

# CAN WE USE THE THEORY OF PLANNED BEHAVIOR TO PREDICT THE MANAGEMENT INTENTION TO ENGAGE IN SUSTAINABILITY REPORTING IN SRI LANKAN LISTED COMPANIES?

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## ABSTRACT

**Purpose:** Sustainability reporting (SR) is one of the voluntary disclosures that has grown in popularity in recent years. This study aimed to examine the management's intention to engage in SR using the Theory of Planned Behaviour (TPB) of Sri Lankan listed companies.

**Design/methodology/approach:** A quantitative research approach is used in the study. A structured online questionnaire was used to collect data, and the sample of the study included 189 top and middle-level managers from listed companies in Sri Lanka. Structural equation modelling was used to test the hypotheses.

**Findings:** The findings revealed that subjective norms and perceived behavioral control of managers had a significant and positive impact on the intention to engage in SR by managers. However, their attitudes had no significant influence on their intention to engage in SR.

**Research implications:** The insights gained through this study are expected to be useful for institutions, regulators, and policymakers.

**Originality/value:** Thus, this study has contributed to the existing behavioral accounting and other socio-psychological literature as it noted the TPB's ability to predict management behaviour in the context of voluntary reporting (i.e. SR).

**Paper type:** Research paper

**Keywords:** Attitude, perceived behavioral control, subjective norms, sustainability reporting, Theory of Planned Behaviour.

## **INTRODUCTION**

The corporate report of listed companies includes both voluntary and mandatory disclosures. Financial statements are one of the most common examples of mandatory disclosures. On the other hand, Sustainability Reporting (SR) is a voluntary disclosure that discloses information about the economic, social, and environmental impact of organizational operations [Global Report Initiative (GRI), 2021]. Although SR is a voluntary disclosure, similar to other countries, the number of Sri Lankan companies engaging in SR is growing rapidly. Sri Lankan companies have been reporting on sustainability according to the guidelines issued by the GRI (SheConsults, 2015).

The human behavior of stakeholders is an important factor to consider when considering the motivation factors driving the organization to report on sustainability, and among them, the behavior of managers could be considered to be the most important. Managers manage the organization on behalf of the owners and make operational decisions for the organization. The Theory of Planned Behaviour (TPB) is a significant theory that explains human behavior (Kumari et al., 2022). The TPB is a significant and well-known theory used in psychological research to predict and explain human behavior (Ajzen, 1991). Further, although sustainability reporting (SR) is not a mandatory requirement, many countries now use SR. Accordingly, this study examines the motivation factors that drive the organization to report on sustainability using TPB.

Some past studies had considered the relationship between TPB and intention to engage in the SR. The study of Thoradeniya et al. (2015) found that managers' attitude toward SR, subjective norms and perceived behavioural control influence their intention to engage in SR. But Kwakye et al. (2018) argued that only subjective norms and perceived behavioural control significantly influence a company's intention to engage in Sustainability Accounting and Reporting (SAR). Furthermore, Kwakye et al. (2018) argued that the attitude of an accountant towards SAR does not affect the intention to engage in SAR. However, these studies have not made conclusive predictions about the intentions of SR.

Accordingly, the current study was based on TPB. The TPB has been validated to be useful in explaining the intention to engage in SR. Furthermore, despite the theory's

wide applicability, little empirical research has been conducted using the TPB for a more comprehensive explanation of the intention to engage in SR.

Thus, based on contemporary importance, the lack of usage of TPB and the non-availability of current evidence in the Sri Lankan context is felt like a significant gap. Accordingly, this study aims to examine whether management intention could be used to better predict intention to engage in SR using the TPB of listed companies in Sri Lanka. Next, the methodology of the paper is elaborated in achieving this aim.

## **METHODOLOGY**

Quantitative methods were deployed in the study, which is deemed appropriate due to testing relationships. A structured survey questionnaire was used to collect data, which was developed using extant literature (Kwakye et al., 2018; Thoradeniya et al., 2015), and refined based on expert opinions and a pilot survey. The population of the study included top and middle-level managers of listed companies in Sri Lanka. In the absence of a sampling framework, the sample was selected using the convenience sampling technique while ensuring the representativeness of the population in terms of gender, age, position, experience, and education level. The questionnaire consisted of two sections; the first section was devoted to demographic information of the respondents and the second section dealt with their determinants of engaging in SR. The questionnaire was sent to all potential survey participants via e-mail, which contained a URL. All respondents were encouraged to read the study description, and survey instructions and provide their consent before participating in the survey. Approximately 450 survey invitations were sent to respondents, and 189 usable responses were received for our study which is deemed adequate.

