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Corporate Internet Reporting as a Mediator Between Corporate Governance and Firm Value: Evidence from Sri Lanka

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Abstract

This study investigates how corporate governance characteristics—specifically board attributes and audit committee attributes—affect firm value, with Corporate Internet Reporting (CIR) examined as a mediating mechanism among listed non-financial companies in Sri Lanka. Using a quantitative, deductive approach, the study analyzes cross sectional secondary data from 97 firms for the 2022/23 period, obtained from annual reports and corporate websites. Partial Least Squares Structural Equation Modeling (PLS SEM) is employed to assess the relationships among governance mechanisms, CIR disclosure, and firm value measured by Tobin's Q. The results show that board characteristics exert a significant positive effect on both CIR practices and firm value, with CIR partially mediating the relationship between board characteristics and firm value. In contrast, audit committee attributes do not significantly influence CIR or firm value, and no mediating effect is observed. The study contributes to the literature by empirically validating CIR as a governance driven signaling mechanism in an emerging market context and provides practical insights for regulators and corporate leaders seeking to strengthen board effectiveness, enhance transparency, and improve investor confidence.

Keywords: Corporate Internet Reporting; Corporate Governance; Partial Least Squares Structural Equation Modeling (PLS-SEM); Sri Lanka

JEL Classification: G32, M41, L25

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INTRODUCTION

The increasing occurrence of corporate accounting scandals in the current millennium, driven by weak corporate governance and low disclosure transparency, has significantly undermined investor confidence (Ball, 2009; Kirkpatrick, 2009). High-profile cases such as Waste Management, Enron, WorldCom, Tyco, HealthSouth, and Freddie Mac illustrate the severe consequences of governance failures (Agrawal & Cooper, 2015; Aror Tina A & Mupa Munashe Naphtali, 2025; Ball, 2009). Consequently, there has been growing demand for stronger corporate governance mechanisms and greater transparency in corporate disclosures to restore investor trust (Stein et al., 2017; Szalay, 2019).

From the perspective of agency theory, information asymmetry between managers (agents) and shareholders (principals) can lead to agency conflicts (Sandhu & Singh, 2019). Voluntary disclosure practices are considered an effective mechanism to mitigate such conflicts (Barako et al., 2006). In response, regulatory bodies increasingly encourage firms to adopt internet-based disclosure as a means of enhancing transparency and reducing agency problems (Sandhu & Singh, 2019). This has led to a paradigm shift from traditional reporting methods—such as annual reports and press releases—to electronic-based reporting (Ettredge et al., 2002; Madhushika, 2017). Corporate Internet Reporting (CIR) offers several advantages, including timely reporting, enhanced transparency, wider accessibility, reduced information asymmetry, and flexible presentation formats (Ettredge et al., 2002; Kelton & Yang, 2008; Sandhu & Singh, 2019; Xiao et al., 2004), thereby attracting increasing attention in accounting research (Uyar, 2011).

Although prior studies have extensively examined CIR in developed countries such as the UK, USA, New Zealand, and France (Abdelsalam & Street, 2007; Boubaker et al., 2011; Debreceny et al., 2002; Ettredge et al., 2002; Oyelere et al., 2003), research in emerging economies, particularly Sri Lanka, remains limited (De Silva & Ajward, 2018; Kuruppu et al., 2015). Existing studies in this context primarily focus on the extent of disclosure and its association with firm characteristics and governance mechanisms (De Silva & Ajward, 2018; Kuruppu et al., 2015; Madhushika, 2017). Moreover, prior research has largely examined the determinants of CIR, initially focusing on firm characteristics and later incorporating corporate governance factors (Bin-Ghanem & Ariff, 2016b; Botti et al., 2014; Kelton & Yang, 2008; Uyar, 2011). However, findings from developed markets may not be directly applicable to emerging economies, where governance structures differ significantly (Botti et al., 2014; Thaneshan, 2023).

In addition to its role in enhancing transparency, CIR is also associated with firm value. Internet disclosure can reduce the cost of capital and agency conflicts, thereby improving firm value (Andrikopoulos et al., 2013; Bin-Ghanem & Ariff, 2016a). Nevertheless, empirical evidence on this relationship remains limited in emerging markets (Keliwon et al., 2018). At the same time, firm value is influenced by corporate governance, although prior findings are mixed (Aisyah, 2022; Ammann et al., 2011; Brown & Caylor, 2006; Mishra & Kumar, 2024). Such inconsistencies suggest the need to incorporate mediating variables to better explain the relationship (Mahrani & Soewarno, 2018).

Previous studies have examined various disclosure mechanisms, such as Corporate Social Responsibility (CSR) and intellectual capital disclosure, as mediators (Kamaliah, 2020; Purbawangsa et al., 2019; Rachmat & Waspada, 2020). In line with the shift toward digital reporting, CIR emerges as a relevant mediating variable. From an agency theory perspective, effective governance—particularly through board oversight and audit committees—enhances monitoring, reduces managerial opportunism, and promotes transparent disclosure practices (Fama & Jensen, 1983; Jensen & Meckling, 1976; Kelton & Yang, 2008). Accordingly, CIR can be conceptualized as a governance-driven mechanism that translates monitoring effectiveness into reduced information asymmetry and improved firm value.Recent studies have begun to explore the mediating role of CIR (Fuad et al., 2020; Joanna, 2017; Sukowidyanti, 2018), yet empirical evidence remains limited, particularly in emerging economies. Moreover, prior research often treats CIR as a statistical mediator without fully explaining its theoretical role in governance mechanisms.

Therefore, this study aims to examine the mediating role of Corporate Internet Reporting in the relationship between corporate governance and firm value in listed companies in Sri Lanka. This study contributes to the literature in three ways. First, it extends agency theory by positioning CIR as a governance-based transmission mechanism linking corporate governance to firm value. Second, it integrates corporate governance, CIR, and firm value into a unified mediation framework. Third, it provides empirical evidence from Sri Lanka as an emerging market, thereby addressing a significant gap in the literature.

LITERATURE REVIEW

Agency Theory

Agency theory primarily addresses the relationship between principals and agents (Cuevas-Rodríguez, Gomez-Mejia, & Wiseman, 2012). It is widely applied to explain the phenomenon of voluntary disclosure (Akhtaruddin, 2005; Cooke, 1989; Marston & Polei, 2004; Nurunnabi & Alam Hossain, 2012) as well as corporate governance mechanisms (Bonazzi & Islam, 2007; McColgan, 2001; Roberts, 2005). Furthermore, agency theory provides a robust framework for examining the relationship between Corporate Internet Reporting (CIR) and corporate governance (Alebrahem, 2018; Bin-Ghanem & Ariff, 2016a; Sandhu & Singh, 2019), the association between corporate governance and firm value (Agyemang-Mintah & Schadewitz, 2018; Nisasmara & Musdholifah, 2016), and the relationship CIR and firm value(Bin-Ghanem & Ariff, 2016b). More recent studies also reaffirm the relevance of agency theory in explaining digital disclosure practices and firm value, particularly in emerging economies characterized by weaker investor protection and higher levels of information asymmetry (Simanjuntak et al., 2025). In addition, agency theory supports the mediating role of voluntary disclosure in the relationship between corporate governance attributes and firm value (Reguera-Alvarado & Bravo-Urquiza, 2020).

