

## FACTORS AFFECTING ENVIRONMENTAL SUSTAINABILITY REPORTING PRACTICES: EVIDENCE FROM SRI LANKAN HOTEL INDUSTRY

S.B.D.C Ratnayake

*Sri Lanka International Buddhist Academy (SIBA Campus), Pallekele, Kandy.*

*dasun.r@siba.edu.lk*

### Abstract

*Achieving sustainability is facilitated by the implementation of protective laws and regulations designed to ensure transparency and accountability. To address the growing information asymmetry between corporations and stakeholders, comprehensive reporting requirements and standards have been established globally. This study aims to examine factors influencing environmental sustainability reporting in the Sri Lankan hotel industry, shedding light on the dynamics shaping these practices. Utilizing a quantitative research approach, data were collected through a structured questionnaire distributed to accountants and managers in hotels located in Central, Southern, and Western Provinces of Sri Lanka. The valid responses received to the questionnaire were 102, which were analyzed using structural equation modeling techniques to uncover significant patterns and relationships. The findings indicate that senior management commitment, legislative pressure, industry influence, knowledge of GRI, and organization culture significantly impact on the environmental sustainability reporting practices. Specifically, these factors enhance the knowledge and application of GRI standards, driving more comprehensive and effective environmental reporting practices. This study offers novel insights and important implications for hotel managers and accountants, emphasizing the critical roles of these factors in promoting environmental sustainability. By identifying key drivers of effective reporting, this research contributes to the ongoing efforts to improve sustainability practices in the hotel sector, ultimately supporting the broader goal of environmental preservation.*

**Keywords:** *Environment sustainability reporting, global reporting initiatives, hotel industry*

### Introduction

Human activities, particularly within industrial sectors, have a substantial impact on the environment. The Industrial Revolution marked a significant shift in the relationship between humans and nature, moving from incremental and irregular impacts to widespread and profound effects. With the advent of Industry 4.0, the way companies manufacture, improve, and distribute their products has been transformed. However, despite these advancements, the consumption of resources, raw materials, energy, and information remains high, leading to environmental unsustainability. This has heightened societal and public awareness of environmental risks and challenges (Oláh et al., 2020).

Since the 1992 Rio Conference, the concept of sustainable development has gained increasing attention (Marin & Jafari, 2002). Sustainability is defined as an effort to meet present needs without compromising the ability of future generations to meet their own (Morelli, 2011). The goal of sustainability is to balance economic development, social well-being, and the responsible use of environmental resources. However, rapid scientific and technological development has led to social, economic, and environmental crises, threatening human living conditions and societal values (Goettsche et al., 2016). Thus, in the current competitive landscape, environmental protection has become a critical variable. Companies must consider the long-term environmental effects of their activities. As a result, organizations face increasing pressure from stakeholders to develop sustainable practices (Nethsarani & Samudrage, 2021). Environmental initiatives are hence recognized as valuable tools for improving performance and gaining competitive advantages (Molina-Azorín et al., 2009). However, despite awareness of limited natural resources and increased stakeholder pressure to develop sustainable practices, organizations often prioritize growth over sustainability, leading to environmental degradation (Oláh et al., 2020).

The tourism industry, despite the impact of COVID-19, has seen significant growth, contributing to economic, social, and environmental impacts globally (Simpson, 2014). The hotel sector, a major component of tourism, plays a vital role in environmental sustainability. Hotel operations require significant resources, impacting the environment. Eco-friendly tourism is believed to provide long-term socio-economic benefits (Bonilla-Priego et al., 2014). Tourism in Sri Lanka has shown potential for substantial economic contribution, with increasing arrivals and revenue until 2018 (Bank et al., 2022). Sri Lanka's tourism sector witnessed continuous growth until 2018 and experienced a significant increase in tourism revenue in 2022 compared to 2021. The Sri Lankan hotel

sector is increasingly concerned with nature conservation and eco-friendliness (Sri Lanka Tourism Development Authority, 2022).

It is widely acknowledged that due to variety of reasons businesses are shifting from traditional financial reporting to sustainability reporting (Lozano et al., 2016). However, as per the pilot study results, given in Table 1, it was noted that in the Sri Lankan hotel industry, a smaller number of hotels have adopted environmental sustainability reporting in their operations. For example, focusing on the annual report of John Keells Hotels PLC 2021 it offers information on performance with five parameters, namely, financial, manufactured capital, social and relationship, human and environmental. At the same time Aitken spence hotels Annual report also offers wide range of environment sustainability reporting content. In contrast, Sudusinghe and Jayaratne (2017) stated that Sri Lankan apparel sector exporters are sending their sustainability reports directly to the customers in order to comply with their sustainability requirements and retain credibility. Hence, these exporters are not taking much interest in reporting their best practices to the general public. More specifically, the annual report 2021 John Keells Hotels PLC (Lines, 2020) is engaging in sustainable reporting through the global reporting initiative. Regarding environmental performance, they have disclosed various aspects, including carbon footprint, carbon footprint per earth check guest night, and water disposed per guest night, and it has been subjected to a yearly comparison as well. Moreover, sustainability reporting is seen as an essential element of corporate communication, as evidenced by the increasing trend of sustainability reporting by Sri Lankan listed companies over the 2012-2015 period of study.