In terms of the development of hypotheses, theoretical and empirical evidence was used, which is explained next. Thoradeniya et al. (2015) found a positive link between the attitudes of managers and the intentions of SR. However, Kwakye et al. (2018) found that the attitude of accountants toward Sustainability Accounting and Reporting (SAR) does not affect the motivation to apply such accounting. Accordingly, the following hypothesis was constructed to be tested in this study.

H<sub>1</sub>: There is an impact of managers' attitude (denoted as *ATT*) on their intention to engage in SR (denoted as *ISR*) of listed companies in Sri Lanka.

Some research had found a positive relationship between managers' subjective norms and their intent to engage in sustainable reporting (Thoradeniya et al., 2015). Moreover, past studies had also found the subjective norm significantly influences a firm's intention to engage in SAR (Kwakye et al., 2018). Thus, the following relationship was hypothesized:

H<sub>2</sub>: There is an impact of managers' subjective norms (denoted as *SN*) on their intention to engage in SR (denoted as *ISR*) of listed companies in Sri Lanka.

Furthermore, extant studies also discovered an association between managers' perceived behavioral control and their desire to engage in SR (Thoradeniya et al., 2015; Kwakye et al., 2018). According to several extant studies, perceived behavioral control has a positive and significant impact on students' positive intentions toward the environment (Lee et al., 2016). On the contrary, several studies also have found a negative association between perceived behavioral control and managers' environmental, ethical decision-making (Flannery & May, 2000). Accordingly, the following relationship was hypothesized.

H<sub>3</sub>: There is an impact of managers' perceived behavioural control (denoted as *PBC*) on their intention to engage in SR (denoted as *ISR*) of listed companies in Sri Lanka.

After screening and cleaning the data obtained and descriptive statistics were estimated. Structural Equation Modelling (SEM) was used for testing the above hypotheses (i.e. PLS-SEM using SmartPLS). The results are reported next.

