This is in line with the stakeholder theory, which highlights that organizations that engage in social responsibility are more reputable by their stakeholders (Donaldson & Preston, 1995).

PCR, in its turn, was established to have a significant impact on CT ($\beta = 0.63$, $t = 12.451$, $p < 0.001$) as, in this case, the businesses that are characterized by a better reputational standing have a greater chance of making the CT. The mediation analysis results revealed that the relationship between CSR and CT has a partial mediator that is PCR (indirect effect $\beta = 0.456$, $t = 12.587$, $p < 0.001$), which is supported by the Sobel test ($Z > 1.96$, $p < 0.001$). This can be interpreted to imply that CSR not only positively affects trust but also indirectly positively affects trust in the form of reputation, which is in favour of the Commitment-Trust Theory (Morgan & Hunt, 1994; Islam et al., 2021).

The model was moderate to strong in explaining customer trust and reputation, with the values of R^2 of 0.622 and 0.523 for CT and PCR, respectively, indicating that the model explains a significant part of the variance of customer trust and reputation. The effect size test also revealed that the effect of CSR on PCR ($f^2 = 1.096$) and the impact of PCR on CT ($f^2 = 0.501$) are significant, but the impact of CSR on CT ($f^2 = 0.052$) was smaller. The direct effect of CSR on CT is small because customers often judge CSR credibility through the company's reputation, making reputation the stronger pathway through which CSR builds CT.

Table 2 - Summary of key findings

Analysis Component	Result	Interpretation
Path Coefficient CSR → CT	$\beta = 0.202$, $t = 4.313$, $p = 0.000$	CSR positively and significantly affects CT.
Path Coefficient CSR → PCR	$\beta = 0.723$, $t = 22.749$, $p = 0.000$	CSR strongly improves PCR
Path Coefficient PCR → CT	$\beta = 0.63$, $t = 12.451$, $p = 0.000$	PCR significantly increases CT.

R^2 for CT	0.622	Moderate to strong explanatory power.
R^2 for PCR	0.523	Substantial explanatory power.
Effect Size (f^2) CSR → CT	0.052	Small direct effect.
Effect Size (f^2) CSR → PCR	1.096	Large effect.
Effect Size (f^2) PCR → CT	0.501	Large effect.
Indirect Effect (Mediation) CSR → PCR → CT	$\beta = 0.456$, $t = 12.587$, $p = 0.000$	This indicates that PCR partially mediates the CSR–CT relationship.
Sobel Test (Mediation)	$Z > 1.96$, $p < 0.001$	PCR is statistically significant.

Source: Developed by the Author

Research in Sri Lanka, where the insurance sector is very sensitive to CT, confirms that CSR is not just a charitable practice but a strategic investment of building a positive PCR and creating CT. Based on this, the incorporation of genuine CSR programs into corporate practices improves reputation and loyalty and thus adds to long-term competitiveness.

4. Conclusion and Implications

The research findings indicate that CSR has a significant impact on CT in a direct or indirect way via PCR. The PCR mediates the effects that the customers view about the ethical and social performance of a company, and therefore is a critical factor in establishing CT.

Theoretical implications: The study contributes to the Stakeholder and Commitment-Trust theories by showing that PCR is an empirically validated mediating construct between CSR and CT in an emerging economy. It also contributes to the literature on CSR by presenting findings based on the Sri Lankan insurance sector, which has not been thoroughly studied before.

Practical implications: Insurance managers should consider CSR as a long-term trust-building strategy. Investment in socially significant actions, open communication, and reputation management can help to increase customer loyalty and brand differentiation. Certain findings can also be used by regulators and policymakers in their efforts to achieve ethical and sustainable practices in the industry.

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Keywords: Corporate social responsibility; Customer trust; Insurance sector; Perceived corporate reputation; Sri Lanka

BARRIERS AND STRATEGIC SOLUTIONS FOR ENHANCING THE EFFECTIVENESS OF THE BANCASSURANCE MODEL IN SRI LANKA.

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1. Introduction

The collaboration between banks and insurers to sell insurance products through the bank's distribution network is known as bancassurance and has become a prominent distribution strategy. This model gained widespread adoption worldwide due to its cost efficiency, convenience, and ability to reach a larger customer base (Gonulal et al., 2012). Mature bancassurance markets like Singapore, France, Spain, and India have expanded their financial access and growth by leveraging bancassurance (Vijay & Karthikeyan, 2020). Despite the global success, although 28 insurance companies are engaging in life insurance, general insurance, and both, and 30 banks, including 24 Licensed Commercial Banks and 6 Licensed Specialized Banks operates in Sri Lanka, only selected number of bancassurance collaborations have been established and remains still emerging concept while it has yet to achieve global market growth levels (Gamage & Fernando, 2018).

Regardless of the global success, the Sri Lankan bancassurance model depicts slow growth due to a lack of public awareness, trust in insurance products, regulatory issues, poor bank-insurer coordination, operational inefficacies in the banking sector, and limited research (Pattanaik & Patjoshi, 2020). Additionally, it has affected cultural and traditional attitudes toward the preference for direct insurance purchases and purchases through agents (Nasir, 2021). Previous studies have provided broad insights into the Sri Lankan Bancassurance sector but have failed to address specific challenges that limit its effectiveness and to compare it with global practices, highlighting a significant research gap.

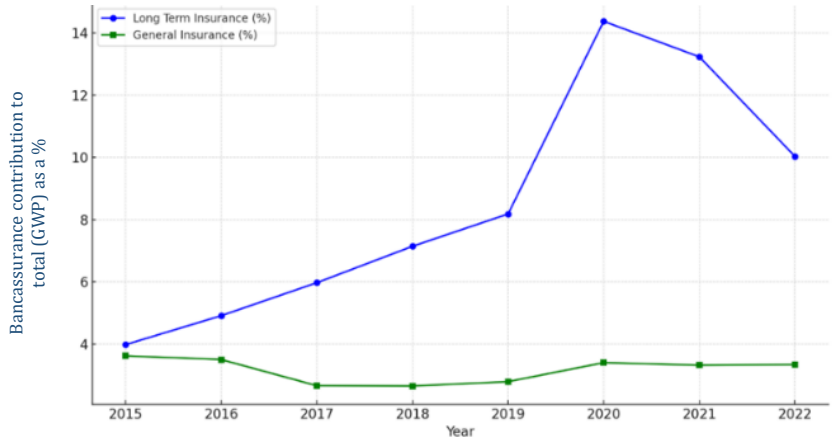

Figure 1: Bancassurance gross written premium growth
Source: IRCSL Statistical Review

The present study aims;

To identify and analyze the issues constraining the expansion of the bancassurance model in Sri Lanka.

To propose strategies for enhancing the bancassurance model in Sri Lanka.

The study holds significant importance for insurance companies, banks, governing bodies, and clients to modernize the sector by enhancing financial Inclusion, Insurance penetration, and supporting the sustainable growth of Sri Lanka's financial system.

2. Research Methodology

The current study employed the interpretivist research philosophy, which is suitable for exploring and understanding the organizational practices and subjective experiences of the bancassurance model. (Asenahabi, 2019). With the exploratory nature of the study, an inductive approach has been adopted to allow insights and themes to emerge from respondents' narratives (Kumar, 2024). For an in-depth analysis of the key issues that hinder the bancassurance growth and exploring strategies for a sustainable bancassurance model, a qualitative methodology has been selected. The employed research strategy was a multiple case study design, which enables the exploration of contemporary phenomena within the context of real-world banking and insurance.

In the research context, the current study focused on the bancassurance model in Sri Lanka, with the unit of analysis being the institutional experiences and practices of banks and insurance companies. Using the purposive sampling technique, eleven participants were selected as the

sample who were directly involved in bancassurance operations, including insurance executives, frontline bancassurance staff, and regulators within the sample period from August to October 2025. The sample size of eleven participants was considered sufficient because no themes, insights, or perspectives emerged. Data saturation was considered, as confirmed by the adequacy of the investigation. Data were gathered through semi-structured interviews, which allowed for capturing the nuanced views of participants, and this was helpful in understanding the research problem comprehensively.

3. Findings and Discussion

The study utilized thematic analysis using the NVivo Software to address the research objectives. The initial codes were generated by using interview data, and after a rigorous and iterative process of analysis, themes were generated.

Table 1: Initial codes and themes - RQ 1

Initial Codes	Themes
Regulations	Structural and Regulatory Constraints
Traditionalism	
Bank structures	
Institutional Culture	
System Disparity	Operational and Technological Inefficiencies
Product Complexity	
After Sales Support	
Intermediation	
Professionalism	Human Resource and Knowledge Gaps
Knowledge	
Lack of Collaboration	
Competition	Market and Customer-Related Challenges
Cross-Pressure	
Customer Perceptions	
Economic Conditions	
Penetration	

Source: Developed by the Author

The findings revealed four themes for research objective one, such as Structural and Regulatory Constraints, Operational and Technological Inefficiencies, Human Resource and Knowledge Gaps, and Market and Customer-Related Challenges. Dual regulations between Sri Lanka's Central

Bank and the Insurance Regulatory Commission, traditional cultures, and a lack of digital integration slow the sector's performance. Compared with global leaders, strong digital ecosystems and clear regulatory frameworks ensure market success (Whiffin, 2024). System disparity, product complexity, and knowledge and skill-related issues in the Sri Lankan bancassurance model vary across countries like Malaysia, enhancing the customer experience through digital integration (Hassan et al., 2023). Lack of insurance penetration and customer reluctance also challenge the bancassurance growth, unlike Latin America, where high penetration has been acquired through widespread trust in the bank's network (McKinsey & Company, 2023). Overall, the bancassurance growth of Sri Lanka lags global benchmarks due to operational and institutional constraints.

Table 2: Initial codes and themes - RQ 2

Initial Codes	Themes
Simple Products	Customer-centric Marketing & Service Enhancement
Customer Education	
product Integration	
After-sales support	
Proper training	Human Resource Development & Capacity Building
Deploying Staff	
Research	Research and Continuous Improvements
Synergy between banks & insurance companies	Strategic Partnership & Collaboration
Regulations	Strengthening the regulatory & Policy Framework
Digital Platforms	Technological & System Integration
System integration	

Source: Developed by the Author

The study findings identified six themes for the research objective two, such as Research and Continuous Improvements, Human Resource Development & Capacity Building, Strengthening regulatory & Policy Framework, Technological & System Integration, Customer-centric Marketing & Service Enhancement, and Strategic Partnership & Collaboration. Globally, mature markets highlight the significance of a strong regulatory framework, and bank insurer collaboration leads to high bancassurance penetration (OECD, 2020). As in Malaysia, digital transformation is essential to improve customer engagement through data-driven personalization and seamless

platforms (Hassan et al., 2023). The Sri Lankan bancassurance model can achieve sustainable growth, aligning with global practices.

4. Conclusion and Implications

The study concluded that slow adoption of the bancassurance market in Sri Lanka is due to Structural and Regulatory Constraints, Operational and Technological Inefficiencies, Human Resource and Knowledge Gaps, and Market and Customer-Related Challenges. The Bancassurance mechanisms are weakened by these limitations and prevent the achievement of growth levels within the global markets. Further study revealed that, through the Research and Continuous Improvements, Human Resource Development & Capacity Building, strengthening regulatory & Policy Framework, Technological & System Integration, Customer-centric Marketing & Service Enhancement, and Strategic Partnership & Collaboration, which directly address the aforementioned issues, can enhance and strengthen the bancassurance model in Sri Lanka. Theoretically, the findings reinforce the relevance of theories, such as Economies of Scale, Modern Portfolio Theory, Financial Intermediation Theory, Resource-Based View Theory, and Diffusion of Innovation in describing the way bancassurance performance relies on digital adoption, digital integration, and trust-based client behavior. In real-world settings, banks and insurance companies should prioritize simplifying products, implementing digital transformation, adopting customer-centric strategies, and providing standard training. Policymakers should establish clear regulations to define the bancassurance channel and to support digital onboarding to enhance confidence within the industry. In summary, the overall findings and implications highlighted the strategies for developing a more efficient and competitive bancassurance eco-system within Sri Lanka.

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Keywords: Bank; Insurance; Bancassurance; Issues; Strategies

IMPACT OF ECONOMIC FREEDOM AND DEVELOPMENT ON BANK INTERMEDIATION SPREADS: EVIDENCE FROM THE ASIAN CONTEXT

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1. Introduction.

The banking sector is fundamental to economic growth through financial intermediation, channeling savings into productive investments and facilitating monetary policy (Finance, 2025) . Wider spreads suggest inefficiencies that hinder credit access and economic development, particularly in emerging markets (Ozili, 2023). Economic freedom, comprising property rights, financial stability, and regulatory quality, can influence BIS by fostering competition and reducing borrowing costs.

Despite efforts to strengthen financial systems, global banking sectors continue to face disintermediating inefficiencies due to structural, macroeconomic, and regulatory constraints. Asian countries, in particular, struggle with balancing financial liberalization and regulatory reforms, leading to rising borrowing costs, reduced credit access, and slower economic growth (Ge, 2019).

Most existing studies tend to focus on individual countries or broader global trends without disaggregating the unique institutional and economic characteristics of Asia. This presents a significant gap in the literature. Understanding how macro-level factors influence bank spreads is essential for designing policy interventions to improve the banking sector's efficiency and foster inclusive economic growth. Therefore, the central research problem is to investigate how economic freedom and economic development impact bank intermediation spreads in Asian countries (Maciel, De-Gamboa, & Garcia-Alves, 2022). This study seeks to fill the existing gap by offering region-specific evidence and insights to support financial policy reforms, promote better regulatory practices, and enhance the banking sector's role in economic development across Asia.

The study sheds light on the problem of high borrowing costs, limited financial access, and the need for a stable banking sector, which are persistent concerns for central banks, regulatory authorities, and governments within Asia. Policy and governance reforms anchored in the legal, regulatory, and institutional framework that bolster the intermediation of economic development and freedom are critical, given the persistent governance deficits Asia has faced for decades.

2. Research Methodology.

The framework explores how the Economic Freedom Index and economic development influence Bank Intermediation Spread, which reflects the interest rate gap between fund providers and credit users. Economic freedom encompasses 10 specific rights, while economic development measures GDP, highlighting structural transformation through advanced technologies and productivity growth.

The study adopts a deductive research approach using quantitative methods, analyzing data from 2012 to 2023 sourced from the World Bank and Heritage Foundation for 19 Asian countries. The sample is selected from Asian countries using convenience sampling. The research tests the hypotheses that both economic freedom (measured by the Economic Freedom Index) and economic development (proxied by GDP per capita) have a significant impact on bank intermediation spreads (proxied by Net Interest Margin). The conceptual framework considers that inflation, non-performing loans, and the ratio of bank capital to assets are major determinants of bank intermediation spreads.

Dynamic panel regression analysis using STATA assesses the variable relationships. To address endogeneity and unobserved heterogeneity, the study employs the two-step GMM estimator by Arellano and Bond (1991), incorporating robust standard errors to correct for heteroskedasticity and autocorrelation, ensuring consistent estimation of dynamic panel data relationships.

3. Finding Remarks.

a. Dynamic panel – data estimation, two-step system GMM

According to Blundell & Bond (1998), the coefficient in this GMM model, 0.105 (Table 01), reflects a more reliable estimate, purging potential bias, consistent with the view that GMM yields better estimates when endogeneity is suspected.

Table 1: Dynamic panel - Two-step system GMM

	Coefficient	**Pro>F**	**Probability > chi2**
Pool OLS (Lag 1)	0.707	0.000*	-
Fixed Effect (Lag 1)	0.354	0.000*	-
1st Different GMM.	**0.105**	-	0.000*
Conclusion: The value of Coefficient's Pool OLS, Fixed and 1st Different GMM, hence system GMM is an appropriate GMM.			

Source: Developed by the Author based on STATA output
**Significant at a 5% level of significance*

3.3.1 Two-step system GMM

The two-step system GMM is more efficient and robust than the one-step system GMM, because it is more robust to heteroscedasticity and autocorrelation than the one-step system GMM (Arellano & Bond, 1991).

Source: Author's own (Based on STATA output)

The results table 02 indicate that bank intermediation spreads vary significantly across the 19 countries examined and that economic freedom is negatively correlated with spreads, hence supporting the Financial Liberalization Theory. They further find that economic freedom, characterized by reduced government interventions, enhanced market competition, and improved institutional frameworks, decreases intermediation spreads. The study also finds that inflation, the bank capital-to-assets ratio, and non-performing loans have a positive impact on spreads, suggesting that banks increase spreads to mitigate risks (World Bank, 2024). Finally, the effect of economic development, proxied by per capita GDP, on spreads is insignificant and negative (Nguyen, 2024). This means that what matters more than pure economic growth is good-quality institutions. These results are consistent with previous studies that emphasize the importance of high-quality institutions and appropriate macro-financial conditions in driving banking efficiency.

Table 2: Two step system GMM

Number of Instruments – 16						
Number of groups = 19				Probability > chi2 = 0.000		
NIM	**Coef.**	**Std. Err.**	**z**	**P>|Z|**	**95% Conf.**	**Interval**
NIM Lag1	0.108	0.036	2.95	0.009*	0.031	0.185
EFI	-0.405	0.008	-4.97	0.000*	-0.057	-0.023
LNGDP	-0.140	0.091	-1.53	0.143	-0.332	-0.052
INF	0.080	0.016	4.90	0.000*	0.045	0.115
BCA	0.376	0.031	11.79	0.000*	0.309	0.444
NPL	0.076	0.024	3.17	0.005*	0.025	0.126
_cons	2.249	0.550	4.08	0.001*	1.092	3.406
Arellano – Bond test for AR (1) in first difference: z = -1.04 Pr> z = 0.297 Arellano – Bond test for AR (2) in first difference: z = -1.86 Pr> z = 0.063						
Hansen Test of overed. Restrictions: chi2(8) = 10.76 Pro > chi2 = 0.292						

Source: Developed by the Author based on STATA output
**Significant at a 5% level of significance*

4. Conclusion and Implications

This study investigates how economic freedom and economic development affect bank intermediation spreads in Asian economies using secondary data from 2012 to 2023. Bank intermediation spreads refer to the difference between lending and deposit rates and are a vital indicator of banking efficiency, as a smaller spread reflects stronger competition, lower operational costs, and higher financial sector efficiency. The findings indicate that economic freedom, proxied by the EFI, significantly reduces intermediation spreads. Economies with more robust property rights, transparent regulations, and open markets tend to have more competitive banking systems and lower transaction costs, supportive of the Financial Liberalization Theory. Economic development, proxied by GDP per capita, also contributes to narrower spreads because high-income economies typically enjoy advanced infrastructure, increased maturity in financial markets, and less information asymmetry. These results also accord with the great importance of inflation, capital-to-asset ratios, and non-performing loans as major factors determining spreads. Inflation increases spread because banks protect real returns, while higher capital ratios and bad loans boost spreads via risk considerations.

The study examines the impact of economic freedom and development on bank intermediation spreads in Asian economies (2012-2023). Key findings: Economic freedom (EFI) significantly reduces intermediation spreads, supporting Financial Liberalization Theory. Economic development (GDP per capita) also narrows spreads due to advanced infrastructure and reduced information asymmetry. For Asian policymakers, implications include strengthening legal frameworks, promoting competition, reducing bureaucratic barriers, and investing in development for higher banking efficiency. This can help banks, investors, regulators, and international agencies in their efforts to assist financial sector reform processes and sustain economic growth.

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Keywords: Asia; Bank intermediation spread; Economic development; Economic freedom; Generalized method of moment

GENERAL MANAGEMENT

THE EFFECT OF LEAN SUPPLY CHAIN MANAGEMENT PRACTICES ON INNOVATION CAPABILITY IN THE MANUFACTURING SECTOR SRI LANKA: THE MEDIATING ROLE OF SUPPLIER COLLABORATION

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1. Introduction

Innovation capability has become a crucial factor in maintaining and enhancing competitiveness in the manufacturing sector. South Asia, especially Sri Lanka, holds potential as an innovation hub with its educated workforce and 4th Industrial Revolution opportunities. However, Sri Lanka's manufacturing sector currently faces challenges from low technology adoption and limited innovation. Further, Lean Supply Chain Management (LSCM) improves efficiency, flexibility, and competitiveness, while supplier collaboration (SC) fosters greater value creation. This study examines the impact of LSCM practices on innovation capability (IC), with supplier collaboration serving as a mediating factor, in Sri Lanka's large-scale manufacturing sector. Innovation is vital for Sri Lanka's economic growth, particularly in the manufacturing sector, which contributes significantly to GDP. Sri Lanka ranks 90th in the Global Innovation Index (GII) 2023, among the 132 countries, and it depicts highlighted challenges in innovation compared to regional peers. When considering the GII position, it fluctuates year to year without any pattern. This persistent fluctuation indicates that within Sri Lanka, there haven't been strong and stable ICs.

	GII Position	Innovation Inputs	Innovation Outputs
2020	101st	107th	83rd
2021	95th	103rd	85th
2022	85th	102nd	68th
2023	90th	103rd	79th

Figure 1: Global Innovation Index - 2023

Also, global prior studies show that lean practices can enhance innovation, but there is limited empirical evidence in Sri Lanka examining how LSCM practices contribute to IC, especially when SC is considered. Therefore, the relationship between LSCM practices and innovation capability remains unclear in the Sri Lankan manufacturing context, and the role of supplier

collaboration as a mediating factor has not been empirically validated. This research aims to provide insights for firms and contribute to academic knowledge on LSCM, SC, and innovation.

SC is particularly significant because lean practices alone cannot generate innovation without strong external knowledge flows. Suppliers often possess technological expertise, process know-how, and innovation insights that firms cannot develop internally. The study benefits Sri Lanka's manufacturing sector by enhancing IC through LSCM practices, improving efficiency, resource use, and collaboration. For governance, it supports policy development, competitiveness, job creation, and export growth. Additionally, it provides a theoretical framework for future research on LSCM, innovation, and SC, enabling comparative studies and further exploration of their effects in the Sri Lankan manufacturing context.

2. Research Methodology

Research design provides the framework and methods for conducting a study, ensuring appropriate methodologies are applied. This study followed the research onion framework, which includes six layers. The research philosophy was positivism, emphasizing factual observation and measurement. By applying statistical analysis to test hypotheses, a deductive approach was used

This was survey research, suitable for collecting data from a large, diverse population. A mono-method is applied to ensure consistency throughout the study. The time horizon was cross-sectional, to collect data at a single point in time.

Data is collected via a questionnaire targeting top-level and executive-level employees in large Sri Lankan manufacturing companies by sending questionnaires via email and text message, as they are most involved with innovation and lean practices. The study focuses on enhancing IC at the organizational level rather than individual. For data analysis, Structural Equation Modeling (SEM) is employed to examine relationships between observed variables and latent constructs, using Smart PLS software, which efficiently handles large datasets and multicollinearity.

The population includes 1,163 large manufacturing companies registered under the Department of Census and Statistics (2023), with a sample size is selected by the researcher by multiplying research questions by 5 (44*5) 220, companies across industries such as food, textiles, pharmaceuticals, etc.

The Simple random sampling technique was used because it ensures that every manufacturing firm in the population has an equal chance of selection, reduces selection bias, and provides a representative sample suitable for our quantitative, positivist research design. This enhances the generalizability and reliability of the study's findings.

3. Findings and Discussion

The study collected data using a structured questionnaire adapted from previously validated measures to ensure consistency and reliability. The target population consisted of top managers and executive-level employees within Sri Lanka's large-scale manufacturing sector. Responses were distributed and collected through LinkedIn, email, and text messages. In total, slightly over 300 responses were received. After data screening, 220 valid responses remained, resulting in a 73.33% response rate, which is considered strong and adequate for structural equation modeling (SEM) analysis.

Data filtering and multivariate assumption testing were conducted using SPSS. Missing value analysis revealed no significant gaps, and outlier analysis confirmed no extreme deviations. Demographic analysis showed that 79.5% of respondents belonged to the manufacturing sector, 83.2% worked in large-scale organizations, and 87.7% were top managers or executives. Multivariate assumptions, including normality, linearity, and homoscedasticity, were tested, with results indicating data suitability for SEM.

Measurement model evaluation using Smart PLS confirmed reliability and validity. Composite reliability (CR) and Cronbach's alpha values exceeded 0.7, while average variance extracted (AVE) values for some constructs were initially below 0.5. However, after the removal of certain weak items, convergent validity improved to an acceptable standard level. Discriminant validity was confirmed using the Fornell-Larcker criterion and Heterotrait-Monotrait (HTMT) ratios.

The structural model analysis demonstrated that LSCM significantly improved IC ($\beta = 0.674$, $t = 6.869$, $p < 0.001$) and also positively influenced SC ($\beta = 0.927$, $t = 100.109$, $p < 0.001$). However, SC did not exhibit a significant direct effect on IC ($\beta = 0.196$, $p = 0.053$), nor did it mediate the relationship between LSCM and IC ($\beta = 0.181$, $p = 0.052$). Therefore, it can be recommended that this indicates a "direct-only non-mediation" effect between the variables. The model explained a high proportion of variance 73.7% in IC and 85.9% in SC, highlighting the robustness of the findings.

Table 1: Final results of hypothesis

Path	Hypothesis	p-value	Coefficient	Decision
LSCM->IC	H1) LSCM practices have a significant impact on innovation capability	0	0.674	Accept
LSCM->SC	H2) LSCM practices have a significant impact on supplier collaboration	0	0.927	Accept

SC->IC	H3) Supplier collaboration significantly impacts innovation capability	0.053	0.196	Reject
LSCM->SC->IC	H4) Supplier collaboration mediates the relationship between LSCM practices and innovation capability	0.052	0.181	Reject

Source: Developed by the Author

The study concludes that LSCM practices, specifically standardization, waste management, behavioral practices, and demand management, play a critical role in strengthening IC by streamlining processes, reducing inefficiencies, and promoting knowledge-sharing and agile operations. Although SC showed positive contributions, its mediation effect was limited, suggesting that manufacturing firms must integrate additional strategic enablers, such as Digital technologies, Blockchain technology, Robotic process automation, and R&D investment, to fully leverage innovation potential. Overall, effective LSCM practices foster a structured and flexible environment that supports continuous improvement, product and process innovation, and long-term competitive advantage within Sri Lanka's manufacturing sector.

4. Conclusion And Implications

This study examined the impact of LSCM practices on IC, with SC as a potential mediator, in Sri Lanka's large-scale manufacturing sector. Based on 220 responses, the results confirmed that LSCM practices positively influence both IC and SC. However, the indirect effect of SC was insignificant, indicating a "direct-only non-mediation" effect. Thus, LSCM practices remain the primary driver of IC, while SC plays only a supportive role.

Theoretically, the study contributes by presenting a conceptual model that links LSCM, SC, and IC. In contrast to prior research, the findings suggest that while LSCM positively influences supplier collaboration, this relationship does not extend to a mediating effect on IC. By integrating multiple dimensions of LSCM (standardization, waste management, behavioral, and demand management) and IC (product, process, marketing, and organizational), the research offers a holistic perspective on their interrelationship.

From a managerial standpoint, the findings emphasize that adopting lean practices directly strengthens competitiveness, efficiency, and adaptability. Managers should prioritize embedding LSCM practices as the central mechanism for innovation, while viewing SC as supportive but not decisive. Establishing performance metrics such as efficiency, lead times, and

innovation outcomes can further guide data-driven decision-making, fostering sustainable innovation-driven growth.

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***Keywords*:** Innovation capability; Lean supply chain management; Manufacturing sector; Supplier collaboration

PERCEIVED SUSCEPTIBILITY AS A MODERATOR BETWEEN PSYCHOLOGICAL TRAITS AND ONLINE ROMANCE SCAM VICTIMIZATION IN SRI LANKA

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1. Introduction

Online romance fraud is a rapidly growing category of internet-based crime that preys on emotional vulnerability to attain monetary or psychological objectives (Whitty, 2018). In Sri Lanka, the rapid growth of social media and internet dating applications has increased exposure to misleading communications, leading to significant emotional and financial losses among victims (Rege, 2009). Even though past research could define demographic and behavioral factors that predict scam victimization, significant gaps exist in what psychological processes, especially personality traits and cognitive perceptions, scale up that vulnerability in non-Western societies, like Sri Lanka.

The role of perceived in mediating the relationship between psychological traits and victimization has been under-researched in existing literature. Therefore, the proposed study aims to determine the roles of loneliness, sensation seeking, neuroticism, agreeableness, and romantic beliefs in online romance scam victimization, and to investigate the moderating effect of perceived scam vulnerability. The proposed study aims to fill gaps in the existing knowledge of cybercrime victimization in Sri Lanka, addressing contextual, methodological, and theoretical gaps.

Although the cases of online romance fraud continue to rise globally as well as in Sri Lanka (FBI, 2023), the studies that consider the psychological processes that underlie victimization are still few, particularly in non-Western contexts. Loneliness, neuroticism, and sensation seeking are some of the personality traits identified in international studies as risk factors (Whitty, 2018; Buchanan and Whitty, 2014); nevertheless, limited studies have explored these connections in the context of the Sri Lankan context, where cultural and social dynamics might influence the uniqueness of online behavior and vulnerability.

Moreover, little attention has been paid to the role of perceived scam susceptibility as a possible mediator in these relationships, which is the cognitive evaluation of personal vulnerability. Therefore, the research question of this study is as follows:

Does perceived scam victimization mediate the correlation between psychological features and online romance scam victimization among Sri Lankan adults?

Purpose: To investigate the moderating role of perceived scam susceptibility in the relationship between psychological traits and online romance scam victimization among Sri Lankan internet users.

Objectives:

To examine the influence of psychological traits, loneliness, sensation seeking, neuroticism, agreeableness, and romantic beliefs on online romance scam victimization.

To test the moderating effect of perceived scam susceptibility on these relationships.

To identify personality profiles that increase or reduce vulnerability to online romance scams.

This work makes theoretical and practical contributions. Hypothetically, it extends the Protection Motivation Theory and the Personality-Vulnerability Framework by adding a mediator, perceived susceptibility, which determines the outcome of the scam. It can be used to explain how emotional and personality variables interact with cognitive awareness in determining risk levels. In practice, the results will support policymakers, digital safety organizations, and educators in creating targeted awareness programs to address specific psychological weaknesses. It is also useful to counselors and other mental health providers who help the victims by guiding them on the underlying emotional characteristics that make one susceptible to scams.

2. Research Methodology

Research Design and Philosophy

This study employed a quantitative, cross-sectional research design, grounded in a positive philosophy and a deductive approach.

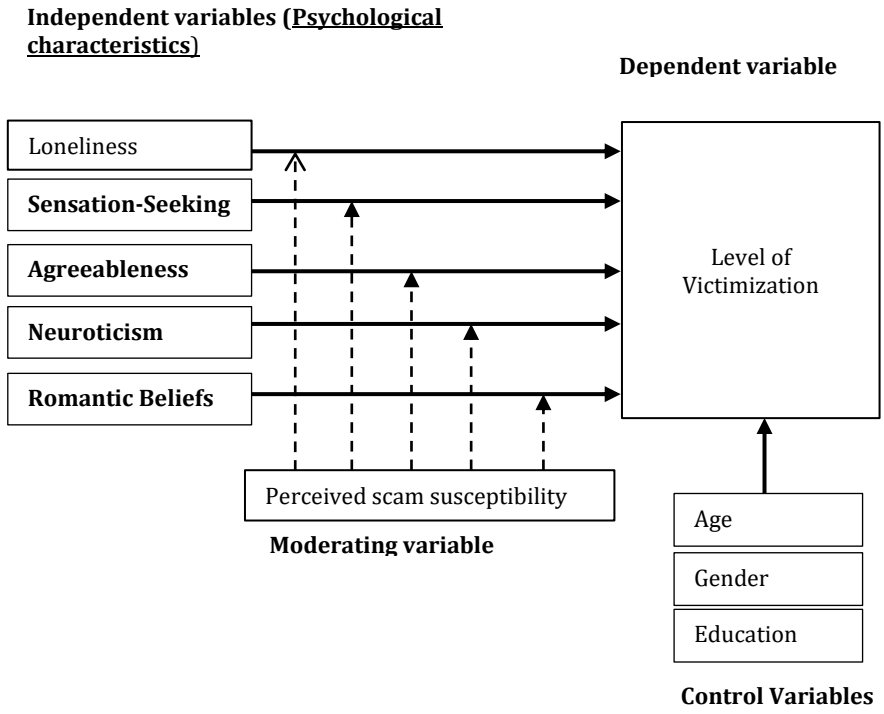

Figure1: Conceptual framework of the study
Source: Developed by the Author

Population, Sampling, and Data Collection

The study population consists of the Sri Lankan social media users who have become victims of an online romance scam. As a comprehensive sampling frame for this population is unavailable, a non-probability sampling strategy was deemed most feasible.

A combination of purposive and snowball sampling techniques was used. The primary data were gathered via self-administered online questionnaires distributed via social media, especially Facebook, which is widely available among the Sri Lankan population and is actively used by scammers in romance scams. The inclusion criteria were social media users for romantic relationship initiation.

A final sample of N = 250 valid responses was obtained. This sample size is considered adequate for preliminary analysis and aligns with common sample sizes used in similar exploratory studies in behavioral and cyber-psychology, where the population is unknown. (Buchanan and Whitty, 2014).

Table 1: Measurement scale

Variables	Dimension	Indicators	Measurement/s	Source
Independent variable	Loneliness	UCLA Loneliness Scale	Q8-Q14	(D. W. Russell, 1996)
	Sensation-Seeking	Brief Sensation Seeking Scale	Q15-Q21	(Hoyle et al., 2002)
	Agreeableness	Big Five Personality Inventory – Agreeableness subscale	Q22-Q28	(Costa and McCrae, 1992)
	Neuroticism	Big Five Personality Inventory – Neuroticism subscale	Q29-Q35	(Costa and McCrae, 1992)
	Romantic Beliefs	Romantic Beliefs Scale	Q36-Q42	(Sprecher & Metts, 1989)
Dependent variable	Level of Victimization	Victimization scale	Q50-Q64	(Buchanan & Whitty, 2014)
Moderating variable	Perceived scam susceptibility	scam susceptibility scale	Q43-Q49	(DeLiema et al., 2025)

Source: Developed by the Author

3. Findings and Discussion

Descriptive analysis revealed moderate levels of perceived susceptibility ($M = 3.45$, $SD = 0.79$) and psychological vulnerability among respondents. Regression analysis showed that loneliness ($\beta = 0.33$, $p < 0.01$), sensation seeking ($\beta = 0.28$, $p < 0.05$), and romantic beliefs ($\beta = 0.24$, $p < 0.05$) significantly increased the likelihood of victimization. Agreeableness was negatively associated with victimization ($\beta = -0.21$, $p < 0.05$), whereas neuroticism showed a weaker but positive association ($\beta = 0.17$, $p < 0.10$).

Moderation analysis confirmed that perceived scam susceptibility significantly moderates the effects of loneliness and sensation seeking. Individuals high in loneliness but low in perceived susceptibility were more

likely to become victims, suggesting that underestimating one's vulnerability increases risk. Similarly, high sensation seekers who believed they were unlikely to be scammed engaged in more risky online behaviors.

These findings align with prior studies (Whitty, 2018; Cross et al., 2023) and support the idea that cognitive awareness, specifically perceived susceptibility, serves as a protective psychological mechanism. The results underscore the interplay between emotional traits and cognitive beliefs in determining online vulnerability, highlighting the need for awareness-based interventions.

Findings indicate that loneliness, neuroticism, and romantic beliefs are strong positive predictors of victimization, while agreeableness negatively predicts it. These results align with prior research emphasizing the influence of emotional and personality traits on individuals' vulnerability (Buchanan & Whitty, 2014); A Pilot Study of Cyber Security and Privacy Related Behavior and Personality Traits,"). Lonelier individuals may seek emotional connection online, increasing exposure to deceptive interactions. Similarly, neurotic individuals, characterized by anxiety and emotional instability, may be less able to detect manipulation. Romantic beliefs also significantly predict victimization, consistent with Whitty (2018), suggesting that idealized perceptions of love heighten risk. The negative role of agreeableness contrasts with some studies. (Halevi et al., 2013, n.d.) indicating that agreeable individuals may be more cautious and socially aware, thereby reducing the likelihood.

4. Conclusion and Implications

The study concludes that perceived susceptibility to scams moderates the relationship between psychological traits and online romance scam victimization. Individuals who are lonely, impulsive, or driven by strong romantic ideals are more likely to fall victim to scams, particularly when they underestimate their own vulnerability.

Theoretically, this research enriches the understanding of psychological processes underlying online deception by integrating personality traits with cognitive self-assessment. In practice, it provides a foundation for psychologically informed prevention strategies emphasizing self-awareness and emotional regulation.

Educational institutions, online platforms, and government agencies can use these findings to design digital literacy and scam-prevention campaigns tailored to high-risk groups. Future studies could employ longitudinal or comparative approaches to explore cross-cultural variations in online scam susceptibility.

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Keywords: Loneliness; Online romance scams; Perceived susceptibility; Psychological traits; Sri Lanka

EXPLORING THE PERCEIVED CHALLENGES FACED IN BRINGING INNOVATIONS TO THE MARKET BY UNDERGRADUATES OF SABARAGAMUWA UNIVERSITY OF SRI LANKA

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1. Introduction

Innovation in industry is widely seen as a key driver of national economic growth and global competitiveness, especially in emerging markets and newly industrialized nations. It is believed that business innovation performance significantly enhances a country's overall competitiveness and is crucial for increasing productivity and fostering economic progress (Yin et al., 2023). However, in developing countries like Sri Lanka, undergraduates face challenges while commercializing their innovations. According to Abeytunga et al. (2024), between 2019 and 2023, a total of 478 Invention Disclosure Forms (IDFs) were submitted to University Business Linkage cells. However, only 9% (42) of these innovations progressed to market, while 81% (436) did not proceed to the market. This highlights a significant gap in the commercialization of undergraduate innovations in Sri Lankan universities. According to the data extracted from University Business Linkage Cell, Sabaragamuwa University of Sri Lanka, a total of 71 innovations was produced by undergraduates during 2020 to 2024, out of which only 7% (5) of the innovations were launched to the market, while 93% (66) of the innovations were not commercialized, with the highest contribution from Faculty of Applied Science out of nine faculties. Hence, this study focuses on why there are fewer market product launches than the innovations developed by undergraduates of the Sabaragamuwa University of Sri Lanka to uncover the research problem. The study aims to explore the perceived challenges faced by undergraduates at the Sabaragamuwa University of Sri Lanka in bringing their innovations to market. The study adds new insights to the fields of entrepreneurship education, innovation management, and university–industry collaboration. Furthermore, this research provides a foundation for future studies aimed at developing a model to enhance innovation support systems in universities. The findings will not only add to academic knowledge but also provide policymakers, university administrators, and industry leaders with useful insights to better support young innovators.

2. Research Methodology

The study adopted an interpretivist philosophy with an inductive research approach to capture the experiences of student investors. The study employs a qualitative, exploratory research methodology. The study uses a single case study strategy. The research context was Sabaragamuwa University of Sri Lanka, and the unit of analysis consisted of undergraduates who had submitted innovations to the University Business Linkage Cell but failed to commercialize them. Purposive sampling was used to select nine participants from the Faculty of Applied Science, as this faculty contributed the highest number of innovations and innovation commercialization. Semi-structured, in-depth interviews were conducted to gather data, and thematic analysis was used to identify and interpret key themes. This qualitative approach is suited to deep contextual insights into the barriers to undergraduate innovation commercialization within Sri Lankan higher education.

3. Findings and Discussion

The findings of this study were organized under five main themes. These themes were identified through the process of thematic analysis and represent the key challenges faced by undergraduates during the commercialization of their innovations. The five themes are: Institutional Structural Barriers, Capability Constraint, Resource Limitations, Market Entry Barriers, and Contextual Constraints. One of the main challenges identified in this study is institutional structural barriers arising from university policies and administrative systems. These include Academic Barriers and Institutional Barriers. Among these, balancing academic workload with innovation tasks emerged as a unique and new finding within the university context. Institutional barriers included a lack of follow-up from the university, staff turnover affecting support continuity, disruptions due to strikes, delayed certificates and recognition, lack of government support, lack of mentor follow-up, and publication and patent-related restrictions, which is a unique finding. The findings also revealed that undergraduates face significant capability issues, particularly a lack of commercializing knowledge, a lack of communication skills, and a lack of awareness. These findings are consistent with Bartels et al. (2016), who identified insufficient skills and information as major barriers to innovation in Ghana. Researchers have noted that there is often an overemphasis on publication rather than patenting due to a lack of awareness of intellectual property opportunities (Ravi & Januvia, 2021). Another significant challenge identified in this study is Market entry barriers. These difficulties include accessing industry support, meeting legal requirements, and matching market needs, and fall into three main categories: limited industrial support, legal and ethical challenges, and market alignment. The findings revealed that undergraduates face numerous difficulties in establishing effective collaborations with industry partners. Similar to the observations of Jjagwe

et al. (2024), collaboration with the private sector is highly valued in the commercialization of research and innovation. However, many institutions do not allocate sufficient time or resources to build and sustain such partnerships.

One of the main barriers is Resource Limitation, which includes Lack of facilities and logistic support, Financial Challenges, and Raw Material Sourcing Challenges. The University Business Linkage Cell (UBLC) is located in an isolated area, and the university itself is in a rural location, making access to the main town difficult. This is unique to Sabaragamuwa University. Researchers also revealed that Lack of resources and infrastructure, and financial challenges are major barriers. Contextual barriers, including environmental challenges and social and personal influences, also affect commercialization. Variation in personal effort & motivation, and weather, are unique to the university context.

04. Conclusion and Implications

This study investigated why there is a low level of market product launches compared to the innovations developed by undergraduates at the Sabaragamuwa University of Sri Lanka. It also revealed a knowledge gap, as there is limited research on innovation commercialization in Sri Lanka, particularly in higher education. Notably, there is an absence of qualitative studies that explore the specific challenges undergraduates face in this process. The analysis of the data identified five main challenges that undergraduates face: Institutional Structural Barriers, Capability Constraints, Market Entry Barriers, Resource Limitations, and Contextual Constraints. This study expands knowledge of innovation commercialization in Sri Lankan higher education by highlighting significant factors that influence undergraduates' capacity, including institutional support, resources, and motivation. It highlights the importance of university structures, industry collaboration, and socio-cultural influences, while emphasizing the need to integrate entrepreneurship and innovation education to connect idea creation with commercialization better. This research provides valuable perspectives for students, academic institutions, policymakers, and industry stakeholders. For undergraduates, recognizing obstacles to commercialization improves more effective preparation through mentorship and skills enhancement. Educational institutions and the UBLC can increase support by enhancing financial resources, facilities, and mentorship. Policymakers have the opportunity to lessen bureaucratic hurdles and strengthen connections with industry, while industry collaborators can engage with sent innovators to promote knowledge exchange and reinforce the local innovation landscape.