According to Jensen and Meckling (1976), agency theory describes a contractual relationship in which one or more individuals (principals) engage another individual (agent) to perform services on their behalf, thereby delegating decision-making authority to the agent. The theory is based on the fundamental assumption that there is a divergence of interests between principals and agents, as well as the notion that individuals act in a self-interested manner (Abdulrahman, 2018; Davis, Schoorman, & Donaldson, 1997; Hill & Jones, 1992; Wright, Mukherji, & Kroll, 2001). This separation between ownership and control may lead to conflicts of interest, resulting in agency problems (Fama & Jensen, 1983; Wiseman, Cuevas-Rodríguez, & Gomez-Mejia, 2012).

Furthermore, the principal and agent relationship can lead to the issue of information asymmetry (Sandhu & Singh, 2019), when the agent has access to more superior information than the principal (Arnold & De Lange, 2004). This asymmetry makes it difficult for principals to effectively monitor managerial actions (Morris, 1987). thereby increasing agency costs associated with overseeing managerial behavior (Sandhu & Singh, 2019).

Agency theory proposes that corporate governance serves as a key mechanism to mitigate agency conflicts by enhancing monitoring and control over managerial performance. In addition, voluntary disclosure is considered an effective tool for reducing agency costs (Barako et al., 2006; Craswell & Taylor, 1992; Fama & Jensen, 1983; Jensen & Meckling, 1976). However, managers may act opportunistically by making decisions that maximize their personal benefits, including withholding information that could potentially harm their interests (Alebrahem, 2018). Conversely, managers may also be incentivized to disclose more information to signal superior performance and differentiate themselves from less effective managers (Demski, 1974). Furthermore, as higher agency costs may negatively affect managerial compensation, managers have incentives to reduce such costs by increasing transparency and demonstrating alignment with shareholders' interests (Alebrahem, 2018).

Voluntary disclosure thus becomes a critical mechanism for addressing agency problems (Healy & Palepu, 2001). In particular, internet-based disclosure represents an important form of voluntary reporting that enhances transparency and reduces agency costs (Alebrahem, 2018). Effective corporate governance further supports this process by improving disclosure quality, accountability, and managerial oversight (Alshehri, 2012). The adoption of internet technology enables firms to disseminate timely and accessible information in multiple formats, thereby expanding the scope and effectiveness of corporate disclosure practices. Consequently, strong corporate governance mechanisms are associated with higher levels of Corporate Internet Reporting (CIR) (Sandhu & Singh, 2019).

From an agency theory perspective, information asymmetry is a primary driver of agency conflict and associated costs. Voluntary disclosure through internet-based platforms enhances transparency, reduces information asymmetry (Healy & Palepu, 2001), lowers the cost of capital (Botosan, 1997), and ultimately contributes to increased firm value (Garay et al., 2013). Therefore, Corporate Internet Reporting is expected to have a positive impact on firm value.

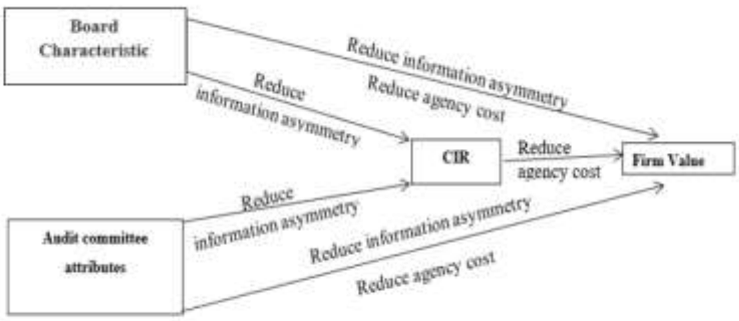

Figure 1 - Theoretical Framework: Corporate Governance, CIR, and Firm Value

Source:- Author Compiled

Empirical Review

Empirical Evidence Association between Corporate Governance and CIR
The existing literature highlights corporate governance as a critical mechanism influencing firms' voluntary disclosure practices (Abidin et al., 2026). A substantial body of research has examined the impact of corporate governance on the level of Corporate Internet Reporting (CIR) (Basuony et al., 2018; Sandhu & Singh, 2019). However, studies investigating the relationship between corporate governance and CIR in the Sri Lankan context remain limited (Madhushika, 2017). Prior empirical evidence identifies board characteristics and audit committee attributes as key dimensions of corporate governance (Sandhu & Singh, 2019).

The board of directors serves as the primary governing body of a company and plays a crucial role in determining the extent of corporate disclosure to safeguard shareholders' interests (Sandhu & Singh, 2019). The board has been recognized as a fundamental mechanism for ensuring the reliability of corporate financial reporting (Anderson et al., 2004). In addition to monitoring managerial actions and aligning them with shareholders' interests (Agrawal & Chadha, 2005; Hoitash et al., 2009), the board is responsible for overseeing the preparation of financial reports in compliance with legal requirements (Anderson et al., 2004; Rahman & Bremer, 2016). Furthermore, the board contributes to enhancing corporate governance and transparency by mitigating agency conflicts and reducing information asymmetry through effective monitoring and control of managerial decisions (Ardhaoui et al., 2024; Chouaibi et al., 2022). Jensen (1993) argues that board oversight can influence managerial incentives regarding corporate disclosure. Consequently, the level of corporate disclosure is largely dependent on board characteristics.

According to Botti et al. (2014), voluntary disclosing of corporate information through the internet are mostly unregulated, so it is likely to depend on the board oversight. Previous studies on voluntary disclosure have empirically associated CIR with the board characteristic , such as Board Size (BS)(Ezat & El-Masry, 2008; Madhushika, 2017; Sandhu & Singh, 2019), Board Independence (BI) (Abdelsalam & El-Masry, 2008; Abdelsalam & Street, 2007; Ezat & El-Masry, 2008; Kelton & Yang, 2008), CEO Duality (CEOD) (Abdelsalam & Street, 2007; Kelton & Yang, 2008; Xiao et al., 2004), Board Meeting (BM) (Hashim et al., 2014a) and Board Gender Diversity (BGD) (Basuony, Mohamed, & Samaha, 2018; Pina & Torres, 2019). Further Study of Bin-Ghanem and Ariff (2016a) concludes that the composition of board characteristics influences CIR. Consistent with agency theory, effective board oversight reduces managerial opportunism and increases voluntary disclosure as a monitoring mechanism (Akhtaruddin & Haron, 2010; Donnelly & Mulcahy, 2008; Hardan et al., 2026). In light of the review, the following hypothesis is developed:

H_1:- Board Characteristics have significantly associated with CIR.