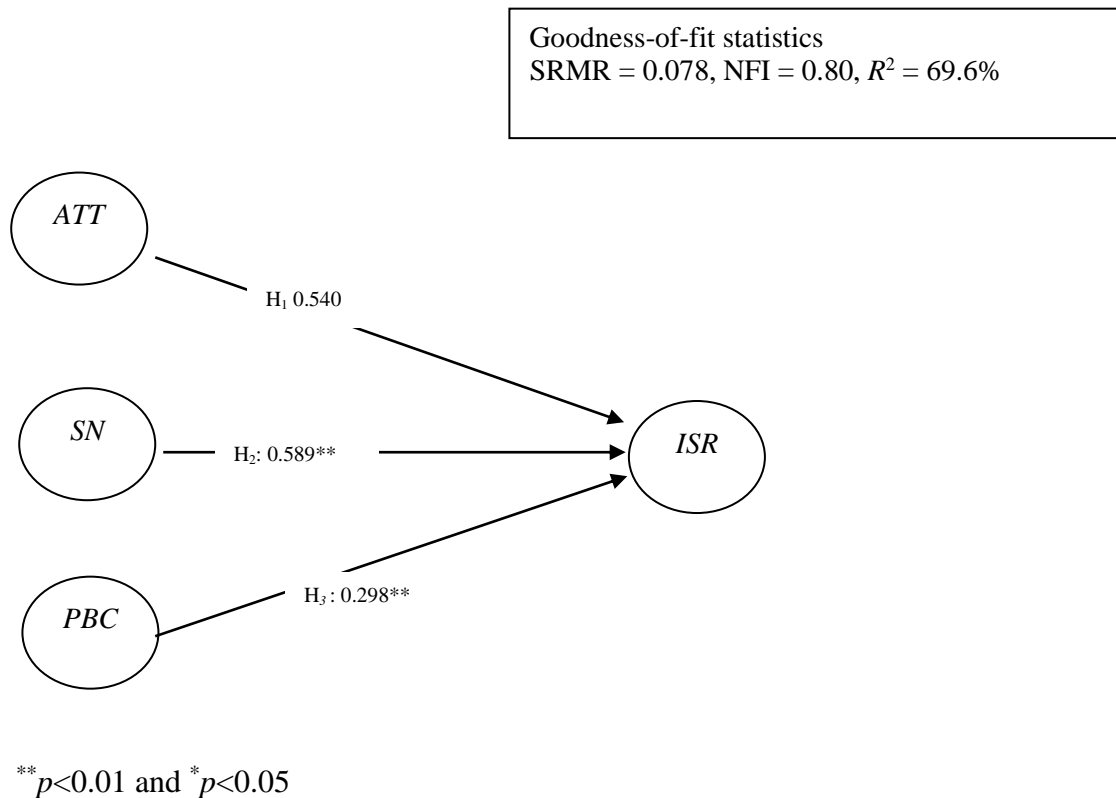
## **RESULTS AND DISCUSSION**

As discussed above, following data collection, data screening and cleaning were performed before conducting statistical analyses, and as a result, outliers or missing values were treated. The majority of respondents (58.1%) were male, and 45.3% were between the ages of 31 and 40. Furthermore, 40.7% of respondents had completed up to their first-degree level as the highest academic qualification. Furthermore, the majority of respondents (75.6%) were middle-level managers.

The PLS-SEM confirmatory factor analysis was used to establish the scales' structural

validity using SmartPLS. The results indicated that the composite reliability (CR) ratings for all scales exceeded 0.7, indicating internal consistency (Hair et al., 2018). Further, all AVE values were noted to be higher than 0.5, showing convergent reliability (Hair et al., 2018). Moreover, all Rho A reliability coefficients were above 0.7, which is considered to be good (Hair et al., 2016). The measurement model also was noted to support the constructs' discriminant validity because it met the Fornel and Larcker criterion. Finally, the variance inflation factor (VIF) demonstrated the collinearity of formative indicators was within the threshold of 3 (Hair et al., 2018).

The Conceptual Model that has been proposed to assess the assumed associations between the variables of the study and the theoretical framework's ability to predict are shown in Figure 1. According to the findings of the study, the model satisfactorily complied with the required thresholds (SRMR = 0.078, NFI = 0.80), and the model demonstrated a considerable level of predictive power for managers' desire to engage in SR ( $R^2 = 0.696$ ).



**Figure 1: The proposed model based on the Theory of Planned Behavior**

According to Figure 1, the  $R^2$  is 69.6%, which suggests that 69.6% of the variation in the

intention to engage in SR of managers was predicted from the selected independent variables: attitudes, subjective norms and perceived behavioural control of managers. In terms of the hypothesized relations, the results show an insignificant relationship between attitudes on the intention to engage in SR ( $p > 0.10$ ), and therefore hypothesis H<sub>1</sub> is not supported. This finding is consistent with Kwakye et al. (2018) who found that the attitude of accountants does not affect engagement in Sustainability Accounting & Reporting (SAR). On the other hand, the results show that there is a statistically significant and positive relationship between subjective norms and the intention to engage in SR ( $p < 0.01$ ), which is in support of H<sub>2</sub>. This finding is consistent with similar studies (Kwakye et al., 2018; Thoradeniya et al., 2015; Flannery & May 2000). Furthermore, in terms of perceived behavioural control, results show a significant and positive relationship between this variable and the intention to engage in SR ( $p < 0.01$ ), and therefore H<sub>3</sub> is supported and is consistent with Thoradeniya et al. (2015) and Kwakye et al. (2018). However, some extant research had reported a negative relationship between perceived behavioural control and managers' environmental and ethical decisions (Flannery & May, 2000), which contradicts our findings.

## **CONCLUSIONS AND IMPLICATIONS**

This study aimed to examine whether management's intention could be used to predict intention to engage in SR by them using the TPB basis for listed companies in Sri Lanka. It was found that both subjective norms and perceived behavioural control of managers had statistically significant and positive relationships with their intention to engage in SR. However, the findings indicated that the attitudes of managers did not have an impact on their intention to engage in SR. Accordingly, policymakers could formulate plans to propagate norms that will encourage managers to engage in SR. Furthermore, other stakeholders too could require such norms to be established. Moreover, steps should be taken to provide more control and authority to managers in making appropriate reporting decisions such as SR, which again could be in the form of regulations and from stakeholder pressure. With these steps, companies and stakeholders can make better decisions and increase the stakeholders' trust using sustainability reports. While having these practical implications, using TPB, this paper contributes to filling the gap in the literature by empirically testing the management intentions to engage in SR of listed companies in Sri Lanka.

In terms of future research directions, other voluntary disclosures could be considered as this study only focussed on sustainability reporting. Furthermore, by expanding the scope of this study that focused only on the Sri Lankan context, future studies could concentrate on other contexts and even perform comparative studies.

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