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Keywords: Commercialization; Higher education; Innovation; Perceived challenges; Undergraduate

INVESTIGATING THE EFFECTS OF ACADEMIC STRESS, SELF-REGULATION, AND ACADEMIC SELF-EFFICACY ON CYBERLOFING BEHAVIOR AMONG UNDERGRADUATES AT THE FACULTY OF MANAGEMENT STUDIES, SABARAGAMUWA UNIVERSITY OF SRI LANKA

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1. Introduction

Cyberloafing, using the internet for non-academic purposes during study hours (Karali et al., 2024), has become increasingly prevalent among undergraduates with expanding digital access. While extensive research exists on workplace cyberloafing, the phenomenon remains significantly understudied in educational contexts, particularly in developing nations. A critical research gap exists in understanding cyberloafing among South Asian students, where empirical investigations are scarce and theoretical frameworks remain underdeveloped (Roz & Sawitri, 2025; Wu et al., 2021; Hu et al., 2021; Ma et al., 2023; Mihelič et al., 2022; Varol and Yıldırım, 2019). The researchers also identified cyberloafing behaviour among the undergraduates of the Faculty of Management Studies (FMS), Sabaragamuwa University of Sri Lanka (SUSL), through a preliminary survey using a validated cyberloafing scale developed by Akbulut et al. (2016). According to the data derived from mean value calculations, the level of cyberloafing behaviors among Management undergraduates at SUSL is moderate to low. According to the literature, even moderate to low levels of cyberloafing warrant further investigation, as it is considered a counterproductive behavior in both work and educational settings. (Aciksoz et al., 2024; Cohen & Ozsoy, 2025). Accordingly, this study poses the following research problem: What factors influence cyberloafing behavior among undergraduate students at the Faculty of Management Studies, Sabaragamuwa University of Sri Lanka? To address this problem and the related literature, performance, and contextual gaps, the study examines how academic stress, academic self-efficacy, and self-regulation influence cyberloafing among undergraduates at FMS, SUSL. Theoretically, it integrates COR Theory, Social Cognitive Theory, and Ego Depletion Theory into a single framework to explain why students engage in or avoid cyberloafing, while, practically, its findings guide universities in designing interventions and technology-use policies to reduce cyberloafing and improve academic engagement.

2. Research Methodology

This study uses a deductive, positivist approach, developing hypotheses from Conservation of Resources Theory (COR), Social Cognitive Theory (SCT), and Ego Depletion Theory. Academic stress is based on the Conservation of Resources (COR) Theory, which views stress as a demand on students' mental and emotional resources (Hobfoll, 1989). Academic self-efficacy and self-regulation are grounded in Social Cognitive Theory (SCT) as key personal resources that help students control distractions (Bandura, 1997), while Ego Depletion Theory explains how limited self-control makes students more likely to cyberloaf when that resource is drained (Baumeister et al., 1998). A mono-method quantitative, cross-sectional study surveyed 331 undergraduate students, selected through stratified random sampling from the student population across four departments within the FMS, SUSL. Data were collected electronically using a validated questionnaire measuring academic stress (Ponnamperuma et al., 2023), academic self-efficacy (Chemers et al., 2001), self-regulation (Akhtar & Mahmood, 2013), and cyberloafing behavior (Akbulut et al., 2016). Multiple linear regression analysis was employed to test the hypotheses, with reliability confirmed by Cronbach's alpha values exceeding acceptable thresholds. Construct validity was maintained through minor supervisor-guided adjustments to validated scales that enhanced their contextual relevance. Statistical software was used for descriptive statistics, correlation analysis, and regression modeling.

3. Findings and Discussion

The regression model was statistically significant and explained 65.8% of the variance in cyberloafing behavior ($R^2 = .658$). Self-regulation ($B = -0.351$, $p < .001$), academic stress ($B = -0.319$, $p < .001$), and academic self-efficacy ($B = -0.241$, $p < .001$) were all significant negative predictors of cyberloafing. This indicates that higher levels of self-regulation, academic self-efficacy, and academic stress are associated with lower cyberloafing among undergraduates. Zhou et al. (2021) reported that academic stress often increases cyberloafing, as students turn to online activities to cope with fatigue, boredom, or emotional overload. However, in the present study, academic stress negatively predicted cyberloafing, indicating that students experiencing higher stress were actually less likely to engage in cyberloafing than expected. In contrast, students who experience higher academic stress appear to focus more on their studies rather than seeking online distractions in FMS and SUSL. Academic self-efficacy also negatively predicted cyberloafing, indicating that students who are confident in their academic abilities are less inclined to cyberloaf. Self-regulation emerged as the strongest predictor, confirming that students with better self-control and discipline significantly reduce their cyberloafing behavior. These findings are consistent with Social Cognitive Theory (Bandura, 1986), which

emphasizes that individuals' beliefs in their own abilities influence their motivation and behavior.

4. Conclusion and Implications

This study contributes to the cyberloafing literature by showing that academic stress, academic self-efficacy, and self-regulation are significant negative predictors of digital distraction (cyberloafing) among undergraduates at the Faculty of Management Studies, Sabaragamuwa University of Sri Lanka, thereby enriching the evidence base in South Asian higher education contexts. The unexpected negative relationship between academic stress and cyberloafing suggests that academic pressure may motivate students rather than drive them to seek digital escapes. The study also highlights several practical implications for administrators, lecturers, and students, including enhancing academic self-efficacy through mentoring and competency-building initiatives, integrating self-regulation training into the curriculum, and optimizing academic workload management.

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Keywords: Academic self-efficacy; Academic stress; Cyberlofing; Self-regulation

THE IMPACT OF EMPATHY ON VICARIOUS TRAUMA: A STUDY OF TELEVISION NEWS REPORTERS IN SRI LANKA

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1. Introduction

Vicarious Trauma (VT), first introduced by McCann and Pearlman (1990), is defined as the severe psychological impacts that professionals who experience their clients' traumatic experiences suffer from, frequently leading to long-lasting emotional and psychological consequences. Professionals such as therapists, counsellors, social workers (Ashley-Binge & Cousins, 2019; Cosden et al., 2016; Palumbo et al., 2024) healthcare providers (Roberts et al., 2022) and lawyers, barristers, and judges (Burton & Paton, 2021), journalists (Rupar, 2020; Jones & Brown, 2019), who work closely with individuals experiencing trauma are particularly vulnerable to vicarious trauma. A notable gap exists in the literature regarding VT among news reporters, especially in non-Western or developing countries like Sri Lanka. A preliminary survey, using the Vicarious Trauma Scale also yielded an overall mean of 5.32, which is above 4 confirming that VT is an inherent part of the job role and direct interviews confirm that news reporters of Sri Lanka experience vicarious trauma related to their job roles. Several factors influence vicarious trauma (VT) in various professional contexts. Empathy fundamentally influences how individuals process and responds to the trauma of others. It consists of two main components: cognitive empathy and affective empathy (Palumbo et al., 2024). This study is theoretically grounded in the Job Demands–Resources (JD-R) Theory and Conservation of Resources (COR) that explain how high emotional job demands and empathetic engagement increase vulnerability to vicarious trauma (Cummings et al., 2018; Kounenou et al., 2023) COR explain continuous exposure to traumatic material depletes personal resources, making highly empathic journalists more prone to vicarious trauma (Roberts et al., 2022). The core problem investigated is: "To what extent does empathy influence vicarious trauma among news reporters in Sri Lanka?" The study's objectives were: (1) To determine the impact of cognitive empathy on VT and (2) To determine the impact of affective empathy on VT. Theoretically, this research Job Demand Theory and Conservation of Resources models the media sector. Practically, it provides actionable insights for media organizations, mental health practitioners, and policymakers to design targeted support mechanisms for Sri Lankan journalists.

2. Research Methodology

The researcher conducted the current study in the positivist paradigm following a deductive approach and the methodology of the study is quantitative. The overall purpose of this study was to investigate the impact of Empathy on Vicarious Trauma among news reporters in Sri Lanka. Hence, the present study is based on the explanatory purpose. Due to the constraints of time in the study, a cross-sectional time horizon was chosen. The unit of analysis was the individual level of news reporters. The study population consisted of news reporters from four prominent Sri Lankan television channels: A, B, C, and D (N=570). Stratified random sampling was used to select a sample size of 229, from which the researcher received 206 valid responses (89% response rate). Data were collected through a Google Form self-administered questionnaire using previously validated and reliable scales. Vicarious trauma was measured using an 8-item scale by Vrklevski and Franklin (2008), and empathy (cognitive and affective) was measured using a 20-item scale by Prado and Siquara (2023). Data analysis was conducted using SPSS version 21. The researcher applied both simple regression and multiple regression techniques.

3. Findings and Discussion

The measurement model demonstrated strong reliability and validity. The Cronbach's Alpha values for all variables exceeded 0.939, confirming reliability. Validity was established through KMO and Bartlett's tests, and Confirmatory Factor Analysis (CFA), which indicated a good fit for the data (CFI = 0.952; RMSEA = 0.053). All model adequacy tests, including the Durbin-Watson statistic (2.209), confirmed the suitability of the data for regression analysis. Descriptive statistics revealed a mean Vicarious Trauma score of 6.033 (on a 7-point scale), highlighting the high level of VT experienced by the reporters. Correlation analysis showed a strongly positive relationship between overall empathy and vicarious trauma ($r = 0.874$, $p=0.000$). Simple regression analysis found that empathy positively impacts VT, explaining 76% of the variance (Adjusted $R^2 = 0.764$). Multiple linear regression analysis revealed that both dimensions, cognitive empathy ($\beta = 0.381$, $p=0.000$) and affective empathy ($\beta = 0.510$, $p=0.000$), had significant positive effects on vicarious trauma. Crucially, affective empathy was the strongest predictor of VT. The fitted regression equation was:

{Vicarious Trauma} = 0.404 + 0.371({Cognitive Empathy}) + 0.509({Affective Empathy}).

The positive impact of both dimensions confirms existing literature that empathy, while necessary, increases vulnerability to trauma. The result of the present study revealed that vicarious trauma is positively influenced by affective empathy for news reporters continually exposed to distressing narratives. These findings align with those of other scholars (Kounenou et al., 2023; Juczyński et al., 2021; Fernández et al., 2021); moreover, this

suggests that cognitive empathy has a positive impact on vicarious trauma. This aligns with the findings of past literature that mention that cognitive empathy can increase the risk of VT (Ogińska-Bulik & Michalska, 2022; Fernández et al., 2021). Out of the two dimensions of empathy, affective empathy was a strong predictor of vicarious trauma, as opposed to the cognitive dimension. This result strongly supports the JD-R model, which frames empathy as a taxing job demand, and the COR theory, which explains that this emotional engagement progressively depletes personal resources, increasing VT risk.

4. Conclusion and Implication

This study found that vicarious trauma was significantly experienced by news reporters in Sri Lanka and empathy had a statistically positive impact on its development. Moreover, affective empathy shows a stronger risk for vicarious trauma than cognitive empathy. Vicarious Trauma Scale (VTS) of Vrklevski and Franklin (2008), and Basic Empathy Scale of Prado and Siquara (2023) were used for this study. Hence, the researcher was able to validate these scales in the context of the present study. It confirms the applicability of the JD-R and COR theories by demonstrating that both cognitive and affective empathy act as emotional job demands that deplete resources, leading to psychological strain in the media industry. Practically, news reporters should practice self-care, emotional boundaries, and stress regulation, seek peer or professional support when need. News organizations should provide trauma-focused counseling, psychological screening, and training in coping strategies to reduce vicarious trauma and support well-being.

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Keywords: Affective empathy; Cognitive empathy; empathy; News reporters; Vicarious trauma

EXPLORING HOW SOME UNDERGRADUATES ARE CONFIDENT IN PUBLIC SPEAKING WHILE MOST EXPERIENCE ANXIETY AT THE FACULTY OF MANAGEMENT STUDIES, SABARAGAMUWA UNIVERSITY OF SRI LANKA

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1. Introduction

Public speaking is a structured form of oral communication and is considered an essential academic and professional skill for undergraduates who regularly engage in presentations and discussions (Ayiz & Tauchid, 2025). Despite its importance, many students continue to experience moderate to high Public Speaking Anxiety (PSA), a form of social anxiety characterized by fear and nervousness when preparing for or delivering a speech (LeFebvre et al., 2019). PSA can negatively affect students' confidence, performance, and overall involvement in their studies (Kho & Ting, 2023). The researcher conducted a preliminary survey with 176 undergraduates from the Faculty of Management Studies at Sabaragamuwa University of Sri Lanka (SUSL) using the Personal Report of Communication Apprehension-24 (PRCA-24). In this study, only items 19–24 of the PRCA-24, specifically measuring Public Speaking Anxiety, were used to assess students' PSA levels. The results showed that 82.39% of students experience moderate PSA, and 9% experience high PSA. Overall, 91% reported moderate to high levels of public speaking anxiety, indicating that PSA is widely prevalent among the undergraduate population. Furthermore, PSA has been widely studied in developed countries, research in developing nations remains limited, and no studies have examined how some undergraduates are confident in public speaking while most experience high or moderate PSA in Sri Lanka, particularly at SUSL. These gaps raised an important research problem about how some undergraduates are able to remain confident while most others suffer from anxiety during public speaking. Accordingly, the present study aimed to explore the underlying reasons that contribute to public speaking confidence among some undergraduates at FMS, SUSL. Understanding these confidence-building reasons is essential not only for theory but also for practice, as it can inform the development of targeted academic support systems and training programs. Insights from confident speakers can further guide educators in designing interventions that help anxious students overcome PSA, improve presentation skills, and enhance overall communication competence. Ultimately, the study contributes to bridging the existing performance gap and contextual gap by examining how interpersonal, educational, and social

elements shape public speaking confidence in the Sri Lankan higher education context.

2. Research Methodology

This study adopted an interpretivist philosophy and an inductive research approach. This philosophy and approach helped the researcher explore students' lived experiences in depth and understand how individuals interpret their social world, particularly how they make sense of their own public speaking confidence. A single case study strategy was employed, with the FMS, SUSL functioning as the bounded case that allowed the phenomenon to be examined within its real-life context. The sample consisted of 11 confident undergraduates, selected through purposive and snowball sampling. Inclusion criteria required participants to be current FMS undergraduates who demonstrated noticeable confidence in presentations and voluntarily agreed to share their experiences. Exclusion criteria omitted students with high or moderate PSA, those from other faculties, and individuals who did not provide consent. Data were collected through semi-structured, in-depth telephone interviews, guided by a carefully developed interview guide containing open-ended questions that encouraged rich, reflective responses. All interviews were audio-recorded with consent, transcribed verbatim, and analysed using Braun and Clarke's (2006) thematic analysis to identify meaningful patterns across participants' experiences. Trustworthiness was maintained through credibility, transferability, dependability, and confirmability strategies, including prolonged engagement, triangulation, member checking, continuous supervisor guidance, peer debriefing, and maintaining a detailed audit trail documenting all methodological decisions throughout the research process.

3. Findings and Discussion

The thematic analysis revealed three major themes explaining why some undergraduates at the FMS, SUSL demonstrate strong confidence in public speaking, while many others experience moderate to high PSA. These themes were: Interpersonal Drivers, Education and Training, and External Social Influences. Interpersonal Drivers formed the psychological foundation of confidence. Participants highlighted personality traits such as Extraversion, Openness to Experience, Low Neuroticism, High Agreeableness, Conscientiousness and Internal Locus of Control as factors that made them comfortable in speaking situations. Students also described using emotional regulation strategies, including deep breathing, positive thinking, and stress management, to reduce anxiety and stay focused. Language-related self-efficacy, self-motivation, and consistent practice habits have also played an important role in developing a confident speaker. These findings align with Bandura's (1997) Self-Efficacy Theory, which explains that belief in one's capability directly influences performance. They

also support Marinho et al. (2017), who observed that students with stronger self-efficacy and emotional stability exhibit lower PSA. A unique finding of this study is that many confidence-building techniques were self-developed rather than taught, showing that students independently created coping and preparation methods. The second theme, Education and training played a central role in shaping students' public speaking confidence by providing structured learning, guided practice, and continuous exposure. The university curriculum, through subjects like Presentation Skills Development, Business English, and Business Communication offered formal training, assessment-based presentations, and personalised lecturer feedback. Beyond the classroom, extra-curricular activities such as club participation, volunteering, and debating further strengthened communication abilities. Students also developed confidence through supplementary informal practices, including Toastmasters training, mirror practice, video recording, and self-talking exercises. Additionally, early school experiences, such as English-medium learning and speech competitions, laid the foundation for later confidence. Collectively, these avenues created continuous, multi-layered learning experiences. This aligns with LeFebvre et al. (2019), who found that repeated exposure and constructive feedback foster communication confidence. This study uniquely highlights that these self-initiated practices were equally influential as formal academic training, revealing a strong personal commitment to skill improvement within the local context. The third theme, External Social Influences, showed how family support and peer support contributed to confidence. Observing skilled peers and receiving feedback reinforced belief in their own abilities, consistent with Bandura's (1977) Social Learning Theory. Participation in leadership roles, clubs, and part-time work further refined their communication skills, supporting insights from Kho and Ting (2023). A unique insight from this study is that non-academic, real-life interactions, such as family communication and community involvement, also played a significant role in shaping students' speaking confidence, an aspect that has been largely underexplored in previous Sri Lankan studies. Overall, the findings highlight that public speaking confidence develops through a combined influence of personal traits, educational reinforcement, and supportive social environments, offering new contextual insights into how confident speakers emerge in Sri Lankan university settings.

4. Conclusion and Implications

This study explored the reasons behind the public speaking confidence demonstrated by some undergraduates at the FMS, SUSL. The findings revealed that confidence is not an inborn trait but a learned and developed competency shaped through the interaction of interpersonal drivers, educational and training experiences, and external social influences. Personality strengths, emotional regulation, structured academic exposure,

self-directed practice, and supportive social environments collectively contributed to students' confidence levels. Theoretical implications highlight that the study extends existing communication and self-efficacy theories by demonstrating how public speaking confidence develops in a university context.

The findings also introduce a unique contribution by showing that students independently create confidence-building strategies, an area less emphasized in previous Sri Lankan research. Practical implications suggest that universities should incorporate more structured public speaking opportunities, continuous feedback, and supportive learning environments within the curriculum. Workshops on emotional regulation and peer-based learning may further strengthen students' confidence. Additionally, creating platforms for extracurricular and real-life communication experiences can help students transfer informal speaking skills into formal presentation settings. Overall, the study offers practical implications such as the importance of consistent speaking opportunities, lecturer guidance, peer support systems, and self-regulated practice. These strategies can help educators, curriculum developers, and policymakers design interventions that reduce PSA and foster confident public speakers in higher education.

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Keywords: Higher education; Public speaking anxiety; Public speaking confidence; Sri Lanka; Undergraduates

REASONS FOR THE FOOD MANUFACTURING SMALL AND MEDIUM ENTERPRISES FAIL WITHIN SHORT TIME PERIOD A CASE STUDY IN THE IMBULPE DIVISIONAL SECRETARIAT

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1. Introduction

Most of the food production of Small and Medium Enterprises (SME) 95% fail within the five years of start-up operation in the rural locations. The SME Development Officer stated that Imbulpe Divisional Secretariat (IDS) has the highest business failure rate, with food processing SMEs experiencing a failure rate exceeding 95% by 2023. There is a noticeable lack of knowledge relevant to this issue based on the key stakeholder's perspective in Sri Lankan context. The main objective of this study is to explore "why food manufacturing SMEs in the IDS fail within a short period after the start-up operation based on the perspective of the SME Development Officers, and SME owners". This research is practically important to policymakers on SMEs development because the current study revealed a more comprehensive idea of the reasons for failure of SMEs and proposed viable remedies to enhance business survival. The paper is also an addition to the body of scholarship since it endeavors to use the Theory of the Resource-Based View (RBV), and the Networking Theory to elucidate the performance of SME in the rural Sri Lankan environment.

2. Research Methodology

The research used an interpretivism philosophy and a quantitative research approach to get the actual experience and perceptions of the major stakeholders. It used a case study approach; purposive sampling was employed to sample out SME owners and SME Development Officers. The sample consisted of five SME owners who failed in their businesses within a brief period of time and three SME Development Officers in the IDS. The research adhered to cross-sectional time. The main method of data gathering was semi-structured interviews where the participant was free to air their opinion. The transcription of all the interviews was conducted verbatim and thematic analysis was performed on them.

3. Finding and Discussion

We could explore five themes that described why the early collapses of food manufacturing SMEs in the IDS were experienced based on the perspective of the SME Development Officers. Five themes (1-5) are:(1) Poor work

readiness (poor knowledge, less focus in future business expansion and psychological factors). These findings were confirmed by Jayawardane and Gamlath (2020), who concluded that SME failure in Sri Lanka is a result of low business literacy. (2) Weak management practices (inadequate financial management, poor leadership, poor business operation). These findings were confirmed through the Resource-Based View by Zaridis et al. (2021), which highlights that the internal factors of survival of firms are managerial feasibility and financial discipline. (3) External factors (location of the business, infrastructure, market competition and institution influence). Competition and ineffective marketing strategies such as online marketing had hindered access to the market. Zaridis et al. (2021) emphasized that ineffective innovation and supply-chain efficiencies diminish the competitiveness of SMEs. This view supports the current findings. Underutilize Government support (consultation and training programme). According to a report of the Central bank "A weak connection was present between policy design and field-level implementation, with only approximately 50-60% of them applying what was learned (Central Bank of Sri Lanka, 2021). The findings of the current study were aligned with the information of the above report

The five (1-5) themes derived from perspective of the SME owners are; (1) Financial issues (lack of capital, no proper financial access), These findings are consistent with previous studies that emphasize financial challenges as a critical barrier to SME survival (Jayawardane & Gamlath, 2020; Schalck & Schalck, 2021). (2) Business operation issues (lack of resources such as material equipment and human resources, new technology). Kapepe and Malama (2024) and Deku et al. (2023), who highlighted that innovation and technological adoption is the key for competitiveness. These operational barriers demonstrate that SMEs with insufficient resources and poor operational planning struggle to sustain consistent business performance. Our research supports above findings. (3) Marketing adoption (promotion, digital marketing) were rarely used. These findings correspond with global literature on market access challenges for SMEs (Bowen, 2019; Madushanka & Sachitra, 2021), highlighting that poor marketing adoption restricts visibility, customer engagement, and revenue growth. Strengthening marketing outreach and incorporating digital platforms could enhance competitiveness and market penetration. (4) Entrepreneurs' skills (commitment, risk taking, network with others). These findings support the Networking Theory and emphasize the importance of relationships and collaboration for SME survival (Johannisson, 1988; Klyver & Foley, 2012). Enhancing entrepreneurial skills, encouraging calculated risk-taking, and strengthening networks could improve business sustainability. Resource-Based View (RBV) and Networking Theory to find out why scarce resources and poor networks disrupt survival of business. It highlights the need to focus very much on intangible resources like knowledge, inspiration, and teamwork in order to remain in business as a small entity. (5) External

factors (economic conditions and government rules): Perera (2022) highlighted that funding and regulatory barriers, including complex grant procedures and strict regulations, limit access to financial support in Sri Lankan SMEs, and this finding was aligned with current findings.

4. Conclusion and Implications

Based on the perspective of the SME development officers, the central reasons that influence the failure of food manufacturing SMEs in the IDS are poor work readiness, weak management practices, external factors, and underutilized government support. Financial issues, business operation, marketing adoption, entrepreneurial skill, and external factors are revealed as reasons for the failure of food manufacturing SMEs in the IDS according to SME owners' perspectives.

The present research outlines how theoretical knowledge can be used to present some practical solutions to enhance the survival of SMEs in rural operations. The results develop the Resource-Based View (RBV) by demonstrating that the shortage of resources commonly valued as important key resources, comprising skills, record-keeping systems, and technology, undermines the performance of businesses in the rural SME of Sri Lanka. The paper also enhances the relevance of the Financial Management Theory, in which the lack of planning and financial oversight has a direct impact on sustainability. Besides, the article extends the Networking Theory by illustrating that strong relationships with suppliers, customers, and support institutions are necessary to survive in rural markets in the long-run. The findings provide qualitative information on functioning of these theories within a rural business set-up. Such knowledge can assist policy makers apply the theoretical knowledge in a better way which would help SMEs to survive in the long run.

The results of the study offer several practical implications for SME owners, SME Development Officers, policymakers, and support institutions. SME owners should focus on improving basic business practices such as record-keeping, financial planning, costing, and customer awareness. Training on budgeting, pricing, and digital marketing could help strengthen business operations. SME Development Officers are encouraged to provide more practical and follow-up-based training programs to ensure that entrepreneurs apply the knowledge gained. Policymakers and government agencies can support SME survival by simplifying loan processes, increasing access to grants, developing rural transport infrastructure, and providing shared production facilities for small manufacturers. These actions could contribute to reducing the high rate of business failure in the Imbulpe Divisional Secretariat.

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***Keywords*:** Reasons for fail; Short period; Small and medium enterprises

MITIGATION OF CONTRACT CHEATING IN HIGHER EDUCATION: A QUALITATIVE INQUIRY OF FACULTIES OF MANAGEMENT STUDIES IN SRI LANKAN STATE UNIVERSITIES

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1. Introduction

Higher education is built upon the principles of academic integrity, which instill honesty, fairness, responsibility, and trust in the learning and research process (TEQSA, 2022). However, the global experience demonstrates that there is a rapid increase in contract cheating, in which students entrust third-party entities to do their academic tasks (Clarke & Lancaster, 2006). Though extensively researched in Western societies, little empirical research has been carried out in South Asia and Sri Lanka. This is an important gap since online assignment-selling, AI-aided cheating, and social media outsourcing of assignments and cheating seem to be on the rise among Sri Lankan Students. There seem to be initial indications that it is the Faculties of Management Studies that are specifically susceptible because of high amounts of work, tests, and exams, and competitive academic education, which is focused on grades rather than learning. Nevertheless, very little is known about the concept of perceiving, management, and efforts by academicians and administration in the Sri Lankan state universities in alleviating contract cheating at their individual university level. This paper thus explored the response of the Faculties of Management Studies to contract cheating by inquiring into the nature of the institutional challenges, limitations, and mitigation strategies presently in place. This study fills the vacuum of knowledge on how contract cheating is handled by the faculties of management studies in State universities in Sri Lanka from the perspective of academics. Also, it provides insights that can improve the integrity practices in the system of higher education in Sri Lanka.

2. Research Methodology

In this study, we applied the interpretivist paradigm and the inductive approach to explore the lived experiences of academics about contract cheating. A multiple-case study design allowed consideration of four Faculties of Management Studies of the Sri Lankan State Universities to cover a variety of institutions. Five respondents who are Heads of Departments, senior lecturers, and representatives in Quality Assurance were chosen by purposive and snowball sampling on the basis of their direct engagement with academic integrity processes.

We employed in-depth semi-structured interviews, which were conducted via Google Meet and over the phone, and were facilitated by an interview protocol developed based on literature and research questions. Open-ended queries were used to stimulate descriptive, contemplative narratives of policy loopholes, organizational constraints, and ways of mitigating them. Informed consent led to the recording of interviews where practical, transcription, and thematic analysis, using the framework developed by Clarke (2006), where descriptions of various themes form the basis of the analysis. Credibility, transferability, dependability, and confirmability were used to build trustworthiness adhered to by systematic coding, verbatim transcripts, and a maintained audit trail. Such ethical principles as confidentiality, anonymity, voluntary involvement, and safe data management were supported during the study.

3. Findings and Discussion

Five themes were found in the analysis that determined the institutional responses to contract cheating: Policy and Governance, Institutional Capacity Limitations, Learning and Assessment Practices, University Culture, and Contract Cheating Market Opportunities.

A fundamental issue in addressing contract cheating emerged as Policy and Governance gap. Respondents highlighted the absence of specific contract cheating policies, the continued reliance on outdated plagiarism regulations, and the inconsistent application of these rules across universities. They further explained that many students have limited awareness of academic integrity expectations, contract cheating behaviors, and the penalties associated with outsourcing assignments. This lack of student awareness, combined with the absence of a cohesive national framework, significantly weakens governance and reduces the effectiveness of institutional responses. This is in tandem with research across the world that concludes that misconduct cannot be prevented by fragmented or incommunicado policies (Bretag et al., 2019).

Institutional Capacity Limitations encompassed untrustworthy detection systems, limited access to Turnitin, untested AI-detection systems, and staff training. Manual detection was also hard due to heavy workloads and student-to-teacher ratios, which were also reported by Lines (2016), Ahsan (2019). These are some limitations that do not allow universities to combat contract cheating on a proactive basis.

Learning and Assessment Practices also played a major part. Monotonous and theory-centric activities and learning processes made room to outsource. Heavy marking loads placed significant pressure on lecturers, while students were simultaneously overburdened with excessive academic workloads. Such results are in line with those of Newton (2018) and Rigby et al. (2015), who link unoriginal assessment with the escalation of cheating.

Cheating had become a normalized practice within the university culture. A highly competitive academic environment, peer imitation, and a strong performance-based atmosphere encouraged students to prioritize grades over learning. This behavioral pattern aligns with the Theory of Planned Behavior, supported by Guerrero-Dib et al. (2020), Orosz et al. (2018), which highlights how social norms strongly influence students' decisions to engage in academic dishonesty.

Technology has enhanced the market opportunities in Contract Cheating. Outsourcing was made easy with the help of AI tools, advertising on social media, and sellers of online assignments sellers. These results reflect the international trends of commercializing academic dishonesty (Amigud, 2019; Lancaster, 2019). The availability of such services in Sri Lanka is open, and this is a serious cause to take institutional and national measures.

4. Conclusion

This research established that contract cheating in Sri Lankan Faculties of Management Studies is a structural problem shaped by policy gaps, institutional resource constraints, outdated assessment practices, and expanding technological opportunities. These interconnected factors collectively sustain students' reliance on outsourcing. While universities do not yet have a coordinated, institution-wide system for tackling contract cheating, the findings show that most mitigation efforts are carried out by individual academics using personal strategies such as oral defenses, draft reviews, and practical assessments. Institutional responses remain limited due to the absence of dedicated policies, insufficient training, and inadequate technological support. Therefore, addressing contract cheating requires a shift from individual academic efforts to a comprehensive, faculty-wide, and university-wide approach supported by clear policies, consistent enforcement, staff development, and reliable detection tools.

Building on these conclusions, the practical implications highlight the need for enforceable and clearly defined norms on contract cheating, supported by improved institutional capacity. Universities should incorporate creative, authentic, and application-based assessment designs; provide regular ethics training; and establish long-term student awareness initiatives. Prevention requires stronger staff development, reduced marking burdens, and access to effective and reliable detection systems. At the national level, the University Grants Commission (UGC) can play a crucial role by introducing unified guidelines, facilitating cross-university collaboration, and promoting standardized procedures to strengthen academic integrity across Sri Lanka's state universities.

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Keywords: Assessment design; Contract cheating mitigation; Academic integrity policies; Institutional capacity; Sri Lankan higher education; University culture

DIGITAL TRANSFORMATION IN SUPPLY CHAINS: DRIVERS, OPPORTUNITIES AND BARRIERS AFFECTING ADOPTION AMONG SRI LANKAN SMES

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1. Introduction

The digital transformation has transformed the global Supply Chain Management (SCM) by enhancing efficiency, visibility, and responsiveness with the use of cloud platforms, GPS-based logistics, big data analytics, and automation. The tools are becoming more and more defining the competitiveness in the contemporary supply chains, allowing companies to balance demand fluctuations, decrease the cost of operating and enhance the resilience of supply chains (Ivanov & Dolgui, 2020). In the case of emerging economies, digital supply chains also facilitate the inclusion of global value chains through the ability to trace, reduce cycle time, and improve customer service. The economy of Sri Lanka is largely relying on Small and Medium-sized Enterprises (SMEs), which constitute over 90 per cent of all businesses and contribute significantly to the growth of the economy in terms of employment and exports. Although this is important, the digital maturity of the Sri Lankan SME supply chain has been low. The use of manual processes, paper records, and unofficial coordination systems of many firms restricts their response to disruption and customer demands. Such long-standing problems as financial constraints, low digital literacy, insufficient infrastructure, and access to digital training are also mentioned by recent research. The limitations make the digital transformation process slow and some of them pose a big threat to competitiveness, particularly those sectors that are open to international markets.

This is the epicentre of the research problem because, despite the apparent supply chain opportunities in digital transformation to the Sri Lankan SMEs, the adoption is not uniform, and is hindered by various organisational, financial, and technological constraints.

Accordingly, the objective of this study is:

1. To examine the key drivers that influence the adoption of digital supply chain practices by SMES.
2. Identifying the opportunities created by digital transformation.
3. Identifying major barriers that hinder adoption among Sri Lankan SMEs.

The significance of this study lies in producing context-specific evidence for an emerging economy where SME digitalization is critical for competitiveness, resilience, and sustainable development. The findings guide managers, policymakers, and technology providers in designing practical strategies to accelerate digital supply chain transformation in Sri Lanka.

2. Research Methodology

This study follows a pragmatic research philosophy, which focuses on using the most suitable methods to understand a real-world problem. Pragmatism is appropriate because digital transformation in SMEs involves both measurable factors (drivers and barriers) and practical experiences that cannot be captured through numbers alone. A mixed-method approach was therefore adopted to combine the strengths of quantitative and qualitative evidence. The research context consists of Sri Lankan SMEs in the apparel, food manufacturing, and logistics sectors. The unit of analysis is the organization, and respondents were supply chain managers, operational staff, and SME owners. A structured questionnaire was distributed among 200 SMEs in Sri Lanka, selected using stratified sampling to ensure adequate representation of different industries. A sample of 200 is appropriate because it provides reliable statistical power for regression analysis while still being feasible within the SME population.

To complement the survey, 15 semi-structured interviews were conducted with SME owners/managers and ICT service providers. The number 15 is justified because it achieves data saturation, meaning no new themes emerge after this point. Interviews were audio-recorded, transcribed, and analyzed using thematic coding, where responses were classified into three categories such as drivers, opportunities, and barriers. This mixed-method strategy ensures a comprehensive understanding of SME digital transformation.

3. Findings and Discussion

Table 1. Digital supply chain adoption levels among SMEs

Digital Practice	Adoption Level (%)	Interpretation
Basic Digital tools (MS Office, Emails, etc.)	85%	Widely adopted
Cloud-Based System (ERP, SAP, etc)	55%	Moderate adaption
GPS-enabled logistics	45%	Growing Adaption
Integrated SCM platforms	30%	Low Adaption
IoT/Automation	20%	Very Low adaptation

Source: Developed by the Author

As shown in Table 1, the observed unequal adoption patterns of the Sri Lankan SMEs demonstrate that there is an apparent gap in digital maturity, as these firms continue to be based on the basic levels of digital tools and are slow to migrate to more sophisticated integrated systems. These results are very similar to those observed by Fernando et al. (2023), in which SMEs in emerging countries use digital technologies slowly, supported by financial and skill-related factors. The moderate adoption of cloud and GPS technologies facilitates the global evidence that these technologies provide easy points of access when it comes to enhancing the visibility of supply chains, as well as the efficiency of operations (Ivanov & Dolgui, 2020; Queiroz et al., 2019). In the meantime, the extremely low adoption of integrated SCM systems and automation affirms that high costs, infrastructural inefficiencies, and restricted digital capabilities remain the obstacles to the adoption of more sophisticated solutions, as the previous studies indicate that SMEs headquartered in developing environments find it difficult to adopt more complex digital solutions (Gunasekaran et al., 2017).

Table 2: Summary of regression results

Predictor Variable	**β Coefficient**	**P Value**	**Interpretation**
Perceived usefulness	0.42	<0.01	Strong positive driver
Technological readiness	0.38	<0.05	Positive Driver
Managerial support	0.35	<0.05	Positive Driver
Financial constraints	-0.41	<0.01	Strong negative barrier
Low digital skills	-0.33	<0.05	Negative barrier

Source: Developed by the Author

Regression Equation with Sample Coefficients
For example, using your sample Table 2 values:
$DSCA=\beta 0\ (1) +0.42(PU)+0.38(TR)+0.35(MS)-0.41(FC)-0.33(DS)+\varepsilon\ (0.783)$
Where:
DSCA = Digital Supply Chain Adoption (dependent variable)
PU = Perceived Usefulness (driver)
TR = Technological Readiness (driver)
MS = Managerial Support (driver)
FC = Financial Constraints (barrier)
DS = Digital Skills availability (barrier)
β0 = Constant
β1 – β5 = Regression coefficients
ε = Error term

These results are consistent with other Technology Acceptance and Resource-Based View literature, which states that internal capability, perceived performance benefits, and leadership commitment are the key

factors to speed up digital technologies adoption (Ivanov and Dolgui, 2020). Specifically, PU demonstrates the largest positive value, which supports the stance that SMEs would implement digital tools when they experience a clear perception of operational efficiency, visibility, and customer service increase, with findings being consistent with those in the world, which indicates that perceived value is the decisive variable in digital transformation (Queiroz et al., 2019).On the other hand, the negative coefficients of Financial Constraints (FC) and Digital Skills (DS) demonstrate their contribution to being among the key barriers to the adoption of digital SCM. These findings are in line with the current literature indicating that SMEs in developing economies continue to be hampered in their capital access, digital literacy and ICT capability, which limit their capacity to adopt superior technologies like SCM platforms and automation (Gunasekaran et al., 2017). The negative values thus confirm the overall empirical research that the financial pressure and skill deficit undermine the digital preparedness, decrease the adoption intentions, and increase the digital maturity gap (Weerathunga et al., 2021). The findings and supporting literature confirm that digital adoption in Sri Lankan SMEs is shaped by a dual force: enabling internal drivers linked to capability and perceived benefits, and restrictive structural barriers related to cost, skills, and resource constraints.

Table 3: Thematic analysis of qualitative findings

Theme Type	Sub-Themes Identified	Evidence From SMEs (Examples)
Opportunities	Faster order processing, traceability, visibility, cost savings, Sustainability	"Cloud systems reduced paperwork significantly."
Drivers	Customer demands, efficiency goals, market competitiveness	"Export buyers require digital traceability."
Barriers	High cost, low skills, resistance, poor connectivity	"Internet drops during dispatch hours."

Source: Developed by the Author

The qualitative thematic analysis (Table 3) gives a more comprehensive understanding of the perception by the Sri Lankan SMEs on digital transformation, and it has identified three key areas of opportunity. First, the operational efficiency advantages, as reported by SMEs, remained constant, i.e., decreased paperwork, quicker order processing, and enhanced real-time product visibility and deliveries. Second, companies emphasized market-related opportunities such as improved traceability and compliance required by global customers, an opportunity that is extensively discussed in the literature on digital supply chain as a source of competitiveness and

customer confidence (Queiroz et al., 2019). Third, SMEs also noted the benefits of sustainability, such as a decrease in fuel use and a decrease in material wastage due to more precise routing and electronic documents. These opportunity themes support the quantitative results in that SMEs are evidently aware of the value that the digital SCM systems can create.

Nevertheless, critical barriers that limit the realization of these opportunities were also identified in the thematic analysis. The common ones were the high cost of technology investment, low digital literacy, unstable connectivity, and organizational change. These barriers are also aligned with the negative regression coefficients of the financial limitations and skills shortages and are in line with the global evidence that SMEs in the emerging economies commonly do not have the financial, technical, and infrastructural resources needed to undertake higher levels of digitalisation (Gunasekaran et al., 2017). When combined, these qualitative insights confirm that despite the obvious operational, market, and sustainability advantages of the digital transformation, structural and capacity-related obstacles remain to slow the prevalence of the trend among the Sri Lankan SMEs.

4. Conclusion and Implications

This research gives the conclusion that the adoption of the digital supply chain by the Sri Lankan SMEs is guided by both positive factors and inhibitory constraints. The results indicate that perceived usefulness, technological preparedness, and managerial support have a strong positive influence on digital adoption, and financial constraints and lack of digital skills are strong inhibitors. Qualitative data also indicates that SMEs can see the obvious opportunities in the efficiency of operations, real-time visibility, improvements in traceability, and sustainability. Nevertheless, these benefits have been hampered by high implementation costs, low digital competencies, unreliability of connectivity, and organizational resistance to change. These findings support the fact that digital transformation among SMEs is not a smooth process, but rather, it is an unbalanced process influenced by capability advantages as well as structural inhibitors.

Theoretically, the study adds value to the body of literature on digital supply chain and technology adoption by showing how drivers and barriers exist in a complementary relationship in a developing-economy SME setting. It takes sides with the Technology-Organization-Environment (TOE) and Resource-Based View (RBV) points of view, demonstrating that both internal potential and external limits condition technology adoption.

The implications in practice are that the results imply specific interventions. To develop technological preparedness, managers of SMEs should focus on high-impact digital tools and invest in skills development. Policymakers ought to enhance digital infrastructure and increase financial support systems and SME specific training. The technology services must be cheap

yet scalable at the level of SMEs. In combination, all these measures are capable of speeding up the process of digital transformation and enhancing the competitiveness of SMEs in Sri Lanka.

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Keywords: Digital transformation; Emerging economies; Small and medium enterprises (SMEs); Supply chain management; Sri Lanka

EXPLORING KNOWLEDGE HIDING IN A SRI LANKAN LOGISTICS COMPANY: A QUALITATIVE STUDY FROM THE VICTIMS' PERSPECTIVE

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1. Introduction

Knowledge sharing is essential for organizational success, especially in industries that depend on fast and accurate knowledge exchange. The logistics sector in Sri Lanka is one such industry where daily operations, coordination, and problem-solving depend heavily on employees exchanging their knowledge. In the logistics industry, where trends keep changing, sharing knowledge is very important for employees to give their best performance. Individuals, teams, and the entire organization struggle to realize their full potential when knowledge is not shared and withheld from the workforce. However, many employees still face situations where important knowledge is intentionally withheld, creating delays, misunderstandings, and stress in the workplace. Most studies on knowledge hiding are done in Western countries, and their findings do not always match the cultural and workplace realities in Sri Lanka. When looking at Sri Lanka, the few available studies are mostly conducted in academic contexts, not in business organizations. Further, the majority of past research focuses on the hiders' perspective, leaving the victims' experiences, struggles, and interpretations largely unexplored. To address this gap, this study examines how employees experience knowledge hiding from the victims' point of view in a selected Sri Lankan logistics company. It focuses on three areas: the types of knowledge hiding employees face, how they react, and how they perceive the reasons behind such behaviour. This study offers academic significance by highlighting victims' experiences in a developing-country logistics context and by presenting new insights, such as exclusionary hiding and culturally shaped reasons for the behaviour. The practical significance lies in helping organizations understand how knowledge hiding affects daily work and what actions managers and HR can take to encourage a more open and trusting knowledge-sharing environment.

2. Research Methodology

The study adopted an interpretivist qualitative approach as it enabled an in-depth exploration of employees' lived experience and perceptions related to knowledge hiding within the workplace. Further, the study utilized an inductive approach and a single-case study strategy within a leading logistics company in Sri Lanka. The study also followed a cross-sectional

time horizon and used purposive sampling to choose participants who had experienced knowledge hiding behavior. As the sampling procedure, after one of the managers stated that knowledge hiding was an existing issue in their organization, a short screening questionnaire was distributed among employees to identify those who had actually faced such behaviour. Only the employees who confirmed experiencing knowledge hiding were selected for interviews. Semi-structured interviews were conducted with ten employees, and the data were analyzed using thematic analysis to identify key patterns and insights. In terms of trustworthiness, credibility was ensured through careful interviewing and allowing participants to freely describe their experiences, and participants were informed about confidentiality, and their consent was obtained before data collection. Dependability was strengthened by documenting each step of the research process clearly. Confirmability was maintained by keeping all decisions, notes, and coding processes in an audit trail so that the findings reflect the participants' views rather than researcher bias. Transferability was supported through detailed descriptions of the company setting, participant background, and data collection procedures so that readers can judge whether the findings apply to similar organizational contexts.

3. Findings and Discussion

The findings of this study are presented under three areas aligned with the research objectives: (1) types of knowledge hiding experience, (2) victims' reactions, and (3) perceived reasons for knowledge hiding. These insights are based on thematic analysis of interviews with employees who directly experienced knowledge hiding.