The audit committee is a key component of the corporate governance system and is widely recognized as an important internal control mechanism for mitigating agency conflicts between management and external shareholders (Akhtaruddin & Haron, 2010). Audit committee attributes play a significant role in reducing information asymmetry and promoting disclosure practices (Bin-Ghanem & Ariff, 2016a). Further, Rochmah Ika and Mohd Ghazali (2012) claim that audit committee effectiveness boosts the management team to prepare the financial information on time. Puspitaningrum and Atmini (2012) suggest that the audit committee members must have financial experts to perform effectively. Further, Goh (2008) finds that audit committees with greater financial expertise and independence are more effective in mitigating internal control deficiencies. Prior studies on Corporate Internet Reporting (CIR) have empirically linked disclosure practices to various audit committee attributes, including audit committee size (Alebrahem, 2018), Audit committee Independence (ACI) (Botti et al., 2014), Audit Committee Meeting (ACM)ACM (Kelton & Yang, 2008), and Audit committee expertise (ACE) (Kelton & Yang, 2008). Further, Bin-Ghanem and Ariff (2016a) document that the audit committee influences CIR. Agency theory suggests that effective audit committees enhance monitoring quality, thereby encouraging more transparent and timely internet-based disclosure (Akhtaruddin & Haron, 2010). Based on the above discussion following hypothesis is developed:

H_2:- Audit committee attributes have significantly associated with CIR.

Empirical Evidence Association between CIR and Firm Value

A substantial body of empirical research has examined the impact of voluntary disclosure on firm value, with most studies employing Tobin's Q as a proxy for firm value (Assidi, 2020; Charumathi & Ramesh, 2020; Chung, Judge, & Li, 2015; Hassan, 2018; Plumlee, Brown, Hayes, & Marshall, 2015; Qamruzzaman, Jahan, Karim, Jahan, & Karim, 2021). Despite extensive theoretical and empirical investigation, the relationship between voluntary disclosure and firm value remains inconclusive (Qamruzzaman et al., 2021). As a form of voluntary disclosure, Corporate Internet Reporting (CIR) has also produced mixed empirical findings regarding its association with firm value.

Although the number of studies on CIR is relatively limited, existing evidence suggests that internet-based disclosure can provide economic benefits to firms (Bin-Ghanem & Ariff, 2016b). Many studies support a positive relationship between web-based disclosure and firm value (Andrikopoulos et al., 2013; Lai et al., 2010). In contrast Bin-Ghanem and Ariff (2016) document that voluntary disclosure on the Internet does not create firm value for GCC listed financial companies after for firms' characteristics and country of origin. Similar, Nazemi Ardakani, Aref Manesh, and Dehghan Dehnavi (2019) found no bond between CIR practices of Iran and firm value.

Most prior empirical studies on the relationship between CIR and firm value have focused on developed economies, with relatively limited attention given to emerging markets (Bin-Ghanem & Ariff, 2016b). Empirical evidence from Sri Lanka, in particular, remains scarce. Therefore, examining this relationship within the Sri Lankan context is essential, as differences in institutional and business environments may yield results that differ from those observed in developed countries. Recent studies in emerging markets further suggest that CIR can reduce information asymmetry and enhance firm value by lowering agency costs (Gajewski & Li, 2015; Garay et al., 2013). Based on this discussion, the following hypothesis is proposed:

H_3:- CIR is positively associated with firm value.

Empirical Evidence Association between Corporate Governance and Firm Value

The majority of the empirical studies (Ammann et al., 2011; Chhaochharia & Grinstein, 2007) investigate the relation between corporate governance mechanisms and firm value. While some studies aggregate individual corporate governance attributes to Corporate Governance Indices (CGI) and then investigate the relationship among CGI and firm value (Ararat, Black, & Yurtoglu, 2017; Javed & Iqbal, 2007; Siagian, Siregar, & Rahadian, 2013). However, relatively few studies have directly examined the impact of specific governance components—such as board characteristics and audit committee attributes—on firm value (Abdulrahman, 2018; Conheady, McIlkenny, Opong, & Pignatel, 2015; Kouaib, Mhiri, & Jarboui, 2020).

The board of directors, in particular, is widely recognized as a critical element of corporate governance in influencing firm performance and value (Bailey & Peck, 2013; Fama & Jensen, 1983). According to agency theory, the primary role of the board is to monitor and supervise managerial actions (Jensen & Meckling, 1976). Effective monitoring reduces conflicts of interest among stakeholders (Ajili & Bouri, 2018), lowers the cost of capital, and enhances firm value (Gani et al., 2026). Fama and Jensen (1983) further argue that decision control should be separated from decision management and that boards should be dominated by independent directors, as well as the company board should be dominated by independent directors. BI (Zabri, Ahmad, & Wah, 2016) and diversity (Ben-Amar, Francoeur, Hafsi, & Labelle, 2013) on board bring diverse knowledge and skill to the company. According to Daily, Dalton, and Cannella Jr (2003), the CEO's non-duality boosted the board's management monitoring performance within the agency theory. Frequently of the BM can be improved the performance of board in effectively and efficiently(Ibrahim & Jaafar, 2013; Lipton & Lorsch, 1992). Overall, the composition of board characteristics plays a crucial role in strengthening corporate oversight, improving firm performance, and ultimately increasing firm value through higher profitability and stock performance (Millon, 2002). Therefore, the enhancement of firm value is largely dependent on the board’s capacity to effectively guide and monitor the firm, which is determined by its characteristics (Abdulrahman, 2018). Müller (2014) document that firm value is significantly affected by the composition of board chateristics. In light of the review, following hypothesis is developed:

H_4 :- Board characteristics have a direct significant positive relationship with firm value.

The audit committee plays a crucial role in the financial reporting process, risk management, internal auditing, and external audit oversight (Chambers, 2005). However, empirical evidence regarding the relationship between individual audit committee attributes and firm value remains inconclusive. For instance, Oussii and Taktak (2018) ind that audit committee size (ACS) and audit committee meetings (ACM) are negatively associated with revenue efficiency. In contrast, Chan and Li (2008) report that the presence of expert and independent members within the audit committee enhances firm value. Despite these mixed findings, an increasing number of studies provide evidence supporting the positive role of audit committee characteristics in improving firm performance (Aldamen, Duncan, Kelly, McNamara, & Nagel, 2012). In addition, Klein (2002a) demonstrates that independent audit committees are more effective in overseeing the financial reporting process. Similarly, the frequency of audit committee meetings is considered an indicator of stronger financial oversight and improved performance, Abbott, Parker, Peters, and Raghunandan (2003a) Furthermore, audit committee expertise enhances the committee’s ability to monitor financial reporting effectively

(Cohen, Hoitash, Krishnamoorthy, & Wright, 2014; Oussii & Taktak, 2018). Overall, audit committee attributes contribute to reducing agency conflicts, protecting stakeholders' interests, and ultimately enhancing firm value (Afza & Nazir, 2014). Consistent with agency theory, effective audit committees reduce agency costs through improved monitoring and disclosure quality, thereby positively influencing firm value (Gani et al., 2026)

H_5:- Audit committee attributes have a direct, significant positive relationship with firm value.