When it comes to types of knowledge hiding, the study confirmed that all three types of knowledge hiding identified by Connelly et al. (2012), playing dumb, evasive hiding, and rationalized hiding, occur in the selected logistics company. Victims explained that playing dumb often happened when colleagues pretended not to know answers to avoid helping, especially when junior employees were perceived as capable. Evasive hiding was the most frequent type in the selected logistics company, consistent with Connelly et al. (2012) and Bari et al. (2019). Victims described behaviors such as delaying responses, giving incomplete answers, or pretending to be busy, which created operational delays in the time-sensitive logistics environment. Rationalized hiding was also evident, with employees being excluded from training under excuses such as "you are experienced" or "you don't need this," showing how rules and hierarchy can justify withholding knowledge (Hofstede, 1980; Kaur & Mittal, 2023). A new type of exclusionary hiding emerged uniquely from this research. Instead of directly refusing knowledge, victims were not invited to meetings, projects, or activities where learning happens. This silent exclusion limited growth and reduced their sense of belonging.

Unlike previous studies that mainly discussed outcomes such as stress, frustration, or reduced creativity (Bashir et al., 2024; Bari et al., 2019), this study explored how victims reacted. Emotionally, participants described disappointment, anger, and loss of motivation, which supports the psychological impact highlighted in past literature (Connelly et al., 2019; Kaur & Mittal, 2023). Behaviourally, victims adopted several coping strategies: self-learning, collaborating with supportive colleagues, working extra hours, and even turning negative experiences into motivation. Other reactions included confronting the hider, maintaining professionalism, avoiding the hider, seeking external information, and, in some cases, responding with similar hiding. These responses demonstrate how employees navigate emotional and professional boundaries to continue functioning in a challenging environment.

Past studies identify fear of losing power, job insecurity, and lack of trust as key reasons from the hiders' perspective (Isaac et al., 2021; Bashir et al., 2024; Connelly et al., 2019). This study identifies how victims perceive and interpret the reasons behind knowledge hiding, rather than claiming access to the actual motives of the hiders. From the victims' perspective, these reasons were present, but additional context-specific factors emerged. Victims pointed to bias and discrimination based on gender, age, and religion, cultural and organizational norms that normalize hiding behavior, and ego-driven dynamics, including desire for recognition and image protection, and selfishness. These findings show that in Sri Lankan workplaces, knowledge hiding is shaped not only by individual motives but also by broader cultural and relational factors.

4. Conclusion and Implications

This study contributes to the knowledge hiding literature by bringing forward the rarely explored victims' perspective and showing how employees experience, interpret, and react to this behaviour within a Sri Lankan logistics company. The findings extend existing theory by demonstrating that knowledge hiding is not only an individual act but is strongly shaped by cultural norms, hierarchy, and workplace power dynamics. The study also identifies a new form of hiding, exclusionary hiding, where employees are silently removed from meetings, projects, and learning spaces, a type that has not been clearly discussed in previous research. Further, new victim-identified reasons such as bias and discrimination, ego-driven behaviour, and cultural acceptance of hiding highlight that knowledge hiding is influenced by social context rather than only personal motives. Practically, the study shows that managing knowledge hiding requires more than addressing individual behaviour, organizations need cultural and structural change. Managers and HR must first recognize knowledge hiding as a real issue and build trust through open discussions and transparent communication. Supervisors should be trained to treat employees fairly and reduce favouritism, while policies must ensure

equal opportunities across gender, age, and religion. Finally, organizations should reduce high power distance, promote teamwork, reward collaborative behaviour, and shift mindsets from "knowledge is power" to "knowledge sharing is strength," creating a work culture where openness and learning can thrive.

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Keywords: Exclusionary hiding; Knowledge hiding; Knowledge withholding; Logistics industry; Victim perspective

UNRAVELING THE DECLINING INTEREST OF YOUNGER GENERATIONS IN CONTINUING TRADITIONAL BRASSWARE CRAFTSMANSHIP: A STUDY IN THE KIRIWAULA VILLAGE, SRI LANKA

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1. Introduction

Craft has long been a vital expression of Sri Lanka's cultural heritage, creativity, and identity. Among the country's traditional crafts, brassware craftsmanship holds a particularly esteemed place for its artistic, cultural, and economic significance. Rooted in centuries of history, this craft embodies the fusion of aesthetic beauty, functional skill, and spiritual symbolism that defines Sri Lankan material culture. From temple lamps and oil trays to decorative ornaments and household utensils, brassware has played an essential role in both daily life and religious practice (Handapangoda et al., 2018). For generations, villages such as Kiriwaula, Pilimathalawa, and Ridigama have served as centers of this artistic tradition, where families preserved inherited knowledge through hands-on learning and community cooperation. Beyond its cultural meaning, the brassware industry has contributed substantially to rural economies by providing employment and fostering social cohesion. It stands as a living connection between the island's past and present, a heritage of artistry, devotion, and craftsmanship (Rathnayake & Grodach, 2022).

In recent decades, however, this once flourishing heritage has experienced a severe decline. The pressures of modernization, globalization, and changing aspirations have altered the social and economic landscape of rural Sri Lanka. Younger generations increasingly view traditional crafts as outdated and financially unrewarding, leading to reduced participation in artisanal occupations and threatening the survival of craft legacies (Ananda, 2017).

This study focuses on Kiriwaula, a village historically recognized for its enduring contribution to Sri Lanka's brassware industry. Once a vibrant hub of creative production and cultural pride, Kiriwaula now faces an uncertain future as younger individuals move away from traditional livelihoods.

> *"The young generation … What they all want to do is to find a so-called 'respected' job, either in the government or in the private sector. Because of that, we are going through a lot of hardship, especially when finding loyal and skilled artisans to continue this remarkable industry" (Rathnayake & Grodach, 2022, p. 7).*

The research aims to explore why the younger generation is losing interest in the traditional brassware craft and to understand the key social, cultural, and economic factors influencing their disengagement from this heritage occupation.

The study applies Modernization Theory and Push-Pull Migration Theory to interpret these transformations. Modernization Theory explains how industrial progress, educational expansion, and changing social structures have reshaped perceptions of traditional work, while Push-Pull Migration Theory clarifies how limited rural opportunities and urban attractions influence occupational mobility. Together, these theories provide a conceptual framework to understand the generational shifts and broader cultural changes affecting traditional crafts.

2. Research Methodology

This study used a qualitative methodology to understand the experiences and perceptions of young individuals in traditional brass crafting families. A case study strategy was selected to examine the issue within the natural setting of Kiriwaula village, where brassware craftsmanship has been practiced for generations. Purposive sampling was used to select eight young participants from families involved in the craft who could directly explain the generational shift happening in the industry. Data were collected through in-depth semi-structured interviews that allowed participants to freely express their views, challenges, and expectations. Thematic analysis was used to analyze the interview data by identifying codes, patterns, and themes related to the declining interest in the craft (Yin, 2015). The study's credibility was supported by careful comparison with existing literature and by maintaining accuracy in interpreting responses. Ethical requirements, including informed consent, confidentiality, and voluntary participation, were followed (Creswell, 2013). This methodological approach was suitable because it helped capture the cultural, social, and economic factors influencing youth disengagement from traditional brassware craftsmanship.

4. Findings and Discussion

Thematic analysis of the data identified seven interconnected factors contributing to this trend: cultural devaluation, educational and familial influences, occupational challenges, economic instability, technological backwardness, inadequate institutional support, and future disengagement. The first major theme, cultural devaluation, highlights the diminishing prestige associated with traditional artisanship. Once regarded as a symbol of pride and identity, brassware work is now perceived as outdated and less valuable within a modern context. Younger generations often associate success with urban employment and formal education rather than manual craftsmanship. Educational and familial influences emerged as another crucial factor. The formal education system prioritizes academic

achievement and professional careers, providing little encouragement for cultural or vocational learning. Parents, seeking improved living standards for their children, frequently steer them away from traditional occupations, reinforcing the break in generational continuity. The occupational challenges of brass crafting also discourage youth engagement. The craft demands intensive labor, long hours, and work under physically demanding conditions, often without safety measures or modern facilities. These conditions, paired with limited innovation, make the craft less attractive to younger individuals seeking stability and modern working environments. Economic instability further weakens the sustainability of brassware production. Artisans face unpredictable raw-material prices and inconsistent product demand. Many rely on intermediaries who retain a large portion of profits, leading to low income and reduced motivation among younger craftsmen. The issue of technological backwardness also plays a significant role. Despite the global shift toward modernization, many artisans in Kiriwaula still rely on outdated methods and manual tools, limiting production efficiency and market competitiveness.

The younger generation, growing up with digital exposure, often views such outdated processes as irrelevant to their ambitions. Inadequate institutional support compounds these challenges. Although brassware is officially recognized as a part of Sri Lanka's cultural heritage, limited policy attention, training programs, and promotional initiatives have hindered its growth. The lack of formal support mechanisms has left artisans marginalized in a rapidly changing economy. Finally, future disengagement reflects a deep sense of detachment among young people. Many express little interests in inheriting the craft, viewing it as an occupation that offers neither respect nor financial security. This attitude highlights a broader social transformation in which traditional craftsmanship is losing relevance to modern lifestyles. The findings reveal a clear generational divide between older artisans who continue their work out of pride and cultural duty and younger individuals who seek alternative, modern professions. This divide is not merely personal but deeply rooted in the structural and cultural transformations brought by modernization. Brassware craftsmanship, once a central component of Sri Lankan rural identity, is now at risk of fading into obscurity due to the combined impact of social change and economic marginalization. The study suggests that the decline of brassware craftsmanship in Kiriwaula mirrors wider trends in traditional industries across developing nations. Industrialization and globalization have marginalized artisanal practices within economies increasingly focused on technological innovation and efficiency. The Kiriwaula case illustrates how shifts in perception, aspiration, and opportunity can redefine the meaning and value of cultural heritage in contemporary society. Understanding the lived experiences of younger generations is essential for discussions on cultural preservation and sustainability. The research emphasizes that safeguarding traditional crafts requires more than preserving tools or

techniques; it depends on acknowledging the social meanings, pride, and identity that give them life. Recognizing the reasons behind youth disengagement is key to sustaining cultural practices that hold historical and emotional importance for communities.

5. Conclusion and Implications

The study concludes that a combination of cultural, social, and economic factors within the Kiriwaula community shapes the declining interest of younger generations in continuing traditional brassware craftsmanship. Young individuals are discouraged by the low social recognition attached to the craft, the physically demanding nature of the work, the absence of modernization, and the limited financial stability available in the industry. The findings show that family expectations, educational priorities, lack of institutional support, and outdated tools further reduce youth motivation to remain in the craft. These factors collectively contribute to weakening generational knowledge transfer and threaten the long-term continuity of brassware craftsmanship. The theoretical implication of the study is that the changes in youth attitudes can be understood through the influence of modernization and shifting cultural values. The practical implications highlight the importance of improving support for artisans by strengthening training opportunities, introducing modern techniques, improving market access, and creating better earning possibilities. The study suggests that coordinated efforts from community members, policymakers, and craft development institutions are necessary to protect the cultural and economic value of the brassware industry and to ensure the craft's sustainable continuity.

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Keywords: Handicraft; Intergenerational knowledge transfer; Loss of craft heritage; Traditional craftsmanship; Traditional practices

SUSTAINABILITY OF THE GIG ECONOMIC ACTIVITIES IN SRI LANKA: IN-DEPTH ANALYSIS OF ISSUES, STRATEGIES, AND SUCCESS STORIES FOR LONG-TERM STABILITY.

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1. Introduction

In the wake of the COVID-19 pandemic, the gig economy has emerged as one of the most relevant and rapidly evolving employment models globally and in Sri Lanka, providing new income opportunities for job seekers and individuals. While full-time employment has traditionally been the norm, many job seekers are turning to contract work and becoming gig workers due to factors such as the growing workforce, economic downturns, and difficulty finding permanent jobs, as well as the desire to connect with new-generation technology (Radoslaw Malik, 2021). Today, educated professionals are joining global freelance platforms because they are more interested in short-term jobs than full-time jobs (Janadari, 2020). Despite growth as a trend, there is limited background for people to work as gig workers in Sri Lanka due to inherent issues in the country compared to other countries. The major problem with that is the issues and difficulties faced by gig workers. According to that, the purpose of this study is to identify the socio-economic and political issues faced by gig workers, examine the strategies used to manage those issues, and assess the sustainability and effectiveness of those strategies. Previous studies are limited to developed countries and address basic issues faced by gig workers. However, there is limited understanding of how Sri Lankan gig workers, especially digital and driving gig workers, maintain their economic activities in the face of many common issues, such as socio-economic and political barriers. Addressing this research gap, the present study investigates the sustainability of gig economy activities in Sri Lanka by exploring the challenges that gig workers face, the strategies they employ in difficult times, the factors that contribute to their long-term stability, and the success stories associated with those strategies.

2. Research Methodology

This study adopts a qualitative, inductive approach to explore the issues faced by gig workers and the strategies they adopt to sustain the gig economy in Sri Lanka. Therefore, the investigative approach is qualitative in nature and follows a case study research design. This study was conducted primarily among digital and ride-hailing gig workers in Sri Lanka. The

snowball sampling technique was used because information on the two types of respondents was not readily available to the researcher. Data were collected from gig workers through semi-structured interviews. The data collection period lasted 2 months. Thematic analysis was then used as the main analytical tool of the study (Aronson, 1995). Data Immersion, Coding, Creating Categories, and Identifying Themes were then carried out by using the carefully transcribed transcripts of all the in-depth interviews. Mainly, there were 26 questions in the interview protocol. The first section covered the participants' background information. In the second section, information regarding the first objective of the study, exploring the socio-economic and political issues faced by the gig workers, was taken. The third section covered the information needed for the second objective, namely to study the strategies used to manage the issues faced by gig workers. The data to achieve the third objective, to examine the Sustainability and effectiveness of strategies used, were collected using the next section. Questions were kept open-ended to allow participants to share detailed responses. The sample size for the gig workers' saturation point was achieved with seven respondents, while it was reached with five ride-hailing gig workers.

3. Findings and Discussion

This study addressed three research questions to understand the socio-economic, political, and institutional challenges faced by gig workers in Sri Lanka, as well as the strategies they employ and their sustainability.

Findings indicate that gig workers, in particular, experience a range of Multidimensional Vulnerabilities within the Gig Economy, including Digital Operational and Technological Adaptation, Political and Institutional Barriers, Social Acceptance and Security Challenges, Economic Insecurity and Lack of Financial Inclusion, and Operational and Workplace Challenges. Similarly, Ride-hailing gig workers experience a range of socioeconomic and Institutional vulnerabilities, categorized as: Financial Precarity & Platform, Lack of Social Perception and Status Costs, Lack of Regulatory & Law Enforcement, Demographic Factor Effects, and Operational Friction.

The study identified several coping strategies used by gig workers to manage these challenges. Key strategies include technological and operational adaptations, income diversification across multiple platforms, skill building through online learning, and developing strong customer relationships. Workers also rely on personal financial buffers, informal worker networks and contracts, advance payments, and self-invoicing to mitigate risks. Some have begun formalizing their operations by registering as small enterprises, thereby gaining access to financial services and building credibility. The themes developed around the different strategies used by digital gig workers were Holistic Resilience Building Strategies and Strategies for Gig Workers 'Continuity. The themes developed around the

different strategies used by ride-hailing gig workers were: Strategies for Resilience.

The analysis revealed that these strategies provide short-term efficiencies and improve efficiency, customer engagement, and financial security. Technological innovation and continuous learning help workers cope with rapid industry changes, but weak digital infrastructure and rapid platform evolution limit sustainable progress. Although financial and contractual strategies reduce immediate risks, they cannot provide lasting security without institutional support. Flexible work arrangements enhance autonomy and personal development, but the lack of long-term protections and policy recognition undermines overall sustainability. Therefore, although gig workers demonstrate resilience, their strategies are only partially effective. Long-term improvements depend on structural reforms, stronger regulation, and formal recognition of gig work in national labour policies. The themes: Awareness and Experience, Self-Sustainability Satisfaction, and Effectiveness of Strategies were developed based on the substantiveness of the strategies used by digital gig workers.

4. Conclusion and Implications

This study examined the challenges faced by digital and ride-hailing gig workers, the strategies they adopt, and the factors that support their long-term success. The findings show that they face various socio-economic and political problems. Despite these issues, gig workers use adaptive strategies. In addressing the research questions, the study concludes that while gig workers demonstrate resilience and resourcefulness, long-term sustainability cannot depend solely on individual strategies. Stronger institutional support is essential. Therefore, national policy reforms should prioritize the formal recognition of gig work, improved labour protections, financial inclusion mechanisms, and the development of digital and infrastructural systems that safeguard gig workers' economic security. Strengthening these frameworks will help integrate gig work as a stable and legitimate component of Sri Lanka's labour market.

The study advances theoretical understanding of Sri Lanka's gig economy by showing that Human Capital Theory, Dual Labor Market Theory, and the Sustainable Livelihoods Framework. The findings emphasize the need for policymakers to formally recognize gig work, expand social protection, and establish fair digital labour regulations. This study also highlights the gig economy's growing role in supporting youth employment, gender inclusion, and economic resilience.

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***Keywords*:** Gig economy; Sustainability; Resilience; Digital platforms; Ride-Hailing; Sri Lanka

EXPLORING THE ISSUES AND POTENTIAL STRATEGIES IN VALUE CREATION OF CINNAMON FARMING: A CASE STUDY IN KOSGODA, SRI LANKA

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1. Introduction

Sri Lanka holds a dominant global position as the sole major producer of high-quality Ceylon cinnamon, particularly the Geographical Indication (GI), protected "Southern Cinnamon" cultivated in the southern region of the country. In the international market, cinnamon is available in many forms, including cinnamon sticks, ground cinnamon, cinnamon oil, cinnamon extract, cinnamon capsules, and cinnamon-based cosmetic and skincare products. These diversified products demonstrate the wide global demand for value-added cinnamon and highlight the economic opportunities available within the industry (Hewavitharana, 2022). However, despite Sri Lanka's strong international reputation and its continued production of premium-quality Ceylon cinnamon, the country pays limited attention to value-added production. The cinnamon sector largely remains confined to traditional methods, with most farmers engaging only in basic cultivation and raw cinnamon processing (TSC, 2016). Instead of moving towards higher-value products such as oils, powders, extracts, or cosmetic items, farmers continue to rely on long-established practices that prioritize raw bark production. In the Kosgoda area, cinnamon cultivation is primarily carried out as a subsistence or small-scale agricultural activity. Farmers typically harvest and peel the cinnamon and then sell it directly to intermediaries. These intermediaries capture the higher profits associated with value-added processing, while farmers receive only a minimal share of the final product's economic value. Although the region has a long history of cinnamon cultivation, farmers do not generally produce by-products or experiment with value-added options. Their exclusive dependence on intermediaries has limited innovation and hindered the development of a more profitable cinnamon-based economy. This situation highlights the need for enhanced awareness, traditional labor practices, technological support, financial barriers, intertwined socio-cultural stigma, market dominance by intermediaries and institutional guidance to help farmers shift towards value-added production, product diversification potential and realize the full economic potential of Ceylon cinnamon in Kosgoda. Therefore, this study aims to achieve two main research objectives; to identify and analyze the key constraints faced by cinnamon farmers in adopting value-added processes and to assess potential opportunities and

strategies for overcoming challenges in value addition within the cinnamon industry.

2. Research Methodology

This study adopted a qualitative research approach using a case study design focused on the cinnamon farming community in Kosgoda, Sri Lanka (Jayakody, 2024). A purposive sampling strategy ensured diverse representation across the cinnamon value chain, including smallholder farmers, institutional supporters, and traders linked to domestic and export markets. Semi-structured interviews served as the primary data collection method, supported by field observations and document reviews and all interviews were completed within a month. When collecting data from farmers, the saturation point was reached with nine respondents, while two institutions were considered to explore the institutional support available for the value addition process in the industry. Data were analyzed using thematic analysis, following Braun and Clarke's (2006) six-phase model; identifying, analyzing, and presenting patterns (Themes) in data, offering comprehensive and in-depth insights. In the data immersion stage, an in-depth understanding of participants' experiences was developed by carefully reading and re-reading the interview transcripts. This repeated engagement with the data helped me recognize patterns, common concerns, and recurring ideas relevant to value addition in the cinnamon industry. All collected data were manually managed and transcribed to maintain accuracy and familiarity with participants' narratives. Following immersion, the coding process began by systematically labeling meaningful segments of text that reflected important concepts or issues raised by participants. These initial codes were then organized into broader categories by grouping similar codes together to form more coherent clusters of meaning. Finally, themes were identified based on these categories, representing the major patterned insights that emerged from the collected data. These themes captured the core challenges, opportunities, and stakeholder perspectives shaping value addition in the Kosgoda cinnamon sector.

3. Findings and Discussion

Key data analysis techniques included coding qualitative interview data to identify dominant themes, such as social, economic, and institutional barriers, and mapping these findings to potential opportunities in the cinnamon industry. Traditional labor-intensive methods dominate cinnamon peeling, with a pronounced shortage of skilled labor due to the low social value of the peeler profession and youth migration to cities. Financial and institutional barriers persist, including high training costs, inadequate access to affordable credit, underdeveloped extension services, and complex certification requirements. The cinnamon market is characterized by the dominance of intermediaries, leaving primary producers with little bargaining power, discouraging both investment and

adoption of improved processing methods. Despite basic awareness of the profitability of value addition, practical uptake remains limited because of high costs, low returns for producers, and minimal institutional and policy support. Some opportunities exist, such as subsidized planting materials, emerging extension services, and the expansion of cultivation into non-traditional regions, though these require careful sustainability planning. The study's findings align with previous research on Sri Lanka's spice sector, which highlights persistent technological conservatism, weak institutional support, and the exploitative role of intermediaries as key barriers to rural value addition and agricultural upgrading (Ranjith, 2020). Prior literature emphasizes similar social stigmas attached to labor-intensive agricultural roles and identifies market and certification access as central hurdles. Unlike some past studies that are optimistic about the potential of certification, this study reveals that neither certification nor government schemes by themselves guarantee improved market access or sustained income, due to inconsistent implementation and high compliance costs (Mirta, 2023). Compared to other agricultural sectors, the cinnamon industry's unique socio-cultural labor dynamics and entrenched market structure present acute challenges. However, the study points out that the growing recognition of value addition, combined with institutional reforms and inclusive finance, could bridge gaps between potential and practice. The need for holistic, multi-stakeholder interventions and policy reform emerges as a consensus between the current findings and a wide range of literature from both the Sri Lankan and broader international context. This nuanced synthesis underscores that transforming the Kosgoda cinnamon sector into a high-value, sustainable industry requires integrated approaches that address social attitudes, labor structure, institutional capacity, and financial inclusion concurrently.

4. Conclusion and Implications

The study concludes that despite Sri Lanka's global prominence in high-quality Ceylon cinnamon production, the Kosgoda cinnamon sector remains constrained by traditional practices, limited value addition, and socio-economic barriers that restrict farmer profitability. Key constraints include low social value attached to peeling labor, economic disincentives, dominance of intermediaries, and insufficient institutional and financial support. However, opportunities exist through institutional reforms, subsidized inputs, emerging extension services, and cultivation expansion into new areas, provided sustainability concerns are addressed. Theoretically, the study reinforces the understanding that rural agricultural value addition is a complex interplay of socio-cultural, economic, and institutional factors, underscoring the need for multifaceted approaches rather than single interventions. It contributes localized empirical evidence, highlighting unique labor dynamics and market structures within the Sri Lankan cinnamon industry. Practically, the findings suggest that policy-

makers and industry stakeholders should focus on integrated strategies encompassing capacity building, financial inclusion, technological adoption, and market structure reforms to empower farmers. Addressing social stigma around labor, enabling affordable skill development, improving certification accessibility, and reducing middlemen dominance are critical to unlocking value addition potential and sustainable profitability in the Kosgoda cinnamon sector.

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Keywords: Ceylon cinnamon; Cinnamon farming; Intermediaries; Product diversification; Value addition

IMPACT OF TOTAL QUALITY MANAGEMENT (TQM) ON ORGANIZATIONAL PERFORMANCE IN GOVERNMENT COMMERCIAL BANKS IN KURUNEGALA DISTRICT

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1. Introduction

Total Quality Management is crucial for strengthening organizational excellence across both the public and private service sectors. In the modern banking environment, customer trust, operational efficiency, and service reliability are essential. At the same time, Total Quality Management practices offer a structural path for empowering employees, enhancing client-focused practices, and improving processes. In Sri Lanka, the public banking sector supports financial inclusion, public confidence, and rural development (Central Bank of Sri Lanka, 2023). Still, it faces challenges such as pressure to improve service quality, legacy processes, and higher customer expectations, underscoring the need for quality management practices.

Government commercial banks in Kurunegala have insufficient empirical evidence on how TQM influences multidimensional organizational performance (financial, social and environmental). Organizational performance refers to the bank's efficiency, customer satisfaction, service quality, and sustainability. TQM covers leadership, people management, process management, strategic planning, and client focus and was selected as an independent variable, since it provides a structured approach to improve the organizational performance (Ahire et al., 1996; Talib & Rahman, 2012). This study fills the gap by investigating TQM's impact at the district-level government banks in Sri Lanka.

Accordingly, the study aims to evaluate the current extent of TQM implementation, to estimate the impact of TQM practices on multidimensional organizational performance, and identify the TQM practices with the most significant influence on performance to prioritize managerial action in government commercial banks in the Kurunegala District.

The significance of the study extends to managers, practitioners, and policymakers to guide them in strengthening service delivery, quality-driven transformation, and enhancing public value across the Sri Lankan public commercial banking sector. Further study promotes reducing the

paper usage for a sustainable environment with the digital banking growth and greater social responsibility.

2. Research Methodology

The study has adopted the positivist research philosophy, which is appropriate for hypothesis testing in order to examine the impact of Total Quality Management on the performance of the public commercial banks. For the empirical validation of the established Total Quality Management theory, a deductive approach has been employed. To capture the managerial perceptions and statistical analysis of relationships among variables followed a quantitative methodology and with the cross-sectional service strategy. Accordingly, the context for the study was three major public commercial banks, including National Savings Bank, Bank of Ceylon, and People's Bank, operating in the Kurunegala district, with the unit of analysis of managerial-level employees, as they are directly involved in establishing quality practices and evaluating organizational performance. Utilization of the stratified random sampling technique ensured the proportional representation across the banks with the sample of 154 managerial-level employees within the sample period of August to October 2025.

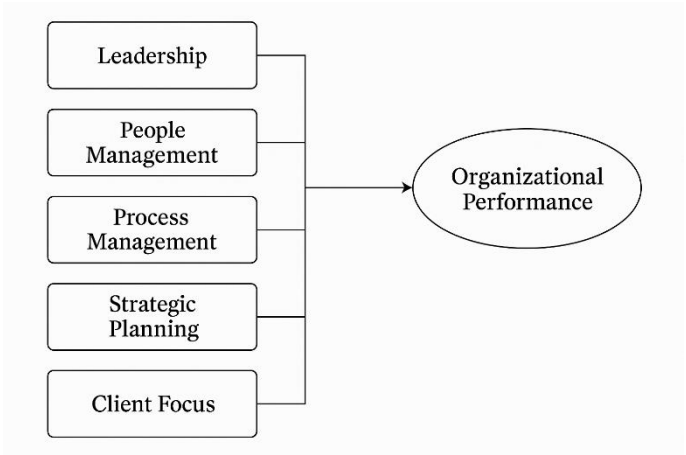

Figure 1: Conceptual framework
Source: Developed by the Author

Using a structured questionnaire, data were collected, and a five-point Likert scale was utilized to quantify the perceptions of employees about leadership, people management, process management, strategic planning, client focus, and organizational performance. The selected methodology is unique and appropriate for addressing research questions, generalizing findings, and district-specific evidence.

3. Findings and Discussion

The study utilized SPSS software to analyze the 154 responses. Analysis consists of descriptive statistics, reliability testing, correlation analysis, and multiple regression. The analysis demonstrated strong reliability (Cronbach's alpha) by confirming internal consistency. The following table shows the summary of reliability.

Table 1: Cronbach's alpha coefficients for all constructs

Construct	Cronbach's Alpha	Interpretation
Leadership	0.892	Excellent reliability
People Management	0.876	Excellent reliability
Process Management	0.854	Good reliability
Strategic Planning	0.831	Good reliability
Client Focus	0.867	Excellent reliability
Organizational Performance	0.903	Excellent reliability

Source: Developed by the Author

Correlation analysis demonstrated that there is a significant positive ($p<0.01$) relationship between organizational performance and Total Quality Management practices, highlighting that improvements in leadership, people management, process management, strategic planning, and client focus lead to enhanced financial, environmental, and social performances. Further, regression analysis revealed that all five Total Quality Management dimensions significantly predict the organizational performance with 79.5% variance ($R^2 = 0.795$). The following table shows the summary of regression coefficients.

Table 2: Regression summary

Predictor	Standardized Coefficients (β)	Sig. (p)	Interpretation
Leadership (L)	0.232	0.000**	Significant
People Management (PM)	0.211	0.002**	Significant
Process Management (PR)	0.178	0.011*	Significant
Strategic Planning (SP)	0.194	0.004**	Significant
Client Focus (CF)	0.253	0.000**	Highly significant

Source: Developed by the Author

Findings demonstrated that the strongest predictors of organizational performance are client focus (β = 0.253) and leadership (β= 0.232). This result aligns with the empirical studies that highlighted the Total Quality Management matured by allocating resources, shaping culture, and driving

continuous improvement (Ahire et al., 1996). Similarly, strong client-focused demonstrated with emphasis that complaint handling, responsiveness, and reliability are core drivers of service satisfaction in banking (Parasuraman et al., 1991; Talib & Rahman, 2012).

Process management's positive influence (β=0.178) supports the argument that efficiency enhancement and error reduction are due to standardized processes (Flynn et al., 1995). Operational consistency and service quality are improved by training and employee involvement. That reinforces the findings of demonstrating a significant effect of people management (β=0.211). Strategic planning (β=0.194) has a positive and significant impact. That is consistent with the view of planning work as a mechanism for strengthening the alignment rather than shaping the performance directly (Akao, 1991).

The findings of the present study align with empirical evidence highlighting that TQM practices positively impacted the multidimensional organizational performance. For instance, recent studies (Bahrain 2025; Nigeria 2024; UK 2023) revealed that TQM enhances operational, financial, and service performance with client focus and leadership, supporting the study findings that TQM improves the multidimensional organizational performance in government commercial banks, strengthening efficiency, service quality, and sustainability.

4. Conclusion and Implications

The study concludes that the organizational performance of the public banks in the Kurunegala district can be enhanced by Total Quality Management practices. All the Total Quality Management dimensions, including leadership, process management, people management, strategic planning, and client focus, highlighted a strong positive impact on financial, environmental, and social performances. The most influential drivers, such as leadership and client focus, demonstrate the necessity of customer-centered service delivery and managerial commitment for enhancing stakeholder satisfaction and operational efficiency.

The findings reinforce the Total Quality Management theory by confirming that government banks could benefit from the integration of quality services. Total Quality Management practices altogether influence the financial, environmental, and social performance while contributing to the literature with the district-level evidence. Therefore, the study broadens the multidimensional understanding.

Public bank managers need to empower the employees, strengthen the leadership involvement, and invest in process management to ensure the consistency of the service quality. Further, organizations can accelerate the continuous improvement by aligning branch-level strategies with quality service goals and enhancing customer feedback systems. Overall, the study

provides the roadmap for the public banks to use the Total Quality Management tools as a strategy to improve sustainable performance.

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Keywords: Public banks; Total quality management; Organizational performance; Leadership; Client focus

EXPLORING THE POTENTIAL STRATEGIES TO ATTRACT DIGITAL NOMADS TO SRI LANKA

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1. Introduction

Digital nomads are place-independent employees who work remotely with the help of digital technologies and temporarily reside in other locations across the globe (Hannonen, 2020; Jiwasiddi et al., 2024). With the rise of remote work and digital infrastructure, this way of life is now becoming a globally visible form of work-related mobility, redefining visitor traffic and local economies. The increasing number of digital nomad studies on how these categories of travelers shape their living styles, form relationships with locals, and shape the process of destination development focuses on Europe, North America, and Southeast Asia (Chevtaeva & Denizci-Guillet, 2021; Hannonen, 2020; Jiwasiddi et al., 2024; Reichenberger, 2017; Zhou et al., 2024). The current literature outlines both positive and negative consequences of promoting digital nomads. For example, positive consequences include longer stays and higher average spending. For example, negative consequences include housing pressure, gentrification, and social-cultural tensions (Reichenberger, 2017; Jiwasiddi et al., 2024).

Although Sri Lanka's tourism sector continues to grow, and digital nomadism represents a promising new market segment, the country has not yet taken meaningful strategic action to engage this group, despite its rising global visibility. Sri Lanka, therefore, requires a clear, context-specific strategy to attract and manage digital nomads effectively (Kpundeh, 2017). Nevertheless, Sri Lanka is gaining increasing popularity in global rankings and policy agendas on digital nomads. Yet, there is a significant gap in empirical, context-specific studies on how the country can strategically attract and manage this group. The available literature is mostly based on research in other destinations. It cannot reflect the reality of the institutional, infrastructural, and social aspects of South Asia, in general, and Sri Lanka, in particular (Jiwasiddi et al., 2024; Zhou et al., 2024). To avoid this, this paper will examine ible measures to as to Sri Lanka through a synthesis of the views of the main stakeholders in the country with an interest in tourwithtion, immigration, and digital infrastructure., The research is important because it will offer an empirically grounded framework for policy, planning, and sustainable tourism development in a developing digital nomad destination.

2. Research Methodology

The study was grounded in an interpretivist philosophy and an inductive qualitative approach. We sought to obtain contextual information. The research strategy was multiple qualitative case studies focusing on potential strategies to attract digital nomads to Sri Lanka, from the perspectives of individuals involved in national-level policy development in Sri Lanka. Therefore, the unit of analysis is at the individual level.

The purposive sampling involved a criterion-based initial step, selecting participants based on their direct involvement in tourism-related decision-making in Sri Lanka. After identifying this core group, the snowball sampling technique was used to obtain additional contacts through the recommendations of the initial participants, as needed. The criteria were that the participants should be actively engaged in decision making in tourism-related issues in Sri Lanka (e.g., the members of the Sri Lanka Tourism Development Authority, Sri Lanka Association of Inbound Tour Operators, university lecturers engaged in tourism policy making), have at least three years of experience in tourism policy, tourism development, or tourism strategic planning, and have a clear understanding of tourism trends, digital nomadism, and national tourism policies, and be directly related to the tourism context in Sri Lanka.

In-depth semi-structured interviews, along with document review, were used to gather data on existing policy intentions and strategic directions. Interviews were recorded, transcribed, and analyzed using reflexive thematic analysis, progressing from initial coding to categories and higher-order themes. This interpretive qualitative design is consistent with recent efforts that investigate the notion of digital nomadism by detailing the lifestyle, place, and visitor-economy interactions rather than using strictly quantitative measures (Chevtaeva & Denizci-Guillet, 2021; Jiwasiddi et al., 2024).

3. Findings and Discussion

The thematic analysis generated five strategic themes supported by twelve categories. The findings indicate that attracting digital nomads to Sri Lanka requires a multidimensional framework encompassing Policy, Governance and Institutional Strengthening; Infrastructure and Digital Readiness; Community, Culture, and Sustainable Integration; Global Branding and Lifestyle Positioning; and Economic Resilience and Global Competitiveness.

1. Policy, Governance, and Institutional Strengthening:

This includes strategies related to Policy and Legal Frameworks, Governance and Institutional Coordination, Visa and Residency Facilitation. Participants emphasized the absence of a clear legal and policy framework and proposed strategies, including establishing a Digital Nomad Visa, simplifying immigration processes, and improving inter-agency

coordination among tourism bodies. Policy benchmarking against Portugal, Estonia, and Thailand highlighted the need for structured monitoring and adaptive policy reform.

2. Infrastructure and Digital Readiness:

This includes strategies related to Public-Private Collaboration, Digital Infrastructure and Connectivity, Innovation and Service Development. Digital connectivity, expansion of fiber-optic networks, enhancement of nationwide broadband coverage, and increasing coworking spaces were identified as essential. Public–private partnerships were viewed as critical for rural digital upgrades and service innovations such as nomad villages and integrated work–stay ecosystems.

3. Community, Culture, and Sustainable Integration:

This includes strategies related to Community Engagement and Empowerment, Sustainable and Inclusive Tourism Development, Cultural and Knowledge Exchange. Participants stressed socially inclusive and culturally grounded approaches. Community-based tourism, local entrepreneurship support, cultural immersion programs, and sustainable tourism practices were highlighted as mechanisms to balance nomad inflow with local well-being.

4. Global Branding and Lifestyle Positioning:

This includes strategies related to Destination Branding and Marketing and the Lifestyle and Wellness Value Proposition. Sri Lanka's global narrative should position the country as a live-work-wellness destination. Authentic branding, lifestyle-focused marketing, wellness value propositions, and storytelling through digital platforms were noted as vital for visibility and destination competitiveness.

5. Economic Resilience and Global Competitiveness:

This includes strategies related to Economic Growth and Global Positioning. Digital nomads were recognized as high-value travelers whose spending supports SMEs, off-season tourism, and foreign-exchange inflows. Participants emphasized the need for a holistic strategy to differentiate Sri Lanka from competitors such as Bali, Thailand, and Portugal.

The findings align with global research on digital nomadism, reinforcing the importance of coordinated policy frameworks, socio-technical infrastructure, and destination branding. However, Sri Lanka's context-specific challenges highlight the necessity of a localized, sustainable, and community-responsive model.

This study contributes several unique insights that extend beyond global digital-nomad literature. The findings show that Sri Lanka's strengths lie in community-based digital nomad tourism, where nomads collaborate with local entrepreneurs, rural cooperatives, and women-led businesses to create

shared economic and social value. The promotion of slow and wellness-focused tourism, supported by Sri Lanka's reputation for Ayurveda, meditation, and cultural immersion, positions the country as an ideal live–work–wellness destination. The study also highlights the need to expand digital infrastructure into rural and semi-urban regions, framing connectivity not only as a technological requirement but also as a tool for regional equity. Another distinctive contribution is the proposal for decentralized, community-rooted digital nomad villages that distribute tourism benefits across regions. Finally, the research emphasizes the importance of strong government-led public–private partnerships, reflecting Sri Lanka's institutional realities and supporting coordinated, sustainable management of digital nomad development.

4. Conclusion and Implications

The study concludes that attracting digital nomads to Sri Lanka requires a comprehensive, multi-dimensional strategy grounded in the five themes identified in the thematic analysis: policy reform and institutional strengthening, enhanced digital infrastructure, community and cultural integration, global branding, and economic competitiveness. Central priorities include establishing a Digital Nomad Visa, improving inter-agency coordination, expanding broadband and coworking spaces into rural and semi-urban areas, and developing community-based tourism models that integrate digital nomads with local entrepreneurs, rural cooperatives, and women-led businesses. These approaches position Sri Lanka not only as a functional remote-work destination but as a distinctive live–work–wellness environment that emphasizes authenticity, cultural immersion, affordability, and emotional well-being.

In Sri Lanka, digital infrastructure functions as a tool for regional equity, community engagement reduces conflict, and branding requires a shift from romanticized imagery to authentic cultural narratives. The study also proposes context-specific innovations—such as decentralized digital nomad villages and government-led public–private partnerships—which illustrate how global frameworks must be adapted to fit the institutional and socio-cultural realities of emerging economies.

Practically, the findings provide clear guidance for policymakers, SLTDA, SMEs, and tourism planners. Recommendations include designing targeted visa programs, strengthening institutional coordination, developing nomad villages and regional coworking hubs, and advancing lifestyle- and wellness-oriented marketing strategies that differentiate Sri Lanka from destinations like Bali, Portugal, and Thailand. The study also highlights opportunities for SMEs and local communities to benefit from nomad-related demand through service development, entrepreneurship, and culturally grounded tourism offerings.

Future research should examine the socioeconomic impacts of digital nomad inflows, evaluate long-term community integration models, and conduct comparative studies with other emerging destinations to refine Sri Lanka's global positioning in the digital nomad landscape.

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Keywords: Digital infrastructure; Digital nomads; Policy reform; Sri Lanka; Sustainable tourism

EXPLORING THE SUCCESS STORY OF PARALLAX TECHNOLOGIES: A JOURNEY OF DIGITAL TRANSFORMATION

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1. Introduction

In a world where the business environment is rapidly changing, businesses must adapt to the change accordingly. Change management is recognised as a structured approach to guiding organisational transformation (Sya'diah, 2024), and in both theory and practice, it is now closely associated with technological advancement and value creation (Klarner et al., 2025). Leaders continue to identify change management as a major challenge during digital initiatives (Siemens, 2019 as cited in Pacolli, 2022). Although digital transformation is often viewed as a technology driven shift, research highlights that it also requires changes in leadership, culture, mindsets, risk attitudes, and work practices (Kane et al., 2015 as cited in Kraus et al., 2021).

Globally, small and medium enterprises (SMEs) contribute nearly 70% to economic growth and 90% to global GDP (Sagala & Ori, 2024). In Sri Lanka, SMEs represent more than 75% of enterprises and contribute 52% to GDP (Rassool & Dissanayake, 2019). Despite their importance, many struggle to survive in competitive markets, and research shows that adopting digital transformation can reduce failure risk (Sagala & Ori, 2024).

However, SMEs in European countries adopt digital technologies more slowly, with only one in five running highly on digitalised operations (Bettoni et al., 2021 as cited in Lemos et al., 2022). Existing studies are also focused on Western contexts, creating a gap in understanding how SMEs in developing countries navigate internal transformation.

In response to this gap, the present study investigates the digital transformation of Parallax Technologies, a Sri Lankan information technology-based SME, which was driven by the need to improve efficiency, reduce manual workload, enhance accuracy, and remain competitive in a rapidly changing digital environment. This study also contributes to existing knowledge by providing insights from a Sri Lankan SME context, addressing a gap in the literature that is largely dominated by Western settings. Furthermore, the study offers meaningful guidance for SME leaders and policymakers by illustrating how Sri Lankan SMEs can effectively approach digital transformation.

2. Research Methodology

This study is guided by the interpretivist philosophy, which assumes that reality is socially constructed and shaped by how individuals interpret their experiences (Saunders et al., 2009). An inductive approach was adopted because existing empirical work on digitalization among Sri Lankan small and medium enterprises is limited, allowing insights to emerge from participant experiences rather than predefined assumptions (Saunders et al., 2009). As Stebbins (2001) explains, exploratory studies are designed to gain new insights and build understanding rather than test specific hypotheses. This study also seeks to understand how digital transformation unfolded within its real organizational context.

A qualitative single case study strategy was selected to capture the direct experiences of digital transformation at Parallax Technologies, enabling the researcher to deal directly with the individual case in its actual context (Yin, 2016). Case studies are especially suitable for answering how and why questions (Yin, 2003).

Purposive sampling supported by the snowball technique was used to select five participants directly involved in the transformation, where participants are deliberately selected based on the qualities they possess and their ability to provide relevant information (Etikan et al., 2016). Data were collected through semi-structured interviews conducted via online platforms and phone calls. Interviews were transcribed and translated.

Data were analyzed using Braun and Clarke's six-phase thematic analysis, which provides a clear and systematic process for identifying patterns within data and for organizing and describing a data set in rich detail (Braun & Clarke, 2006). Credibility, dependability, and confirmability were ensured through trustworthiness practices outlined by Lincoln and Guba (1985).

3. Findings and Discussion

The study generated five key themes that explain how Parallax Technologies navigated its digital transformation: Technological Transformation, Organisational Learning and Knowledge Management, Blended Leadership Style, Agility and Innovation Capability, and Cultural Change.

Technological Transformation highlighted a structured transition from manual processes to digitalized systems across HR, marketing, software development, and finance. The organization adopted AI tools, IoT-based solutions, cloud computing, and data analytics to improve accuracy and efficiency. These findings reinforce arguments by Liu et al. (2011) that digital transformation means the integration of digital technologies into all areas of a business.

Organizational Learning and Knowledge Management emerged as a central enabler. Parallax systematically converted tacit knowledge into explicit

knowledge through documentation, Canva workflows, cross-functional collaboration, and weekly knowledge-sharing meetings.

Blended Leadership Style played a dominant role in shaping the organisation's transformation journey. The co-founder demonstrated both visionary leaderships, through setting long term goals and direction, and transformational leadership, through motivating employees and encouraging innovation. This aligns with findings that digital transformation is not only a technological process but a human-centred change that requires alignment between strategy, leadership, and employee readiness (Kane et al., 2015 as cited in Kraus et al., 2021).

Agility and Innovation Capability were reflected through experimentation, flexible practices, and encouragement of employee initiative. Employees were empowered to try new tools, approach problems creatively, and learn from both successes and mistakes. The use of scenario-based planning, iterative learning, and flexible work arrangements further strengthened their ability to respond to challenges and adapt to new digital systems.

Cultural Change represented a shift from traditional hierarchical structures to a more collaborative and transparent culture. Reduced formalisation, open communication, and cross-functional teamwork created an environment that supported digitalisation. Findings of this study align with the view that digital transformation needs changes in leadership, workplace culture, and how people think, taking risks, trying new ways of working, using new technologies, and being comfortable with uncertainty and continuous change (Kane et al., 2015, as cited in Kraus et al., 2021).

4. Conclusion and Implications

This study concludes that the digital transformation of Parallax Technologies was driven by the combined influence of technological adoption, strong leadership, continuous learning, agile work practices, and a supportive organisational culture. The findings show that successful transformation extends beyond technology and relies heavily on human centred factors such as leadership behaviour, teamwork, knowledge sharing, and openness to new ways of working. The transformation at Parallax demonstrates that small and medium enterprises in developing countries can successfully digitalise internal business functions when leaders provide clear direction, employees are encouraged to engage in learning, and the workplace culture supports transparency and collaboration.

Theoretical implications highlight a deeper understanding of how digital transformation unfolds within SMEs in developing country contexts. The study shows that transformation is not just a technical process but also a human and organisational journey shaped by leadership, knowledge sharing, and cultural change. The findings demonstrate that leadership

driven transformation supported by continuous learning and adaptability can lead to long term success and sustainability in digital environments.

Practically, the findings provide guidance for small and medium enterprise leaders and decision makers. Organisations should invest in leadership development, encourage learning-oriented practices, promote agile working environments, and create cultures that support experimentation and change. Policymakers can also use these insights to design support mechanisms that strengthen the digital readiness of Sri Lankan small and medium enterprises.

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Keywords: Agility; Digital transformation; Leadership; Organisational learning; Small and medium enterprises

HUMAN RESOURCE MANAGEMENT

THE IMPACT OF JOB BURNOUT ON WORK ENGAGEMENT: MODERATING ROLE OF EMOTIONAL INTELLIGENCE AMONG IT PROFESSIONALS IN SRI LANKA

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1. Introduction

The Information Technology (IT) industry in Sri Lanka is rapidly growing and plays a key role in the country's digital transformation. However, IT professionals often face high workloads, tight deadlines, and rapid technological changes, making them vulnerable to job burnout (Maslach, Schaufeli, & Leiter, 2016). Burnout- marked by emotional exhaustion, depersonalization, and reduced personal accomplishment- negatively impacts work engagement, defined by vigor, dedication, and absorption, thereby lowering productivity and increasing turnover. According to the Job Demands-Resources (JD-R) model, employees are more likely to experience disengagement and burnout when job demands surpass available resources.

Although the burnout–work engagement relationship has been widely studied in Western contexts, limited research has examined Sri Lanka's IT sector, which faces unique cultural and occupational pressures (Sharma & Sharma, 2021). Emotional intelligence (EI), a personal resource that helps individuals perceive, regulate, and manage emotions, is recognized as protective against workplace stress (Akanni et al., 2019; Slaski & Cartwright, 2012). However, its moderating role in the burnout–engagement link remains underexplored in the Sri Lankan context.

This study investigates the impact of job burnout on work engagement among IT professionals in Sri Lanka, focusing on the moderating role of emotional intelligence (EI). As burnout comprises three dimensions- emotional exhaustion, depersonalization, and reduced personal accomplishment- examining each is crucial to identify which most strongly reduces engagement. The objectives are: (1) to assess the influence of each burnout dimension on work engagement, and (2) to evaluate how EI moderates these effects to help maintain engagement under burnout conditions.

Theoretically, this study extends the JD-R model by providing direct empirical evidence that emotional intelligence (EI) functions as a personal resource that weakens the negative effect of burnout on engagement. The significant moderating effect indicates how EI helps employees maintain engagement despite high job demands.

Practically, the findings guide IT organizations in developing EI-focused training, stress-management practices, and well-being initiatives. By identifying the most harmful burnout dimensions and showing how EI mitigates their impact, the study supports more effective strategies to enhance resilience and engagement among Sri Lankan IT professionals.

2. Research Methodology

This study adopted a positivist philosophy, assuming a single objective reality where knowledge can be observed and measured. A deductive approach guided by the Job Demands–Resources (JD-R) model was used to test hypotheses regarding burnout, engagement, and emotional intelligence. A quantitative methodology with a cross-sectional survey strategy enabled standardized data collection at a single point in time. The research was conducted in Sri Lanka's IT sector, a high-demand environment prone to burnout due to workload pressures and rapid technological change. The individual IT professional served as the unit of analysis, including developers, analysts, administrators, and support staff.

A required sample of 384 was identified using the Morgan sampling table for a population of 175,000 IT professionals (SLASSCOM, 2024). The sampling procedure employed a non-probability convenience sampling method, in which participants were selected based on accessibility and willingness to respond, given the dispersed nature of the IT workforce. Data were collected over a two-month period, from 1 February 2025 to 31 March 2025, yielding 250 valid responses. Primary data were collected using an online structured questionnaire, employing validated instruments including the Maslach Burnout Inventory–General Survey (MBI-GS), Utrecht Work Engagement Scale (UWES-9), and Goleman's Emotional Intelligence Scale.

3. Results/ Findings and Discussion

All measurement instruments demonstrated strong reliability, with Cronbach's Alpha values exceeding the 0.70 benchmark. Job burnout and its dimensions showed excellent internal consistency ($\alpha = 0.933–0.947$), while work engagement ($\alpha = 0.827$) and its subscales, as well as emotional intelligence components ($\alpha = 0.746–0.851$), remained within acceptable ranges. Construct validity was confirmed through a high KMO value (0.838) and a significant Bartlett's Test ($\chi^2 = 1511.910$, $p < 0.001$), indicating sampling adequacy and suitability for advanced statistical and moderation analyses.

Correlation analysis revealed a strong negative relationship between job burnout and work engagement ($r=-0.978$, $P<0.01$). Regression results showed that job burnout accounted for 88.1% of the variance in engagement ($R^2=0.881$). Each burnout dimension significantly reduced engagement, emotional exhaustion ($\beta = -0.195$, $p < 0.01$), depersonalization ($\beta = -0.924$, $p < 0.01$), and reduced personal accomplishment ($\beta = -0.636$, $p < 0.01$).

Moderation analysis confirmed that Emotional Intelligence significantly buffered the negative effect of burnout on engagement ($p < 0.001$). Importantly, introducing EI as a moderator increased the model fitness by 8%, raising the explanatory power from 88.1% to 96.6% ($\Delta R^2 = 0.085$). This indicates that EI substantially enhances the predictive strength of the model, underscoring its crucial role in sustaining engagement under burnout conditions.

The study confirms that job burnout significantly reduces work engagement, consistent with the Job Demands-Resources (JD-R) model (Bakker & Demerouti, 2017) and prior findings (Schaufeli et al., 2014). Among the three dimensions, depersonalization exerted the strongest negative effect, followed by reduced personal accomplishment and emotional exhaustion. This pattern contrasts with Maslach and Leiter (2016), who emphasized exhaustion as the central driver, suggesting that in Sri Lanka's IT sector, detachment and a lack of achievement weigh more heavily than fatigue in diminishing engagement.

The moderating effect of EI aligns with Gorgens-Ekermans and Brand (2012), who showed that EI reduces stress-induced burnout, and Ravichandran et al. (2011), who found that employees with high EI maintain engagement in high-pressure contexts. This study extends those insights by demonstrating, with empirical evidence, that EI not only buffers burnout but also enhances model explanatory power by 8% in the Sri Lankan IT sector.

These findings position EI as a critical personal resource within JD-R theory, enabling employees to regulate emotions, sustain resilience, and remain engaged despite adverse job demands. For practice, they underscore the value of embedding EI training and development within IT organizations to mitigate burnout and maximize engagement.

4. Conclusion and Implications

This study demonstrates that job burnout significantly reduces work engagement among IT professionals in Sri Lanka. All three burnout dimensions- emotional exhaustion, depersonalization, and reduced personal accomplishment- negatively influenced engagement, with depersonalization exerting the strongest effect. Emotional intelligence (EI) was found to buffer this relationship, increasing the model's explanatory power from 88.1% to 96.6%, indicating that employees with higher EI remain more engaged even under high job demands. The study contributes theoretically by providing empirical evidence that EI functions as a moderating personal resource within the JD-R framework, strengthening the model's explanatory capacity. It further adds contextual value by providing evidence from the Sri Lankan IT sector, where limited empirical work exists on burnout, engagement, and EI. These findings help refine the JD-R model in technology-driven, high-pressure work environments.

Practical insights highlight the need for IT organizations to take targeted actions to reduce burnout and strengthen employees' emotional capabilities. Implementing EI-focused training programs, stress-reduction initiatives, and psychological well-being practices can mitigate depersonalization and enhance engagement levels. Organizations may also benefit from creating mechanisms that support employees' emotional regulation and interpersonal effectiveness, enabling a more resilient and engaged workforce in the demanding IT sector.

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Keywords: Emotional intelligence; IT professionals; Job burnout; Sri Lanka; Work engagement

DIRECTORS AS STRATEGIC LEADERS IN CORPORATE GOVERNANCE AND HUMAN RESOURCE DEVELOPMENT FOR SUSTAINABLE ORGANIZATIONAL GROWTH AND ACCOUNTABILITY

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1. Introduction

Directors are the strategic backbone of corporate entities, personifying both governance and leadership in dynamic business environments. The Companies Act No. 7 of 2007 has therefore set out the explicit legal mandate for directors within the Sri Lankan corporate regime to manage, oversee, and conduct company affairs in a manner consistent with statutory and fiduciary duties. The institution of the director serves as an agent, trustee, or fiduciary bound to ensure transparency, integrity, and accountability in making decisions. Their behaviors not only shape the company's financial performance but also define its ethical persona and social responsibility. As such, it falls upon the directors to safeguard stakeholder confidence and secure corporate legitimacy.

However, these days, with increased competition and greater social awareness in business, the role of directors is no longer confined to mere legal requirements. Contemporary directors are required to be strategic leaders who can link corporate governance with human resource development. They have to promote innovation and motivation among employees, ensure employee engagement, and maintain the principles of equity and good governance. This dichotomy raises a serious research question: how can directors fulfill their legal obligations regarding loyalty, care, and diligence while fostering human capital and organizational culture?

The main purpose of the study will be to explore the emerging role of directors as governance authorities and catalysts for human capital development. More precisely, the study examines the link between fiduciary duty and leadership in ways that positively reinforce employees' welfare, performance, and ethics. Some of the objectives include: (1) assessing statutory and fiduciary responsibilities of the directors under Sri Lankan law; (2) assessing their impact on HRD and corporate culture; and (3) providing strategic steps to align governance with human development. This research, therefore has significance for its interdisciplinarity, linking legal theory with management practice to establish how ethical leadership and good governance are interdependent bases for corporate sustainability and long-term success.

2. Research Methodology

This qualitative doctrinal study is set within the context of corporate governance in Sri Lanka. This paper, though centered on Sri Lanka, uses selected foreign case law, such as Re City Equitable Fire Insurance Co. Ltd (1925) and Howard Smith Ltd v Ampol Petroleum Ltd (1974), solely for comparative insight, as Sri Lankan jurisprudence regarding directors' duties remains limited. The core dataset used consists of the Sri Lankan Companies Act No. 7 of 2007, two international and two local judicial decisions, two scholarly commentaries, two codes on corporate governance, and relevant policy documents.

The primary method of analysis was document analysis. The process included (i) the systematic identification of all legislation, cases, and academic literature relevant to the study; (ii) the thematic coding of concepts on duty of care, fiduciary responsibility, and ethical leadership; and (iii) cross-comparison between statutory provisions, judicial interpretations, and theoretical perspectives. This inductive process identified patterns illustrating how the legal duties of directors intersect with human resource leadership roles within Sri Lankan corporations.

Trustworthiness was achieved by triangulating diverse data sources, transparency in the selection of the authorities relied upon, and reliance on well-established legal principles and peer-reviewed scholarship. This approach offers a robust, contextually grounded understanding of directors as both legal and organisational leaders.

3. Results/ Findings and Discussion

Indeed, findings from this study, which are informed by a review of statutory provisions, judicial precedents, and contemporary corporate governance literature, demonstrate that the role of directors extends beyond administrative and financial functions. Evidence sourced from Sections 187–197 of the Companies Act No. 7 of 2007, along with scholarly commentaries on fiduciary obligations, reveals that directors have statutory responsibilities to act in good faith and to exercise reasonable care and skill, to avoid conflicts of interest, and to safeguard corporate confidentiality. This legal framework, when interpreted alongside empirical evidence on governance–performance linkages, suggests that directors who exercise these responsibilities are likely to engender superior levels of ethical behavior, reliable organizational performance, and positive HRD cultures. Scholarship reported in the HRD literature, which shows that open and responsible leadership enhances trust, reduces turnover, and fosters employee commitment, further supports this conclusion regarding the nexus between governance and HRD. Meaningful parallels are drawn from comparisons between fiduciary duties and extant leadership models in human resource development theory. For example, the fiduciary duty of loyalty parallels the transformational leadership dimension of idealized

influence, which involves serving as a moral role model. In a similar vein, the duty of care parallels individualized consideration, in which leaders show concern for employees' needs and promote employee development. The duty to act in good faith parallels inspirational motivation, which is defined as fostering an elevated, ethically based shared vision. All these theoretical connections are supported by the literature from Bass, Avolio, Greenleaf, and other associated scholars that leadership based on integrity and service fosters positive influences on HRD outcomes. The application of the principles discussed here is further supported by case law, including Regal (Hastings) Ltd v Gulliver (1942) and Percival v Wright (1902). Based on such findings, failures of fiduciary duties clearly threaten not only legal security but also internal morale and stakeholder confidence. The findings also identify the directors' duties in the case of insolvency or a serious reduction in capital, as outlined in Sections 219 and 220 of the Act. Evidence from corporate governance studies indicates that directors who disclose financial jeopardy early, take steps to protect the business, and care for employees retain organizational stability. When directors embed HRD strategies such as open communication, professional development, collective decision-making, and equitable reward systems, the organization becomes more adaptable, innovative, and harmonious. The discussion, in sum, reassures that effective corporate governance and HRD are self-reinforcing. Directors who discharge their duties with ethical foresight, legal compliance, and people-centred leadership substantially elevate organisational climate and performance. Thus, corporate governance should be understood not merely as a legal requirement but as a strategic platform that harmonises accountability with human development towards ensuring sustainable institutional progress.

4. Conclusion and Implications

This study thus concludes that the director is a multidimensional participant in modern corporate governance: he is not only a legal steward but also a strategic leader whose decisions have direct implications on HRD. In this respect, it was found that statutory and fiduciary duties under the Companies Act No. 7 of 2007, especially regarding care, loyalty, good faith, and diligence, help shape organisational ethical culture, employee trust, and workforce stability. Supportive evidence from governance literature and case law has established that directors who conduct themselves with regard for these duties cultivate positive environments for HRD, while their contravention leads to low morale and loss of organisational credibility.

These findings provide a foundation for the practical recommendations made by this study. The alignment between fiduciary duties and people-centred leadership models underpins the recommendation that boards embed HRD principles into governance structures. Similarly, to the extent that transparent communication, ethical conduct, and participatory decision-making bolster organisational resilience, encouraging directors to

take up training programs, implementing mechanisms of inclusive governance, and establishing ethics or sustainability committees is warranted.

The development of greater awareness of HRD responsibilities among Sri Lanka's directors would therefore go hand in hand with the governance reforms and evolving human capital challenges within that country's corporate sector. Ultimately, the research supports the view that directors foster sustainable corporate performance and long-term stakeholder confidence when they temper legal compliance with empathetic, ethical leadership.

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Keywords: Accountability; Corporate governance; Directors; Fiduciary duties; Human resource development

The Influence of Experienced Coworkers and Organizational Culture on The Internship Success of Qualified Fresh Graduates in the Sri Lankan Insurance Sector

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1. Introduction

This study examines The Impact of Experienced Coworker Support and Organizational Culture on Internship success within Sri Lanka's insurance sector. Internships are now recognized globally as a critical pathway from academic training to professional employment. They provide graduates with opportunities to apply theoretical knowledge in real-world contexts while acquiring soft skills, professional behavior, and workplace exposure (Liu & Wang, 2019). The effectiveness of an internship often depends on organizational factors such as coworker support and workplace culture (Schein, 2010). Interns who receive guidance from experienced coworkers adapt more quickly, gain confidence, and perform better (Allen, Eby & Lentz, 2006). Similarly, a supportive organizational culture that emphasizes openness, inclusivity, and learning creates an environment where interns feel valued and motivated (Wenger, 1998; Liu & Wang, 2019). This research explores these dynamics in the Sri Lankan context.

Internships are a critical component of graduate development in Sri Lanka's insurance sector, yet many interns report challenges, including limited mentorship, inconsistent feedback, and rigid communication structures. These issues can hinder learning, confidence, and workplace adaptation.

While global studies have explored internship outcomes, most focus on general training or employability in Western contexts. There is a lack of empirical research on how experienced coworker support and organizational culture specifically affect the development of interns in Sri Lanka's insurance industry.

Theoretical models such as Bandura's Social Learning Theory, Kolb's Experiential Learning, and Wenger's Communities of Practice suggest that interns learn best through active participation, mentorship, and inclusive environments. However, these frameworks have not been widely applied to Sri Lankan insurance firms. Most existing studies focus on general training or employability in broader contexts, often in Western countries.

This study addresses the gap by examining how coworker support (mentorship, feedback, inclusion) and organizational culture (learning

orientation, communication style) shape intern confidence, learning, and satisfaction, offering insights tailored to the local industry context.

Objectives of the Study

- To analyze the role of experienced coworkers in guiding and supporting interns
- To examine how organizational culture influences intern motivation and engagement
- To assess the relationship between coworker support, organizational culture, and overall internship success

Research Question

How do experienced coworkers support, and how does organizational culture influence, the internship success of qualified fresh graduates in Sri Lanka's insurance sector?

Literature Review

This study is grounded in five key theories that explain how interns learn, adapt, and succeed in workplace environments. Each theory supports the conceptual framework and helps define the independent and dependent variables.

Bandura's Social Learning Theory (1977)- This theory explains that interns learn by observing experienced coworkers and modeling their behavior. It supports the independent variable experienced coworker support, especially the dimensions of mentorship and feedback.

Kolb's Experiential Learning Theory (1984)- Kolb emphasizes learning through real-world experience and reflection. This theory supports both independent variables, coworker support and organizational culture, by showing how feedback and learning-oriented environments help interns grow. It also connects to the dependent variable, internship success, especially in terms of skill development.

Schein's Organizational Culture Model (2010) - Schein's model shows how workplace values and norms shape intern behavior and motivation. It directly supports the independent variable organizational culture, especially the dimensions of learning orientation and inclusive communication.

Wenger's Communities of Practice (1998) - Wenger explains that interns thrive when they are treated as real participants in workplace learning. This theory supports both coworker support and organizational culture and links to the dependent variable, internship success, by emphasizing inclusion and confidence-building.

Edmondson's Psychological Safety (1999) - Edmondson highlights the importance of open communication and emotional safety. This theory supports the inclusive communication dimension of organizational culture

and connects to internship success by showing how interns feel more confident and engaged when they can speak up without fear.

Together, these theories form the foundation of the conceptual framework. Empirical studies by Allen et al. (2006), Liu and Wang (2019), and Kumar and Gautam (2012) support the importance of mentorship, feedback, and inclusive environments in shaping intern outcomes.

2. Methodology

This study adopts a positivist research paradigm, aiming to objectively measure how experienced coworker support and organizational culture influence internship success. A deductive approach was used, in which predefined hypotheses were tested using statistical analysis.

The research applied a quantitative methodology, using a structured questionnaire to collect primary data from 128 interns in Sri Lanka's insurance sector. Respondents were selected through purposive sampling, focusing on interns with at least 3 months' experience. Data was collected via Google Forms and in-person distribution. Primary data was collected during the period March–May 2025.

This study tests five hypotheses based on the conceptual framework, which examines how two independent variables, experienced coworker support and organizational culture, influence the dependent variable, internship success.

Experienced Coworkers (IV1)

- H1a- Mentorship and guidance positively influence intern confidence and task performance.
- H1b- Constructive feedback enhances intern learning and skill development.
- H1c- Social support improves intern satisfaction and workplace adaptation.

Organizational Culture (IV2)

- H2a- A learning-oriented culture positively affects intern motivation and engagement.
- H2b- Inclusive communication increases intern satisfaction and retention

Each hypothesis is directly linked to the dependent variable, Internship Success, which includes dimensions such as confidence, learning, satisfaction, and retention. All hypotheses were tested using SPSS, applying correlation and multiple regression techniques to determine the significance and strength of relationships.

A conceptual model was created to show how coworker support and organizational culture influence internship outcomes.

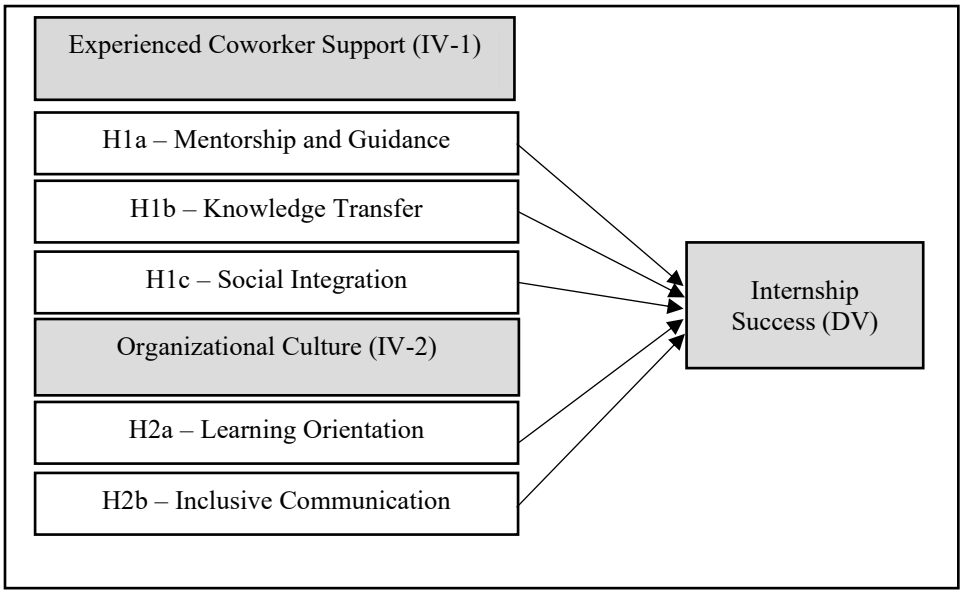

Figure 1: Conceptual Framework
Source: Developed by the Author

Data analysis was conducted using SPSS version 26.

Table 1: Summary of data analysis

Method	Purpose
Descriptive Statistics	Summarize intern responses (mean, frequency, standard deviation).
Correlation Analysis	Identify relationships between variables
Multiple Regression Analysis	Test the impact of each independent variable on internship success outcomes.
Reliability Testing (Cronbach's Alpha)	Ensure consistency and internal reliability of measurement scales.

Source: Developed by the Author

3. Results/ Findings and Discussion

The study revealed that both experienced coworker support and organizational culture have a significant impact on internship success in Sri Lanka's insurance sector.

Among coworker-related factors, mentorship and guidance showed the strongest influence, with an R^2 value of 0.801. Interns who received clear task support and emotional encouragement from senior staff reported higher confidence and performance. This aligns with Bandura's theory of learning through modeling and the findings of Allen et al. on mentorship.

Feedback and knowledge transfer also played a major role (R^2 = 0.784), confirming that timely, constructive feedback helps interns develop practical skills and adapt to workplace expectations. Interns valued informal tips and demonstrations from experienced coworkers, supporting Kolb's experiential learning model.

Social support and inclusion had a moderate but meaningful effect (R^2 = 0.762). Interns who felt emotionally supported and included in team activities were more satisfied and better adjusted. This reflects Wenger's idea of learning through community participation.

In terms of organizational culture, a learning-oriented environment (R^2 = 0.784) boosted intern motivation and engagement. Interns responded positively to workplaces that encouraged reflection, skill-building, and growth.

Inclusive communication (R^2 = 0.762) improved intern retention and satisfaction. Open dialogue, respectful feedback, and psychological safety helped interns feel valued and heard, aligning with Edmondson's theory of psychological safety.

Overall, the findings confirm that internship success is not only shaped by formal training but also by the quality of interpersonal relationships and workplace culture. These insights are especially relevant for Sri Lanka, where hierarchical structures and limited feedback often challenge intern development.

4. Conclusion and Implications

The findings of this study confirm that experienced coworker support and organizational culture play a vital role in shaping internship success. Interns who receive mentorship, constructive feedback, and emotional support perform better, feel more confident, and adapt more easily to workplace demands. Similarly, inclusive and learning-oriented cultures enhance intern motivation, engagement, and retention.

These results support key principles from social learning theory, experiential learning, and organizational behavior. They show that

internship success is not only about technical training, but also about the quality of relationships and the workplace environment. Interns thrive when they are treated as valued team members and supported through open communication and shared learning.

The study offers several practical implications for Sri Lanka's insurance sector

Table 2: Practical implications

Recommendation	Purpose / Impact
Structured mentorship programs	Builds intern confidence and performance through consistent guidance and role modeling.
Regular feedback sessions and peer learning platforms	Enhances intern learning and skill development by clarifying expectations and encouraging reflection.
Emotional support and team inclusion	Improves intern satisfaction and workplace adaptation by fostering a sense of belonging and reducing anxiety.
Open dialogue and psychological safety	Increases intern motivation and retention by encouraging voice, trust, and respectful communication.

Source: Developed by the Author

These recommendations can help improve internship programs and support graduate development more effectively.

However, the study has some limitations. It focused only on interns in the insurance sector, and data was collected at a single point in time. Emotional support was measured indirectly, and responses may have been influenced by personal interpretation or social desirability bias. Organizational culture may also vary across firms and regions, affecting generalizability.

Despite these limitations, the study provides valuable insights into how workplace learning and culture affect intern outcomes. Future research could expand to other sectors, include supervisor perspectives, and explore emotional intelligence and long-term career impact.

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Keywords: Coworker support; Insurance sector; Internship success; Mentorship; Organizational culture; Sri Lanka

EXPLORING CHALLENGES FACED BY WORKING MOTHERS IN DUAL-CAREER COUPLES IN SRI LANKA IN MANAGING MULTIPLE ROLES

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1. Introduction

Dual-career couples are couples where both partners are well educated, work full-time in demanding professional or managerial jobs, and see themselves on an upward path in their work roles (Canhilal & Shemueli, 2023). Dual-career couples have become increasingly common as more women participate in full-time employment and pursue long-term career goals. This shift marks a clear movement away from the traditional single-income and dual-earner models and towards a more equal pattern of work participation between men and women (Shockley et al., 2025). Globally, the growth of dual-career families has contributed to economic development, gender equality, and improved household stability.

Although there are some studies that have already identified challenges faced by dual career couples in developed/Western countries (Abele & Volmer, 2011; Haas, 2020), the studies in the Sri Lankan context are scarce (Himali, 2019; Senaratne, 2018). In addition to that, in extant literature on women's employment, especially working mothers, most of the studies have focused on work and family roles despite managing multiple roles in contemporary society (Liang et al., 2024). The Sri Lankan context portrays a distinct environment shaped by deeply ingrained socio-cultural norms, rather than the developed/ Western countries (Kodagoda, 2018). A preliminary study revealed that working mothers from different professional backgrounds often struggle to manage their responsibilities across different areas of life. Their primary reflections suggest that they experience pressures that affect their multiple roles. Thus, it is important to deeply explore the challenges faced by working mothers in dual-career couples in Sri Lanka because these households are becoming increasingly common, and the pressures they experience affect both family well-being and workplace productivity.

Therefore, the objective of this study is to explore the challenges faced by working mothers in dual-career couples in Sri Lanka when managing multiple life roles. Understanding their struggles helps create more supportive policies, workplace practices, and social attitudes. This discussion is essential for promoting gender equality, improving mental health, and strengthening both families and the national workforce.

2. Research Methodology

This study followed the interpretivist philosophy, an inductive approach, and qualitative research methodology, aiming to explore subjective meanings and patterns emerging from how working mothers in dual-career couples experience real-life challenges, rather than validating numerical measurement or testing existing theories. An exploratory research design allowed participants to speak freely about their perceived challenges when managing diverse roles and responsibilities. A multiple case study strategy was chosen because each working mother represents a unique case, and comparing cases helps identify common and differing experiences across individuals. The unit of analysis was at the individual level.

Purposive sampling was used to select participants who met the criteria of representing different professional backgrounds, having children below 18 years, and both partners in full-time employment was directly relevant to the research objective. Data were collected from 8 participants through semi-structured in-depth interviews and analysed using Braun and Clarke's (2006) six-phase framework of thematic analysis. The use of thematic analysis helped identify meaningful patterns in the data and was suitable for answering the exploratory research question.

3. Results/Findings and Discussion

Five main themes emerged: Work role-related challenge, Family role-related challenges, Personal role-related challenge, Society-related challenges, and External environment-related challenges.

Work role-related challenges emerged through a Shared work culture in which staying for longer duration is considered as commitment, and a Lack of family-friendly policies. Family role-related challenges include Lack of family support, Excessive household activities, children-related challenges, Crossover of stress, and Family limiting the career. Personal role-related challenges include medical concerns, Physical exhaustion, feelings of guilt, Emotional burden and exhaustion, Lack of mental well-being, Lack of quality of life, Challenges related to higher education, feeling of uneasiness due to social comparison, feeling of uneasiness due to social judgements, and feeling like giving up the job.

Social role-related challenges include La lack of social networking, and Societal expectations like traditional gender roles obstructing working mothers, and criticism from society for being a “working mother. External environment-related challenges emerged through the Lack of proper infrastructure facilities such as a lack of quality daycare centers and travelling problems, and Difficulties in finding quality domestic support.

This study supports the existing literature that working mothers’ days mainly revolve around work and family responsibilities, leaving no space for relaxation (Abele & Volmer, 2011; Fernando & Perera, 2019; Shockley et al.,

2025). These findings highlight emotional exhaustion and the gradual loss of individuality among working women (Mainiero, 2020). They often sacrifice self-care to meet others' needs (Allen & Kiburz, 2012; Deng et al., 2022).

From the themes, context-specific insights emerged related to the challenges faced by mothers in dual career couples in Sri Lanka: health and reproductive concerns, over-emphasis on children's education, crossover of stress, lack of quality sleep, missing hobbies, clashes between in-laws, shared work culture in which staying for a longer duration is considered a commitment.

4. Conclusion and Implications

This study explored the challenges faced by working mothers in dual-career couples in Sri Lanka. The findings revealed that mothers experience pressures across work, family, personal, social, and external domains. Work-life difficulties are not individual-oriented problems but reflect wider organisational, social and external conditions. These context-specific findings suggest that policy responses must address not only workplace practices but also childcare, infrastructure, community norms, and family support systems to improve working mothers' well-being.

Theoretical implications include extending existing work-family and role conflict theories to a Sri Lankan context by considering multiple roles and highlighting how cultural values and shifting family structures shape mothers' experiences. The study contributes new perspectives on health-related and intergenerational challenges within dual-career households.

Practical implications suggest that employers should introduce flexible working hours, supportive supervisors, and family-friendly policies to reduce work-life strain. Policymakers can strengthen childcare support, parental leave, and awareness programs that promote shared responsibilities at home. Families, especially husbands and extended relatives, can help reduce mothers' workload through more equal role-sharing. Overall, the findings emphasise the need for coordinated support across workplaces, families, and communities to improve the well-being of working mothers.

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***Keywords**:* Challenges; Dual-career couples; Multiple roles; Sri Lanka; Working mothers

NAVIGATING COMPLEXITY THROUGH FLOW: QUALITATIVE INQUIRY INTO TOP MANAGERS IN SRI LANKAN ICT SECTOR

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1. Introduction

Flow is a psychological state characterized by intense concentration, loss of self-consciousness, and distortions in time perception when performing an activity. In spite of the fact that flow research has explored its antecedents (e.g., challenge-skill balance, clear goals, job resources), characteristics (e.g., deep concentration and time distortion), and consequences (e.g., better work performance, creativity, and well-being) in a vast range of professions, the studies have involved mainly in the Western context and dearth of knowledge is known about the executive leader position in South Asian emerging economies (Zhang & Wang, 2024). It has been established that flow improves motivation, productivity, and proactive job-crafting in employees (Bakker & Van Woerkom, 2017). Top managers have their own challenges in flow maintenance because they have to make high-stakes decisions, deal with the complexity of strategies, and swift technological transformations (Korner et al., 2024). The Information and Communication Technology sector in Sri Lanka has played an important role in transforming the national economy, bringing in around USD 1.5 billion in foreign exchange in 2022 and aiming to reach at USD 3 billion by 2024 (Technology Sector Development Team, 2022). Although this has increased, a lacuna of studies is done to understand how top managers in this industry navigate flow states in the process of undertaking challenging leadership tasks. The research will address contextual, empirical, and methodological gaps by investigating the lived experiences of top managers in terms of flow state challenges and flow state maintenance strategies in the ICT sector of Sri Lanka. Particularly, the gap in the methodology is the predominance of quantitative studies (surveys, meta-analysis) as the current flow of research, which, although they provide correlations and trends, cannot reflect the subjective richness and depth of flow experiences, especially in executive leadership positions in non-Western environments (Zhang & Wang, 2024). The study will seek to determine certain interruptions that disrupt flow and management approaches used by managers to maintain the optimal level of performance, thus extending flow theory to non-Western settings and offering applied leadership training insights within technologically dynamic, collectivistic cultural frameworks.

In order to increase the practical significance and to make the research context topical, the preliminary screening was performed using the Work-Related Flow Inventory (WOLF) created by Bakker (2008). This first survey of 13 Sri Lankan ICT industry top managers showed that approximately three-quarters of respondents reported moderate to high flow in their work (41.7% high flow, 33.3% moderate flow, and 33.3% low flow). These results proved that flow is a practically applicable and contextually existing psychological phenomenon within the target population, which is why it is important to provide an in-depth qualitative discussion of how these managers experience, encounter difficulties with, and manage flow states in their high-pressure leadership roles. The identified theoretical, contextual, empirical, and methodological gaps are supplemented with this practical validation, making it a strong argument in favor of this qualitative inquiry of the flow experiences among the top managers of the Sri Lankan ICT sector.

2. Research Methodology

This paper adopted an interpretivist philosophical perspective, where the study employed an inductive approach, the qualitative multiple case study strategy to examine the lived experiences of top managers. The main study focused on eleven top managers in executive leadership positions, including Chief Executive Officers, Chief Technology Officers, Chief Information Officers, and senior managers with strategic decision-making responsibilities within Sri Lanka's ICT sector. Participants were selected through purposive sampling to obtain information-rich cases providing deep insights into flow experiences, challenges, and navigation strategies. Importantly, participants represented diverse flow experience levels to capture the full spectrum of flow-related phenomena, including both successful flow maintenance and barriers preventing flow achievement. Each participant was treated as an individual case, allowing within-case analysis of their unique organizational context before conducting cross-case analysis to identify patterns and themes. Data collection involved in-depth semi-structured interviews lasting 60 to 90 minutes, supplemented by field notes and reflexive memos. Data analysis followed Braun and Clarke's (2006) six-phase thematic analysis framework across all cases.

3. Results/ Findings and Discussion

This study reveals novel insights into executive flow experiences that extend beyond Western-centric flow literature in three significant ways: (1) it demonstrates how collectivist cultural values transform social support systems into systematic flow interruptions rather than resources, (2) it identifies personal mastery strategies as necessary adaptations to structural constraints rather than preferred choices, and (3) it reveals cascade effects where challenges in one domain amplify disruptions across all others, creating a systemic rather than isolated phenomenon.

Thematic analysis across eleven cases identified distinct patterns of flow disruption and navigation unique to this cultural and organizational context. Addressing the first research question on flow interruption challenges, forty-one codes emerged and condensed into four overarching themes:

Communication and Cultural Obligations refer to the culturally-embedded expectation of constant managerial availability that renders interruptions socially unavoidable rather than discretionary. Unlike Western settings, where boundary-setting is normative, this theme encompasses digital notification overload, instant messaging demands, unscheduled meeting interruptions, and 24/7 accessibility expectations rooted in collectivist values—representing a fundamental departure from existing flow literature which assumes individual autonomy in managing interruptions.

Technology and Workspace Barriers describe the paradoxical condition where ICT infrastructure simultaneously enables and disrupts focus. This theme encompasses poor connectivity, open-office acoustic distractions, and technostress from complex applications (aligning with existing theories), but extends existing research by revealing how technology professionals themselves struggle with digital overload despite their technical expertise.

Organizational Structure and Workload Pressures capture the systematic fragmentation of attention through institutional mechanisms. This theme includes hierarchical approval bottlenecks, resource constraints, role multiplicity, and competing priorities that exceed individual capacity—patterns consistent with the Job Demands-Resources model (Bakker et al., 2022) but intensified in resource-limited emerging economies where managers must fill multiple specialized roles simultaneously.

Psychological and Cognitive Strain represents the cumulative depletion of attentional resources resulting from sustained exposure to the above challenges. This theme encompasses decision fatigue, critical system responsibility stress, and emotional labor—extending Körner et al.'s (2024) work by demonstrating how collectivist obligations prevent the recovery periods necessary to replenish cognitive resources.

Critically, cross-case analysis revealed that these themes operate through reinforcing cascade effects unique to this context: cultural obligations amplify communication demands, which drain psychological resources, while organizational rigidity prevents structural solutions, thereby forcing reliance on personal coping strategies.

For the second research question on navigation strategies, analysis yielded three major themes that reflect adaptive responses to the culturally-specific challenges identified above:

Structural Defense of Flow Space encompasses the proactive construction of protective boundaries across temporal, spatial, and communicative

dimensions including calendar blocking, physical environment optimization, and notification management. While boundary-setting strategies appear in Western literature, this study reveals they must be enacted through culturally acceptable mechanisms (e.g., calendar blocking as legitimate unavailability) rather than direct refusal.

Personal Mastery and Inner Resource Development involve cultivating internal capabilities through cognitive regulation, energy management, and continuous skill development, aligning with self-determination perspectives on flow (Bakker & Van Woerkom, 2017). However, this study's unique contribution shows that these strategies emerge from necessity rather than preference, becoming the primary accessible approach when organizational inflexibility and cultural expectations constrain structural solutions.

Strategic Orchestration Through Distribution entails intelligent redistribution of demands through task structuring, delegation, and technological leverage. This theme extends existing research by demonstrating how delegation in hierarchical, collectivist settings requires a sophisticated balancing act between distributing workload and maintaining visible managerial involvement a tension absent in individualistic cultural frameworks.

Cross-case comparison revealed substantial individual variation in strategy emphasis based on organizational flexibility, hierarchical authority, and personal work philosophy, with personal mastery being universally employed precisely because it requires no organizational permission or cultural norm violation. These findings fundamentally challenge the cultural generalizability of Western flow theories by demonstrating that collectivist values, hierarchical structures, and resource constraints create flow dynamics that require culturally adapted theoretical frameworks rather than the simple application of existing models (Zhang & Wang, 2024).

4. Conclusion and Implications

This multiple case study provides insights into flow experiences among top managers in Sri Lanka's ICT sector, revealing unique contextual challenges and adaptive strategies across organizational contexts. Cross-case analysis demonstrates that flow interruptions for executives are multidimensional, spanning communication demands, technological barriers, organizational pressures, and psychological strain, with cultural factors playing significant roles. Theoretically, this study extends flow theory into non-Western executive contexts, demonstrating that cultural dimensions substantially influence both flow disruptions and maintenance strategies. The findings contribute to leadership psychology by showing that executive flow requires deliberate orchestration rather than optimal task design. The multiple case study strategy revealed both commonalities and context-specific variations, strengthening identified patterns. Practically, organizations can develop leadership support systems that protect executive focus time, establish

communication protocols that balance accessibility with concentration needs, and create culturally appropriate interventions. Leadership development programs should incorporate flow literacy, teaching managers to recognize flow states, identify disruption patterns, and implement evidence-based strategies. The strategic distribution approach identified across cases suggests that building team capabilities and distributing decision authority can simultaneously enhance organizational effectiveness and individual leader flow experiences. These findings have particular relevance for emerging digital economies where executive leadership quality significantly impacts organizational competitiveness and national economic development.

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Keywords: Executive leadership; Flow state; ICT sector; Multiple case study; Sri Lanka

NAVIGATING SOCIAL LOAFING: A QUALITATIVE INQUIRY ON ACTIVE TEAM MEMBERS' COPING STRATEGIES AT FACULTY OF MANAGEMENT STUDIES, SABARAGAMUWA UNIVERSITY OF SRI LANKA

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1. Introduction

Collaborative learning has become a defining feature of contemporary university education, shaping how students think, interact, and ultimately prepare for the realities of professional teamwork. Also, employers consistently identify teamwork as a critical competency (Francis et al., 2024). Although group-based learning enhances these skills, its effectiveness is often constrained by social loafing which is a tendency for individuals to reduce effort when working in groups due to lowered accountability (Karau & Williams, 1993). Social loafing has long been recognized as a barrier to productive collaboration, with research showing negative effects on motivation and overall team performance (Hall & Buzwell, 2012).

Preliminary evidence from the Faculty of Management Studies at Sabaragamuwa University of Sri Lanka (FMS – SUSL) shows that, despite the strong institutional emphasis on teamwork, students frequently experience unequal participation during continuous assessments due to some members' social loafing. The disconnect between expected teamwork competencies and students' real experiences highlights the need for a deeper understanding of the issue within the local academic context.

Although many studies have examined the causes and prevalence of social loafing, limited research examines how active team members cope with peers' loafing during academic group work. This gap is especially acute in collectivistic contexts such as Sri Lanka, where cultural norms encourage interpersonal harmony and cooperative approaches to group tasks (Gunawardens & Jayatilleke, 2020; Himasha & Dharmaratne, 2024). Accordingly, this study explores how active members in continuous assessment teams at FMS – SUSL experience and respond to social loafing. The study is significant as it advances scholarly understanding by offering a context-specific contribution to the literature by examining of how active team members cope with peer social loafing in collectivistic higher education settings, while also providing practical implications for enhancing teamwork practices, strengthening fairness in group-based assessments, and informing capacity building within academic and professional environments.

2. Research Methodology

We adopted an interpretivist philosophy, which assumes that reality is socially constructed and best understood through participants' subjective meanings (Bryman & Bell, 2021; Creswell & Poth, 2018). Since social loafing varies across individuals and is embedded in personal experiences, interpretivism enables a nuanced exploration of how active members perceive and respond to it within real academic settings. Consistent with this stance, we used a qualitative case study strategy, focusing on the FMS–SUSL as the bounded research context (Yin, 1981). The unit of analysis is the individual active team members involved in continuous assessments.