Disclosure Practices as Mediating Variable

Disclosure practices have attracted significant attention from researchers, policymakers, and investors (Reguera-Alvarado & Bravo-Urquiza, 2020). The provision of high-quality, timely financial and non-financial information to capital markets has become a priority, particularly in reducing information asymmetry (Ettredge et al., 2002; Gray, Koh & Tong, 2009; Sandhu & Singh, 2019) and mitigating agency conflicts (Behn et al., 2010; Lopez-Arceiz et al., 2019). Enhanced disclosure reduces information asymmetry among investors and can subsequently lower the cost of equity capital (Andrikopoulos et al., 2013; Bin-Ghanem & Ariff, 2016). Despite these theoretical arguments, the extent to which disclosure practices contribute to firm value remains subject to ongoing debate. Nonetheless, substantial empirical evidence supports a positive association between various forms of disclosure—such as intellectual capital (Inkinen, 2015; Mavridis, 2004), CSR disclosure (Faisal et al., 2020; Servaes & Tamayo, 2013), and CIR (Keliwon et al., 2018; Sia et al., 2018), and firm value. In parallel, another stream of research focuses on the determinants of disclosure practice (Habbash, 2016; Taylor et al., 2008). More recently, disclosure has been increasingly incorporated as a mediating variable in empirical models (Asmoro, 2018; Fuad, Ariyani, & Handayani, 2020; Joanna, 2017).

Kamaliah (2020) examined the mediating role of CSR disclosure on the relationship between corporate governance, corporate profitability, and firm value for all companies listed in the LQ 45 Index on the Indonesia Stock Exchange during 2013–2014, using SmartPLS 2.0. The study found that CSR disclosure did not mediate the effect of corporate governance on firm value in Indonesia. In contrast, Purbawangsa et al. (2019) report that corporate governance and profitability indirectly influence firm value through CSR disclosure in Indonesia, China, and India. Both studies employ PLS-SEM, yet differences in model specification—particularly the use of reflective versus formative constructs—as well as variations in time periods and market contexts, may explain these inconsistent findings.

The choice of PLS-SEM in these studies was motivated by the use of construct-forming indicators. For example, the corporate governance variable was measured using two indicators (proportion of independent commissioners and audit committee), while the firm value variable comprised two indicators (PBV and Tobin's Q). In Kamaliah's (2020) study, these constructs were reflective, requiring convergent and discriminant validity as well as composite reliability tests under the measurement model. Conversely, in Purbawangsa et al. (2019), the corporate governance and firm value constructs were formative, so only outer weight tests were conducted. These methodological differences, along with potential variations in time periods and market contexts, may explain the contradictory findings reported by the two studies."

Few scholars (Carpenter & Westphal, 2001; Yawson, 2006) have claimed that the company board is responsible for the company's strategy. In addition, Fama and Jensen (1983) argue that a better board effectively monitors the company's reporting process. Boards are in particular accountable for the annual report's voluntary disclosure policy, and they must be mindful of the necessity to communicate value-relevant information to capital markets agents(Abraham & Cox, 2007; Gul & Leung, 2004). In recent years, Corporate Internet Reporting (CIR) has gained prominence as a disclosure channel (Uyar, 2012). with evidence suggesting that board composition significantly influences CIR practices (Bin-Ghanem & Ariff, 2016a). Disclosure practices, as signaling mechanisms, help reduce information asymmetry (Cormier, Ledoux, Magnan, & Aerts, 2010; Jiang, Habib, & Hu, 2011), cost of capital (Botosan, 1997; Botosan, 2006; Diamond & Verrecchia, 1991), consequently which can lead to an increase in the firm value (Assidi, 2020). Prior study documents that CIR can increase the firm value(Bin-Ghanem & Ariff, 2016b). Further, Reguera-Alvarado and Bravo-Urquiza (2020) find that board diversity positively correlates with financial outcomes, which is explained by disclosing risk. While Bravo, Reguera-Alvarado, and del Pilar Pérez (2018) claim that that boards compositions lead to a reduction in the cost of capital through the voluntary disclosure of information on risks. Based on the above discussion, this study expects board characteristics to significantly impact the CIR disclosure, which will lead to an increasing firm value. Therefore, the following hypothesis is formulated:

H_6:- CIR mediates the relationship between the board characteristics and firm value.

The primary responsibility of the audit committee is to ensure the quality and integrity of disclosed financial reporting (Ajili & Bouri, 2018; Wild, 1996). Audit committee attributes have been shown to influence voluntary disclosure practices (Rouf & Abdur, 2011; Samaha, Khlif, & Hussainey, 2015), especially on CIR(Bin-Ghanem & Ariff, 2016a). Enhanced corporate transparency enables external stakeholders to better assess a firm's future economic performance and reduces information asymmetry between management and outsiders (Akhtaruddin & Haron, 2010; Alkurdi, Hussainey, Tahat, & Aladwan, 2019; Cerbioni & Parbonetti, 2007) This reduction in information asymmetry can lower agency costs (Baek, Johnson, & Kim, 2009) and consequently increase the firm value (Chung et al., 2015). In addition, Bin-Ghanem and Ariff (2016b) posit that CIR aims to create the firm value. In summary, this study expects audit committee attributes to positively affect CIR's voluntary disclosure practices, which enhances the firm's value. Thus, the following hypothesis is formulated:

H_7:- CIR mediates the relationship between the audit committee attributes and firm value.

METHODS

This study adopts a deductive approach and a quantitative research methodology, as it aims to collect and analyze numerical data to examine the mediating role of Corporate Internet Reporting (CIR) in the relationship between corporate governance and firm value.

As of 31 March 2024, a total of 284 companies were listed on the Colombo Stock Exchange (CSE), which constitutes the population of this study. The selection of CSE-listed companies is justified by their obligation to comply with the exchange's listing requirements and their accessibility to public investors (CSE, 2013), Moreover, the CSE is recognized as one of the oldest stock markets in Asia (Kuruppu et al., 2015). The final sample consists of 97 companies, selected using purposive (judgmental) sampling based on five predefined criteria. Table 1 presents a summary of the selection criteria along with their empirical justification. Purposive sampling was employed to ensure that the selected firms possess the specific characteristics required to analyze CIR practices. While this non-probability sampling technique enhances the relevance and quality of the data, it may introduce selection bias and limit the generalizability of the findings beyond non-financial listed firms in Sri Lanka. This limitation is acknowledged in the study.

Table 1. Selection Criteria

Sample Selection Criteria	Rational	Empirical evidence
1. Non-financial listed company	Avoiding the non-comparability issue	Mahushika (2018) , Puspitaningrum and Atmini (2012), Sandhu and Singh (2019)
2. The companies have websites to share financial and nonfinancial information, not only to advertise their products	To support the assessment of CIR practices	Madhushika (2018), Puspitaningrum and Atmini (2012)
3. The company's financial year ending with 31st March	Avoiding the comparability issue	Sandhu and Singh (2019)
4. The company must have a complete website	If the company does not have a website or a website under the constriction can't ascertain the level of CIR practices	Madhushika (2018), Puspitaningrum and Atmini (2012)
5. The companies have all the data needed for this research.	Confirming the availability of information	Puspitaningrum and Atmini (2012)

Measurement of Latent Variables

There are three main latent variables associated with this study, namely: the corporate governance (board characteristics and audit committee attributes), CIR, and firm value, referred to as the independent, dependent, and mediating latent variables, respectively.

Dependent Latent Variables (Endogenous Constructs)

Firm value is a dependent latent variable, which is formed by a single indicator, namely Tobin's Q ratio. In empirical corporate governance research (Abbasi, Kalantari, & Abbasi, 2012; McConnell & Servaes, 1990) commonly use Tobin's Q rather than accounting-based measures since it takes risk into account (Abbasi et al., 2012; Lindenberg & Ross, 1981). In addition, in many empirical studies, Tobin's Q ratio is widely used as a single indicator for determining firm value in their structural equation model (Abdulrahman, 2018; Hatane, Setiadi, & Tarigan, 2019; Pagaddut, 2020). Table 2 presents the operationalization for the dependent latent variable of this study.

Table 2-Operationalization for Dependent Latent Variable

Concept	Latent variable	Indicators	Measurement scale
Firm value	Firm value	Tobin's Q	firm's closing price on the date of data collection x Number of shares outstanding at date of data collection) / total book value of assets.

Independent Latent Variables (Exogenous Constructs)

Based on prior empirical evidence, corporate governance is widely recognized as a key determinant of both firm value and the level of Corporate Internet Reporting (CIR) practices.The OECD (2014 emphasizes that the board of directors is responsible for overseeing the company's accounting and financial reporting systems, including independent auditing, internal control mechanisms, risk management systems, and compliance with applicable laws and standards. Meanwhile, the audit committee constitutes a critical component of the corporate governance framework, particularly in reviewing and monitoring the financial reporting process (Eyenubo, Mohammed, & Ali, 2017; Owolabi & Dada, 2011; Turley & Zaman, 2004). Accordingly, this study employs two proxies of corporate governance as independent latent variables, namely board characteristics and audit committee attributes. Board characteristics are operationalized using five dimensions of board composition: board size (BS), board independence (BI), CEO duality (CEOD), board meetings (BM), and board gender diversity (BGD). These measures are adopted from Kouaib et al. (2020), and are consistent with international governance codes, including those applicable in the Sri Lankan context. Audit committee attributes are measured following Sithipolvanichgul (2021), encompassing four dimensions: audit committee size (ACS), audit committee independence (ACI), frequency of audit committee meetings (ACM), and audit committee expertise (ACE). Table 3 presents the operationalization of all independent latent variables employed in this study.

Table 3-Operationalization for Independent Latent Variables

Concept	Latent variable	Indicators	Measurement scale
Corporate governance	Board characteristics	Board Size (BS)	The total number of directors on the board.
		Board Independence (BI)	The percentage of independent directors on the board of the total.
		CEO Duality (CEOD)	Value 1 is assigned if the CEO is the chairman of the company, and 0 otherwise
		Board meeting (BM)	Number of board meetings held in the financial year 2020
		Board gender diversity (BGD)	Percentage of female directors on the board

Concept	Latent variable	Indicators	Measurement scale
	Audit committee attributes	Audit committee size (ACS)	Number of board members on the audit committee
		Audit committee independence (ACI)	Percentage of independent directors on the audit committee to total directors on the audit committee
		Audit committee meeting (ACM)	Number of audit committee meetings held in the financial year 2020
		Audit committee expertise (ACE)	Proportion of audit committee members with financial expertise to the total number of audit committee members

Mediation Latent Variables

Numerous studies have developed self-constructed disclosure indices to measure corporate disclosure practices (Ahmed & Courtis, 1999; Samaha et al., 2015). However, such indices may not be appropriate for assessing Corporate Internet Reporting (CIR) practices in the Sri Lankan context due to differences in cultural, social, and institutional environments. Accordingly, this study adopts the Corporate Internet Reporting Disclosure Index (CIRDI) developed by Madhushika (2017) , as it is specifically designed to evaluate CIR practices in Sri Lanka The CIRDI comprises a total of 35 items, categorized into two dimensions: content attributes (25 items) and presentation attributes (10 items). Consistent with Aly et al. (2010) this study employs an unweighted disclosure index to minimize subjectivity in the scoring process. Each item is assigned a score of “1” if the information is disclosed on the corporate website and “0” otherwise. The CIRDI score for each firm is calculated by summing the total disclosed items and dividing it by the maximum possible score, resulting in a standardized measure of the level of CIR disclosure

Data Sources

This study employs a secondary data approach, utilizing data from the 2022/2023 period. Annual reports are used to obtain information on corporate governance characteristics, as they provide detailed disclosures regarding governing bodies (Botti et al., 2014). Accordingly, data on corporate governance and firm value are collected from companies’ annual reports, which are available on either the Colombo Stock Exchange (CSE) website or the respective company websites. Data related to Corporate Internet Reporting (CIR) are collected directly from the companies’ official websites. The first procedure to identify the companies' websites is to find the hyperlinks of listed companies on the CSE website. A detail of the company's website hyperlink is presented in the website option under the "company profile tab "on the CSE website. If there are no details of hyperlinks of the selected company's website on the CSE website, the www.google.com search engine is used to identify the company website. Those companies that did not expose a website are contacted via telephone to determine whether they have a website or not. A similar sequence strategy for ascertaining a company website was used by Fisher, Oyelere, and Laswad (2004), Oyelere and Kuruppu (2012), and Kuruppu et al. (2015).

The collected secondary data are organized using Microsoft Excel 2016 and subsequently analyzed using SmartPLS version 3.2.8. Hypothesis testing is conducted באמצעות Partial Least Squares Structural Equation Modeling (PLS-SEM), including mediation analysis.

Sample Size Adequacy and Statistical Power

The adequacy of the sample size (n = 97) was evaluated based on established guidelines for Partial Least Squares Structural Equation Modeling (PLS-SEM). According to the “10-times rule,” the minimum sample size should be at least ten times the maximum number of indicators used to measure a single construct. In this study, the board characteristics construct comprises five indicators, implying a minimum required sample size of 50 observations (5 × 10 = 50). The final sample of 97 firms exceeds this threshold, indicating adequate statistical power. Moreover, PLS-SEM is well-suited for studies with small to medium sample sizes and complex mediation models, further supporting the robustness and appropriateness of the analytical approach employed (Astrachan et al., 2014).

RESULTS

Measurement Model Evaluation

The measurement model assesses the validity and reliability of the constructs included in the model (Kamaliah, 2020, p. 343). In this study, the outer model, which consists of formative indicators, is evaluated by examining multicollinearity and the significance of outer weights, as recommended in prior research (Coltman et al., 2008; Jarvis et al., 2003). Multicollinearity is assessed using the Variance Inflation Factor (VIF), which is commonly applied in PLS-SEM to evaluate the degree of collinearity among indicators (Hair et al., 2016; Kwong-Kay Wong, 2019; Ramayah et al., 2018). A VIF value equal to or greater than five indicates potential collinearity issues within predictor constructs (Hair et al., 2011; Hair et al., 2016; Kwong-Kay Wong, 2019; Ramayah et al., 2018). As shown in Table 4, all VIF values are below the threshold of five, indicating that multicollinearity is not a concern in the formative constructs. Therefore, the requirement for the absence of critical multicollinearity in PLS-SEM is satisfied. Following the multicollinearity assessment, the significance of outer weights is evaluated to further assess the measurement model (Hair et al., 2016; Hair et al., 2019; Wong, 2019).