We employed purposive and snowball sampling strategies to recruit eight fourth year management undergraduates who met the "Contributing to the team's work" criteria of the C–ATME instrument, ensuring that only genuinely active contributors were selected (Creswell & Poth, 2018). Data were gathered through in-depth semi structured interviews, allowing rich insights into emotional and behavioral coping mechanisms. We used thematic analysis following systematic coding, categorization, and theme development (Braun & Clarke, 2006), ensuring trustworthiness by adhering to Guba and Lincoln's criteria.

3. Findings and Discussion

The finding revealed three main forms of social loafing: Engagement Loafing, Performance Deficit Loafing, and Excuse Loafing. Engagement Loafing refers to reduced participation, including minimal contribution, passive meeting attendance, and limited communication. Performance deficit loafing emerged through low quality work, incomplete submissions, and procrastination. Excuse loafing captured deliberate avoidance behaviors in which members relied on repeated justifications, such as job commitments or a lack of understanding.

These findings closely align with the Collective Effort Model (Karau & Williams, 1993), which explains that individuals reduce effort when their contributions feel less identifiable. Similar behaviors, such as non-participation, dependency, and poor-quality output, have been widely reported in previous studies (Aggarwal & O'Brien, 2008; Rahman et al., 2022), supporting the global view that social loafing is a multidimensional and persistent issue in academic settings. The presence of procrastination-related loafing also aligns with findings by Alnuaimi et al. (2010), who noted delayed work and poor monitoring as key contributors to motivational loss in teams.

However, the study also uncovers unique behavioral nuances. "Active attendance loafing" where members attend meeting but remain disengaged is a newly observed dimension rarely emphasized in prior literature. The blending of poor quality and lateness into a combined "performance deficit

loafing" behavior also represents a distinct contextual insight, revealing how time mismanagement and substandard work reinforce one another. Additionally, habitual excuse making emerged as a deliberate strategy rather than an occasional justification, highlighting a more intentional form of loafing than documented in earlier Sri Lankan studies.

In coping with these behaviors, active members adopted three strategies: Task Management, Compensation Effort, and Persuasion. These strategies reflect both structural and interpersonal responses. Task Management practices that clarify task division, set reminders, and monitor progress mirror findings from previous research emphasizing accountability structures (Thompson & Ku, 2022). Compensation effort, where active members complete others' work, aligns with the concept of compensatory behavior noted by George (1992) and Jassawalla et al. (2009). Persuasion strategies, both aggressive and gentle, resemble the interpersonal negotiation mechanisms identified in the team dynamics literature (Rienties et al., 2013).

Uniquely, the findings show that active members often assume informal leadership roles, coordinating and monitoring group activities despite not being formally appointed as an aspect that has received limited attention in local research. Overall, the findings illustrate that social loafing in academic group is multifaceted and contextually shaped, and that active members rely on adaptive, emotionally intelligent, and leadership-oriented coping responses to sustain group performance.

4. Conclusion and Implications

Within academic work group at FMS–SUSL. Social loafing is a multidimensional phenomenon, expressed through Engagement Loafing, Performance Deficit Loafing, and Excuse Loafing, which range from passive withdrawal to deliberate exploitation (Latane et al., 1979; Karau & Williams, 1993). The coping responses of active members were equally dynamic, involving Task Management, Compensation Effort, and Persuasion, each reflecting organizational, emotional, and interpersonal strategies. These insights reveal that group work fosters both cooperation and silent inequalities, in which committed students often assume informal leadership roles and experience moral and emotional strain.

Our findings derive implications to FMS-SUSL. First, the findings highlight the need for structured monitoring and accountability mechanisms, such as continuous progress reviews and peer evaluation systems, to reduce social loafing among continuous assessment teams. Second, since coping strategies rely heavily on communication and leadership, embedding teamwork, conflict management, and assertive communication training into undergraduate curricular can strengthen students' capacity to manage group challenges. Finally, clearer role allocation, balanced group composition, and assessment designs that combine individual and collective

performance can promote fairness, reduce excuse-based loafing, and enhance the overall effectiveness of group-based learning environments.

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Keywords: Active members; Coping strategies; Higher education; Social loafing; Teamwork

VOLUNTARY DISCLOSURE OF HUMAN CAPITAL INFORMATION BY SRI LANKAN COMPANIES: EVIDENCE FROM 22 PRIVATE SECTOR LISTED COMPANIES

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1. Introduction

In today's knowledge-driven economy, Human Capital (HC) has become one of the most important and most influential resources for innovations and long-term competitiveness. Although companies identify human resources as the most valuable resource, the value of HC is not shown in the financial statements as an asset. Instead, human resources are often identified as a cost in financial statements. In this background, HC disclosure is the method of communicating HC to stakeholders. Though there is an international standard for HC reporting, such as ISO 30414, Sri Lankan companies have not yet adopted it. Also, interestingly, though there is no specific accounting standard or regulatory policy in the Sri Lankan context for reporting HC, most companies disclose HC information as a voluntary disclosure in their annual reports.

Owing to the lack of knowledge of the types of HC reporting by companies in Sri Lanka, this research aims to identify the types of HC information voluntarily disclosed by Sri Lankan private-sector listed companies. This research fills a contextual knowledge gap regarding HC reporting in Sri Lanka and helps companies that currently do not disclose HC information identify what needs to be disclosed, and the Institute of Chartered Accountants of Sri Lanka to develop a HC reporting standard.

2. Research Methodology

This study adopts an interpretivist perspective, as HC information disclosure is a subjective endeavor by companies. Additionally, we used an inductive approach to identify types of HC disclosures. This approach allows to obtain new insights into the HC voluntary disclosure. The qualitative methodology was selected because HC information cannot be measured numerically. A multiple case study strategy was selected to explore HC disclosure practices in various private sector companies. The research sample consists of twenty-two (22) listed private sector companies selected by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) for their TAGS awards. We referred hundred and ten (110) annual reports of the selected companies from 2018 to 2024. We conducted a content analysis,

which helps to make systematic categorizations of voluntary HC disclosure categories.

3. Findings and Discussion

Findings reveal that the Sri Lankan listed private sector companies disclose HC information under ten (10) major categories. They are: Employment and Workforce Information Disclosure, Training and Development, Employee Well-being, Leadership and Talent Management, Employee Diversity and Inclusion, Compensation and Benefits, Employee Engagement, Community Engagement, HC Metrics, and Other Disclosures. Each category has several sub-items. First, under the Employment and Workforce Information Disclosure category, the following are provided: number of employees; employees by sector; employees by type; employees by country; employees by category; employees by gender; employees by region; sector composition of employees; recruits; and exit employees.

Second, under Training and Development, companies disclose Total training hours, Training interventions (Panel discussions featuring several female leaders in the Group, strengthening leadership, and technical skills), and Average training hours per employee.

Third, under Employee Well-being, we can identify Health and Safety (Safest workplace with zero workplace injuries/occupational diseases), Occupational safety practices, Well-being initiatives, and Employee wellness and safety programs (health, wellness, and motivation programs).

Fourth, under Leadership and Talent Management, they have mentioned Leadership and supervisory development, Performance-Driven Culture (Strengthening the scope and coverage of performance management systems), and talent development and succession planning.

Fifth, under Employee Diversity and Inclusion, there are female representation rate, gender inclusivity and empowering women, and equal opportunity policies.

Sixth, under Compensation and Benefits, they have mentioned: Payments to employees, Conducting award ceremonies and recognition of employees, and Group-wide benefits include medical and life insurance, fuel allowances, subscriptions, and study assistance.

Seventh, under Employee Engagement, they have mentioned Internal communication, culture, sports activities, engaged team (targets for reducing general attrition and new hire attrition), and social media engagement (A variety of activities, such as competitions and knowledge sharing, to enhance the engagement of internal teams through social media platforms).

Eighth, under Community Engagement, companies reveal Community engagement activities (Supporting cultivations), Employee volunteerism, and CSR initiatives related to employee participation.

Ninth, under the HC Metrics category, companies report employee Productivity, performance metrics, Employee retention rate, Profit per employee, and Revenue per employee.

Finally, there are other disclosures, such as personal data protection policies, Culture policies, emerging HR innovations (Complementing HR capabilities with digital skills, Hybrid work models making a connection and organizational belonging challenge), Discipline policies, and Human rights policies. These categories are mostly consistent with those identified by Adelowotan (2021), who proposed a comprehensive framework for HC disclosure at the global level. The unique categories found in this study are Employment and workforce disclosure, Leadership and talent management, employee diversity and inclusion, and community engagement.

4. Conclusion and Implications

In line with the objective of the study, we found that although HC disclosure is not mandatory in Sri Lanka, listed companies voluntarily disclose HC information under ten categories. This research provides several theoretical implications. It supports the Legitimacy Theory by showing that organizations voluntarily disclose HC information to align their operations with social norms and expectations (Abeysekera, 2007; Deegan, 2002). Similarly, it validates the Stakeholder Theory, which suggests that companies disclose non-financial information to meet the needs of various stakeholders such as investors, employees, and communities (Freeman, 1984). The study also indicates the Resource-Based View (RBV) proposed by Barney (1991), which explains that HC is a strategic asset that contributes to sustainable competitive advantage. Furthermore, the findings align with Signaling Theory, in which firms voluntarily disclose HC information to reduce information asymmetry and signal transparency and quality to the market (Elbannan, 2019; Spence, 1973). In addition, Agency Theory (Jensen & Meckling, 1976), which is supported by voluntary disclosure, acts as a mechanism to minimize the gap between shareholders and management by enhancing trust. This study aimed to identify the types of human capital information voluntarily disclosed by Sri Lankan listed private sector companies. A content analysis of 110 annual reports revealed ten major categories of disclosures, such as employment and workforce information, training and development, employee well-being, leadership and talent management, diversity and inclusion, compensation and benefits, employee engagement, community engagement, human capital metrics, and other related disclosures. These results show that Sri Lankan companies disclose a wide range of human capital information. However, the level and structure

of disclosure differ from company to company. This inconsistency directly reflects the research problem.

This study has practical implications for corporate managers and policymaking professional bodies in Sri Lanka. Firstly, this helps non-disclosing firms identify areas for improving their HC reporting practices, thereby increasing transparency. Secondly, for policy-making institutions such as CA Sri Lanka, the findings provide categories to be considered in developing a national framework or guidelines for HC disclosure in Sri Lanka.

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Keywords: Corporate annual reports; CSE listed companies; Categories of human capital disclosure; Voluntary disclosure

MARKETING MANAGEMENT

THE POWER OF DIGITAL WORD-OF-MOUTH: INFLUENCE OF WHATSAPP COMMUNITY GROUPS ON CONSUMER BUYING BEHAVIOR IN SRI LANKA

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1. Introduction

Digital word-of-mouth (e-WOM) has emerged as a critical driver of consumer behaviors, especially within private, trust-based communication channels such as WhatsApp. While global research has extensively examined e-WOM on open social media platforms, there is limited empirical attention on how recommendations circulate within closed community groups where cultural ties, social familiarity, and interpersonal trust are notably stronger. Existing studies primarily focus on public platforms such as Facebook or Instagram, leaving a clear gap in understanding how consumers interpret, negotiate, and act on product-related messages within intimate digital networks. In the Sri Lankan context, the influence of WhatsApp groups on purchasing decisions, particularly regarding locally produced goods and SME offerings, remains underexplored, despite the platform's widespread use in everyday social interactions.

This study addresses this gap by qualitatively examining how individuals *experience* and *make sense of* peer recommendations shared in WhatsApp community groups. Rather than measuring influence quantitatively, the study aims to explore the meanings, cues, and trust-building processes that shape consumer perceptions, brand understanding, and decision-making. The purpose is to uncover how credibility, social belonging, and relational communication contribute to the acceptance or rejection of product information in these digital spaces. The findings hold significant value for SMEs in Sri Lanka, as understanding consumer interpretations of e-WOM within closed networks can reveal untapped marketing potential and provide insights into authentic, community-driven promotional strategies. By illuminating the lived experiences surrounding WhatsApp e-WOM, this study contributes to the literature by expanding theoretical understanding of digital communication in culturally embedded, private social environments.

2. Research Methodology

This study is grounded in an interpretivist research philosophy and adopts a qualitative approach to explore how individuals construct meaning from e-WOM shared in WhatsApp community groups. A multiple-method strategy was employed, consisting of 28 focus group discussions and 13 semi-structured interviews conducted with consumers and SME owners in the Northern part of Sri Lanka, especially in Jaffna and Kilinochchi. Focus groups captured collective interpretations, peer dynamics, and shared cultural meanings, while interviews enabled deeper individual reflections; using both methods strengthens the richness and credibility of the data. Purposive sampling was applied to identify respondents who actively participate in WhatsApp groups focused on local products or SME promotions. Screening criteria included: (1) regular engagement in at least one WhatsApp community group, and (2) direct experience receiving or sharing product-related messages. SME participants were selected based on their use of WhatsApp for marketing or customer communication. The unit of analysis is the lived experience and interpretation of e-WOM interactions. Data were collected using guiding protocols and analysed using thematic analysis to identify patterns across participants' narratives. This methodology is uniquely suited to uncovering trust formation, meaning-making processes, and social influence dynamics that cannot be captured through quantitative measurement.

3. Results/ Findings and Discussion

Thematic analysis was carried out using Braun and Clarke's six-step framework, generating 126 initial codes from the 28 focus group discussions and 13 interviews. These codes were iteratively reviewed and merged based on conceptual similarity, resulting in six final themes: trust formation through peer communication, perceived authenticity of recommendations, urgency and impulse triggers, cultural proximity and community belonging, SME promotional practices, and credibility derived from message repetition. Findings show that WhatsApp-based e-WOM plays a significant role in shaping consumer trust and purchase behaviors, with participants consistently viewing peer recommendations as more authentic and emotionally credible than traditional advertisements. This aligns with prior studies emphasising the superior persuasive power of interpersonal WOM over mass-media promotions. While existing research highlights that online reviews offer depth and that short posts drive awareness, the present study extends this understanding by showing that WhatsApp uniquely integrates both functions: messages create rapid awareness, while group discussions build deeper trust. Cultural proximity further reinforces earlier evidence that shared identity strengthens loyalty, as WhatsApp's close-knit groups mirror community interactions that support SMEs targeting local audiences. Consistent with research on professional and agricultural WhatsApp groups, participants described how shared knowledge enhances confidence and

reduces risk perceptions. The theme of urgency and impulse buying also echoes previous findings on scarcity cues and suspense tactics observed in live-stream commerce and crisis-induced purchasing. Collectively, the results reveal that consumer behaviors within WhatsApp groups emerge from complex interactions among cultural trust, peer influence, urgency effects, and social personality traits, thereby extending the e-WOM literature into private digital communication spaces.

4. Conclusion and Implications

This study demonstrates that WhatsApp groups are influential drivers of electronic word-of-mouth (e-WOM), shaping consumer trust, product awareness, and SME growth. Its main contribution to existing knowledge is demonstrating that private, closed WhatsApp groups, unlike public social media platforms, can significantly influence consumer behaviour through trust-based interactions, community engagement, and localised communication. Theoretically, it extends e-WOM literature by highlighting the unique dynamics of culturally proximate, small-scale digital communities. Practically, SMEs can leverage these findings to design low-cost, trust-based marketing strategies, such as appointing group moderators, using scarcity-driven offers, and communicating in local languages, thereby strengthening customer loyalty and community commerce. Socially, the study underscores how private WhatsApp groups reduce digital exclusion and foster community solidarity. Future research may examine longitudinal effects, cross-platform comparisons, and consumer behavior in crisis contexts.

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Keywords: Consumer behaviour; Digital word-of-mouth; Local SMEs; Peer influence; WhatsApp community groups

IMPACT OF SLOW FASHION ORIENTATION ON SOCIALLY RESPONSIBLE APPAREL CONSUMPTION: REFERENCE TO MILLENNIALS IN WESTERN PROVINCE, SRI LANKA

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1. Introduction

Fast fashion is now among the most destructive aspects of the world's apparel industry. It has grave environmental issues, such as excessive carbon emissions, water contamination, and textile waste, as well as social issues, such as involuntary labour and insecure working conditions. The adverse effects of such cheap, disposable clothing are also felt in Sri Lanka due to the growth in the market. Because of this, textile waste in Sri Lanka has been increasing rapidly, with the Western Province leading in contributions, as it has a high population, purchasing power, and fast-fashion wear. As a result, slow fashion is gaining prominence as a more sustainable alternative. Slow fashion allows consumers to purchase fewer, higher-quality clothes with a longer lifespan, produced in an ethical way. It enhances equity, authenticity, functionality, localism and exclusivity. According to global research, millennials, especially, are increasingly conscious of the problem of sustainability and less likely to buy non-research-based and eco-friendly fashion brands. This trend is on the rise in Sri Lanka; nevertheless, scholarly studies in this field are scarce. Thus, the research problem of the present study aims to understand the role of a slow-fashion orientation in influencing socially responsible apparel consumption among millennials in the Western Province of Sri Lanka. This study discusses five major dimensions of slow fashion, including equity, authenticity, functionality, localism, and exclusivity. The rationale is to determine which values motivate millennials to buy and wear clothes in a more responsible manner. The study is important because it offers insights for Sri Lankan apparel brands, policymakers, and educators to encourage ethical and sustainable fashion consumption in the country.

2. Research Methodology

This study adhered to a positivist research philosophy that operated on a quantitative approach, and the study employed a deductive approach of testing hypotheses that were founded on the Customer Value Creation Theory. The study employed a survey methodology, and individual millennial consumers in the Western Province of Sri Lanka served as the unit of analysis. The sample consisted of 302 millennials selected through

purposive sampling, as the group plays a major role in shaping sustainable fashion trends. A structured self-administered questionnaire was used to collect primary data that measured the five independent variables, which include equity, authenticity, functionality, localism, and exclusivity, and the dependent variable was the socially responsible apparel consumption (SRC). Everything was measured using a 5-point Likert scale and based on instruments that had been tested and reported elsewhere. Cronbach's alpha, KMO, AVE and discriminant validity were used to test reliability and validity. Descriptive statistics, correlation analysis, and multiple regression were used to analyse the data and determine the effects of the independent variables on SRC. The reason why the methodology is suitable is that it will be possible to test the effects of various values of slow fashion on responsible consumption behavior in a measurable and systematic manner.

3. Results / Findings and Discussion

A test of reliability and validity affirmed that all measurement scales were satisfactory (Cronbach's alpha, more than 0.7). Correlation analysis presented positive relationships among all the independent variables and SRC. The multiple regression outcomes showed that three variables, such as authenticity, functionality, and exclusivity, significantly affected the consumption of socially responsible apparel among millennials, with a positive influence. The coefficients were as follows:

- Authenticity ($\beta = 0.348$, $p < 0.05$)
- Functionality ($\beta = 0.276$, $p < 0.05$)
- Exclusivity ($\beta = 0.221$, $p < 0.05$)

These findings show that millennials place strong emphasis on true design, quality, and originality when buying sustainable apparel. They want to wear items that have a purpose, are long-lasting, and are not the fast fashion produced by the industry. Nevertheless, the paper has determined that equity ($\beta = 0.042$, $p > 0.05$) and localism ($\beta = 0.058$, $p > 0.05$) did not have a significant effect on their socially responsible consumption behavior. This indicates that fair labour conditions and local origin are not strong motivators for millennials, despite being significant in the ethical fashion debate. Other past research in the West emphasise a high degree of worry about labor rights and local production. In Sri Lanka, however, cost savings, brand loyalty, and product quality can be more significant to millennials than ethical manufacturing. The results are in line with the Customer Value Creation Theory, which holds that consumers select slow fashion when they perceive that the products provide them with emotional, functional, and symbolic value. Authenticity and exclusivity are associated with emotional and symbolic value, whereas functionality is associated with long-term product value. The results indicate that, compared to previous international research, similar trends in functionality and durability are observed, but less

emphasis is placed on labour equity and localism. This result reveals cultural and economic variations in consumer priorities in new markets. The findings add value to the existing body of knowledge by demonstrating that the quality, originality, and durability of slow fashion are the most dominant values in Sri Lanka, rather than ethical or local sourcing.

4. Conclusion and Implications

This study concludes that a slow-fashion orientation has a significant effect on socially responsible consumption of apparel among millennials in the Western Province of Sri Lanka. Authenticity, functionality, and exclusivity were the most powerful predictors, suggesting that millennials want to see sustainable apparel that is authentic, high-quality, and exclusive. Equity and localism were considered significant in the world, but did not have any drastic influence on their consumption behavior here. Theoretically, the research contributes to the slow fashion literature by identifying which specific slow-fashion values shape consumer behaviour in a developing economy. It also expands the Customer Value Creation Theory by demonstrating that the various kinds of value (emotional, functional, and symbolic) lead to responsible apparel consumption among millennials. In practice, the results indicate that Sri Lankan apparel brands need to focus on quality, durability, authentic craftsmanship, and special design elements to market sustainable fashion. To enhance consumer knowledge, policymakers and educators can enhance sustainability education, transparency in fashion production, and transparency in encouraging local craftsmanship. In general, the research offers significant recommendations for developing a more sustainable fashion industry in Sri Lanka.

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Keywords: Authenticity; Exclusivity; Functionality; Millennials; Slow Fashion

IMPACT OF GREEN PACKAGING ON CONSUMER LEGITIMACY IN THE SRI LANKAN COSMETICS INDUSTRY: THE MEDIATING ROLE OF GREEN PERCEIVED VALUE

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1. Introduction

Although demand for cosmetics worldwide is skyrocketing, the vast majority of cosmetic brands still use plastic packaging that cannot be recycled, causing significant environmental degradation (Testa et al., 2024). Although international cosmetic brands have shifted to sustainable production and are encouraging green packaging, most Sri Lankan cosmetic brands still use unstable packaging and have been hampered by limited access to green materials, inadequate policy support, and high production costs (Dodanwala & Weerasekera, 2024). Consumers, in turn, are more inclined toward sustainable cosmetic brands that are environmentally friendly, and most are willing to pay a premium. However, despite the growing trend towards sustainable cosmetics, specifically cosmetic brands that use green packaging, scant scholarly attention has been given to the study of sustainable cosmetic brands and consumer behavior in the Sri Lankan context (Dodanwala & Weerasekera, 2024). Responding to this void, this study draws on the Cognitive–Affective–Conative (CAC) Model and Legitimacy Theory to examine how green packaging shapes consumer perceptions of corporate legitimacy in the Sri Lankan cosmetics market and how perceived green value mediates this relationship. By doing so, this study aims to provide empirical and practical suggestions to Sri Lankan cosmetic firms on adopting sustainable strategies that address changing consumer expectations and greener objectives.

2. Research Methodology

Drawing on the CAC Model and Legitimacy Theory, a conceptual framework delineating the relationships among green packaging, green perceived value, and consumer legitimacy, along with associated hypotheses, is proposed. Adopting the positivistic research paradigm and deductive research approach, a quantitative, cross-sectional study was conducted to test the proposed hypotheses. This study employed a face-to-face survey, administering a structured questionnaire to 350 consumers who use cosmetic brands with green packaging in the Colombo District. Purposive sampling was used to select respondents who were already aware of green packaging, thereby meeting the research need. To enhance external validity

despite the geographic concentration, the questionnaire incorporated measurement scales previously validated across diverse contexts, and demographic heterogeneity was ensured across age, gender, income, and education groups to improve the representativeness of consumer profiles in urban Sri Lanka. Since all three key constructs were measured by adapting well-tested measurement scales from prior literature, internal consistency reliability and content and face validity were assessed, and all were at a satisfactory level. Descriptive statistics were used to explain the sample profile, and hierarchical regression was employed to test the proposed hypotheses.

3. Results/ Findings and Discussion

The sample was composed of a nearly equal distribution of male and female consumers, and most respondents were aged 18-28 and had a monthly income of less than LKR 100,000. As shown in Table 1, hierarchical regression results indicate that green packaging has a significant, positive impact on green perceived value and consumer legitimacy. Green perceived value partially mediates the relationship between green packaging and consumer legitimacy.

Table 1: Hierarchical regression analysis summary

Model	Path	Unstandardized Coefficient (B)	Sig.	R	R Square (R^2)	Adjusted R Square (Adj. R^2)
1	GP → CL	B = 0.747	0.000	0.727	0.529	0.528
2	GP → GPV	B = 0.690	0.000	0.510	0.260	0.258
3	GPV → CL	B = 0.477	0.000	0.629	0.395	0.394
4	GP → CL	B = 0.564	0.000	0.787	0.619	0.617
	GPV → CL	B = 0.265	0.000			

Source: Survey Data (2025)

The findings align primarily with previous research by Amani (2024) and Woo and Kim (2018), who found that green packaging reinforces high customer perceived value, thereby fostering consumer attachment. The results further reveal that, regardless of gender, younger consumers in Sri Lanka exhibit heightened sustainability consciousness and a clear preference for cosmetic brands that adopt environmentally responsible packaging. From a practical perspective, the strength of these associations implies that investments in green packaging are likely to yield tangible marketing and reputational benefits rather than merely symbolic effects. However, despite these demonstrated advantages, many local cosmetic brands have yet to fully transition toward sustainable packaging solutions, indicating a persistent implementation gap.

4. Conclusion and Implications

The study findings reveal that green packaging plays a vital role in fostering consumer legitimacy in the cosmetics market by creating more perceived value for consumers. Consumers tend to have greater trust in and support cosmetic brands when they perceive a high level of environmental and social value from the green packaging. Theoretically, the research contributes to the prior literature by integrating CAC and Legitimacy theories to explain green consumer behaviour in the cosmetic sector comprehensively. By applying this integrated theoretical perspective in a relatively under-researched context, this study ensures the empirical validity of this novel theoretical convergence beyond predominantly Western research settings. In practical terms, the study's findings will direct Sri Lankan cosmetic companies to adopt green packaging as a strategy to enhance legitimacy, customer confidence, and market competitiveness. Policymakers can also use these findings to promote green packaging standards in the cosmetic sector to facilitate achieving Sustainable Development Goal 12, which focuses on fostering responsible consumption and production. The adoption of a cross-sectional qualitative research design with purposive sampling within a geographically restricted area limits the generalizability of the findings; therefore, future studies should address this limitation by employing broader sampling frames and more diverse geographic coverage.

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***Keywords*:** Consumer legitimacy; Cosmetic brands; Green packaging; Green perceived value; Sustainability

IMPACT OF AI EXPOSURE, ATTITUDE, AND ACCURACY PERCEPTION ON BRAND TRUST AMONG GEN Z FASHION CONSUMERS

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1. Introduction

With the rapid advancement of the information and communication technologies, artificial intelligence (AI)-driven marketing practices are currently becoming more and more significant in the contemporary business landscape. In recent years, AI has been widely used in the marketing practices of the fashion sector (Shirkhani et al., 2023). The global market for AI-driven marketing practices in fashion was valued at 270 million dollars in 2018 and was projected to reach 4.4 billion dollars by 2027 (Guerra-Tamez et al., 2024). Further, the Gen Z customer cohort is playing a vital role in popularizing AI-driven marketing practices in the fashion sector. Recent scholarly work reveals that AI-driven marketing practices enhance brand trust among Gen Z consumers by using virtual try-ons, generative AI models, and personalized styling to build and retain trust in fashion brands. Although this is the trend in the global fashion sector, in the Sri Lankan fashion sector, AI-driven marketing is underused, and most consumers have limited exposure to AI and also doubt its accuracy (Perera & Gunasekara, 2024). Further, examining how AI-driven marketing practices create brand trust is an area that has received scant scholarly attention in the Sri Lankan context (Keenavinna & Wickramarachchi, 2025). Consequently, this study focuses on filling a current gap in the extant literature by investigating how AI exposure, attitude towards AI use, and accuracy perception will enhance brand trust in the fashion sector, specifically among Gen Z customers. By addressing this gap, this study provides valuable insights for fashion retailers, marketing professionals, tech developers, and digital creators on leveraging AI-driven practices to foster brand trust effectively.

2. Research Methodology

Based on prior literature, this study proposed a conceptual framework demonstrating how AI exposure, attitude towards AI use, and accuracy perception will enhance brand trust in the fashion sector, and corresponding hypotheses were also proposed. Following the positivist research philosophy and the quantitative research design, a face-to-face survey using a structured questionnaire was conducted to test the proposed hypotheses. The purposive sampling technique was used to identify Gen Z respondents with prior experience in using AI-driven marketing practices of leading

fashion stores in Sri Lanka. After many attempts, 281 usable responses were collected. All key study variables—namely AI exposure, attitude toward AI use, and brand trust—were measured using validated scales adapted from prior literature and operationalized on a 7-point Likert scale. The measurement scales were assessed for internal consistency reliability and content and face validity, all of which demonstrated satisfactory and acceptable levels. Descriptive statistics were used to describe the sample profile, and multiple linear regression was employed to test the hypotheses using SPSS 25.

3. Results/ Findings and Discussion

The majority of the respondents were females and employed. As the findings from the multiple linear regression indicate, AI exposure, Attitude toward AI, and AI accuracy perception positively and significantly impact brand trust (see Table 1). Among the three variables, attitude towards AI emerged as the most significant determinant, and all three variables together explain 52.4% of the variation in brand trust towards fashion brands.

Table 1: Coefficient table

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.691	0.224		3.084	0.002
AI exposure	0.136	0.053	0.146	2.589	0.010
Attitude toward AI	0.521	0.060	0.524	8.712	0.000
AI accuracy perception	0.170	0.051	0.161	3.360	0.001

Source: Survey Data (2025)

These findings largely corroborate the prior literature (e.g., Guerra-Tamez et al., 2024; Shirkhani et al., 2023) and emphasize the importance of a positive attitude towards AI in fostering brand trust among fashion brands that use AI-driven marketing practices. Also, adequate consumer exposure to AI is significant in creating brand trust. Creating a positive perception of how AI enhances accuracy also remains substantial in the Sri Lankan fashion sector.

4. Conclusion and Implications

The study's findings indicate that AI exposure, attitude towards AI use, and perceptions of accuracy enhance brand trust in the fashion sector among Gen Z consumers in Sri Lanka. These findings provide valuable insights for

fashion retailers, marketing professionals, AI and tech developers, and digital creators on the importance of AI-driven marketing practices for building brand trust. As the findings indicate, the fashion brand should not focus solely on integrating AI into its marketing practices, but also on improving consumers' attitudes toward AI and fostering a positive perception of the accuracy of AI-driven marketing practices. Additionally, fashion brands can implement various AI-powered devices to increase engagement with the brand while also enhancing consumers' exposure to AI-driven marketing practices. Further, the findings have important implications for extending traditional branding models to capture AI-driven marketing practices and their influence on creating brand trust.

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Keywords: AI accuracy perception; AI-driven marketing; AI exposure; Attitude toward AI; Brand trust

IMPACT OF AUGMENTED REALITY EXPERIENCE ON PERCEIVED EASE OF USE TOWARDS ONLINE FASHION SHOPPING: REFERENCE TO GENERATION Z SHOPPERS IN WESTERN PROVINCE, SRI LANKA

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1. Introduction

Online shopping has become an important part of consumer behaviour globally, and Sri Lanka is no exception. However, despite the convenience of online purchasing, many Sri Lankan consumers are hesitant to fully embrace online shopping because it lacks the physical and emotional connections offered by traditional shopping. Augmented Reality (AR) is a transformative innovation that has changed the online fashion retail industry, enabling consumers to have immersive, interactive shopping experiences that bridge the gap between offline and online shopping. Although the Augmented Reality shopping experience has been booming in Sri Lanka, there is a knowledge gap in holistically understanding consumer behaviour (beyond AR adoption) towards AR in retail, leading to the need for more empirical studies and the development of a theoretical framework. Addressing this gap, the present study aims to investigate the impact of AR experience on perceived ease of use towards online fashion shopping among Generation Z consumers in the Western Province, Sri Lanka. This study focuses on Generation Z as the target demographic due to their extensive knowledge of digital technologies, active engagement in online fashion shopping, and willingness to adopt cutting-edge shopping tools such as augmented reality.

Moreover, this study employs Strategic Experiential Modules that offer holistically integrated AR experiences, thereby providing a richer theoretical framework. Understanding these dynamics provides insights and actionable strategies for online fashion retailers, marketers, and platform developers on how different types of AR experiences influence consumer behaviour in online fashion shopping. Furthermore, this study contributes to the theory of consumer behaviour in Metaverse e-commerce, offering fresh perspectives and approaches for future e-commerce research in the Metaverse.

2. Research Methodology

The Strategic Experiential Modules (SEMs) are the theoretical underpinning behind this quantitative study. Since this study collected data from credible sources, developed hypotheses based on previous theories (e.g., SEMs), tested and confirmed these hypotheses to further theory development, and

generalised the findings to the entire population, it follows a positivist research philosophy. The researcher developed and tested hypotheses after identifying the existing theory. Therefore, this study followed the deductive research approach. 309 valid responses were collected from Generation Z consumers who have experienced AR technology while shopping and reside in Western Province through surveys employing a purposive sampling technique. Data was gathered through self-administered online and offline questionnaires. Cronbach's Alpha, Composite Reliability and AVE were used to determine reliability and validity. The statistical analysis was performed using regression analysis in IBM SPSS.

3. Results/ Findings and Discussion

The findings reveal that the sensory, emotional, related, and action experiences of AR technology significantly and positively impact perceived ease of use in fashion online shopping among Generation Z consumers in Western Province. Conversely, prior experience with AR technology does not significantly influence perceived ease of use in online shopping among Generation Z consumers in Western Province. As previous studies emphasised, the impact of the sensory experience of AR was greatest, as it provides realistic images of objects with vivid colours and makes interaction easier. Similarly, according to previous studies, sensory experience has been found to have a significant impact on perceived ease of use (Jessica & Astuti, 2025; Guo & Zhang, 2024; Park &Yoo, 2020; McLean & Wilson, 2019). Emotional experience enhanced ease through the establishment of satisfaction and engagement.

This finding is consistent with the results of numerous earlier studies conducted in other contexts Guo and Zhang, 2024; McLean and Wilson, 2019; Park & Yoo, 2020) and Whang et al. (2021), which show that positive emotional reactions during AR experiences promote a closer bond with online shopping. The interactive features, such as virtual try-ons, made the action experience more usable. This is supported by the results of an earlier study by Guo and Zhang (2024), which found that action experience has a positive, significant impact on perceived ease of use, thereby enhancing the shopping experience. The associated experience is easily enhanced by promoting social attachment and peer pressure. Nonetheless, the AR experience did not make the shopping process easier for users. It indicates that, in actual operations, consumers still find using AR technology somewhat complex; therefore, it does not significantly simplify the online shopping process. Similarly, according to Guo and Zhang (2024) and Jessica and Astuti (2025), thinking experience has no significant impact on perceived ease of use.

4. Conclusion and Implications

The current study investigates the impact of AR experience on perceived ease of use in online fashion shopping among Generation Z in the Western Province, Sri Lanka. The findings indicate that sensory, emotional, action, and related experiences have a positive influence on perceived ease of use, whereas thinking experience does not influence it significantly. The strongest predictor is sensory experience, as vivid, realistic AR visuals increase control and usability.

These findings provide valuable insights for online fashion retailers, marketers, and platform developers to develop full-scale, interactive, and socially connected online shopping experiences, enabling them to fill gaps between online and offline shopping. Furthermore, this study contributes to the prevailing literature on AR-enabled online shopping for fashion in developing countries. It provides a foundation for future researchers to conduct further studies in this area.

On the other hand, this study has several limitations. The study is hampered by its small sample of Western Province Gen Z consumers and its narrow focus on fashion-related AR, which limits the generalizability of the findings. Furthermore, the lack of AR research in Sri Lanka, along with disparities between international and Sri Lankan contexts, makes it challenging to apply existing knowledge effectively.

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Keywords: Action experience; Emotional experience; Perceived ease of use; Related experience; Sensory experience; Thinking experience

FACTORS INFLUENCING CONSUMER BEHAVIOURAL INTENTION TO CHOOSE LIVE-STREAMING SHOPPING: A STUDY AMONG GENERATION Z SHOPPERS IN THE WESTERN PROVINCE, SRI LANKA

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1. Introduction

Online trading has quickly redefined e-commerce worldwide through live-streaming commerce that combines entertainment, live communication, and online shopping. The global livestream e-commerce market size is estimated at USD 19.86 billion in 2025 and is forecast to reach around USD 258.76 billion by 2034. Specifically, although the live commerce market in the Asia Pacific is rapidly growing, in Sri Lanka, it is extremely low. According to Amitha and Charuni (2022), marketers use Facebook Live Video Streaming globally to promote their products in countries such as China, the USA, the UK, and Canada, but in Sri Lanka, live video streaming is very scarce. Although live-streaming shopping has become popular worldwide, it is not extensively used and studied in Sri Lanka. Moreover, the lack of a theoretical understanding of this phenomenon offers an opportunity to explore the extent to which existing theories can explain people's behaviour in such a new context. Addressing these gaps, the researcher aims to investigate the factors influencing consumers' behavioural intention to choose live-streaming shopping among Generation Z shoppers in the Western Province, Sri Lanka. Generation Z is significant because they were born into the digital age; thus, they are also known as digital natives, and they are distinguished by their technological prowess, internet connectivity, and education. Therefore, the researcher selected Gen Z consumers to conduct the current study. Moreover, the researcher employs the Theory of Planned Behaviour (TPB) and social media influencers as additional predictors, providing a richer theoretical base for the study. The study's findings provide significant practical and theoretical insights for brands, marketers, platform developers, and policymakers to enhance the creation of strategies, content, and digital commerce policies aimed at Sri Lankan youth.

2. Research Methodology

Using the TPB, the current quantitative study investigated how attitudes, subjective norms, perceived behavioural control, and social media streams can impact live-streaming shopping intention. This study employs a positivist research philosophy by using data from reputable sources, formulating hypotheses based on established theory, and testing them to

facilitate further theoretical advancement and generalisation. This study follows a deductive approach to developing and testing hypotheses after identifying the existing theory. A total of 296 valid respondents, representing Generation Z consumers who have experienced live–streaming shopping and reside in the Western Province, were sampled using a structured questionnaire and provided their data through purposive sampling. Cronbach's Alpha, Composite Reliability, and AVE were used to determine reliability and validity, and correlation and multiple regression analyses were carried out using the IBM SPSS package.

3. Results/ Findings and Discussion

The findings indicate that attitude, subjective norms, perceived behavioural control, and social media influencer streamers are all significant and positive predictors of live-streaming shopping intention among Generation Z consumers in the Western Province. Of these, attitude was found to be the best predictor, meaning that enjoyment, interactivity, and convenience are highly influential in consumer intention. The importance of peer and social influence is also evident, and subjective norms also contribute significantly. The perceived behavioural control emphasizes the factor of digital confidence and platform usability. Moreover, influencer streamers play an important role by enhancing credibility, trustworthiness, and authenticity in live-streaming events. Similarly, according to Long, et al. (2024), attitudes toward live-streaming shopping, subjective norms, perceived behavioural control, and social media influencer streamers significantly influence consumers' intention to engage in live-streaming shopping.

4. Conclusion and Implications

This paper applies the Theory of Planned Behaviour to the context of live-streaming commerce in Sri Lanka, incorporating social media influencers as an additional element. The results are helpful to fashion merchants, online marketers, and online platform creators in being more interactive, optimising collaboration with influencers, and improving the user experience to engage Gen Z shoppers. Consequently, the researcher argues that future studies should incorporate other factors that may influence the results, including trust, perceived enjoyment, impulse-buying tendencies, and technological anxiety, to create a more holistic model. Future researchers are advised to use alternative sampling methods. A longitudinal study may be conducted in future research to determine how consumers' perceptions and intentions regarding live-streaming shopping may change as the practice becomes more mainstream in Sri Lanka. It is proposed that future researchers should apply the proposed model to other types of products (e.g., electronics, groceries) as well as other generations (e.g., Millennials) to show whether the factors affecting them are the same. The research is part of the growing literature on live-streaming shopping behaviour in South Asian markets and serves as a basis for future studies.

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Keywords: Attitude; Live-Streaming fashion shopping; Perceived behavioural control; Social media influencer streamers; Subjective norms

IMPACT OF MOTIVES TOWARDS DIGITAL DETOX HOLIDAY BEHAVIORAL INTENTION: REFERENCE TO DOMESTIC MILLENNIAL TRAVELERS IN SRI LANKA

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1. Introduction

The concept of Digital Detox Holiday (DDH) has emerged in response to the growing reliance on digital devices and social media, which has increased the need to disconnect and restore mental balance. According to an article published in the Daily News, it is stated that digital technology has negatively impacted individuals, and it has made it impossible for people to maintain a balanced lifestyle in Sri Lanka ("Sri Lanka's Digital Well-being," 2025). In Sri Lanka, people have also faced mental health difficulties due to the increased use of digital technology because of the curfew situation in the COVID-19 pandemic (Ranasinha, 2025). As a result, the concept of the Digital Detox Holiday has emerged as a global wellness trend. However, only a handful of scholars have examined the motivations for DDH in South Asian contexts. Studies on DDH are currently very limited in the literature on tourism and hospitality, and they generally focus on involuntary disconnection while travelling (Floros et al., 2019, as cited in Egger et al., 2020). As mentioned by Arenas-Escaso et al. (2024), the amount of research conducted on digital free tourism and the behavioural intention of travellers to take DDH by limiting smartphone usage is very limited. Egger et al. (2020) noted that motivational factors affecting the adoption of DDH can also be seen in Sri Lanka's nature. Accordingly, a study can be conducted. Thus, this study aims to investigate the motivational factors influencing domestic millennial travellers' behavioural intention to participate in a DDH in Sri Lanka. By examining these motivations, the study assists travel planners and wellness marketers in designing wellness-oriented travel experiences to take Sri Lanka's tourism industry to the world.

2. Research Methodology

Grounded on the Uses and Gratifications (U&G) theory, the study investigates the impact of motivational factors, including mindfulness, nature connectedness, technostress, social bonding, relaxation, novelty, self-expression, and escapism, on DDH behavioural intention. A quantitative research approach was adopted, and, following purposive sampling, 331 usable responses were collected from domestic millennial travellers using a structured questionnaire. Data were analysed using multiple regression in IBM SPSS version 29.

3. Results / Findings and Discussion

The findings reveal that mindfulness, self-expression, and escapism have a significant positive influence on digital detox holiday behavioural intention, with b-values of 0.552, 0.176, and 0.182, and p-values of 0.000, 0.014, and 0.001 at the 95% confidence interval level, respectively. The novelty factor has an adverse effect, with a b-value of -0.238 and a p-value of 0.000, indicating that digital disconnection is not considered an attractive or exciting experience among Sri Lankan millennials. In contrast, the factors nature connectedness, technostress, social bonding, and relaxation do not exhibit a significant relationship with digital detox holiday behavioural intention, with b-values of 0.028, 0.003, 0.043, and 0.147, and p-values of 0.561, 0.971, 0.375, and 0.060 at the 95% confidence interval level, respectively.

4. Conclusion and Implications

This study extends U&G theory to non-media use behaviours, offering insights that help tourism marketers, policymakers, and wellness resort operators create successful mindfulness-oriented travel experiences. The findings of the current study contribute to the growing literature on digital detox holidays in developing countries and serve as a foundation for future research, particularly within the South Asian context of wellness tourism, providing a basis for further studies in this area.