Table 4-Results of The Multi-Collinearity Test and Outer Weights and Significance Test

Construct	Indicator	VIF	Collinearity problem (VIF>5)	Outer weight	Outer loadings
Board characteristics	BS	1.097	No	0.671***	0.766***
	BI	1.045	No	0.351***	0.399***
	CEOD	1.1	No	0.504***	0.702***
	BGD	1.04	No	-0.082	-0.083
	BM	1.102	No	-0.169	0.088
Audit committee attributes	ACS	1.339	No	0.781***	0.691***
	ACI	1.149	No	0.42	0.112
	ACM	1.162	No	0.393	0.646***
	ACE	1.053	No	0.442*	0.362

Table 4 presents the results of the outer weights and loadings, along with their significance levels, for all nine indicators included in this study. The results indicate that four indicators—board meetings (BM), board gender diversity (BGD), audit committee independence (ACI), and audit committee meetings (ACM)—exhibit insignificant outer weights. To further evaluate the relevance of these indicators, their outer loadings and corresponding significance levels are examined in accordance with the guidelines proposed by Hair et al. (2016). The outer loadings for BM, BGD, and ACI are below the recommended threshold of 0.50 and are statistically insignificant ($p > 0.10$), suggesting limited contribution to the respective formative constructs. Nevertheless, in formative measurement models, indicators may be retained despite low statistical significance if they are strongly supported by theoretical and empirical considerations (Hair Jr, Hult, Ringle, & Sarstedt, 2016; Mir, 2019). In this study, BM, BGD, and ACI represent essential dimensions of board and audit committee characteristics; therefore, they are retained to preserve the conceptual completeness of the constructs. Following the assessment of the measurement model, the structural model is evaluated, as discussed in the subsequent section.

Structural Model Evaluation

Table 5- Results of the Multi-Collinearity Test between Constructs

Exogenous construct	VIF	Collinearity problem (VIF>5)
Board characteristics = > CIR	1.276	No
Audit committee attributes => CIR	1.276	No
CIR => firm value	1.274	No
Board characteristics = > firm value	1.497	No
Audit committee attributes => firm value	1.285	No

Source: The results of PLS data processing (Smart PLS)

In this study, testing collinearity issues among the constructs is evaluated based on the recommendation of Hair et al. (2017), which is that VIF above five should be considered a sign of collinearity. The collinearity results are shown in Table 5 it indicates that all VIF values lie below the cut-off value of five; in fact, none is above two. It concludes that there is no collinearity issue in this study's exogenous constructs. Thus, all study constructs are appropriate for estimating the proposed hypothesis's path coefficients and coefficients. The following paragraph discusses the path coefficients and the hypothesis evaluation.

Table 6-Results of the Path Coefficients and Significance Levels

Hypo-theses	Path	Path coefficient	T-statistics	P-values	Result
H1	Board characteristics -> CIR	0.417	4.377	0.000	Support
H2	Audit committee attributes -> CIR	0.086	0.721	0.471	Not support
H3	CIR -> Firm value	0.273	3.361	0.001	Support
H4	Board characteristics -> Firm value	0.442	3.699	0.000	Support
H5	Audit committee attributes -> Firm value	0.023	0.210	0.834	Not support

Source: The results of PLS data processing (Smart PLS)

The results indicate that board characteristics have a positive and significant effect on Corporate Internet Reporting (CIR) ($\beta = 0.417$, $t = 4.377$, $p < 0.05$), suggesting that more effective boards enhance corporate transparency through improved disclosure practices on company websites. Therefore, H1 is supported. This finding is consistent with Bin-Ghanem and Ariff (2016a), who report similar results in the context of listed companies in GCC countries. However, it contrasts with Singh and Singh (2018), who find no significant impact of board effectiveness on CIR.

In contrast, audit committee attributes do not have a significant effect on CIR ($\beta = 0.086$, $t = 0.721$, $p > 0.05$), indicating that audit committees may not be sufficiently effective in promoting corporate transparency through internet-based disclosure practices. Accordingly, H2 is not supported. This finding differs from Bin-Ghanem and Ariff (2016a), which may be attributed to differences in research context (GCC countries), study period (2012), and methodological approach (multiple regression). However, the result is consistent with Hassan (2015).

Furthermore, the relationship between CIR and firm value is found to be positive and significant ($\beta = 0.273$, $p < 0.05$), supporting H3. This suggests that higher levels of transparency through internet-based disclosure contribute to increased firm value among listed companies in Sri Lanka. This finding aligns with prior studies (Garay et al., 2013; Keliwon et al., 2018; Maryati, 2013). This finding claims that higher transparency through Internet technology can uplift the firm value of listed companies in Sri Lanka. Whereas, it is contradictory to the result of Nazemi et al. (2019)

Board characteristics also exhibit a direct positive and statistically significant effect on firm value ($\beta = 0.442$, $t = 3.699$, $p < 0.05$), thereby supporting H4. This result is consistent with previous studies, including Abdulrahman (2018), Conheady et al. (2015), and Kouaib et al. (2020). In contrast, audit committee attributes do not have a significant direct effect on firm value ($\beta = 0.023$, $t = 0.210$, $p > 0.05$), leading to the rejection of H5. This finding is consistent with Chan and Li (2008), but contradicts the results of Abdulrahman (2018) and Agyemang-Mintah and Schadewitz (2018).

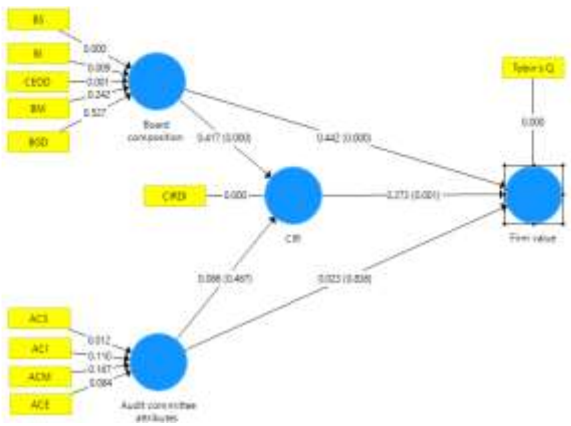

Figure 2-Bootstrapping Results of the Structural Model

Table 7-Results of R-Square

Endogenous construct	Exogenous construct	R^2	Strengthen
CIR	Board characteristics Audit committee attributes	0.215	weak
Firm value	Board characteristics Audit committee attributes CIR	0.394	moderate

Source: The results of PLS data processing (Smart PLS)

The R-square results obtained using SmartPLS are presented in Table 7. The findings indicate that 21.5% of the variance in Corporate Internet Reporting (CIR) is explained by board characteristics and audit committee attributes, while the remaining 78.5% is attributable to other factors not included in the model. Furthermore, the model explains 39.4% of the variance in firm value through CIR, board characteristics, and audit committee attributes, whereas the remaining 60.6% is influenced by other determinants. These R^2 values suggest a small to moderate level of explanatory power.