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Keywords: Digital detox holiday behavioural intention; Millennials; mindfulness; Escapism; Self-expression

IMPACT OF CUSTOMER VALUES ON ATTITUDES TOWARDS SECOND-HAND CLOTHING: REFERENCE TO GEN Z SHOPPERS IN WESTERN PROVINCE, SRI LANKA

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1. Introduction

The global fashion industry has expanded rapidly, becoming one of the world's most profitable yet environmentally damaging sectors (Gunarathne & Ranathunga, 2023; Mazanec & Harantová, 2024). Fast fashion's low-cost mass production and rapid trend cycles encourage consumers, especially younger generations, to purchase more clothing, resulting in large volumes of discarded apparel and increased pressure on landfills (Koay et al., 2022). As a sustainable alternative, Second-Hand Clothing (SHC) has gained international popularity for extending garment life cycles, reducing resource use, and minimising environmental harm (Watson et al., 2016, as cited in Herjanto et al., 2023). Younger consumers, particularly Generation Z, are increasingly drawn to eco-friendly and unique fashion choices, making SHC a growing global trend (Wijayanti et al., 2022).

However, in developing countries such as Sri Lanka, SHC adoption remains limited despite its environmental and economic benefits. Sri Lanka continues to experience a lack of awareness, limited access to organised SHC outlets, and stigma associated with SHC, which restricts wider acceptance (Geegamage et al., 2023; Gunarathne & Ranathunga, 2023). This gap is significant because attitudes are strong predictors of sustainable purchasing behaviours (Koay et al., 2022).

Therefore, this study examines how five key consumption values—functional value, emotional value, social value, epistemic value, and environmental value—shape Generation Z consumers' attitudes toward SHC in the Western Province of Sri Lanka, drawing on the Theory of Consumption Values to understand the attitudinal drivers behind sustainable fashion adoption.

2. Research Methodology

This study adopts a positivist research philosophy and a deductive approach, enabling the development and testing of hypotheses grounded in the Theory of Consumption Values. A quantitative methodology was selected as it enables systematic measurement of variable relationships, consistent with prior SHC and sustainable fashion research. The survey

strategy was used to collect standardised data suitable for statistical testing and generalisation within the target population.

The study was conducted in the Western Province of Sri Lanka, where most SHC outlets are concentrated (Gunarathne & Ranathunga, 2023). The unit of analysis is individual Generation Z consumers aged 13–28 with prior awareness of SHC. A non-probability purposive sampling method was used. A sample size of 384 was determined using Cochran's formula for unknown populations.

Data were collected through a structured self-administered questionnaire to ensure consistency and reliability. Data analysis included descriptive statistics, correlation analysis, and multiple regression using SPSS. Reliability and validity assessments confirmed that all constructs met acceptable thresholds (Cronbach's alpha and factor validity), and regression analysis tested the influence of functional value, emotional value, social value, epistemic value, and environmental value on SHC attitudes.

3. Results/ Findings and Discussion

The findings revealed that emotional value and functional value had a significant positive impact on attitudes toward SHC. Emotional value emerged as the strongest predictor, indicating that feelings of pleasure, comfort, and satisfaction play a critical role in shaping young consumers' acceptance of SHC. This aligns with the findings of Kim et al. (2021) and Koay et al. (2022), who emphasized the importance of emotional engagement in promoting circular fashion consumption. Functional value also exerted a significant influence, suggesting that perceived utility, durability, and price benefits matter to Sri Lankan Generation Z. This supports previous literature, which states that product usefulness and affordability are important determinants of sustainable consumption decisions.

In contrast, social value, epistemic value, and environmental value were found to be statistically insignificant predictors of attitude. These results partially diverge from prior research. Studies conducted in developed countries have shown strong relationships between social or environmental values and SHC attitudes (e.g., Kim et al., 2021; Ghufran et al., 2022). However, the present findings align with emerging studies in developing nations, where SHC consumption is often driven more by economic and emotional considerations than by social status or environmental motivations. The non-significant effect of environmental value also corresponds with research indicating that although Generation Z claims to be environmentally conscious, this concern does not always translate into sustainable purchasing behaviour.

The insignificance of social value suggests that cultural stigma, peer judgments, or the lack of SHC's social prestige may reduce its social appeal in Sri Lanka. Likewise, the limited influence of epistemic value may reflect

the low novelty-seeking behaviour and limited exposure to SHC options in the local market.

4. Conclusion and Implications

This study concludes that Generation Z consumers in the Western Province of Sri Lanka develop positive attitudes toward SHC primarily through emotional and functional value, whereas social, epistemic, and environmental value do not significantly influence their attitudes. These findings demonstrate that young consumers' acceptance of SHC is driven more by feelings of satisfaction, comfort, and perceived usefulness than by social approval, curiosity, or environmental concern. The study fills a critical gap by applying the Theory of Consumption Values within a developing country context and expanding the limited empirical evidence on SHC behaviour in Sri Lanka.

Theoretically, the study extends value-based sustainable consumption literature by showing that only selected consumption values shape attitudes in markets where SHC awareness, accessibility, and cultural acceptance remain low. It also reinforces the relevance of emotional and functional value in predicting attitudes toward circular fashion products.

Practically, the findings offer clear guidance for SHC retailers, marketers, and policymakers. Businesses should emphasise affordability, quality, and emotional satisfaction in their value propositions. Creating appealing shopping experiences, improving product presentation, and communicating functional benefits can strengthen consumer acceptance. Policymakers and sustainability advocates can leverage these insights to design targeted awareness programs that enhance SHC visibility and reduce stigma, supporting Sri Lanka's transition toward more sustainable fashion consumption.

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Keywords: Attitudes; Consumption values; Generation Z; Second-Hand clothing; Sustainable fashion

FACTORS INFLUENCING THE PURCHASE INTENTION OF MENSTRUAL CUPS AMONG WOMEN IN THE COLOMBO DISTRICT, SRI LANKA

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1. Introduction

Menstrual cups (M-cups) are gaining popularity as an eco-friendly option during menstruation due to their reusability, cost-effectiveness, and positive environmental impact. M-cups help replace over 2,000 single-use sanitary pads a woman uses throughout her lifetime (Cheruvalappil et al., 2024). According to the Centre for Poverty Analysis (2025) report, awareness of menstrual cups is slowly increasing; however, their use in Sri Lanka remains exceptionally low (Samarakoon et al., 2024). The current study selected Colombo district because it has the highest levels of sanitation, income, ICT literacy, and information access in Sri Lanka, yet shows very low adoption of menstrual cups, making it an ideal location to examine the factors influencing women's intention to use menstrual cups. A survey conducted in Colombo District revealed that 39% (233/602) of women had heard of menstrual cups; only 7 respondents reported using M-cups due to the hesitation towards damaging the hymen and subsequent implications concerning virginity (Centre for Poverty Analysis, 2025). Further, the other factors that decrease the probability of adoption are social and cultural issues, like embarrassment with the topic of menstruation, fear of using internal products, and the absence of personal cleanliness (Hasna & Fareena, 2025). As a result, most women still use ancient cloth or other makeshift materials, which continue to increase their risk of infection and discomfort. This leads to environmental degradation due to their further use of disposable products (Hettiarachchi et al., 2023). Therefore, this study aims to examine the factors influencing women's intention to use menstrual cups in the Colombo district of Sri Lanka.

2. Research Methodology

Based on prior literature, the current study proposed a conceptual framework demonstrating how attitudes, subjective norms, perceived behavioural control (PBC), consumer doubts, and value for money influence the purchase intention of menstrual cups among women in Colombo district, and corresponding hypotheses were also proposed. This study combines the Theory of Planned Behaviour, Social Shaping of Technology (SST) theory, and Theory of Consumption Values to present a broader perspective on factors that affect the intention to use menstrual cups. The research employs

a positivist research philosophy and a quantitative methodology, using a structured online questionnaire administered to women in the Colombo district to obtain results. Using a deductive research approach, a purposive sampling technique was employed to collect data from 384 individuals. The cross-sectional time horizon is used in this study. Data were collected only once from a sample of women in the Colombo district over 4 weeks. After many attempts, 295 usable responses were collected. All key study variables were measured using validated scales adapted from prior literature and operationalized on a 5-point Likert scale. The measurement scales were assessed for internal consistency reliability and content and face validity, all of which demonstrated satisfactory and acceptable levels. The analysis was conducted in IBM SPSS Statistics (version 25), and multiple linear regression was used to test the hypotheses.

3. Results/ Findings and Discussion

Considering the sample, the majority of the women were aged 28-32 and had family incomes above 60,000 LKR. As the findings from the multiple linear regression indicate, attitudes, perceived behavioural control, and value for money have a positive and significant impact on women's purchase intention for menstrual cups (see Table 1). Furthermore, consumer doubts negatively affect women's purchase intentions for menstrual cups. However, subjective norms do not significantly impact women's purchasing intention towards M-cups. Four variables together explain 56.6% the variation in purchase intention towards M-cups.

Table 1: Regression analysis summary

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
(Constant)	1.252	0.414	0.003
Attitude	0.297	0.060	0.000
Perceived Behavioural Control	0.264	0.056	0.000
Consumer Doubt	-0.535	0.033	0.000
Value for Money	0.470	0.059	0.000

Source: Survey Data (2025)

The findings show that women are more likely to buy menstrual cups if they have a favourable attitude regarding the M-cups, perceive them as user-friendly (PBC), and view them as a worthwhile investment (value for money). If women have doubts, they are less likely to buy the product. The study's findings indicated that family and friends' opinions (subjective norms) were not a significant factor ($\beta = -0.086$, $p = 0.067$) and were therefore excluded from the final model. This indicates that social influence

does not significantly shape women's M–cup purchasing behaviour in Colombo District, Sri Lanka. According to Itaya et al. (2022), the choice of adoption made by Japanese women was more determined by personal comfort and hygienic factors rather than peer or family views. On the same note, Soumyaja and Fathimathul Bisriya (2024) emphasised that intimate and personal choices on menstrual hygiene tend to diminish the influence of subjective norms.

4. Conclusion and Implications

The results indicate that positive attitudes toward menstrual cups, greater control over more powerful behaviours, and the view that menstrual cups are worth the money significantly increase the intention to adopt them among women. On the other hand, women's doubts about the product discourage its adoption. These results have practical and strategic implications for the marketing of menstrual hygiene in Sri Lanka. Marketers, NGOs, and healthcare organisations must create campaigns that emphasise cultivating positive attitudes, building user confidence, reducing doubts, and creating long-term value. Considering this study focuses on women aged 18 and over in the Colombo District, who are familiar with menstrual cups, marketing strategies must specifically target this segment using digital and social media marketing, as well as community-based awareness campaigns. The partnership between menstrual product companies and public health institutions can ensure that empowering, accurate messages reach urban and semi-urban women. Companies and policymakers can drive positive change in sustainable menstrual health practices in Sri Lanka by addressing psychological and cultural barriers and popularising the practical benefits of menstrual cups.

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Keywords: Attitude; Consumer doubts; Menstrual cup; Purchase intention; Value for money

INVESTIGATING THE ANTECEDENTS OF CONSUMER BEHAVIORAL INTENTION FOR SUSTAINABLE FASHION PRODUCTS: EVIDENCE FROM CONSUMERS IN COLOMBO DISTRICT, SRI LANKA

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1. Introduction

Even though the fashion industry strengthens the national economy, it also creates immense environmental pressure. Each year, Sri Lanka throws away over one million tons of textiles. Textile waste makes up 0.5-1% of total municipal waste collection, totalling 7,344 tons annually (Arachchige et al., 2019). Colombo District hosts most of the country's urban population, with several major landfill sites filled with discarded clothes and fabric scraps (Dias & Amarasooriya, 2024). According to research by Prathibhani and Lakshika (2023), Sri Lanka has nine giant landfill sites in Colombo, with each site loaded with piles of waste clothing and materials. Despite Colombo's role as a major economic hub and contributor to Sri Lanka's GDP (Lakmali & Kajendra, 2017), the environmental impact from the clothing industry remains a significant concern. However, environmental awareness has increased among consumers; factors such as price sensitivity and uncertainty about the legitimacy of sustainability claims are preventing them from adopting sustainable fashion behaviours (Prathibhani & Lakshika, 2023). Therefore, the current study investigates the antecedents of consumer behavioural intention to purchase sustainable fashion products in Colombo, using the Theory of Planned Behaviour (TPB) extended with eco-shame as an emotional factor. The aim is to understand how attitudes, subjective norms, perceived behavioural control, and eco-shame influence sustainable fashion purchase intention and inform strategies for sustainability promotion.

2. Research Methodology

This study investigates the antecedents of consumer behavioural intention to purchase sustainable fashion products in Colombo, using the TPB extended to include eco-shame as an emotional factor. Adopting a positivist philosophy and a deductive research approach, a quantitative, cross-sectional study was conducted to test the proposed hypotheses. This study collected data via a physical questionnaire using a purposive sampling method from a group of 384 consumers aware of sustainable fashion, yielding 380 valid responses, which were analysed using SPSS. To enhance external validity despite the geographic concentration, the questionnaire

incorporated measurement scales previously validated across diverse contexts, and demographic heterogeneity was ensured across age, gender, income, occupation, and education groups to improve the representativeness of consumer profiles in urban Sri Lanka. Variables studied include attitudes, subjective norms, perceived behavioural control, eco-shame, and purchase intention. Hypotheses were formulated based on conceptual relationships from the literature. Descriptive statistics, correlation analysis, and multiple regression were conducted, including reliability checks using Cronbach's alpha.

3. Results / Fining and Discussion

The sample was composed of a nearly equal distribution of male and female consumers, and most respondents were aged 21-30 and had a monthly income of LKR 150000-200,000. As shown in Table 1, the regression results indicate that all four antecedents significantly and positively affect consumers' intentions to purchase sustainable fashion, with eco-shame and perceived behavioural control exhibiting the strongest effects. Five variables together explain 89.8% the variation in purchase intention towards sustainable fashion products.

Table 1: Regression analysis summary

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
(Constant)	-.003	.035		-.074	.941
Eco-Shame	.358	.042	.359	8.451	.000
Attitude	.083	.036	.085	2.281	.023
Subjective Norms	.223	.042	.230	5.373	.000
Perceived Behavioural Control	.326	.050	.313	6.546	.000

Source: Survey Data (2025)

The regression results show that eco-shame, attitude, subjective norms, and perceived behavioural control (PBC) all have a significant positive influence on the dependent variable. Eco-shame emerged as the strongest predictor ($\beta = 0.359$, $p < 0.001$), indicating that when individuals feel a sense of environmental responsibility or guilt toward unsustainable consumption, they are more likely to engage in the target behaviour.

4. Conclusion and Implications

The study concludes that attitudes, subjective norms, perceived behavioural control, and eco-shame significantly shape consumers' intention to purchase sustainable fashion in the Colombo District, with eco-shame and perceived behavioural control emerging as the strongest predictors. These results align with prior research highlighting the importance of emotional drivers

(Nicolau et al., 2025) and self-efficacy (Ajzen, 1991) in sustainable consumption. The findings reinforce global evidence that favourable attitudes and social influence also strengthen environmentally responsible behaviours (Perry et al., 2021; Rausch & Kopplin, 2021). Practically, the study suggests that marketers and policymakers should enhance access to sustainable fashion, strengthen consumer confidence, and design communication strategies that responsibly leverage emotional awareness while improving the credibility of sustainability claims. Additionally, the impact of subjective norms has demonstrated how social influence can be leveraged to promote responsible behaviour. Public figures, educators, and community groups can help normalise sustainable fashion by sharing positive stories, increasing participation in sustainable practices, and spreading the word. Overall, the study extends TPB by integrating eco-shame, offering both theoretical insights and actionable strategies for promoting sustainable fashion consumption in Sri Lanka.

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Keywords: Attitudes; Consumer behavioural intention; Eco-shame; Subjective norms; Sustainable fashion, Perceived behavioural control

FACTORS INFLUENCING CONSUMERS' INTENTION TO BRING THEIR OWN ENVIRONMENTALLY FRIENDLY SHOPPING BAGS: WITH SPECIAL REFERENCE TO COLOMBO DISTRICT, SRI LANKA

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1. Introduction

Growing concern over plastic pollution has urged governments and retailers worldwide to promote sustainable shopping practices. Despite numerous global and national initiatives to reduce single-use plastic consumption, Sri Lankan consumers' reliance on plastic shopping bags remains high, especially in urban areas. Although the government introduced regulatory measures such as the 2017 ban on certain polythene products, supermarkets in Colombo continue to distribute millions of plastic bags each month, reflecting a persistent gap between environmental policy and consumer behaviour (Perera et al., 2020). This gap has led to serious environmental challenges, including blocked drainage systems, increased flooding, and ineffective waste management. While consumers demonstrate awareness of the environmental consequences of plastic pollution, they may continue to rely on single-use bags due to convenience, habit, and weak social pressure (Nguyen et al., 2020). Therefore, the current study aims to examine how attitudes, subjective norms, perceived behavioural control, and environmental concern impact the intention of consumers who visit supermarkets in the Colombo District to bring their own environmentally friendly shopping bags. This study is significant as it provides empirical significant into consumer behaviour within an urban Sri Lankan context, where sustainable shopping habits are increasingly essential for environmental preservation.

2. Research Methodology

This study adopts a positivist research philosophy and a deductive approach, guided by the theory of planned behaviour (TPB). A quantitative research methodology and a purposive sampling method were used to identify supermarket consumers in the Colombo District who are likely to engage in environmentally friendly shopping bag practices. Data were collected via an online structured questionnaire. The sample size was 308 respondents. Descriptive statistics and multiple regression analysis were used to test the hypotheses. The chosen methodology is appropriate because it allows statistical testing of behavioural predictors and aligns with

established consumer behaviour research frameworks, thereby enabling robust and generalizable insights.

3. Findings and Discussion

Descriptive analysis revealed that most respondents demonstrated moderate awareness of environmental issues but had inconsistent intentions to use reusable bags. Regression analysis indicated that attitudes, subjective norms, and perceived behavioural control significantly influenced intention, collectively explaining 43% of the variance.

Table 1: Regression analysis summary

Model	Unstandardized Coefficients		Sig.
	B	Std. Error	
(Constant)	2.765	.145	.000
Attitude	.050	.145	.733
Subjective Norms	.737	.081	.000
Perceived Behavioural Control	-.395	.134	.003

Source: Survey Data (2025)

The findings show that subjective norms emerged as the strongest predictor, suggesting that social influence plays a significant role in shaping environmentally responsible shopping habits. The findings align with previous research in other countries, which shows that social approval and peer influence significantly shape sustainable consumer behaviour (Namazova, 2025; Gao et al., 2022). Attitude, the unstandardized coefficient (B = 0.050), is positive, indicating that a higher attitude score slightly increases consumers' intention to bring their own shopping bags. However, the relationship is not statistically significant ($p = 0.733 > 0.05$), suggesting that although consumers may hold positive attitudes toward using reusable bags, these attitudes alone do not strongly predict their actual intention to bring bags. This finding implies that favourable attitudes toward environmental protection may exist, but they do not necessarily translate into behaviour unless reinforced by other social or situational factors. On the other hand, perceived behavioural control shows a significant, negative relationship with intention, with a coefficient of B = -0.395 ($p = 0.003$). This indicates that as consumers perceive greater ease or control in bringing their own bags (such as bag availability or convenience), their intention decreases slightly. This unexpected negative relationship might suggest that, even though people feel capable of bringing their own bags, external factors such as forgetfulness, store convenience, or lack of enforcement may reduce the actual behavioural intention.

4. Conclusion and Implications

The study concludes that subjective norms and perceived behavioural control significantly shape consumers' intention to bring their own environmentally friendly shopping bags in supermarkets in Colombo District. Subjective norms had the strongest influence, indicating that social expectations and peer behaviour are key determinants. Theoretically, the study strengthens the applicability of the theory of the TPB model within the Sri Lankan supermarket context. In practice, policymakers should implement campaigns that emphasise community responsibility and positive social norms around reusable bag use. Supermarkets can introduce incentives, loyalty rewards, or bag reminder prompts at entrances to enhance perceived behavioural control. Environmental organizations should collaborate with retailers to positive reusable bags as a socially desirable and convenient choice. These efforts can collectively reduce plastic pollution and promote long-term sustainable shopping behaviour.

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Keywords: Attitudes; Environmentally friendly shopping; Perceived behavioural control; Subjective norms

BUILDING A LUXURY WELLNESS BRAND: A QUALITATIVE CASE STUDY OF EMOTIONAL BRANDING AT SPA CEYLON, SRI LANKA

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1. Introduction

Emotional branding represents a paradigm shift from traditional branding approaches, focusing on deep, meaningful connections between brands and consumers (Gobé, 2002). In emotional branding, the brand becomes an expression of the emotional connection between the consumer and a product or a value supplier. Emotional branding is not just about communicating emotions, but also about engaging senses and developing emotional ties with the brand (Emotional Branding, 2018). Luxury brands offer high-quality, exclusive, and often symbolic products or services designed to provide a sense of prestige, status, and emotional gratification to consumers (Shetty & Fitzsimmons, 2021). Luxury branding necessitates strategy, preparation, and structure because consumers' choices are mostly influenced by their emotions. Companies must connect emotionally with their customers. In luxury products, emotional factors would be dominating; consumers buy emotionally rather than rationally. Marketers employ emotional branding to engage customers by appealing to their needs, aspirations, dreams, and egos (Kim & Sullivan, 2019).

Despite growing recognition of emotional branding as a key strategy for luxury brands, there is limited research on its implementation in Sri Lanka's luxury wellness sector. We chose Spa Ceylon as an ideal case for examining emotional branding within the Sri Lankan luxury wellness industry. Its global achievements, strong digital presence, and emotionally resonant consumer experiences provide a rich context for exploring how Spa Ceylon has implemented and expressed emotional branding to build meaningful connections with consumers. Thus, this research aimed to examine the execution of emotional branding at Spa Ceylon.

This study fills a gap in emotional branding literature by examining how the concept is implemented within a Sri Lankan luxury wellness context, an area previously underexplored. It contributes new managerial and cultural insights by showing how emotional branding is strategically built using heritage, sensory design, and narrative storytelling. Practically, the findings offer actionable guidance for Sri Lankan luxury and wellness brands, providing a framework for creating emotional attachment and competitive differentiation through culturally rooted emotional branding strategies.

2. Research Methodology

The research is grounded in the interpretivist paradigm, which emphasizes understanding the subjective meanings and experiences constructed by individuals. This philosophical stance is well-suited to studies of emotional and symbolic phenomena, such as branding. An inductive approach was employed, allowing patterns, theories, and insights to emerge from the data rather than testing predefined hypotheses. As the research strategy, a single-case study has been selected to enable an in-depth exploration of Spa Ceylon's emotional branding practices. Single case studies are particularly useful when the case represents a unique, exemplary, or critical instance, providing rich insights that might not emerge from broader survey-based research. Spa Ceylon is purposefully selected as the case due to its distinctive use of emotional branding and its strong presence in Sri Lanka's luxury wellness market. Purposive sampling was used to select information-rich data sources for focus group discussions. We collected data through multiple methods, including a focus group discussion with Spa Ceylon's two marketing team representatives, Marketing & Communication Manager, and Content Leads, Co-founder interviews from YouTube, social media comments from customers, and advertising videos of Spa Ceylon. Specifically, we analyzed consumer feedback (public social media comments) and brand-produced advertising videos to enhance triangulation and contextual understanding. Data were collected entirely from publicly accessible sources, ensuring ethical compliance. Thematic analysis guided the coding and theme development process, and video analysis enabled the understanding of the brand voice. This multi-source qualitative design was uniquely suited to address the research question, as it captured emotional branding from managerial intent, consumer perception, and brand expression, and offered a holistic understanding of how emotional branding is executed in the Sri Lankan luxury wellness brand.

3. Findings and Discussion

Brand Identity & Strategic Positioning

This theme emphasizes how Spa Ceylon builds its emotional branding through strategic elements, including brand identity, internal philosophy, and positioning logic. The findings indicate that emotional branding is a structured discipline, integral to brand decisions and content creation, rather than a mere creative expression.

Findings showed that Spa Ceylon's emotional branding was fundamentally shaped by an internal philosophy centered on the mantra "Never forget how you make them feel." Emotional outcomes guided all branding decisions, consistent with Gobé's (2002) argument that emotional brands prioritize feeling over function. The strategic pillars, Ayurveda, Ceylon, and Luxury, acted as a semiotic system through which emotional meaning was

constructed. Managers emphasized that every decision begins with assessing the desired emotional state for the consumer, reflecting emotionally oriented decision logic noted in previous studies. Internal negotiations on emotional tone further illustrated the dynamic, sense-making nature of emotional strategy implementation.

Executing Multisensory & Heritage Branding

The findings revealed that Spa Ceylon operationalizes emotional branding through immersive sensory stimulation, visual cultural cues rooted in Sri Lankan heritage, and narrative-based representation in both physical retail environments and digital brand content.

The analysis of consumer comments and video campaigns showed that Spa Ceylon used multisensory cues: aroma, color palettes, music, textures, and heritage visuals to provoke calmness, nostalgia, and cultural pride. This aligns with the multisensory branding literature, which highlights the role of combined sensory stimuli in generating emotional attachment.

Luxury Positioning & National pride

Spa Ceylon's emotional branding does not merely evoke relaxation or sensory fascination but extends into identity-based emotional outcomes: aspiration, luxury admiration, and national pride. These emotional responses represent higher-order emotional attachment extending beyond product-level feelings into symbolic meaning and identity.

Findings showed that Spa Ceylon transformed Ayurveda from a "low-value local tradition" into "a premium global luxury narrative." This mirrors findings by Kapferer (2017), who argued that luxury brands use cultural depth and symbolic heritage to elevate perceived value. Emotional branding also fostered national pride, as consumers expressed appreciation for a Sri Lankan brand succeeding globally. Managers highlighted that international audiences required additional cultural onboarding, indicating the need for narrative translation when moving heritage-based emotional brands beyond local contexts.

Together, the results show that Spa Ceylon's emotional branding was a highly deliberate, identity-driven, multisensory system rather than an accident. By demonstrating how a non-Western luxury brand combines cultural heritage, sensory design, and emotional semiotics to create emotional resonance and competitive advantage, the findings enhance and broaden the body of research on global emotional branding.

4. Conclusion and Implications

According to the study's findings, Spa Ceylon's emotional branding is a purposeful, culturally grounded approach grounded in heritage-based storytelling, sensory design, and brand identity. Managerial decision-making was influenced by emotional results, indicating that emotional

branding is both internally engineered within organizational philosophy and strategic pillars and consumer-driven.

By offering empirical evidence from a non-Western, emerging market luxury wellness context, the study expands the literature on emotional branding. It fills a gap in Sri Lankan emotional branding research by demonstrating how cultural semiotics, multisensory cues, and identity-driven decision systems can be operationalized to advance emotional branding. In practical terms, the results provide implications for Sri Lankan luxury and wellness brands to create emotional distinction with a strategic blueprint. In order to help marketers, entrepreneurs, and brand managers build emotionally compelling and competitive brands, insights show how cultural heritage, sensory consistency, and emotionally charged narratives can boost consumer pride, strengthen brand attachment, and elevate traditional industries.

Data collection for this study encountered numerous challenges that likely affected the findings. Although in-depth interviews with the Spa Ceylon marketing team were initially planned, time constraints made this impossible, leading to a focus group discussion that excluded the Marketing Director. The study also included consumer feedback from social media, yet interviews with customers would have offered deeper insights into emotional branding processes. Future research may explore emotional branding in luxury wellness brands within emerging markets as multiple case studies. Also, comparative analyses across cultures would be another avenue for future research. Such studies would further advance emotional branding theory in emerging markets.

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Keywords: Emotional branding; Luxury wellness; Spa Ceylon Sri Lanka

CUSTOMER-TO-CUSTOMER (C2C) INTERACTIONS IN PRIVATE COMMERCIAL BANKS IN SRI LANKA: AN EXPLORATORY STUDY FROM THE CUSTOMER PERSPECTIVE

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1. Introduction

Customer-to-Customer (C2C) interactions have emerged as an important yet underexplored dimension of service experiences, particularly in high-contact service environments such as banking. The concept of C2C can be described as direct and indirect communication, engagement, and behavioural influence among customers in service environments (Heinonen & Nicholls, 2022). While traditional approaches to enhancing customer experience have focused primarily on staff training, service quality improvements, and technology adoption, recent studies highlight that customers also shape one another's perceptions, satisfaction, and behavioural outcomes through their interactions within service settings (Ma et al., 2023; Furrer, 2023). These exchanges, ranging from offering assistance to sharing information to engaging in social conversation, or even displaying negative C2C interactions, significantly influence overall service evaluations (Black et al., 2021; Heinonen & Nicholls, 2022; Nguyen & Menezes, 2021).

Despite growing international recognition of C2C interactions, this concept remains overlooked, particularly in the Sri Lankan banking context. Preliminary insights from both bank managers and customers indicate that although C2C behaviours occur frequently in local branches, they are neither formally acknowledged nor strategically managed by banks. Furthermore, existing literature predominantly examines C2C interactions in sectors such as tourism, retail, and healthcare and is heavily centred on Western and East Asian countries. Cultural and contextual differences, particularly Sri Lanka's collectivist social orientation and reliance on interpersonal communication, suggest that C2C interactions may manifest differently in local banking environments, creating the need for context-specific research. Thus, the purpose of this research is to explore the types of C2C interactions that occur in private commercial banks in Sri Lanka from the customer perspective. By identifying how customers engage with one another within banking spaces, the study aims to address the contextual knowledge gap by expanding the limited body of knowledge on C2C interactions in the banking sector in the South Asian context, while providing insights to bankers in Sri Lanka on how to harness C2C interactions to improve customer service experiences.

2. Research Methodology

We adopted an interpretivist research philosophy, which assumes that reality is socially constructed and best understood through participants' subjective meanings and experiences (Lincoln & Guba, 1985; Morgan, 2014). Given the interpersonal and context-dependent nature of C2C interactions, interpretivism was appropriate for capturing the emotional, social, and cultural nuances present in banking environments. Aligning with interpretivism, we employed an inductive research approach to allow themes to emerge from participants' C2C experiences.

Using a qualitative methodology, we conducted 11 semi-structured, in-depth interviews with convenience-sampled banking customers of Sri Lankan commercial banks to explore how they experience and interpret interactions with other customers. Each interview spanned 40–45 minutes and was transcribed. We used thematic analysis to analyse the data and adopted the following steps: familiarisation with the data through repeated reading, generating initial codes, searching for patterns to form potential themes, reviewing and refining these themes, and defining and naming the themes. This systematic approach enabled in-depth interpretation of participants' experiences and ensured analytical rigour.

3. Findings and Discussion

The thematic analysis revealed two overarching forms of C2C interactions in Sri Lankan private commercial banks: direct and indirect interactions. Direct C2C interactions occur when customers engage in face-to-face or real-time communication and exchange. Indirect Interactions refer to situations where customers influence or are influenced by other customers without engaging in direct communication or contact.

Direct Interactions are further categorised into Transactional Interactions, Advisory Interactions, Social Interactions, and Knowledge Sharing Interactions. Direct interactions involve active, face-to-face engagement between customers, such as offering help, asking questions, giving advice, or engaging in conversations. In contrast, indirect interactions occur without verbal exchange, where customers influence one another through observation, behaviour, and social cues, for instance, learning procedures by watching others or being affected by noise or crowding. Both forms demonstrated positive and negative dimensions, highlighting the complexity of customer engagement in banking environments.

Building on this distinction, the analysis showed that direct interactions were predominantly positive, contributing significantly to customer satisfaction. Customers frequently offered transactional assistance, such as guiding others with forms, explaining procedures, or helping elderly customers. Advisory interactions also emerged, with customers recommending suitable services or sharing digital banking knowledge.

These behaviours reinforced cooperation and emotional comfort. However, the same direct interactions sometimes produced negative outcomes. Misleading advice about financial products, intrusive personal questions, and rude behaviour occasionally caused discomfort (Nguyen & Menezes, 2021).

Moving from face-to-face exchanges to more subtle influences, indirect interactions also shaped customer experiences, often in meaningful ways. Indirect interactions are further categorised into: Observational Learning Interactions; Cultural Values and Respectful, Service Environment and Interaction Facilitation; Customer Influence on Decisions; Relationship Building Beyond the Bank; and Negative Behavioural Interactions.

Positive indirect interactions included observational learning. Where customers understood processes such as ATM use or queue systems simply by watching others, these behaviours reflected culturally embedded norms of cooperation and situational awareness. Indirect interactions could also negatively affect customers. Noise disturbances, overcrowding, queue misbehaviour, and privacy concerns, though not involving direct communication, still created discomfort and reduced satisfaction.

Taken together, these results highlight that C2C interactions, whether direct or indirect, play a vital role in shaping banking experiences in Sri Lanka. While positive behaviours enhance cooperation, learning, and emotional comfort, negative behaviours pose risks to trust, privacy, and overall satisfaction. Compared to prior research, this study confirms the dual nature of C2C influence while offering nuanced cultural insights unique to the Sri Lankan banking context.

4. Conclusion and Implications

This study explored two key forms of C2C interactions that occur within private commercial banks in Sri Lanka: direct and indirect interactions. Both carry positive and negative implications for the overall service experience. The study also highlights the dual nature of C2C behaviours, showing that both supportive and disruptive actions can affect the overall service climate.

Theoretically, the study contributes to service marketing literature by demonstrating that customers are not passive recipients but active participants who co-create value or reduce value within banking environments. The findings extend understanding of C2C behaviour in a developing, collectivist cultural context, where prosocial norms strongly influence customer conduct.

In practice, the findings emphasise the importance of designing banking spaces and processes that encourage positive customer interactions. Effective queue systems and comfortable waiting areas can promote cooperative behaviour, reduce uncertainty, and improve satisfaction.

Managing negative interactions and communication protocols can further enhance service efficiency and strengthen customer experience.

Despite these insights, the study has limitations. It focused solely on private commercial banks, which means the findings may not represent C2C interactions in other banking contexts, such as state-owned or cooperative banks. Future research could extend the scope by examining C2C interactions in state-owned banks.

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Keywords: Banking sector; Customer-to-Customer (C2C) interactions; Customer experience; Sri Lanka

FACTORS HINDERING GREEN COSMETIC PURCHASE INTENTION AMONG SRI LANKAN MILLENNIALS

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1. Introduction

Green cosmetics are increasingly available worldwide as consumers show greater interest in natural and environmentally friendly products. Although Sri Lanka also promotes sustainable consumption, the adoption of green cosmetics remains low (Kurnia & Mayangsari, 2020). Millennials, who generally have higher environmental awareness and active digital engagement, are expected to support green consumption, yet their purchase behaviour for green cosmetics is still limited (Kurnia & Mayangsari, 2020). Previous studies mainly focused on green product adoption in categories such as organic food, green hotels, and biofuels, leaving a research gap regarding the cosmetic industry in Sri Lanka. Further, only a few studies examine millennials separately, despite their potential buying power.

This study aims to identify the factors hindering millennial consumers' intention to purchase green cosmetics in Sri Lanka. Based on the Innovation Resistance Theory (IRT), the study focuses on value, usage, risk, tradition, and image barriers. Understanding these barriers is important because it helps identify why Sri Lankan consumers continue to prefer conventional cosmetics, despite the availability of green alternatives. This study offers basic insights into the main barriers affecting purchase intention; however, the findings mostly provide descriptive understanding. The results are expected to assist marketers in gaining a general idea about consumer resistance in the green cosmetic sector.

2. Research Methodology

This study followed a positivist research philosophy and a deductive approach, developing hypotheses based on the IRT. A quantitative survey method was used to collect primary data from millennials in Sri Lanka who are currently not purchasing green cosmetics. A total of 309 usable responses were collected. The study is cross-sectional, and the unit of analysis is individual millennial consumers. Data were analyzed using SPSS through descriptive statistics, correlation analysis, and multiple regression.

3. Results/ Findings and Discussion

The results show that usage, risk, tradition, and image barriers significantly affect millennials' intention to purchase green cosmetics. Usage barrier was

found to be the strongest, mainly because consumers feel green cosmetics are not easily available or familiar. Risk and image barriers also had a notable influence due to uncertainty about product quality and doubts about green labels. Traditional barriers suggest that consumers prefer sticking to their regular cosmetic brands. Value barriers, however, were not significant. The findings generally agree with previous literature, but the study does not add major new insights beyond confirming what other studies have already found.

4. Conclusion and Implications

The study concludes that four barriers—usage, risk, tradition, and image—hinder purchase intention, while value barriers do not have a significant influence. The results of the current study have a number of important managerial implications for Sri Lankan green cosmetic marketers. The findings showed that millennials' purchase intention is mainly influenced by usage barriers, suggesting that consumers are more inclined to try green cosmetics when they believe their use is more complex or distinct from that of conventional products. To turn this curiosity into a real purchase, managers can strategically leverage influencer tutorials, product demonstrations, in-store trial experiences, and step-by-step usage videos. Since value barriers do not significantly influence purchase intention for green cosmetics, this suggests that enhancing brand image strategies, credibility communication, and product education would have a greater impact than price-based promotions.

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Keywords: Barriers; Green cosmetics; Millennials; Innovation resistance theory; Purchase intention

ECOBUSINESS MANAGEMENT

ALIGNING CORPORATE GOVERNANCE WITH ECO-BUSINESS STRATEGIES: A CASE STUDY ON BALANCING PROFIT AND ENVIRONMENTAL STEWARDSHIP IN SRI LANKA

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1. Introduction

Corporate governance provides, among other things, essential mechanisms of accountability, transparency, fairness, and responsibility between corporate players, and has been widely regarded as the foundation upon which contemporary corporate and eco-business management rests in Sri Lanka. From the historic 1992 Cadbury Report in the UK to today, Corporate Governance frameworks have evolved to provide a delicate balance between social objectives and economic success, bringing corporate interests to align with the good of society at large. It prescribes rules and responsibilities that direct how companies should be managed. In the case of Sri Lanka, these responsibilities are primarily emanating under the Companies Act No. 7 of 2007, which requires directors to make sure they act with due care, avoid conflicts of interest, and conduct business in the best long-term interests of the company. Today, companies are under increasing pressure from customers, regulators, and investors not to harm the environment, and companies should now strive for a balance between financial objectives and environmental accountability. Despite words on sustainability and ESG by most Sri Lankan companies, in practice, a limited understanding exists as to how corporate governance laws actually affect their environmental decisions. This paper, therefore, investigates how governance structures shape the eco-business strategy through the use of a case study of a Sri Lankan company. It attempts to find out how corporate governance constitutes a support or limitation to environmental stewardship; what mechanisms businesses take to align sustainability with profit-making; and the challenges faced in attempting such alignment. The study is important in explaining how the law works in real corporate settings and offers practical insight to strengthen governance-based sustainability in Sri Lanka.

2. Research Methodology

This study uses a qualitative case study approach to understand how corporate governance duties influence eco-business decisions within a Sri Lankan company. An interpretivist philosophy guides the research because it focuses on how legal duties operate in real organizational settings. Purposive sampling was used to select a large listed company known for its

ESG reporting, and the sample period covers 2019–2023. The unit of analysis is the company's governance framework, including board processes, reporting systems, and decision-making related to environmental matters. Data were collected from annual reports, sustainability disclosures, board committee reports, and relevant legal provisions under the Companies Act No. 7 of 2007 and the National Environmental Act No. 47 of 1980. Three semi-structured interviews were conducted with a board member, a sustainability officer, and a compliance officer to understand how legal duties are applied in practice. The data were examined using thematic analysis to identify patterns in governance behaviour, ESG integration, and challenges in balancing profit and environmental responsibility. This method is appropriate because it directly links corporate law requirements to practical environmental governance, addressing the reviewer's request for sampling details, sample period, and variables.

3. Results/ Findings and Discussion

The findings indicate that corporate governance responsibilities definitely drive the basis on which the selected Sri Lankan company approaches environmental decisions, as directors increasingly consider sustainability to be part of acting in the long-term best interests of the company. **Section 187** of the Companies Act No. 7 of 2007, commanding directors to act in good faith and in what they subjectively believe to be in the best interests of the company, was a deciding factor when environmental risks could affect future business stability. Such a duty persuades companies to think about long-term sustainability rather than short-term profit maximization. This explains practices such as the environmental risk assessment carried out for new projects. The no-conflict rule, supported by ***Regal (Hastings) Ltd v Gulliver*** (1942), similarly shaped transparent evaluations of suppliers with whom waste management and renewable energy activities were conducted. Similarly, principles from ***Percival v Wright*** (1902) and Smith v Fawcett Ltd (1942) reminded directors that honesty is expected in their actions, taking into account all kinds of risks that may affect the company's future, including environmental damages. These duties were reflected in the establishment of a board sustainability committee, the use of ESG performance indicators, and full environmental disclosures in the annual reports of the company. A congruence with Sri Lankan studies, evidencing how better governance leads to better environmental reporting, for example, Randunu et al. (2022); Nuskiya et al. (2021), is depicted while echoing global findings on the difficult balancing act developing countries face between environmental sustainability and economic pressures. Key difficulties related to the implementation costs of environmental initiatives, limited expertise within the staff, and the push to preserve profit margins; thus, it seemed that while governance frameworks can steer responsible behaviour towards the environment, it is still an uphill task to integrate sustainability issues into everyday operations.

4. Conclusion and Implications

Corporate governance already plays a significant role in balancing profit with environmental responsibility, as directors of Sri Lankan companies increasingly view their legal duties, particularly the duty under Section 187 of the Companies Act to act in good faith and in the best interests of the company, as requiring attention to long-term environmental risks. The case study in the research demonstrated that better-designed governance structures, such as sustainability committees, combined with open ESG reporting, translate into higher capacities for integrating environmental objectives with core business goals. It also demonstrated that case law principles from ***Regal (Hastings), Percival v Wright*,** and ***Smith v Fawcett*** remain integral to the shaping of ethical and responsible decision-making; full adoption, however, remains limited due to perceived high implementation costs, limited expertise, and pressure for financial results. Based on these findings, it is clear that stronger governance mechanisms, better awareness of directors' legal duties, and improved reporting systems may help Sri Lankan firms reach more responsible and sustainable behaviour.

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Keywords: Corporate governance; Eco-business management; Fiduciary responsibility; Sustainability; transparency

THE IMPACT OF GREEN ATTITUDE ON GREEN WORK BEHAVIOR AMONG TOP-LEVEL MANAGERS OF THE APPAREL INDUSTRY IN NORTHWESTERN PROVINCE IN SRI LANKA.

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1. Introduction

Environmental sustainability has become a critical global concern, urging organizations to adopt eco-friendly practices such as green HRM, green marketing, and sustainable management to mitigate ecological damage (Ahamad, 2015; McDonagh & Prothero, 1997). In high-impact industries like medium-scale apparel, employees' green attitudes, cognitive, affective, and intentional, are vital in shaping green work behavior (Schultz et al., 2007; Norton et al., 2015). Despite awareness, a gap persists between positive attitudes and actual sustainable practices due to organizational and external constraints (Blok et al., 2015; Zientara & Zamojska, 2018). This highlights the need to examine managerial attitudes and behaviors in Sri Lanka's apparel sector.

Despite growing global emphasis on sustainability, a persistent gap exists between managerial green attitudes and actual green work behavior in high-impact industries (Zientara & Zamojska, 2018). In Sri Lanka's apparel sector, top-level managers frequently express positive attitudes toward environmental responsibility; however, these attitudes do not consistently convert into actions such as waste reduction, energy efficiency, and sustainable production practices (Fernando & Wijethilake, 2020). Constraints related to resources, training, and policy enforcement further widen this attitude–behavior gap (Perera & Pushpakumari, 2021). Existing research focuses largely on employees, leaving limited empirical evidence on managerial behavioral outcomes, warranting deeper investigation (Herath & Wijesekara, 2022). This study aims to examine the impact of Green Attitude (Cognitive, Affective, Intention to Behavior) on Green Work Behavior among top-level managers in the Apparel industry in the Northwestern Province of Sri Lanka.