Evaluation of the Mediating Effect

A mediation analysis was conducted to examine whether CIR mediates the relationship between corporate governance characteristics—namely board characteristics and audit committee attributes—and firm value, as proposed in hypotheses H6 and H7. According to Hayes, Preacher, and Myers (2011), bootstrapping techniques are appropriate for testing mediation effects. Accordingly, this study employed a bootstrapping procedure with 5,000 resamples to generate 95% confidence intervals (percentile method) for the indirect effects.

Following the procedure recommended by Hair et al. (2017), the first step in mediation analysis is to assess the significance of the indirect effect. If the indirect effect is significant, the next step is to determine the type of mediation (partial or full) based on the significance of the direct effect. This study adopts this approach to evaluate hypotheses H6 and H7.

The results of the bootstrapping analysis, presented in Table 4.15, reveal that the indirect effect of audit committee attributes on firm value through CIR is not statistically significant ($\beta = 0.024$, $t = 0.698$, $p > 0.05$, LL = −0.082, UL = 0.077). Therefore, it can be concluded that CIR does not mediate the relationship between audit committee attributes and firm value, leading to the rejection of hypothesis H7.

Although prior studies (Abidin & Johari, 2020; Kartika & Utami, 2019; Lidyah et al., 2019) provide evidence that disclosure practices in traditional (print-based) corporate reporting mediate the relationship between audit committee attributes and firm value, the findings of this study do not support such a mediating role in the context of CIR. This discrepancy suggests that the nature, environment, and dynamics of internet-based disclosure differ from those of traditional reporting practices (Hasan & Islam, 2021).

Table 8-Summary of the Mediating Effect Tests

	Indirect effect				Direct effect		Total effect	
	Coefficient	t-value	Confidence interval		Coefficient	t-value	Coefficient	t-value
			Lower	Upper				
Board characteristics -> Firm value	0.114***	2.724	0.049	0.224	0.442***	3.519	0.556***	5.285
audit committee attributes-> Firm value	0.024	0.698	-0.082	0.077	0.023	0.211	0.047	0.468

Source: The results of PLS data processing (SmartPLS)

However, the bootstrapping analysis has shown that the indirect effect of board characteristics on firm value is significant. While the indirect effects 95% bootstrapping confidence intervals (percentiles) [LL = 0.049, UL = 0.224] do not place a zero in between, indicating there is mediation (Hayes et al., 2011; Preacher & Hayes, 2008; Taylor, MacKinnon, & Tein, 2008). So, it concludes that CIR has a significant mediation in the impact of board characteristics on firm value. After confirming the mediating role, the next step is to check the significance of the direct effect in determining the type of mediation. The direct relationship between board characteristics and firm value is also significant ($t=3.519$; $p<0.00$). Both direct ($\beta = 0.442$) and indirect ($\beta = 0.114$) effects are positive. Thus, this result documents that CIR partially mediates the relationship between board characteristics and the firm value of Sri Lankan listed companies.

Further, this study uses the Variance Accounted For (VAF) value to conclude the mediation type (Ramayah, Hwa, Chuah, Ting, & Memon, 2017). VAF denotes the proportion of the indirect effect to the total effect in the mediation model (Cheah, Sarstedt, Ringle, Ramayah, & Ting, 2018; Ramayah et al., 2017). The VAF is 20.5% (0.114/0.556), which confirms CIR's partial mediating role in the association between board characteristics and firm value because the VAF value ranges between 20% to 80% (Ramayah et al., 2017). Consistent with the findings of the Reguera-Alvarado and Bravo-Urquiza (2020) study, this finding suggests that effective boards promote voluntary disclosure, which may help in enhancing firm performance. Therefore, hypothesis H6 is supported.

Discussion and Conclusion

The rapid growth of the Internet as a global corporate communication medium has created new avenues for disseminating corporate information (Ahmed et al., 2023; Vogler & Eisenegger, 2021). Its widespread adoption, multimedia capabilities, and interactive features have fundamentally reshaped the nature, scope, and function of corporate reporting (Hussein & Nounou, 2022; Waweru et al., 2019). The global accessibility of corporate reports via the Internet may further accelerate the convergence toward international financial reporting standards. Moreover, a substantial proportion of firms now maintain corporate websites, many of which are used to communicate both financial and non-financial information. Consequently, scholarly and professional interest in Corporate Internet Reporting (CIR) has increased significantly in recent years.

This study investigates whether corporate governance mechanisms specifically board characteristics and audit committee attributes influence firm value through CIR practices in Sri Lankan listed companies, drawing on an agency theory perspective. Firm value is operationalized as a dependent latent variable using Tobin's Q ratio as a single indicator. Board characteristics and audit committee attributes serve as independent latent variables, modeled formatively through five board attributes (BS, BI, CEOD, BM, and BGD) and four audit committee attributes (ACS, ACI, ACM, and ACE). CIR is modeled as a mediating latent variable measured using the Corporate Internet Reporting Disclosure Index (CIRDI).

The population comprises 284 companies listed on the Colombo Stock Exchange (CSE), of which 97 firms were selected as the final sample based on five criteria: (1) non-financial listed companies; (2) availability of a corporate website for information dissemination; (3) financial year ending on 31 March; (4) completeness of website content; and (5) availability of all required data.

The empirical findings provide several important insights into the relationships among board characteristics, audit committee attributes, CIR practices, and firm value. First, the PLS-SEM results indicate that board characteristics have a positive and significant effect on both CIR and firm value. Firms with optimal board size, a higher proportion of independent directors, frequent board meetings, gender diversity, and non-dual CEO structures are more likely to engage in CIR practices and achieve higher firm value. These findings are consistent with agency theory, which posits that effective board monitoring enhances transparency and firm performance.

The underlying mechanism can be explained through monitoring incentives and reputational considerations. Boards characterized by independence and diversity are more inclined to demand transparent reporting to reduce information asymmetry and protect minority shareholders. Frequent meetings enhance oversight intensity, while independent directors advocate for higher disclosure quality to maintain their professional reputation. Consequently, CIR functions as a strategic transparency mechanism through which boards signal governance quality to capital markets.

Furthermore, the results reveal that CIR partially mediates the relationship between board characteristics and firm value. This complementary partial mediation suggests that CIR does not substitute for board monitoring but rather serves as a transmission mechanism through which governance quality is translated into market value. Boards influence firm value both directly—through strategic oversight—and indirectly—through enhanced digital transparency that reduces agency costs. This finding extends the governance–disclosure–value literature by positioning digital reporting as an integral governance channel rather than merely a communication tool.

The finding of complementary partial mediation has important theoretical implications. It suggests that CIR does not fully substitute board monitoring but acts as a transmission mechanism through which governance quality is partially converted into market value. Boards influence firm value both directly—through strategic oversight and resource allocation—and indirectly—through enhanced digital transparency that reduces agency costs. This extends the governance–disclosure–value literature by demonstrating that digital reporting mechanisms function as governance channels rather than merely communication tools.