This study demonstrates theoretical understanding of green attitudes and behaviors in Sri Lanka's apparel sector, providing empirical evidence and addressing research gaps. Practically, it guides managers, policymakers, and firms in overcoming barriers, shaping policies, and promoting sustainable practices for improved efficiency and environmental performance.

2. Research Methodology

This study adopts a positivist philosophy, emphasizing objective measurement of the relationship between green attitude and green work behavior (GWB) among top-level managers in Sri Lanka's apparel industry. A deductive approach was applied, testing hypotheses derived from the Theory of Planned Behavior (Ajzen, 1991). A survey strategy with a cross-sectional design was employed, collecting data at a single point in time from March 1, 2025, to April 30, 2025. The research context is medium-scale apparel firms in the Northwestern Province, where sustainability challenges are significant. The unit of analysis comprised CEOs, directors, and senior managers responsible for strategic decision-making. The population included 422 top-level managers identified through the EPL report, 2025 from the Provincial Environmental Authority and a stratified random sampling technique ensured balanced representation across managerial roles, resulting in a final sample of 201 respondents (Morgan, 1970). The independent variable is Green Attitude (Cognitive, Affective, Intention), and the dependent variable is Green Work Behavior (Task-Related Green Behavior, Perceived Behavioral Controls, Motivation). Data were analyzed using SPSS, including descriptive statistics, correlation, and regression analysis.

3. Results/ Findings and Discussion

This study examined how three dimensions of Green Attitude influence Green Work Behavior among top-level managers in the apparel industry of the Northwestern Province, with objectives clearly aligned to the research problem. Three hypotheses (H1–H3) were formulated to test the effects of Cognitive, Affective, and Intention-based attitudes on behavior. Data collected through validated scales (EAI; EGBS) were analyzed using descriptive statistics, Pearson's correlation, and multiple regression in SPSS 26. Reliability was strong ($\alpha = 0.745–0.922$), and validity was ensured (KMO = 0.878; $p < 0.001$). Results showed high Green Attitude ($M = 104.81$) and moderately high Green Work Behavior ($M = 48.07$). All attitude dimensions positively correlated with behavior, with intention showing the strongest association ($r = 0.564$), consistent with prior research, while affective attitude showed a comparatively weaker link. Regression findings revealed that the three dimensions explained 36.9% of GWB ($R^2 = 0.369$), indicating predictive validity. However, 63.1% of the variance remained unexplained, suggesting the presence of organizational and contextual barriers that hinder the translation of positive attitudes into behavior. Cognitive attitude ($\beta=.362$, $p=.001$) and intention ($\beta=.512$, $p=.000$) significantly predicted green behavior, while affective attitude ($\beta=.016$, $p=.878$) showed no significant impact. Thus, the results strongly support the study objectives and hypotheses, demonstrating a clear methodological alignment.

The findings demonstrate that Green Attitude significantly predicts Green Work Behavior, aligning with the Theory of Planned Behavior, which posits that attitudes guide intentions and actions (Ajzen, 1991). Consistent with prior studies, Cognitive Green Attitude emerged as a strong predictor, supporting research by Nayak et al. (2022) and Chaudhary et al. (2024), who emphasized knowledge and awareness as essential drivers of pro-environmental behavior. Although Affective Attitude correlated positively with Green Work Behavior, its non-significant regression effect suggests that emotional concern alone may not translate into consistent green actions, contrasting with studies where emotional engagement played a stronger role. The Intention to Green Behavior dimension showed the strongest influence, reinforcing previous research that intention acts as the most immediate determinant of behavior (Kautish & Sharma, 2019). This finding highlights the importance of cultivating managerial commitment and goal alignment within sustainability programs.

Overall, the results affirm the study's objectives and provide empirical support for the three hypotheses, demonstrating that strengthening cognitive understanding and behavioral intention among senior managers is essential for enhancing sustainable practices in Sri Lanka's apparel sector.

4. Conclusion and Implications

This study examined how cognitive, affective, and intentional green attitudes influence green work behavior among top-level managers in medium-scale apparel firms in Sri Lanka's Northwestern Province. The findings confirm that cognitive attitude and intention to green behavior significantly foster green work behavior, while affective attitude shows no meaningful effect. These results align with the research objectives and emphasize that knowledge-driven awareness and deliberate commitment are stronger drivers of sustainable managerial actions. The study highlights the importance of strengthening environmental knowledge and purposeful intent in leadership development. Future research could explore moderating factors, broader employee groups, or industry comparisons to enhance generalizability.

Theoretical implications arise from extending the Theory of Planned Behavior (Ajzen, 1991) to the Sri Lankan apparel sector, demonstrating how managerial attitudes can predict pro-environmental behavior in a developing country context. This study also enriches the literature by addressing the attitude–behavior gap and emphasizing the role of contextual constraints.

Practical implications suggest that organizations should strengthen managerial knowledge through targeted training, foster emotional commitment with recognition systems, and reinforce behavioral intentions via clear policies and incentives. Policymakers and industry regulators should also enhance enforcement mechanisms and provide supportive

infrastructure to overcome systemic barriers. By aligning attitudes with action, firms can achieve greater sustainability, operational efficiency, and global competitiveness.

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Keywords: Apparel industry; Attitude–behavior gap; Green attitude; Green work behavior; Theory of planned behavior

EXPLORING THE INTEREST-BEHAVIOUR GAP: REASONS FOR LOW GREEN LOAN UPTAKE AMONG GREEN SMES IN SRI LANKA

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1. Introduction

Where Green Finance has become a global priority, Sri Lanka's Green Small and Medium Enterprises (Green SMEs) continue to show very low participation in Green Finance Products. Although the Central Bank and partner institutions have introduced instruments such as the Green Finance Roadmap and Green Finance Taxonomy, practical adoption remains limited despite the interest (Green Finance Maturity Assessment, 2024) Recent assessments show that green lending accounts for only about 1 percent of total bank lending in Sri Lanka, and annual reports of leading private commercial banks indicate that green loans represent between 0.15 percent and 2.59 percent of their total lending portfolios, demonstrating a critical gap. Although preliminary evidence indicates strong interest among Green SMEs in Green Financing, actual green financing behavior remains minimal. Among 27 Green SMEs, 92.6 percent were interested in obtaining green loans. Yet, despite this interest, none of these businesses had actually obtained a green loan, even though 70.4 percent were already financed through other forms of bank credit. This contrast highlights a persistent and unexplained interest–behavior gap in the adoption of green finance within the sector. This study explores the reasons behind this persistent interest-behavior gap in the Sri Lankan Green SMEs context. Understanding these reasons is essential for promoting Green Finance practices and strengthening the country towards a Green Economy. The study contributes to the national and regional discourse on Green SME development by offering actionable insights to policymakers and financial institutions to improve access to and adoption of Green Financial Products in Sri Lanka.

2. Research Methodology

The study adopted an interpretivist qualitative approach, as it enabled an in-depth exploration of the subjective perceptions and contextual factors underlying the low uptake of Green Loans among Green SMEs in Sri Lanka. Further, the study employed an inductive approach and a multiple-case study design, with a cross-sectional time horizon and purposive sampling. In this study, SMEs are defined in the Sri Lankan context as businesses that employ fewer than 300 people and have annual turnover of up to Rs. 750 million, as per the National Policy Framework on SME Development,

Ministry of Industry and Commerce. In the specific case of green SMEs, one might mean only those that have received Environmental Protection Licenses from the Central Environmental Authority (CEA). The inclusive criteria for purposive sampling are: purposeful possession of CEA environmental protection licenses, demonstrated active implementation of green practices, and expressed interest in green loans, while showing no actual uptake. Data were gathered from 12 Green SME owners/Managers in Sri Lanka through semi-structured interviews until Data saturation was reached. Interview transcripts were analyzed using thematic analysis, which was appropriate for capturing deep, context-specific insights.

3. Findings and Discussion

This analysis revealed five interrelated themes that explain the low uptake of Green Loans among Green SMEs in Sri Lanka: Financial Self-Reliance for self-funding, Mismatch Between Green Loan Conditions and SME Realities, Lack of financial institution reliability, Insufficient Understanding of Green Loans, and Weak Institutional Support for Green SMEs. First, Financial Self-Reliance for self-funding uncovered a previously unexplored dimension in the Green Finance literature. Unlike existing studies focusing on financial constraints, this research reveals a deep-rooted fear of debt as the reason, with entrepreneurs viewing Green Loans as existential threats rather than business tools. Second, Green Loans require collateral such as land or buildings; the application process takes too long; after receiving the loan, political, social, and cultural dimensions may change; and the repayment options do not match the actual income earned by Green SMEs from projects. Third, the lack of financial institution reliability was particularly interesting, as even Green SMEs who want to be environmentally friendly do not trust banks. They think banks are only interested in profit-making and do not really care about the environment. Some participants reported being disappointed with how banks operate due to negative banking experiences. This lack of financial institution reliability is an interesting reason that has not been properly discussed in previous studies. Fourthly, an insufficient understanding of Green Loans shows that Green SMEs cannot see any real differences between Green Loans and normal loans. Banks have not explained the benefits properly, so SMEs think Green loans are the same as regular loans. This implies that having a green loan product is not enough if people do not understand what makes them special. Fifth, Weak Institutional Support for Green SMEs showed that, though government policies keep changing, no proper system was in place to facilitate Green SMEs. Without stable policies and adequate infrastructure, Green SMEs feel it is too risky to take long-term loans. Along with weak institutional support, banks do not generate green loans through dedicated eco funds but instead label regular loans as green, reflecting another limitation within the institutional framework for green financing.

4. Conclusion and Implications

This study addresses critical gaps in green finance literature by exploring the interest-behavior gap from the customer perspective in a developing economic context. The findings reveal that low green loan uptake among Sri Lankan Green SMEs results from five interconnected reasons rather than isolated financial constraints. Theoretically, this research advances Resource-Based View theory by demonstrating that resource availability alone is insufficient without addressing psychological, institutional, and ecosystem-level mobilization barriers in sustainability contexts. It contributes rare empirical evidence from the customer perspective, addressing the predominant banker-centric bias in existing literature. Practically, the findings provide actionable recommendations for multiple stakeholders. Policymakers should establish stable green policies, streamline loan procedures, and introduce alternative collateral mechanisms, such as guarantee schemes. Banks need to redesign products with flexible repayment terms, grace periods, and reduced documentation while improving industry-specific knowledge and transparent communication about green loan benefits. Supporting institutions must develop market linkages for green products, consumer awareness campaigns, and knowledge ecosystems connecting researchers, government agencies, and financial institutions. The study uniquely positions green loan adoption as an ecosystem failure requiring coordinated multi-stakeholder intervention rather than isolated product improvements, offering a comprehensive framework for strengthening green finance implementation in developing economies. This study is of a Qualitative nature and uses purposive sampling of 12 Green SMEs, limiting the generalizability of the findings to the broader SME population. Additionally, the study focuses solely on the borrower perspective and does not include the viewpoints of banks or regulatory institutions, which may provide complementary insights into structural barriers. Future research could explore longitudinal research on how policy changes and financial innovations influence green loan adoption over time.

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***Keywords*:** Green finance; Green loans; Green SMEs; Interest-Behavior gap; Sri Lanka

UNCOVERING THE REASONS FOR LOW ADOPTION OF CORPORATE SUSTAINABILITY PRACTICES IN SMALL AND MEDIUM-SIZED HOTELS: A CASE STUDY OF ELLA, SRI LANKA

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1. Introduction

Corporate sustainability refers to integrating environmental protection, social responsibility, and economic performance to ensure long-term business viability (Singh & Rahman, 2021). In the tourism and hospitality sector, sustainability practices such as waste reduction, energy efficiency, and community engagement are increasingly recognized as essential for minimizing negative environmental impacts while enhancing destination competitiveness (Streimikiene et al., 2020). However, small and medium-sized enterprises (SMEs) in the tourism industry often face greater sustainability challenges than large hotels due to limited financial capacity, weaker institutional support, and low managerial awareness (Andersson et al., 2022; Suluo et al., 2020). These global patterns are also evident in emerging tourism destinations across Asia, where the adoption of sustainability practices remains inconsistent and under-researched (Ngo & Creutz, 2022).

Ella, a rapidly developing tourist destination in Sri Lanka's central highlands, illustrates this concern. Despite the area's natural attractions, the region faces growing environmental pressures, including deforestation, inadequate waste management, and overuse of natural resources driven by unregulated hotel expansion (Liyanage, 2024). A preliminary survey of 21 hotels in Ella revealed a critically low overall sustainability adoption level (mean = 2.20 out of 5) across environmental, economic, and social dimensions. Recent incidents, such as a fire that burned nearly 600 acres around Ella Rock and the presence of more than 700 unregistered hotels, further highlight the urgency of addressing sustainability gaps.

The existing literature predominantly focuses on large hotels in developed nations, with limited attention to SME hotels in rural tourism destinations such as Ella (Iddawala et al., 2024; Wijesundara et al., 2024). Accordingly, this study aims to explore the reasons for the low adoption of corporate sustainability practices among small and medium-sized hotels in Ella and to examine hotel managers' perspectives on future sustainability implementation. Understanding these factors is essential for developing effective sustainability frameworks that protect Ella's ecological value while supporting local economic development and community wellbeing.

2. Research Methodology

This study adopts a qualitative research approach to explore hotel managers' lived experiences and decision-making regarding sustainability. Guided by an interpretivist philosophy, the study recognizes that individual beliefs, contextual realities, and subjective meanings shape sustainability adoption. An inductive approach was applied to allow new themes to emerge rather than testing predetermined hypotheses.

A multiple-case study strategy was selected to examine small- and medium-sized hotels in Ella with low levels of sustainability adoption. The research was conducted from June to October 2025, targeting hotel owners and managers of establishments with less than 100 rooms, consistent with Sri Lankan SME classifications. Purposive sampling was used to select hotels that demonstrated minimal sustainability adoption, identified by observable practices such as the absence of renewable energy use, limited waste separation, limited formal community engagement, and minimal environmental management systems.

Data were collected through in-depth interviews with 12 participants (7 owners and five managers) representing diverse hotel types and operational scales. Interviews were conducted in Sinhala and or English according to participant preference, and data collection continued until thematic saturation was achieved. Interview transcripts were analyzed using Braun and Clarke's (2006, 2022) six-step thematic analysis, which was well-suited to capturing deep, context-specific insights often overlooked in quantitative studies, especially in under-researched rural tourism settings.

3. Results/Findings and Discussion

The thematic analysis generated six key barriers explaining the low adoption of corporate sustainability among small and medium hotels in Ella. Financial constraints emerged as the most dominant factor. Many hoteliers perceived sustainable investments as offering lower returns compared with expanding room capacity, a finding that complements existing research emphasizing financing barriers in SMEs (Wijesundara et al., 2024; Andersson et al., 2022).

Knowledge gaps also hinder adoption, as most participants associated sustainability only with basic environmental actions or eco-tourism elements. This aligns with earlier studies in developing destinations (Gerner, 2019), but your data also reveals miscommunication and greenwashing, where the term "sustainability" is used merely for marketing purposes. Spatial limitations were uniquely prominent in Ella's context. Due to dense hotel clustering and small land plots, many operators lacked space for composting units, solar installations, or waste-segregation structures. This nuance has been underrepresented in prior literature and provides a location-specific insight. Technical barriers further restricted sustainability

practices. Breakdowns in biogas units, limited access to reliable equipment, and the absence of skilled technicians made long-term implementation difficult. Such challenges echo previous research but also reflect the rural operational constraints of Ella. Market pressures, including fear of losing price-sensitive tourists and competition-driven discounting, discouraged the adoption of cost-incurring sustainability initiatives. Previous studies similarly note weak demand for green practices among tourists in developing regions. Cultural resistance, driven by short-term profit orientation, staff reluctance, and the absence of a "green culture," also constrained progress, supporting arguments that internal attitudes strongly influence sustainability behavior.

Under Objective 2, five expectation-based themes emerged. First, hoteliers demonstrated a positive orientation, expressing willingness to adopt sustainability when financially and operationally feasible. Second, participants stressed the need for institutional support, especially subsidies, low-interest loans, and clearer regulations. Third, they emphasized the importance of capacity development, noting the need for training to overcome technical and knowledge barriers. Fourth, respondents highlighted collective industry engagement, proposing hotel networks for shared problem-solving, consistent with community-based tourism literature. Finally, hoteliers exhibited a growing commitment to environmental conservation, acknowledging that Ella's natural beauty is central to their business survival.

Overall, the findings both confirm previously identified barriers in developing country tourism contexts and offer new, Ella-specific insights, particularly related to spatial constraints, market-driven plastic use, ROI-based decision-making, and the need for corporate sustainability networks.

4. Conclusion and Implications

This study addresses a significant gap in sustainability research by focusing on small and medium-sized hotels in rural areas of developing countries. This context remains understudied despite its growing tourism pressures. The findings show that although hotel managers in Ella have a basic awareness of sustainability, this awareness does not translate into action due to financial constraints, limited government support, inadequate infrastructure, and cultural resistance to organizational change. These results align with broader sustainability challenges faced by SMEs globally, yet also highlight unique spatial and technical constraints specific to Ella.

Theoretical implications demonstrate the importance of place-based factors and managerial perceptions in shaping sustainability adoption. By foregrounding rural operational realities, the study strengthens understanding of how contextual limitations interact with sustainability intentions.

Practical implications emphasize the need for collaborative, multi-stakeholder action. Policymakers should offer targeted financial incentives covering 40–50% of sustainability investments while simplifying regulations and strengthening coordination among local authorities. Hotel owners are encouraged to collaborate through associations to share waste management systems and jointly procure sustainable technologies, reducing individual costs. Universities and tourism authorities should expand training programs and promote voluntary hotel-specific standards such as Green Globe, EarthCheck, and LEED. Modern corporate practice shows that financial barriers are now outdated, as sustainability increasingly delivers financial savings and competitive advantage. Achieving sustainable tourism in Ella, therefore, requires coordinated government support, industry cooperation, education initiatives, and active community participation.

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Keywords: Corporate sustainability; Small and medium hotels; Sustainable tourism

BARRIERS TO IMPLEMENTING GREEN CHEMISTRY SUBSTITUTION FOR SAFER CHEMICAL MANAGEMENT IN THE WESTERN PROVINCE LARGE-SCALE APPAREL INDUSTRY IN SRI LANKA

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1. Introduction

The Sri Lankan Apparel industry, which is a major driver of the country's economic growth, depends on fabric processing, a source of toxic chemical emissions, mostly in dyeing, bleaching, and finishing. These chemicals help increase exports and the value of the product; however, they affect the environment and human health, and pose long-term pollution and health risks for workers with prolonged exposure.

There is worldwide demand that production be environmentally friendly and that chemical handling be safe for buyers, regulators, and consumers. Nevertheless, the upgrade has been very slow in the large-scale apparel factories of the Western Province of Sri Lanka. The reason for this is that they have difficulties on both the technical and regulatory sides. The issues that have persisted despite certain factories trying out environmentally friendlier methods like water-efficient dyeing, Natural dyes, and using less harmful substitutes are still there.

The two main barriers to the implementation of green chemical substitution in the apparel industry are insufficient access to technology, a lack of a skilled workforce, and the unavailability of strong government policies or regulatory incentives. Poor enforcement and regulatory ambiguity are factors that widen the gap between sustainability policy and industry practice. The research focuses on the technological and regulatory obstacles that arise first and thus constitute the most direct barriers to the broader application of green chemistry. Present methods are, in general, only partially aligned with global standards like Zero Discharge of Hazardous Chemicals (ZDHC) and are mostly reliant on external buyer instructions, such as Restricted Substance Lists and Manufacturing Restricted Substance Lists. The continued discharge of polluting effluents indicates a lack of both operational readiness and institutional support. This research is confined to large-scale factories in the Western Province and, therefore, differentially affects small- and medium-scale enterprises and localities with distinct resource profiles. Moreover, it is constrained by the subjectivity and confidentiality aspects of qualitative research. Besides, the evolution of global standards and logistical constraints add to the research's complexity. This study gives new empirical insights for developing countries, helping

students and researchers understand how green-chemistry barriers emerge in real industrial settings. It also strengthens academic theory by showing how global buyer pressure and weak domestic institutions shape sustainability transitions.

2. Research Methodology

The research is based on a constructivist philosophy and an interpretivist epistemology, implying that the 'realities' and 'meanings' of the impediments to green-chemistry replacement, as perceived by participants, are socially constructed. Employing an inductive qualitative method and a multi-case study strategy, the study examines three large-scale export-oriented apparel factories in Sri Lanka's Western Province. These cases were purposively sampled to ensure information-rich contexts in which chemical management practices are highly developed. Data collection occurred and consisted of semi-structured interviews with production managers, sustainability officers, and compliance managers, the stakeholders involved in chemical management and compliance decision-making. The study's variables were the perceived technical, regulatory, and organizational impediments to green-chemistry adoption, which were explored without imposing predefined constructs. Thematic analysis (Braun & Clarke, 2006) guided the manual, inductive coding of transcripts to derive patterns related to these variables, while triangulation with policy documents and compliance records enhanced validity. Credibility and trustworthiness were further ensured through peer debriefing and member checking. The depth, adaptability, and triangulation of this methodology are particularly effective in revealing practical and subtle barriers, offering substantial insights needed to address the research questions in a complex, real-world industrial environment.

3. Results and Discussion

The researchers employed thematic analysis to examine the data, following the procedures described by Braun and Clarke (2006). The authors of the article aimed to identify, among the many qualitative inquiries, the most relevant and fundamental patterns of participants' experiences, and this point determines the appropriateness of the thematic analysis approach. The research team first recorded the semi-structured interviews conducted with environmental and compliance management members of three large-scale clothing factories in the Western Province of Sri Lanka. They then transcribed, coded, and thematized these interviews to identify the barriers and enablers to substitution in green chemistry. We could figure out from the interviews that factory stakeholders and employees in general are fairly knowledgeable about the ecological chemistry concept and even its profits which may be several, as by Bluesign-approved dye utilization or enzymatic chemicals, aligned with the global organic textile standards however, the implementation of green chemistry goes to only half-way, in fact, most of the

time, it is limited to trials of products going for export or pilot projects. On the one hand, factory technical issues were a powerful and constant theme and set of factors behind the failure of the technology to be widely adopted and they included many things such as unavailability of local suppliers of certified green chemicals, necessity for laboratory testing that is costly and done at an overseas facility, lack of staff who are trained and can evaluate scientific work when it comes to safer alternatives, and infrastructural gaps (e.g. basic wastewater treatment instead of advanced one).

On the other hand, regulatory problems also played a part in stalling the industry, as the interviewees consistently referred to government policy riddled with uncertainties, poor enforcement, and the absence of fiscal incentives and standardized guidelines. Nonetheless, market and buyer pressure were described as the most effective factor playing the role of a motivator and basically international brand requirements (e.g., ZDHC standards, Higg audits) can be considered the main reasons why greener chemicals are adopted, in many cases, this is done in a way that domestic policy is compensated for and not strengthened. This research also supports much of what is already known and written on the topic: earlier researchers (Sooriyaarachchi, 2025; Herath & Rajumesh, 2022; Chowdhury et al., 2022; Khandaker, 2025) found that externally imposed compliance requirements are more important than internal or regulatory ones, and that there are various barriers to technology, lack of suppliers, and unclear policies. Besides, the present research provides real-life means for addressing the problem that align with worldwide recommendations, such as the urgent need for national green chemistry frameworks, capacity building through training, the provision of quality-controlled local testing laboratories, the establishment of strong supplier relationships, and the introduction of an incentive-led mechanism. These facilitators were not only referred to by the interviewees but also corroborated by peer-reviewed papers (Bouzon & Govindan, 2015; Garcia et al., 2019). Ultimately, this work demonstrates how Sri Lanka's apparel industry took the initial steps towards prudent management of chemical agents. However, technical and regulatory obstacles still exist, and significant advancement will require the concerted effort of national policy support, infrastructure upgrades, and the continuation of government-academia-industry collaboration. Hence, the results of the local research are in line with worldwide trends and support the academic consensus that integrated, context-specific frameworks are vital for the implementation of sustainable transformation in the apparel industry.

4. Conclusion and Implications

Research reveals that the implementation of green chemistry in the large-scale apparel industry in the Sri Lankan context is currently at a very initial stage, and the primary driver of such implementation is the demand of international buyers, not domestic regulatory forces. The main barriers to a

full switch to non-harmful chemicals are the lack of technical expertise, a limited number of accredited suppliers and testing laboratories, and insufficient regulatory guidance. The research demonstrates the influence of global market requirements and the country's internal conditions on environmental innovation in the manufacturing sectors of developing countries, thereby confirming that supplier readiness and regulatory guidance are necessary for significant sustainability changes. In practice, the results indicate that the introduction of green chemistry into the apparel industry requires an immediate national policy framework, targeted incentives, and strong public–private cooperation. Industry players may enhance performance and regulatory compliance through local supplier development, workforce training, and systematic cost–benefit evaluation. Policymakers are supposed to set up standards that can be enforced and are in line with international protocols, offer fiscal incentives, and facilitate local R&D and testing facilities. These steps, taken together, would make Sri Lanka more competitive in the global market, improve worker and environmental safety, and help the transition from reactive compliance to proactive sustainability leadership. This research provides significant benefits to the existing body of knowledge by offering detailed empirical data on the manufacturing sector of a developing country and thus addressing the underrepresentation of such contexts in green chemistry research. It broadens understanding of the interaction between external buyer pressure and domestic institutional constraints, and extends theoretical discussions on sustainability transitions by highlighting the crucial roles of regulatory clarity and supplier capability in accelerating chemical substitution and environmental innovation.

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Keywords: Hazardous chemicals; Manufacturing restricted substance lists; Restricted substance lists; Zero discharge

EVALUATING THE SUSTAINABILITY OF GREENHOUSE CULTIVATION VS. TRADITIONAL OPEN-FIELD CULTIVATION- A STUDY OF THE LIFE CYCLE SUSTAINABILITY ASSESSMENT OF ONE-SEASON CULTIVATION

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1. Introduction

Agriculture is important for Sri Lanka's social and economic growth. It provides a large number of jobs, supports food security, and boosts the national economy. The transition to more sustainable agricultural systems is necessary. These systems should utilize resources more efficiently and minimize their environmental, economic, and social impacts.

The greenhouse is a framed building covered with a transparent substance, where crops are allowed to grow in a wholly or partially controlled environment (Shamshiri et al., 2018). Open-field farming depends mostly on natural resources such as rain and sunlight; thus, it is less energy-intensive as opposed to greenhouses. The technique is still mostly used in SL because its establishment cost is relatively low and the techniques are familiar to farmers. Although both systems coexist in Sri Lanka, there is limited empirical evidence comparing their environmental, social, and economic performance comprehensively. This gap restricts informed decision-making among agricultural agencies and farmers seeking to identify efficient and sustainable cultivation methods.

To address this issue, the current research employs the Life Cycle Sustainability Assessment (LCSA) framework to evaluate and compare greenhouse and open-field tomato cultivation. The study aims to (1) assess environmental impacts from land preparation to market transport (Antón et al., 2014); (2) evaluate economic performance through Life Cycle Costing (LCC) (*AOS-SAPP-Greenhouse-Tomato*, 2022); (3) analyze social implications related to worker conditions through Social LCA (S-LCA) (Hannouf et al., 2025); and (4) integrate these dimensions to determine which system offers superior sustainability performance (Bartzas et al., 2015).

This study is important as it fills a major gap by providing practical evidence on the sustainability performance of greenhouse and open-field tomato farming in Sri Lanka. Using the LCSA framework, it evaluates environmental, social, and economic aspects to understand how each method affects resource use, farmer welfare, and profitability. The findings help guide farmers and agricultural institutions toward more sustainable and efficient farming practices.

2. Research Methodology

This study adopts a quantitative research design grounded in the post-positivist paradigm, emphasizing objective measurement and data-driven analysis. The research strategy is comparative and cross-sectional, focusing on the sustainability performance of greenhouse and open-field tomato cultivation systems in the Welimada region, Sri Lanka. The unit of analysis is the cultivation system, representing a life cycle from raw material extraction to harvest (cradle-to-gate) (Vandervaeren et al., 2025).

A purposive sample of 20 farmers (10 from greenhouse operations and 10 from open-field operations) was selected based on farm size, experience, and data availability to ensure consistency in environmental, social, and economic assessments. Primary data were collected through field observations, semi-structured interviews, and direct measurements of inputs and outputs, while secondary data were obtained from the Department of Agriculture, UPEDB, and the Ecoinvent database.

The study applies the Life Cycle Sustainability Assessment (LCSA) framework: Environmental Life Cycle Assessment (E-LCA) to quantify environmental impacts such as global warming potential, energy use, and water consumption; Social Life Cycle Assessment (S-LCA) to evaluate worker-related social conditions; health, safety, wages, and job stability; and Life Cycle Costing (LCC) to assess material-based economic costs. E-LCA was conducted using SimaPro 10.2, while S-LCA and LCC were analyzed using MS Excel. This integrated methodology is uniquely appropriate, as it enables a comprehensive, data-driven comparison of environmental, social, and economic sustainability between the two cultivation systems.

3. Results/ Findings and Discussion

Environmental Life Cycle Assessment

The goal is to compare the environmental performance of greenhouse tomato cultivation and open-field tomato cultivation in the Welimada region of Sri Lanka. The study aims to identify environmental hotspots, quantify key environmental impacts, and determine which cultivation method demonstrates greater environmental sustainability over a single growing season.

The functional unit is one complete growing season of tomato cultivation for both greenhouse and open-field systems, using 400 seeds per system.

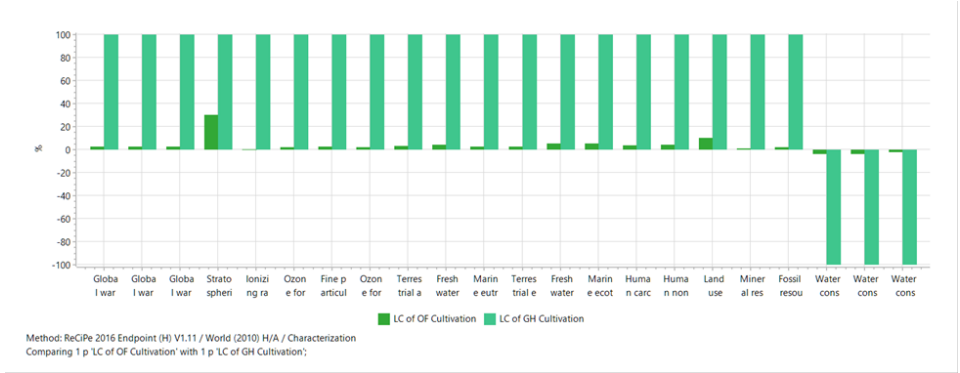

Figure 1: Contribution of each component for the characterized results of the cultivation of tomato in GH and OF cultivations (endpoint)

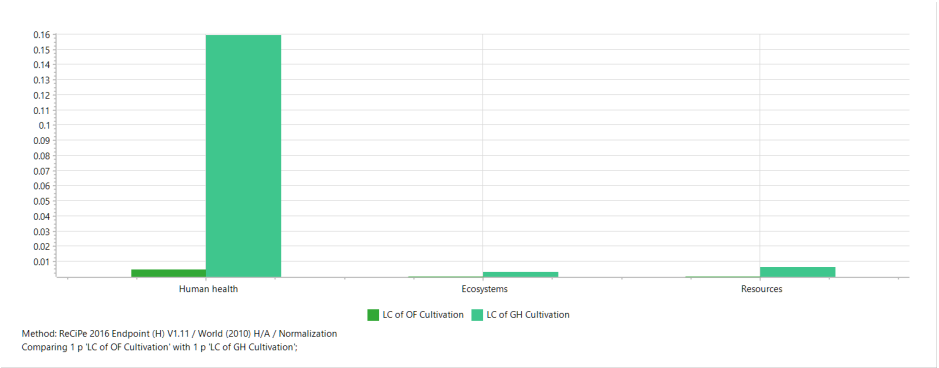

Figure 2: Contribution of each component for the normalized results of cultivation of tomato in GH and OF cultivations (endpoint)

Conducted using SimaPro 10.2 with the ReCiPe 2016 Endpoint (H) method. In most categories, such as global warming, terrestrial acidification, freshwater eutrophication, marine ecotoxicity, land use, and mineral resource use, the bars are positive, showing that GH cultivation contributes more to environmental impact compared to of cultivation. This means that GH systems emit more greenhouse gases, consume more resources, and have higher ecological and human health effects.

Social Life Cycle Assessment

Greenhouse cultivation shows overall better social performance (70.31%) compared to open-field cultivation (50.78%), particularly in wages, safety practices, training, and gender inclusion. Open-field farming is associated with higher social risk due to limited social security, lower skill development, and weaker occupational safety measures.

Table 1: Worker impact interpretation

Indicator	Greenhouse	Open-Field
Average Social Score	**70.31%**	**50.78%**

Source: Developed by the Author

Life Cycle Cost

Table 2: Summary of material costs and yield

Parameter	Greenhouse	Open-field
Total Material Cost (LKR/season)	633,017	54,075
Average Yield (kg/season)	3,000	2,000
Cost per kg (LKR/kg)	211.0055	27.0375
Major Cost Drivers	Steel, Fertilizer	Fertilizer, Pesticides

Source: Developed by the Author

Despite the higher production, greenhouse tomatoes cost 211.01 LKR/kg, much higher than open-field tomatoes (27.04 LKR/kg). This indicates that the greenhouse method is capital-intensive, and farmers require larger markets or premium selling prices to recover investment.

4. Conclusion and Implications

The paper compares the sustainability performance of both greenhouse and open-field tomato production, using the LCSA framework with E-LCA, S-LCA, and LCC. The results show that there is an obvious trade-off since greenhouse production offers better social welfare in terms of higher wages, safer work environments, and more consistent employment opportunities, and better long-term economic returns because of increased yields, although its material and energy needs are significantly hefty. Open-field systems are less burdened by the environmental effects of infrastructure development, but they are affected by increased seasonal water consumption, nutrient loss, and reduced productivity. In general, greenhouse systems can be more socially and economically sustainable, whereas their environmental effects can be minimized with the help of renewable energy, solid materials, and practice-efficient solutions.

The analysis enhances the generalizability of LCSA in assessing the agriculture systems of developing countries and proves the effectiveness of the combination of E-LCA, LCC, and S-LCA to obtain a fair picture of sustainability.

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Keywords: Environment life cycle assessment; Greenhouse cultivation; Life cycle costing; Open-field cultivation; Social life cycle assessment

TOURISM & HOSPITALITY MANAGEMENT

IMPACT OF CONFLICTING BEHAVIOUR OF TRAVEL AGENTS AND TOUR TRANSPORTATION PROVIDERS ON THEIR PERFORMANCE IN THE INBOUND TOURISM SECTOR IN SRI LANKA

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1. Introduction

Sri Lanka's inbound tourism sector is a vital contributor to national economic development, and it depends heavily on the coordinated efforts of travel agents and tour transport providers. These stakeholders jointly deliver transportation, itinerary coordination, and service facilitation for international visitors. However, persistent conflict between them has become a major challenge, affecting service reliability, operational efficiency, and employee performance. Issues such as pricing disputes, delayed payments, miscommunication, unclear role expectations, and inconsistent service standards create tensions within the tourism value chain. Despite their interdependence, limited empirical studies have examined how these conflicts influence employee performance within the Sri Lankan context. Addressing this gap, the present study aims to identify the key drivers of conflicting behaviour between travel agents and tour transport providers and to analyse how such conflicts impact task performance, interpersonal relationships, and emotional well-being among employees. The findings of this study are significant for strengthening professional collaboration, improving service delivery, and enhancing the sustainability of Sri Lanka's inbound tourism sector.

2. Research Methodology

A mixed-method sequential explanatory design was adopted. Phase one employed qualitative interviews with 15 registered travel agents and tour transport providers from Colombo, Batticaloa, and Kalkudah to explore the underlying causes of conflict. Thematic analysis was used to identify key themes, including pricing issues, payment delays, communication gaps, and service-quality disputes. Phase two involved a quantitative survey of 384 employees selected through convenience sampling. A structured questionnaire measured conflicting behaviour and employee performance using a 5-point Likert scale. Quantitative data were analysed using SPSS, employing descriptive statistics, correlation analysis, and simple linear regression. The selected methodology effectively integrates perceptions, behaviours, and performance outcomes, offering a comprehensive understanding of stakeholder conflict in the industry.

3. Results and Discussion

Correlation results revealed a strong positive relationship between conflicting behaviour and employee performance ($r = 0.649$), indicating that increased conflict significantly contributes to reduced performance levels. Regression analysis further confirmed that conflicting behaviour is a statistically significant predictor of employee performance decline ($p < 0.001$). Key qualitative findings highlight four significant conflict categories: pricing and payment disputes (65% of respondents), mismatched quality and service standards, communication breakdowns, and regulatory non-compliance. Travel agents frequently reported unreliable vehicles, unprofessional driver conduct, and unexpected rate increases, while transport providers raised concerns about unrealistic expectations and last-minute itinerary changes. These conflicts create operational delays, stress, reduced motivation, weakened teamwork, and inconsistent service delivery. The results align with previous studies, which note that unregulated service quality, poor stakeholder coordination, and miscommunication negatively affect tourism service outcomes. The study contributes to the literature by integrating both qualitative and quantitative perspectives, offering deeper insight into how stakeholder conflicts shape operational effectiveness and employee behaviour in Sri Lanka's inbound tourism sector.

4. Conclusion and Implications

Conflicting behaviour between travel agents and tour transport providers significantly affects employee performance and service quality in Sri Lanka's inbound tourism sector. The findings emphasize the need for transparent pricing structures, formal agreements, driver training, and adherence to SLTDA standards. Theoretical implications include advancing stakeholder conflict theory within tourism management, while practical implications highlight the importance of improved communication systems, joint decision-making, and digital coordination tools. Implementing structured conflict-resolution mechanisms can enhance employee well-being, strengthen professional collaboration, and improve overall tourist satisfaction.

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Keywords: Conflicting behavior; Employee performance; Tour transportation providers; Travel agents

EXPLORATION OF FACTORS INFLUENCING POOR ATTENDANCE OF TOURISTS AT YAPAHUWA HISTORICAL PLACE IN SRI LANKA

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1. Introduction

Sri Lanka has increasingly positioned itself as a premier destination for international travelers. The country has received approximately 1.79 million tourists, generating significant tourism revenue of US$ 1.12 billion in the first quarter of October 2025 alone, a 9.4% increase compared to the same period in 2024 (SLTDA, 2025). The majority of tourist activity is concentrated around sites of historical and cultural significance, such as Anuradhapura, Polonnaruwa, and Sigiriya. Within this context, Yapahuwa stands out as one of the country's most significant historical sites.

Yapahuwa is located in the North Western Province. It is an isolated rock fortress that served as the capital of the Yapahuwa kingdom in the 13th century. The site holds exceptional historical relevance, as several pivotal events in Sri Lankan history are closely associated with this location. Beyond its archaeological value, Yapahuwa holds sociological significance, reflecting the political and cultural dynamics of its era. Despite its historical and archaeological importance, Yapahuwa remains underrepresented as a key tourist destination, according to recent information on the Sri Lanka Tourist Development Authority webpage, and is not even listed. Further, according to the 2022-2023 data, the number of foreign visitors is very low, and the yearly entrance fee is around US$ 5-10 (Amazing Lanka, n.d.).

Table 01. Visitor Detail

Year	Number of foreign visitors	Number of domestic visitors	Total number of visitors	Local visitor income	Foreign visitor income	Total visitor income
2022	12	1325	1337	-	24,000	24,000
2023	10	1256	1266	-	20,000	20,000

Source: Yapahuwa purana Viharaya

Despite its rich heritage, visitor numbers at Yapahuwa have fluctuated over time, raising concerns about the site's capacity to sustain tourism while preserving its cultural legacy. This study critically examines the factors influencing visitor attendance at Yapahuwa Historical Place. By identifying the key determinants of visitor engagement, this research aims to provide actionable insights to enhance the site's accessibility, visitor experience, and

overall appeal. The findings aim to inform heritage management strategies and contribute to broader discussions on heritage tourism in Sri Lanka. Understanding these factors enables site managers to improve facilities, services, and the overall visitor experience, leading to higher satisfaction, repeat visits, and positive word of mouth.

2. Research Methodology

This study used Pragmatism philosophy and a mixed-method approach. It focuses on visitors and stakeholders at Yapahuwa. A cross-sectional strategy is used to collect data at a single point in time.

Data was collected through questionnaires and semi-structured interviews. For the quantitative part, a convenience sample of 383 visitors from the last five years was used. For the qualitative part, interviews were conducted with visitors, administrative staff, and shop owners at Yapahuwa. This method is suitable because it combines numbers with detailed personal insights. It helps understand visitor patterns, site management, and local business impact. The sample profile was described by using descriptive statistics, and multiple linear regression analysis was used to examine

Descriptive statistics were used to describe the sample profile, whereas multiple linear regression analysis was used to examine the nature of the relationships between the variables.

3. Results/ Findings and Discussion

The demographic profile of the 383 respondents indicates that the majority (45.4%) fall within the 25–34 age category, signifying a predominance of young adults in the sample. Most respondents were males (52.50%), employed, and had incomes between Rs. 40,001 and Rs. 50,000, suggesting that most belong to the middle-income segment. Regarding the purpose of participation, cultural and heritage interest (38.5%) represents the most prominent motivation, followed by recreational or leisure reasons (25.5%), indicating that respondents are primarily driven by cultural engagement and leisure-oriented activities. Among all surveyed visitors, the vast majority (369, 97.9%) were domestic tourists, whereas only a small fraction (8, 2.1%) were foreign visitors. This distribution highlights that Yapahuwa primarily attracts local tourists, with relatively low international visitation. Internal consistency reliabilities for all variables met the reliability criterion; Cronbach's alphas ranged from 0.762 to 0.898 and were greater than 0.70.

The proposed model is statistically significant, with an adjusted R-value of 0.354, which indicates that the different independent variables can explain 35.4% of the observed variability in visitor attendance.

Table 2: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.776	0.114		12.774	0.000
Accessibility	0.124	0.069	0.132	2.803	0.018
Accommodation	0.128	0.065	0.137	1.960	0.051
Attraction	0.648	0.050	0.581	2.907	0.000
Promotion	0.038	0.051	0.042	0.743	0.002

Source: Survey Data, 2024

As shown in Table 2, accessibility, attraction, and promotion positively impacted visitor attendance, showing a statistically significant effect at the 0.05 level. Accommodation is not a significant value at 95% of confidence level. The findings of this paper align with prior literature.

Despite its rich historical significance, Yapahuwa remains underutilized as a tourist destination in Sri Lanka. Visitor attendance is inconsistent and comparatively low compared to other historical sites in the country. This underperformance is concerning, given Yapahuwa's potential to contribute to the local economy, promote cultural heritage, and support sustainable tourism development (Perera et al., 2020).

The qualitative findings aligned with the quantitative analysis, providing deeper insights into the impact on visitor attendance at Yapahuwa. Accessibility plays a crucial role in attracting visitors. Research has shown that improved accessibility leads to higher tourist satisfaction and increased visitation (Perera et al., 2020). Several interviewees highlighted accessibility issues. According to the findings, accessibility constraints are narrow roads, limited public transportation, and higher travel costs.

The qualitative findings further verified the quantitative results, highlighting four key factors influencing tourist satisfaction at the Yapahuwa heritage site: accommodation, attractions, promotions, and visitor facilities. Participants emphasized that the limited availability of nearby hotels and guesthouses negatively affected convenience and overall satisfaction, as visitors often had to travel to other towns for lodging (Perera et al., 2020; Silva & Fernando, 2019). Similarly, while Yapahuwa's rock fortress and ancient ruins were appreciated for their historical and aesthetic value (Kumara, 2017; Wijesinghe, 2021), respondents suggested that additional interpretive materials, signage, and guided information would significantly enhance the overall visitor experience. These insights confirm that the quality and accessibility of accommodation, as well as the presentation of attractions, play vital roles in determining tourist satisfaction (Gunasekara & Ranasinghe, 2020).

Moreover, interview data revealed the need for improved promotional efforts and better visitor facilities. Both domestic and foreign tourists indicated that Yapahuwa lacks sufficient online visibility and marketing presence, reducing its potential to attract larger crowds (Herath & Bandara, 2018; Kumara, 2017). In addition, respondents highlighted the inadequacy of essential amenities such as rest areas, food outlets, benches, and toilets, which limit comfort and discourage extended stays (Perera et al., 2020; Fernando, 2019). These findings collectively support the quantitative evidence that enhancing promotion strategies, accommodation options, and on-site facilities would improve visitor satisfaction, increase tourist arrivals, and contribute to the sustainable development of the Yapahuwa heritage destination (Ranasinghe & Dissanayake, 2021).

4. Conclusion and Implications

This study has identified the key factors influencing visitor attendance at Yapahuwa Historical Place, including accessibility, accommodation, attractions, and promotions. The site's attraction and heritage value are its strongest assets, but they are limited by significant barriers like poor accessibility, accommodation and insufficient promotional efforts. To address these difficulties, a combination of improved infrastructure, diversified accommodations, and modern marketing strategies will be necessary. By focusing on these areas, Yapahuwa can position itself as a leading destination for both local and international tourists as a key historical site in Sri Lankan's tourism sector, ultimately boosting visitor attendance and contributing to the preservation of its historical legacy.

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Keywords: Accessibility; Accommodation; Attraction; Promotions; Visitor attendance

LOCAL ENTREPRENEURS' PERCEPTIONS OF UNAUTHORIZED FOREIGN-RUN TOURISM BUSINESSES IN SRI LANKA

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1 Introduction

Tourism accounts for a significant portion of Sri Lanka's economy, and in 2023 it attracted over 2 million tourists and generated around USD 3.5 billion in revenue. With that said, the increasing number of unauthorized foreign-operated tourism enterprises, such as guesthouses, cafes, surf schools, and yoga centers, has become a concern in places like Mirissa, Arugam Bay, and Weligama. These foreign-operated tourism businesses tend to avoid licensing and taxation rules, causing leakages in tourism earnings and unfair competitive pressures on locally legally established entrepreneurs. For this reason, many small and medium-sized tourism enterprises have experienced reduced income stability, challenges with job creation, and weakened community-based entrepreneurship.

The very issue here is that unauthorized foreign involvement distorts fair-market conditions and hurts the livelihoods of local entrepreneurs. But despite public debate and regulatory concern, little academic work in Sri Lanka examines how the issue has been experienced and perceived by local tourism stakeholders; thus, there is a clear knowledge gap, as suggested by the Institute of Policy Studies (IPS) in 2024.

Accordingly, the present study seeks to investigate local entrepreneurs' experiences and perceptions concerning the operation of foreigners in unauthorized tourism-related businesses in Sri Lanka, with a particular reference to the southern coastal region. The specific objectives are: (1) to assess how such activities influence income among the local entrepreneurs, and (2) to understand the perceptions of competition arising from these operations.

The study is timely and of immense significance, as it would provide policymakers and tourism authorities with empirical evidence necessary to strengthen regulatory mechanisms, support fair competition, and empower local entrepreneurship. The study also contributes academically by offering insights into the informal participation of foreign operators in Sri Lanka's tourism sector and its socio-economic implications.

2 Research Methodology

The research falls under a social constructivist and interpretivist approach because it recognizes that people make meaning from experiences they share. The researcher, therefore, adopts an interpretivist approach to analyze the views and experiences of local entrepreneurs vis-à-vis foreign-owned and unlicensed tourism enterprises. The design and approach utilized in the study took a phenomenological qualitative approach to gain rich data from the experiences of the participants.

The investigation was conducted in Mirissa, a popular southern beach resort area where cases of unlicensed foreign tourism operations are frequently reported. The unit of the investigation consisted of local tourism entrepreneurs operating guest houses, cafes, surf schools, and restaurants. Purposive sampling was employed to sample the participants, taking into consideration the fact that each of the 16 individuals sampled had direct experience with, or competition against, such foreign operations.

The data were collected through semi-structured interviews to yield rich, detailed qualitative responses. The collected data have been analyzed using the pattern identification approach outlined by Braun and Clarke (2006). The approach proved effective in identifying economic effects and their impacts on competitive dynamics, in a manner that suits the emergent nature of the current topic and offers niche insights based on the real-life experience of the studied groups.

3 Results/ Findings and Discussion

The present study analyzed qualitative data collected from 16 local tourism entrepreneurs in Mirissa, using thematic analysis. The process consisted of the six steps designed by Braun & Clarke, and two themes emerged in relation to the objectives: (1) the economic effects of the unauthorized foreign tourism enterprises, and (2) the views of the local tourism entrepreneurs regarding such competition.

Under the first theme, the negative economic impacts emerged consistently. The participants reported reduced daily income, loss of repeat business, and uncertain seasonal income. The business owners reported that the foreign unauthorized competitors consistently established direct and online income sources through foreign platforms, thereby draining economic gains from the business owners. Local enterprises struggled to cover operational expenses and retain employees. The participants reported that income generated during peak seasons was inadequate because a large share of tourism income went to foreign-operated businesses.

The second theme was competition perception, and, to a large extent, participants perceived competition as unfair and tilted in favour of the foreign competitors. The participants noted the absence of taxes, licenses, and regulations that local businesses are required to pay, giving foreign

competitors a cost advantage that allows them to provide cheaper services and thereby attract more visitors to their premises and put pressure on the price structures of local businesses too.

There was a slight perception of limited positive competitive influences, suggesting that competition accelerated the desire to enhance service quality and to distinguish through genuine experiences of Sri Lankan culture. Despite the low adaptation, the strategies emerge clearly. Overall, the results suggest that the presence of unauthorized, foreign-operated tourism enterprises has significantly disrupted income trends, worsened market inequality, and undermined the prospects of local enterprise development. The experiences shared by the participants illustrate the need for improvements in the enforcement of laws and the development of mechanisms to improve monitoring of the foreign-operated enterprises while developing the competitiveness of the local enterprise segment in the country.

4 Conclusion and Implications

This Research concludes that unauthorized, foreign-run tourism businesses have created overwhelming economic and regulatory issues for local entrepreneurs in Mirissa, Sri Lanka. The results showed that unregistered foreign operators cut into locals' incomes, undercut their prices, and siphoned tourism dollars out of the country, thereby undermining community-based enterprises. Competition was generally seen as unfair because foreign operators enjoy financial security, marketing power, and lax regulation, while locals face higher costs and are unlikely to be widely visible on international booking sites. However, some entrepreneurs responded positively by improving service quality and focusing on authentic Sri Lankan culture.

In particular, this research makes a theoretical contribution to the developing discourse on informal and unregulated tourism economies by applying an interpretivist lens to understand lived entrepreneurial experiences in developing contexts. It develops further an appreciation of how market inequality, governance gaps, and globalization factor into local business dynamics.

From a practical perspective, it also calls for more stringent regulatory frameworks, equitable enforcement of licensing and taxation, and increased support for local entrepreneurs through digital marketing training, low-interest financing, and tourism capacity building. By better enabling locals to compete on fair terms, it will ensure that tourism growth in Sri Lanka is inclusive, sustainable, and beneficial to host communities.

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Key words**:** Economic impacts, Informal tourism, local entrepreneurs, Tourism competitiveness, Tourism industry

THE PERCEPTIONS OF SEASONAL SAFARI TRAFFIC ON THE WILDLIFE IN HURULU ECO PARK WITH THE CRITICAL ASSESSMENT OF PHYSICAL CARRYING CAPACITY

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1. Introduction

Wildlife tourism has grown significantly in Sri Lanka since 2009, positioning sites such as Hurulu Eco Park under pressure from intensified seasonal safari traffic. The resulting overcrowding, noise, and wildlife disturbance highlight concerns regarding the park's ecological sustainability (SLTDA, 2024). Despite this, Hurulu Eco Park lacks any empirical assessment of its physical carrying capacity. (PCC) or the effectiveness of current management response principles (Newsome, Rodger, Pearce, & Chan, 2017). Addressing this gap, the present study assesses the park's PCC and examines stakeholder perceptions of management practices aimed at mitigating the negative impacts of safari congestion. The following research questions were formulated to guide the research and focus on the critical areas needed to achieve the objectives and locate relevant information:

- What is the physical carrying capacity of Hurulu Eco Park?
- What are the stakeholder views on current park management practices in mitigating the Negative Impacts of seasonal safari traffic?

The following research objectives will be addressed to respond to the above research questions:

Assess the physical carrying capacity of Hurulu Eco Park.

Explore the stakeholder views on current park management practices in mitigating the Negative Impacts of seasonal safari traffic.

2. Research Methodology

A pragmatic, mixed-methods design that included both quantitative and qualitative aspects was adopted in this study to analyze the effects of seasonal safari traffic on the ecology and management of Hurulu Eco Park. The quantitative element included calculating the Physical Carrying Capacity (PCC) for the park using secondary data from the Sri Lankan Tourism Development Authority (SLTDA), the Department of Wildlife Conservation (DWC), and the park. Qualitative data were derived through 15 purposively sampled stakeholder interviews.

3. Data Analysis and Results

3.1 Assess the Physical Carrying Capacity of Hurulu Eco Park

Analysis of visitor data and trail-based PCC calculations indicates that Hurulu Eco Park exceeds its sustainable capacity during peak months. Using the formula PCC = L × $1/L_x$ × Rf, the park's maximum physical capacity was estimated at 270 jeeps per day (approximately 1,080 visitors). However, observed peak-season levels of 300–350 jeeps exceed this threshold by 25–30%, contributing to soil compaction, elevated noise levels, and increased wildlife disturbance. Stakeholders consistently identified inadequate quota enforcement and the absence of digital monitoring as the main contributors to unmanaged congestion.

Table 1: PCC according to seasonal difference

Season	Avg. Jeeps/Day	Calculated PCC	% Exceeding Capacity
Off-season (Nov–Apr)	90–120	270	Below PCC
Peak season (December–June)	300–350	270	25–30% Above PCC

Source: Developed by the Author

3.2 Explore the stakeholder views on current park management practices in mitigating the Negative Impacts of seasonal safari traffic

Stakeholder interviews revealed that Hurulu Eco Park faces several challenges due to seasonal safari traffic. Many highlighted that excessive vehicle numbers lead to overcrowding and disturb wildlife, thereby reducing the overall quality of the environment. They also noted weak enforcement and manual monitoring, resulting in inconsistent application of vehicle quotas. Community members expressed that their strong dependence on safari-related income makes it difficult to reduce jeep numbers, while tourists reported declining satisfaction because congestion reduces wildlife visibility. Overall, the park appears to be moving toward the development–stagnation stages of Butler's TALC model, and stakeholders strongly recommended digital permits, strict quotas, and better coordination between SLTDA and DWC to ensure long-term ecological sustainability.

4. Conclusion and Implications of the Study

The research findings suggest that Hurulu Eco Park's limit of 270 jeeps per day has been exceeded, resulting in ecological damage, wildlife disturbance, and inefficiencies associated with management inconsistent with this park's sustainable development. Weak enforcement and inadequate coordination among various government agencies exacerbated these impacts and increased the risk of long-term sustainability. It would indicate that regulating vehicle numbers, digitalizing the permitted access process, and

fostering inter-agency commitment and coordination to sustainable eco-tourism were crucial. The study alludes to the critical importance of balancing the ecological, institutional, and social aspects of coordinated governance to achieve sustainable land-based eco-tourism and long-term protection and conservation of the park.

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***Key Words**:* Ecological Sustainability, Hurulu Eco Park, Physical Carrying Capacity, Safari Traffic, Wildlife Tourism

PUSH–PULL MOTIVATIONS, SATISFACTION, AND REVISIT INTENTION AMONG SRI LANKAN HONEYMOONERS VISITING THE MALDIVES

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1. Introduction

Tourism plays a vital role in global socio-economic development, contributing significantly to the world's GDP and generating substantial employment opportunities. Among its growing niches, honeymoon tourism has emerged as a highly profitable segment, as newlywed couples seek exclusive, romantic, and memorable experiences. The Maldives is recognized globally as a premier honeymoon destination and has become increasingly popular among Sri Lankan honeymooners, despite Sri Lanka's own scenic and romantic appeal. This trend highlights a shift influenced by push motivations (internal desires for romance, relaxation, novelty, and escape) and pull motivations (external destination attributes such as beaches, accommodation quality, and service).

Although most previous research has explored general motivations and behavioral aspects of honeymoon tourism, a significant gap remains in empirical studies of outbound honeymoon tourism from developing countries, particularly in the South Asian context. Therefore, the study aims to explore how push and pull motivations affect the satisfaction and revisit intention of Sri Lankan honeymooners visiting the Maldives, and to evaluate the mediating effect of satisfaction in this relationship.

The objectives of this study are to: (1) examine how push and pull motivations influence satisfaction and revisit intention among Sri Lankan honeymooners visiting the Maldives, and (2) assess how satisfaction mediates this relationship between push and pull motivations and revisit intention.

The significance of this research lies in its theoretical and practical contributions. It contributes academically to the field of honeymoon tourism and provides meaningful insights to tourism marketers, travel agencies, and policymakers. The findings can aid both Sri Lankan and Maldivian tourism stakeholders in designing targeted marketing strategies, enhancing satisfaction, and promoting sustainable growth in the honeymoon tourism sector to cater to both local and international honeymooners.

2. Research Methodology

This study adopts a positivist research philosophy to obtain objective and quantifiable insights into how push and pull travel motivations influence satisfaction and revisit intention among Sri Lankan honeymooners visiting the Maldives. A deductive research approach was used, allowing hypotheses to be developed from established theories, including Push–Pull Motivation Theory and the Theory of Planned Behaviour. A quantitative research strategy was employed, using a structured online questionnaire as the primary data collection method.

The research context focused on Sri Lankan couples who had honeymooned in the Maldives within the past three years, forming the unit of analysis. Due to the lack of an accessible sampling frame, a combination of purposive and snowball sampling was used to identify suitable respondents. A total of 138 valid responses were collected.

The researcher analyzed the data using SPSS software and appropriate statistical techniques to examine the proposed relationships. This methodology ensured objectivity, suitability, and alignment with the study's aim of understanding motivational influences on satisfaction and revisit intention within honeymoon tourism.

3. Results/ Findings and Discussion

The study analysed data from 138 Sri Lankan honeymooners visiting the Maldives using frequency, correlation, regression, and mediation analyses. The demographic results revealed that the typical respondent was a young (25–35 years), well-educated, middle- to upper-income traveler, mostly a first-time visitor who preferred luxury resorts or water villas. Most honeymoons were planned through travel agencies, lasting 4 - 6 days, with expenses between LKR 500,000 and 1,000,000. Further, the results indicate that they highly rely on social media, travel agencies, and personal recommendations when selecting their honeymoon destinations. The normality test showed that all skewness and kurtosis values were within acceptable ranges, indicating a reasonably normal data distribution. Hence, the dataset was suitable for further multivariate analyses such as factor analysis and reliability testing. The reliability of the measurement scales was assessed using Cronbach's Alpha, which indicated that all constructs demonstrated acceptable internal consistency for further analysis.

Further, Correlation and regression analyses revealed significant positive relationships between all key variables. Push motivations positively influenced satisfaction, while pull motivations had a stronger impact. Both push and pull motivations significantly predicted revisit intention, with pull factors showing greater influence. Satisfaction exhibited the strongest effect on revisit intention, confirming that satisfied tourists are more likely to revisit or recommend the destination. Mediation analysis indicates that

satisfaction partially mediated the relationship between push motivations and revisit intention and fully mediated the relationship between pull motivations and revisit intention. This means that internal desires have an indirect effect on revisit behavior through satisfaction, and external attributes have an indirect effect on revisit intention through increased satisfaction.

These findings align with previous research (Kim & Agrusa, 2005; Lee et al., 2010; Canny, 2012) and confirm that overall satisfaction is the key mechanism linking motivations to behavioral intentions. The study also supports the Theory of Planned Behaviour (Ajzen, 1991), emphasizing that positive evaluations of the experience shape post-visit behaviours.

To conclude, both emotional and experiential factors drive Sri Lankan honeymooners, but satisfaction with quality, luxury, and service ultimately determines loyalty. Practically, the results highlight the need for destination marketers and policymakers in Sri Lanka and the Maldives to enhance service quality, romantic branding, and experience personalization to strengthen honeymoon tourism and encourage repeat visitation.

4. Conclusion and Implications

This study investigated the influence of push and pull motivations on satisfaction and revisit intention among Sri Lankan honeymooners visiting the Maldives, with

satisfaction as a mediating variable. The findings revealed that both push factors (romance, relaxation, novelty, prestige) and pull factors (marine life, destination image, quality of accommodation, service excellence) significantly affect satisfaction and revisit intention, with pull factors showing a slightly stronger impact. Satisfaction was found to play a crucial mediating role, indicating that fulfilling experiences enhance loyalty behaviors, including intentions to revisit and recommend the destination.

Theoretically, the study reinforces the applicability of the Push-Pull Motivation Theory and the Theory of Planned Behavior in the context of outbound honeymoon tourism from a developing country, highlighting how both internal desires and external destination attributes connectively influence post-visit behavioral intentions. In practice, the study suggests that tourism practitioners and policymakers can enhance Sri Lanka's competitiveness as a honeymoon destination by improving service quality, developing luxury and romance-focused experiences, and strategically promoting its natural coastal attractions. Emphasizing these elements can increase satisfaction and revisit intentions, helping retain high-value honeymoon tourists and strengthen the country's appeal in the regional and international tourism market.

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Keywords: Honeymoon tourism; Push motivations; Pull motivations; Satisfaction; Revisit intention

ANALYSE THE FACTORS CONTRIBUTING TO THE SHORTAGE OF QUALIFIED LOCAL AYURVEDIC THERAPISTS IN THE COLOMBO DISTRICT, SRI LANKA

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1. Introduction

Sri Lanka's tourism sector has expanded rapidly in recent years, driven by increasing global demand for holistic healing experiences and traditional Ayurvedic treatments. As the country's primary wellness hub, the Colombo District hosts a substantial concentration of spas, wellness centres, and Ayurvedic resorts that cater to both domestic and international visitors. This growing demand has strengthened the importance of Ayurveda as a core component of Sri Lanka's wellness tourism offering, contributing to service diversification, visitor satisfaction, and national tourism competitiveness.

However, despite this growth, the wellness industry is currently constrained by a critical shortage of qualified local Ayurvedic therapists, a challenge that affects both operational performance and service quality. The existing literature indicates that many wellness establishments, particularly those operating in the Colombo District, struggle to recruit and retain therapists with adequate professional training and internationally aligned competencies (Gnanapala et al., 2023). Industry practitioners also highlight this issue; for instance, a senior therapist and trainer reported a noticeable decline in the availability of professionally qualified Ayurvedic therapists across the sector (Arachchi, 2024).

This shortage extends to both male and female therapists and continues to disrupt service delivery, especially for high-end hotels and wellness centres seeking to maintain global standards. As a response to this widening workforce gap, the Sri Lanka Tourism Development Authority (SLTDA) has authorised registered hotels to employ foreign spa therapists to ensure service continuity and uphold expected service standards (Daily Mirror, 2024). While this measure temporarily addresses labour shortages, it also underscores the urgency of strengthening the local therapist workforce to support long-term sustainability and preserve Sri Lanka's reputation as an authentic wellness destination.

Given these concerns, the present study seeks to analyse the key factors contributing to the shortage of qualified local Ayurvedic therapists in the Colombo District and to identify strategic solutions for workforce development within the sector. Addressing this shortage is essential not only to enhance service quality but also to safeguard the country's position in the competitive global wellness tourism market.

2. Research Methodology

This research adopts an interpretivist philosophy to understand the socially constructed experiences of stakeholders in the ayurvedic wellness industry. Given the exploratory nature of the research problem and the limited prior research on the key area of the therapist workforce in Sri Lanka, this research adopts a qualitative approach. An exploratory case study design was used in this study to focus on the Colombo District, the primary wellness tourism hotspot in Sri Lanka.

Purposive sampling was used to select 9 participants from relevant categories, including Ayurvedic doctors, wellness centre managers, administrators, and practising therapists with direct, relevant experience. For this research, primary data were collected through semi-structured interviews, which allowed respondents to express their in-depth perspectives and experiences. Braun and Clarke's thematic analysis was used for data analysis, which follows six systematic steps to create themes aligned with the research objectives. Rigour has been ensured by using credibility checks, audit trails, triangulation, and rich contextual description.

3. Results/findings and discussion

Two overall themes resulted from the thematic analysis as follows,
(1) Socio-economic and institutional constraints
(2) Educational and socio-cultural barriers.

Socio-economic and institutional constraints highlight some of the biggest challenges faced by therapists in the wellness industry. Several respondents noted that therapists often face low salaries, unstable work environments, and limited opportunities for career growth. Smaller wellness centres, especially, struggle to offer competitive pay, so many therapists end up seeking jobs abroad where income is higher (Gnanapala et al., 2023). On top of this, issues such as unregistered centres, weak supervision, and inconsistent regulations make the industry less trustworthy and reduce overall service quality (SLTDA, 2024).

Educational and socio-cultural barriers also play a major role in the shortage. Respondents mentioned that many training programs are short and lack proper hands-on practice, which makes it difficult for therapists to develop strong professional skills (Arachchi & Kaluarachchi, 2019). Social stigma, especially towards female therapists, and the misuse of the term "spa" by unethical businesses have created a negative image of the profession (Sebery et al., 2019). Physical strain and burnout also make it harder for therapists to stay in the field long-term.

To overcome these concerns, respondents suggested improving recognized training programs, increasing practical learning opportunities, raising public awareness, implementing strong licensing systems, ensuring proper inspections, and involving qualified Ayurvedic doctors in the process.

4. Conclusion and Implications

This study concludes that the causes for the therapist shortage in the Colombo District are economic, institutional, educational, and cultural factors. To resolve these issues, coordinated action is required across government bodies, training institutions, and wellness providers.

From a theoretical perspective, this study enhances understanding of wellness tourism by highlighting a supply-side human resource gap that has been underexplored in Sri Lanka. In practice, the findings of this study underscore the necessity of standardized training, proper licensing, fair wages, and a strengthened regulatory system. Social implications include addressing social stigma and improving therapists' professional status and image. Strengthening the therapists' workforce is a crucial factor in safeguarding and sustaining Sri Lanka's long-term reputation as a competitive wellness destination.

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Keywords: Ayurvedic therapists; Human resource factors; Shortage of qualified labour; Workforce development

PERCEPTION OF ENGLISH LANGUAGE PROFICIENCY IN CAREER DEVELOPMENT OF UNDERGRADUATE HOTEL INTERNS: A CASE STUDY OF SABARAGAMUWA UNIVERSITY OF SRI LANKA

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1. Introduction

The tourism industry in Sri Lanka has witnessed rapid growth since the post-pandemic recovery, and it is expected to receive more than 2 million tourists in 2024. With the sector's growth, communication has become a significant concern, especially for hotel interns who are in direct contact with international guests. As the lingua franca of the tourism industry in Sri Lanka (Sri Lanka Tourism Development Authority, 2025), English is necessary for interacting with guests, serving them, and communicating with professionals. Englishes have therefore become an essential employability competency among hospitality undergraduates who are ready to work in a globally competitive hospitality world (Rattan, 2023). Although it is critical, most Sri Lankan graduates still face difficulties getting jobs and working efficiently, especially due to a lack of English communication skills. Employers always require graduates not only to have knowledge of the subject matter but also to be well-versed in English so they can handle diverse customers (Kenjayeva, 2023). Observations conducted with hotel interns at the Sabaragamuwa University have shown that, despite having the theory, many students find it hard to speak with confidence and fluency during the internship period; thus, they cannot provide quality service, and their careers cannot grow. Although prior research highlights the importance of language proficiency in tourism, few studies examine the effect of English proficiency on the performance and professional growth of hotel interns in Sri Lanka.

The research was guided by two objectives: to identify the key issues and challenges faced by undergraduate hotel interns of Sabaragamuwa University of Sri Lanka in developing English language proficiency for career advancement, and to explore and recommend strategies that can be implemented to improve the English language proficiency of undergraduate hotel interns at Sabaragamuwa University to enhance their career advancement.

The study contributes to the scholarly literature by examining the lack of research on the relationship between English proficiency and career advancement among Sri Lankan hotel interns. It highlights the need for practical, communication-based training in higher education and provides

prescriptive advice on how curriculum developers can integrate role-play, simulation, and interactive training techniques. The findings also allow hotel organisations to improve communication training and mentoring practices and to identify the importance of language-oriented staff development for achieving global service standards, as recognised by industry leaders.

2. Research Methodology

The research philosophy in this study was interpretivist, focusing on undergraduate hotel interns' subjective experiences and perceptions of their English language proficiency. A qualitative, inductive research method was applied to enable insights and patterns to emerge from the participants' narratives. Thematic analysis was used to systematically examine the qualitative data. This paper adopted a case study design, targeting final-year undergraduates in Tourism and Hospitality Management at Sabaragamuwa University of Sri Lanka to represent the specific setting of the internship. The students, hotel supervisors/HR managers, and academic lecturers were the unit of analysis. The purposive sampling technique was used to select 13 respondents, including six (6) undergraduate hotel interns, four (4) hotel supervisors/human resource managers, and three (3) academic lecturers. This was achieved through semi-structured, in-depth interviews as primary data, as they allow a thorough discussion of the participants' challenges, perceptions, and strategies regarding English proficiency. The selected method is suitable because it offers abundant qualitative data on the role of language skills in career development and addresses gaps in the literature on hospitality internships in Sri Lanka. Trustworthiness and credibility were ensured through member checking, peer debriefing, and triangulation of interviews conducted with participants across various categories, such as students, academicians, and industry professionals, which helped strengthen the accuracy, reliability, and validity of the information.

3. Results/ Findings and Discussion

In this study, qualitative thematic analysis was the primary method for analyzing the English language proficiency issues facing undergraduate hotel interns at the Sabaragamuwa University of Sri Lanka. Semi-structured interviews were used to collect data from 6 interns, four industry supervisors, and three academics. Coding of transcripts occurred through inductive analysis and the creation of themes around theory-practice gaps, impacts on performance and morale, and the immersive environment.

It was found that interns are aware of theoretical English grammar and writing skills, but they fail to apply them in practical hospitality situations. Excessive focus on academic drills and the absence of free conversational practice and obsolete instructional resources were identified as the most important restrictions. According to the interns, they found it challenging to

deal with guests, explain the terminology of certain departments, and react immediately, findings that also align with Sharma and Sharma (2025), who noted that communicative competence cannot work without practical skills.

The research also established the lack of an immersive English environment, where peer communication was mostly in Sinhalese or Tamil, and there was little institutional support for the use of English in contexts beyond the classroom. This lack minimized the possibility of informal practice and motivation, which aligns with Bairwa and Kumari (2021), who found that conversation apprehension among hospitality students reduces professional performance.

The performance and morale were greatly affected. Poor command of the English language led to embarrassment, low confidence, and limited career ambition, especially when attending to guests and their complaints. Supervisors reported that poor communication skills affected the evaluation and progression of interns, consistent with Zarfsaz and Yeganehpour (2021), who observed that a lack of industry-specific vocabulary directly influences performance. Three implications have been touched on in the discussion. First, the gap between theory and practice can be reduced through university-based interventions, including role-plays, simulations, case studies, and oral evaluations. Second, self-learning exercises based on watching English media, using apps, and peer collaboration, conducted by students, improve fluency and confidence, as recommended by Aberle-Grasse (2020), who prioritized autonomous language learning. Third, operational support from industry hotels, with structured mentorship, role-play, and progressive exposure, offers real-life reinforcement that helps interns become not timid learners but qualified professionals.

Finally, the study establishes that the English language proficiency of hotel interns can be affected by curricular restrictions, the absence of immersion, and insufficient workplace support. Successful interventions involve a three-pronged solution that involves redesign of university curriculum, self-directed student practice and industry exposure to boost the communication skills, confidence and career preparedness of interns.

4. Conclusion and Implications

The research finds that English language proficiency is a very important professional competence for undergraduate hotel interns at the Sabaragamuwa University of Sri Lanka, with a direct impact on job performance, confidence, and career growth. More proficient interns interact well with guests, and the supervisors and colleagues as well, and are given more responsibilities and better networking opportunities. Difficulty with oral fluency, lack of familiarity with industry terminology, limited practical exposure, and an immersive English setting are the challenges that prevent professional growth.

Theoretical implications state the significance of communicative competence, and the practical use of language skills is considered as important as theoretical knowledge. The practical implications are that role plays, simulations, oral assessments, and English-speaking clubs should be incorporated into the university setting, with industry partners providing systematic mentorship and exposure to real-world communication. The collaboration will not only close the gap between theory and practice but also increase interns' employability, thereby enhancing the competitiveness of the entire hospitality industry in Sri Lanka.

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Keywords: Career development; Employability skills; English language Proficiency; Perception; Undergraduate hotel interns

EXPLORING THE POTENTIAL AND CHALLENGES OF NIGHTLIFE TOURISM DEVELOPMENT IN GALLE FORT, SRI LANKA

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1. Introduction

Tourism is the third-largest foreign-exchange earner in Sri Lanka. Industry, given its important role in economic development, cultural exchange, and a significant number of jobs. There are alternative tourism aspects in Sri Lanka; however, the concept of nightlife tourism remains underdeveloped in the Sri Lankan context. Studies on nightlife tourism are showing the challenges in the Sri Lankan context (Wasala & Bandusena, 2017). The term "nightlife" in the traditional sense (e.g., clubs, bars) is not clearly defined and focuses solely on nighttime activities in Colombo, Sri Lanka (Sri Lanka Tourism Strategic Plan, 2017-2020). Globally, most countries generate sufficient income from nightlife practices. Hence, this study explores the potential and challenges of nightlife tourism development based on the UNESCO World Heritage Site of Galle Fort. Due to its contemporary attractiveness and demand for nighttime activities, the researcher selected the site as the potential destination for nightlife tourism in Sri Lanka. Only focus on the potential for prom night life tourism at the Sigiriya tourism destination. That study has suggested that Sigiriya's unique historical environment can be leveraged to create an exclusive prom night featuring royal feasts, ancient Kandyan dances, and evening tours of the fortress by light (Wijerathna, 2025). Sigiriya is a protected archaeological site, so there is a need for some archaeological and protection permissions. Still, the Galle Fort is an archaeological site where people live, and stakeholders operate.

This research identifies the structural, social, cultural, and environmental factors that impede the development of Culture, Food and Entertainment's nightlife, while exploring opportunities for sustainable, culturally sensitive nighttime activities. Fulfilling visitors' needs is key to a balanced approach, while paying respect to heritage values and the resident community. Therefore, from a tourism management perspective, this study's contribution focuses on how nighttime tourism experiences could be developed in line with principles of heritage conservation. The research was guided by two objectives: to explore the challenges of developing nightlife tourism in Galle Fort, Sri Lanka, and to identify how nightlife tourism can be strategically developed to enhance tourist satisfaction in Galle Fort.

This paper contributes to the empirical knowledge base on the subject, which has received limited academic attention in the Sri Lankan context, by

investigating stakeholder perspectives and grassroots challenges. It also aims to inform policymakers, tourism authorities, urban planners, and the private sector in developing responsible nightlife tourism policies that are sensitive to both community expectations and heritage conservation imperatives.

2. Research Methodology

This study used a qualitative research approach and a case study research design. The research philosophy in the study adopted an interpretivist approach, as it aimed to explore how tourism stakeholders perceive the potential and challenges of nightlife tourism within the living heritage setting of Galle Fort. Purposive and snowball sampling techniques were used to select the most suitable sample for the study. A total of 21 respondents were selected for the study, including stakeholders from the business community, residents, and tourists in and around Galle Fort. Primary data collection in this research was done through semi-structured, in-depth interviews that allowed open-ended questions. Data were analysed by the qualitative thematic analysis method. Credibility in this study was established through purposive sampling and the triangulation of stakeholder perspectives, including administrative, local, and foreign tourists, residents, etc. In addition, repeated review of interview transcripts to ensure accurate representation of members' perspectives and to assess data saturation.

3. Results / Findings and Discussion

The qualitative findings of this research revealed that developing nightlife tourism in Galle Fort presents a significant challenge. These results were identified as four major themes such as governance and regulatory barriers, infrastructure insufficiency, socio-cultural barriers, and environmental and heritage-related concerns.

One of the most significant barriers identified was related to governance and regulatory challenges. This study found that the absence of an integrated policy or strategic plan for managing nightlife activities at the site has created a fragmented decision-making framework, guided by several institutions that have always overlapped. The authority over the site, the Department of Archaeology, the Urban Development Authority, and the Galle Heritage Foundation are separately acting at the fort is a cause of this fragmentation. This leads to administrative decisions being delayed and resulting in conflicting regulations. The restrictive hours of operation at Galle Fort and the lack of clear guidelines for nighttime business operations have discouraged private investment and prevented the establishment of organized nightlife enterprises. This finding aligns with the studies by Roberts and Eldridge (2019), which found that ineffective policy

coordination often undermines nighttime economic development in heritage cities.

Infrastructure challenges strongly influence the feasibility of nightlife tourism. Poor street lighting, inadequate public sanitation facilities, weak systems for managing waste, and the lack of parking and pedestrian-friendly areas were generally cited as key limitations. Such gaps affect tourists' comfort and safety and, in turn, decrease the likelihood of extended evening stays. The findings support Wijerathna (2025), who also found that the absence of proper infrastructure hinders nightlife development in other Sri Lankan destinations, such as Sigiriya.

Another significant barrier was posed by socio-cultural factors. Quite often, residents view nightlife with suspicion because it is associated with noise, alcohol consumption, and disturbances in the social fabric of the community. This creates friction between the residents and the tourists and affects the reception of nightlife-oriented initiatives. It also generates a sense of safety concern among female tourists, particularly due to a lack of police and proper lighting. These findings are consistent with Eldridge and Smith (2019), who note that community perception and safety concerns play a decisive role in shaping the success of nightlife economies within urban tourism areas.

Finally, environmental and heritage-related challenges were identified as key concerns. Problems like noise pollution, litter, and uncontrolled commercialization threaten to destroy the authenticity and preservation of Galle Fort's historical character. As was pointed out by the participants, poorly managed nightlife activities might be destructive to the cultural and aesthetic values of this UNESCO World Heritage Site.

Despite these challenges, the study also showed a significant number of opportunities. Strategies proposed by respondents include developing an integrated plan for managing nightlife tourism, improving infrastructure, encouraging community dialogue, and creating a balanced nighttime experience through cultural performances, heritage-based night markets, and art exhibitions. These findings confirm the global view that successful nightlife destinations must achieve harmony among economic, cultural, and community dimensions in decision-making about nightlife tourism, and that sustainability and heritage protection should not be separated from nightlife tourism planning.

4. Conclusion and Implications

The study concludes that Galle Fort has high potential to develop a lively yet culturally sensitive nightlife tourism product, but this potential is considerably diminished by gaps in governance, outdated regulatory frameworks, inadequate infrastructure, socio-cultural tensions, and environmental and heritage protection concerns. The lack of an overarching

strategic vision has led to a situation characterized by fragmented decisions and limited possibilities concerning organized nighttime activities. Enhancing institutional coordination is necessary, with clear recommendations regarding the directions within which nightlife tourism should be developed.

From a practical perspective, the culturally oriented nighttime experiences, including heritage night markets, open-air performances, curated walking tours, and local craft exhibitions, enhance visitor engagement without compromising destination authenticity. Improvements in safety, waste management, lighting, sanitation, and pedestrian infrastructure are also critical to building visitor confidence and encouraging longer evening stays.

This research makes a theoretical contribution to the limited literature on nightlife tourism in heritage destinations, particularly in South Asia. It highlights the importance of developing models that balance tourism and development with community well-being and heritage conservation. Ultimately, well-managed nightlife tourism in Galle Fort can diversify Sri Lanka's tourism portfolio and position the destination as a culturally rich and experience-driven site within the region.

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Keywords: Challenges and opportunities; Galle fort; Tourism development; Tourism stakeholders; Nightlife tourism

EXPLORING THE PERCEPTION OF TRAVEL AGENCIES IN ADOPTING ARTIFICIAL INTELLIGENCE IN TRAVEL AGENCY OPERATIONS: WITH SPECIAL REFERENCE TO WESTERN PROVINCE, SRI LANKA

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1. Introduction

Artificial Intelligence (AI) is a major change factor that has gone worldwide in the tourism industry. It is changing the entire cascade of how travel products and services are created, marketed, and delivered. Tourism businesses have achieved higher operational efficiency and offered better customer experiences through AI technologies ranging from chatbots and predictive analytics to personalized travel recommendations. Nevertheless, a situation exists in which the use of AI in local travel agencies remains very low and has not been sufficiently researched in Sri Lanka. While the rest of the world is making great strides in embracing technological innovations in tourism, travel agencies in Sri Lanka are still relying on a traditional manual system, indicating a technological gap. The research problem addressed in this study arises from the gap between the worldwide development of AI and its limited use in Sri Lankan travel agencies. Despite the fact that AI tools facilitating booking automation, customer relationship management, and service personalization have become increasingly relevant, a large number of travel agencies continue to show very little interest or readiness to integrate such innovations into their operations. Additionally, a pilot study found that about 80% of the travel agents interviewed do not use AI-based systems, indicating a significant gap in awareness and adoption. This situation implies that a number of internal and external factors, including ethical concerns, costs, and a lack of technical knowledge, may be among the reasons local travel agents find it difficult to accept AI. Thus, the research aims to investigate AI acceptance among travel agents, particularly those operating in the Western Province of Sri Lanka. More explicitly, the study will pursue the following two objectives: to identify the level of awareness among travel agents regarding AI use in their operations and to understand travel agents' perceptions of AI adoption in their operations. The significance of this study lies in its dual contribution to academic and industry understanding. Unlike previous works that have mainly explored AI adoption in hotels or from the customer viewpoint, the present research focuses solely on travel agents' perspectives, offering a different approach that enhances the tourism technology literature. It is anticipated that the results will help identify the advantages and hindrances of AI adoption for tourism policymakers, industry practitioners, and technology developers.

On top of that, by closing the knowledge gap and emphasizing the role of technological readiness, this research sets the stage for Sri Lanka's travel and tourism sector to undergo a responsible, sustainable digital transformation.

2. Research Methodology

The current study was conducted within an interpretivist research philosophy, which accepted that travel agents' views and experiences were socially constructed and could be understood only through the agents' interpretations. An inductive method was employed throughout the research to bring forth patterns and insights rather than test existing theories. Consequently, a qualitative research design was employed to develop a comprehensive understanding of travel agents' perceptions of the incorporation of Artificial Intelligence (AI) into their operational processes. The research was carried out in the Western Province of Sri Lanka and especially in the Colombo District, where the greatest number of travel agencies registered with the Sri Lanka Tourism Development Authority (SLTDA) is concentrated. The unit of analysis consisted of individual travel agents and managers from participating agencies who directly take part in daily operational decisions. A purposive sampling technique was employed to choose a total of eight (8) respondents having at least two years of industry experience who could give useful and context-specific insights. Data collection was conducted between August and September 2025, allowing sufficient time for scheduling interviews and achieving saturation. The study explored several key qualitative variables, including AI awareness, perceived benefits, perceived drawbacks, ethical concerns, and organizational readiness. Primary data were gathered through semi-structured interviews, which enabled participants to voice their opinions without restrictions and, at the same time, maintained the consistency of the discussions. This technique was very effective in revealing the so-called unquantifiable attitudes, awareness levels, and perceptions. The interpretivist qualitative design was admirably suitable as it permitted the researcher to uncover the specific reasons, experiences, and contextual factors that affect the adoption of AI in travel agencies in Sri Lanka.

3. Results/ Findings and Discussion

The thematic analysis method was applied to clarify and comprehend the qualitative data collected via unstructured interviews with eight travel agents in the Western Province of Sri Lanka. The coding process of the data indicated and classified the two main themes that were in line with the study's aims: (1) Determinants of AI awareness among travel agents, and (2) Perceptual dimensions of influencing AI adoption in travel agencies.

The very first theme revealed that most participants had moderate awareness of AI technologies, largely through informal exposure to chatbots,

social media algorithms, and booking platforms. But none of the respondents had received any formal training or had a systematic approach to integrating AI into their agency operations. Agents' understanding of AI was limited as they associated it almost entirely with automation and online booking systems. This is consistent with the findings of Pushpakumara et al. (2025), who noted that AI adoption in Sri Lankan tourism enterprises is very slow, mainly due to poor digital literacy and organizations' resistance to change. The second theme was about perceptions that influenced AI adoption. Respondents acknowledged various advantages, including operational efficiency, customer service, and data-driven decision-making, comparable to Buhalis (2019) and Sousa et al. (2024), who also noted AI's groundbreaking influence in the tourism industry. On the other hand, perceived disadvantages, such as high implementation costs, cybersecurity risks, and ethical issues, especially regarding data privacy and job insecurity, were the main reasons for not adopting the technology. These concerns align with the statements by Alyasiri et al. (2024) and Kong et al. (2023), which highlighted ethics and cost as the major global challenges in the adoption of AI in the service industry. Lack of organizational readiness was another significant finding. The majority of travel agencies, particularly small and medium-sized businesses, lacked the financial support and technical infrastructure to adopt AI tools effectively. This aligns with Murphy (2017), who noted that the inability to invest restricts smaller operators in the tourism sector from adopting technology.

Additionally, the interviews highlighted that AI should be seen as an assistant tool rather than a substitute for human interaction, corroborating Bhaskar et al. (2022), who stated that "human touch" is still a must in the tourism sector focused on experience. Overall, the research findings indicate that, in Sri Lanka, travel agents are slowly becoming aware of AI's contributions, but ethical, financial, and readiness factors still limit its use. Hence, to close these gaps, implementing targeted policy measures, conducting multiple awareness programs, and providing cost-effective technology solutions are necessary for a smooth, environmentally friendly digital transformation of the travel-agency sector in Sri Lanka.

4. Conclusion and Implications

The research concludes that travel agents in Sri Lanka show moderate interest and awareness of AI but are still not using it widely in their daily operations. The main obstacles cited were ethical issues, high costs, a lack of technical expertise, and the organization's lack of preparedness. The agents regard AI as an assistant that improves service performance but not as a replacement for human contact. This indicates a careful yet optimistic view of technological change in the sector. Theoretically, the study contributes to the literature on tourism technology by bringing a developing country setting and highlighting travel agents as an unexplored stakeholder category. The author also emphasizes that the combination of awareness,

perceptions, and ethical considerations determines AI adoption intentions. Hereby, the technology acceptance theories within tourism service operations are extended in applicability.

In terms of practical implications, the results underscore the need to introduce proper training, appropriate policies, and financial rewards to enhance AI competence and preparedness within travel agencies. These findings can help the government and professional organizations such as SLTDA and SLAITO create support systems that promote the appropriate use of AI through integration. The raising of awareness, the provision of infrastructure, and the establishment of ethical standards will pave the way for Sri Lanka's travel industry to achieve a digital transformation that is both equitable and sustainable.

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Keywords: Artificial intelligence; awareness; perception; travel agencies; Sri Lanka

ISBN 978-624-5727-62-9

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