Although considerable literature (Abidin & Johari, 2020; Kartika & Utami, 2019; Lidyah, Amir, Yacob, & Rahayu, 2019) suggests that disclosure levels in print-based corporate reports are mediated between the audit committee attributes and firm value, this study found no significant mediation effect of CIR on the relationship between audit committee attributes and firm value. This suggests that the environment and culture of CIR are distinct from that of traditional paper-based corporate reporting (Hasan & Islam, 2021). Several alternative interpretations may explain the non-significant role of audit committee attributes. First, audit committees may focus primarily on regulatory compliance and financial statement accuracy rather than voluntary digital disclosure initiatives. Second, CIR decisions may be driven by strategic communication and investor-relations functions, which fall under board-level or management authority rather than audit oversight. Third, in emerging markets such as Sri Lanka, ownership concentration may limit the independence and influence of audit committees, thereby weakening their observable impact on voluntary disclosure practices. Finally, CIR may be perceived as a management-driven innovation domain rather than a compliance-driven audit function. These disparities in corporate reporting environments may reflect differences in benefits, costs, the requirement of infrastructures, and demand and supply patterns in such information contexts. Therefore, the reason its results are dissimilar from the findings of previous studies. The previous studies point out other vital factors that act as mediators between these variables, such as reporting quality (Sukmono & Yadiati, 2016) and paper-based reporting (Abidin & Johari, 2020; Lidyah et al., 2019).

The results reveal that audit committee attributes have insignificant associations with CIR and firm value. These findings contrast the theoretical prediction (agency theory), which expects that audit committee attributes tend to increase the CIR practices and promote the firm value. The possible reason for this variation may be the Sri Lankan country's environmental factors, and the code of corporate governance practices differs from those of other countries, especially developed countries. Further, the environment, culture, and procedure of traditional paper-based corporate reporting differ from CIR (Hasan & Islam, 2021).

The results of the R-Square value of the structural model indicate that only 21.5% of the variance in CIR can be impacted by board characteristics and audit committee attributes, while 39.4% of the variation in firm value can be influenced by CIR, board composition, and audit committee attributes. Thus, it suggested that CIR practices and firm value may be affected by other factors such as firm characteristics, i.e., firm size, leverage, liquidity, profitability, and industry type, and external environment factors.

Contribution and Implication of the Study

This study contributes to the corporate governance and disclosure literature by examining the mediating role of Corporate Internet Reporting (CIR) practices in the relationship between board characteristics and firm value. While agency theory has been widely employed to explain the link between governance mechanisms and voluntary disclosure, limited attention has been given to CIR as a distinct form of digital reporting. By conceptualizing CIR as an active governance mechanism rather than a passive disclosure outcome, this study extends the application of agency theory to the digital reporting context. The findings of complementary partial mediation indicate that boards influence firm value not only directly but also indirectly through enhanced digital transparency. In doing so, this study refines the explanatory power of agency theory in emerging markets and provides empirical evidence from Sri Lanka, thereby addressing a notable gap in the literature.

Furthermore, by employing the PLS-SEM approach, this study offers a robust analytical framework for understanding the mediating role of CIR in the relationship between corporate governance and firm value, thereby opening new avenues for future research. From a methodological perspective, the use of formative constructs and a context-specific CIR disclosure index (CIRDI) contributes to improved measurement in emerging market settings. Nevertheless, future research may enhance measurement precision by incorporating weighted disclosure indices, qualitative scoring approaches, readability assessments, or machine learning–based text analysis to capture the depth and quality of disclosures rather than merely their presence.

From a practical standpoint, the findings provide important implications for policymakers, regulators, and corporate managers in developing economies. Regulatory bodies may consider establishing clearer guidelines for digital reporting to enhance consistency, comparability, and transparency in CIR practices. Aligning national reporting frameworks with international digital reporting standards may further strengthen investor confidence. At the organizational level, corporate boards are encouraged to integrate digital transparency into their governance strategies by regularly evaluating the quality of website disclosures. Firms may also consider establishing dedicated digital reporting committees or incorporating CIR oversight into board performance evaluation systems to ensure accountability and continuous improvement.

Research Limitations

This study is subject to several limitations. First, it is confined to the Sri Lankan context, with a sample restricted to listed companies on the Colombo Stock Exchange (CSE), thereby excluding non-listed firms. As a result, the generalizability of the findings beyond this setting may be limited. In addition, the use of cross-sectional data constrains the ability to draw causal inferences. The application of purposive sampling, while ensuring data relevance, may further restrict the external validity of the results. It is also noteworthy that prior studies on online disclosure in emerging markets have similarly relied on relatively small sample sizes (Aly et al., 2010; Madhushika, 2017; Waweru et al., 2019).

Second, the study focuses exclusively on-board characteristics and audit committee attributes as determinants of CIR and firm value. However, it does not incorporate the full set of corporate governance practices outlined in the codes issued by ICASL and SEC, such as ownership structure and directors' remuneration, primarily due to time constraints. Moreover, other firm-specific factors—such as firm size, leverage, profitability, and industry characteristics—that may influence CIR practices and firm value are not included in the model.

Third, the measurement of corporate governance relies on structural proxies, which may not fully capture the behavioral effectiveness of boards and audit committees. Similarly, CIR is assessed solely based on disclosures available on corporate websites, without considering other digital communication channels such as social media platforms or alternative internet-based reporting technologies.

Recommendations for Future Research

Future research may extend this study in several important directions. First, future studies could include unlisted companies, enabling comparative analyses between listed and non-listed firms to assess whether the determinants and consequences of Corporate Internet Reporting (CIR) are consistent across different organizational contexts. Expanding the sample to include both financial and non-financial firms would further enhance the generalizability of the findings.

Second, future research could adopt a cross-country perspective, particularly within Asian or other emerging market contexts, rather than focusing solely on Sri Lanka. Comparative studies across developed and emerging economies would provide deeper insights into how institutional environments shape the relationship between corporate governance, CIR practices, and firm value.

Third, the use of longitudinal research designs is strongly recommended. Longitudinal studies would enable researchers to capture temporal dynamics and better understand how governance characteristics influence CIR practices over time, as well as how changes in regulatory frameworks and market conditions affect disclosure behavior (Sandhu & Singh, 2019). Such approaches would also improve causal inference compared to cross-sectional designs.

Furthermore, future studies may incorporate additional corporate governance variables and firm-specific characteristics to provide a more comprehensive model. Expanding the scope of digital disclosure beyond corporate websites to include social media platforms and other internet-based communication channels would also offer a more holistic understanding of online reporting practices.

Finally, future research could explore alternative mediation mechanisms, such as risk disclosure quality, sustainability reporting, or integrated reporting, to compare their explanatory power relative to CIR. The application of advanced methodological approaches—such as multi-group analysis in PLS-SEM, endogeneity correction techniques, and longitudinal structural modeling—would further strengthen causal interpretation and enhance the robustness of findings.

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