Table 1: Current Status of Environment Sustainability Reporting

Resort Name	Awareness of Environment Sustainability	Environment Sustainability reporting in the hotel
Aliya Resorts & Spas (Pvt) Ltd	Yes	Yes
Maalu Maalu Resort & Spa	Yes	Yes
Kithala Resort.	Yes	No
Mountbatten Bungalows	No	No
Scottish Planter Bungalow	No	No
Adventure Factory	Yes	No
Colonial Bungalow Tebuwana	No	No
Ayurvie Weligama	Yes	No

(Source: Pilot Study Results, 2024)<sup>1</sup>

Accordingly, this study aims to investigate the factors influencing environmental sustainability reporting in Sri Lankan hotels, focusing on economic, environmental, and social sustainability. The research questions raised to fill the gaps in the existing literature are *what do hotels in Sri Lanka currently report under environmental sustainability reporting practices?* and *what factors cause the environment sustainability reporting practices of the hotel industry in Sri Lanka.* The findings will offer insights for government regulations related to environmental sustainability and have practical implications for stakeholders relying on both financial and non-financial information for business decisions and policy formulation. Understanding the current status and trends of environmental sustainability reporting in Sri Lanka will clarify the gap between desired and actual practices.

## Literature Review

### Theoretical Review

Stakeholder theory is a foundational concept in business studies, emphasizing the ethical implications and outcomes of business decisions on all stakeholders, including shareholders, employees, financiers, government, customers, and suppliers. Stakeholders are defined by Koizumi et al. (2002) as "any group or individual who is affected by or can affect the achievement of an organization's objectives." This theory posits that organizations must balance the interests of various stakeholders to achieve their goals effectively (Hörisch et al., 2020). Companies began to adapt their behavior to mitigate environmental impacts due to rising pressures from governments and environmentalist groups and heightened societal awareness of environmental issues (Monteiro & Aibar-Guzmán, 2010). This adaptation often involves voluntarily disclosing environmental information to maintain a positive image and avoid conflicts with stakeholders. Stakeholder theory's influence has extended into corporate social responsibility and stakeholder initiatives, responding to global challenges like climate change and nuclear risks. This necessitates a global stakeholder discourse and highlights the need for a functional global governance framework for management guidance in the 21st century (Richter & Dow, 2017).

<sup>1</sup> The Pilot study was based eight hotels in the Sri Lanka. Only five hotels aware about the sustainability reporting. Currently two companies are reporting their environmental sustainability practices.

## Factors Affecting Environmental Sustainability Reporting in the Hotel Sector

### *Senior Management commitment*

Wijethilake and Lama (2019) show that top management commitment is an integral part of implementing any sustainability practices, without which implementations may not be practical. Further, organisations use core values as a management control system to disseminate organisational objectives and purpose among stakeholders. Parallel to that view, Robert Simons (1991) revealed that organizations use formal belief systems such as vision and mission statements, credos and statements of purpose to communicate organisational core values, purposes and future directions. Core values are referred to as management control systems that the top management team uses to establish a shared understanding of organisational objectives among stakeholders. Moreover, the study stated, top managers must decide what to emphasise and what to de-emphasise. In the Jang et al. (2017) found the significance of leadership and values of the top management in advancing environmental commitment. Park et al. (2014) examined the degree to which the impact of top management has influenced environmental reporting through an online survey with the participation of 206 USA hotel top managers and found that environmental attitudes have a significant influence. On the other hand, with regard to the understanding of how managers institutionalise sustainability reporting, Farooq and de Villiers (2019) reflected that there is a lack of management commitment to sustainability reporting in Australia and New Zealand. Thus, the literature suggests that senior management commitment affects environmental sustainability reporting practices in the hotel industry, as shown by the hypothesis H<sub>1</sub>.

H<sub>1</sub>: Senior management commitment has a positive impact on environmental sustainability reporting practices in the hotel industry in Sri Lanka.

### *Legislative Pressure*

The study by Novokmet and Rogošić (2016) disclosed that legislative pressure encourages managers to establish sustainability accounting. In the case of enforced information requirements on sustainability, institutional compliance and stakeholder communication, dialogues can become necessary for the continuation of corporate activities. Moreover, CDSB et al. (2014) indicated that the United Nations had shown its interest in environmental reporting and stated that corporate environmental reports have quickly become the key channel for companies to communicate their environmental performance, have become an effective tool to demonstrate company-wide integrated environmental management systems, corporate responsibility and the implementation of industry voluntary codes of conduct. Further, Controversy Контроль (2010) has shown that based on the annual reports published in Bangladesh, there is no legislative requirement for sustainability reporting. Dissanayake et al. (2019) revealed that pressures to adopt Western codes and standards to attract foreign capital and secure access to international markets may offer sustainability reporting incentives to publicly listed companies in Sri Lanka. Accordingly, the literature suggests that legislative pressure affects environmental sustainability reporting practices in the hotel industry, as demonstrated by the hypothesis H<sub>2</sub>.

H<sub>2</sub>: Legislative pressure has a positive impact on environmental sustainability reporting practices in the hotel industry in Sri Lanka

### *Customer Influence*

Customers are important to a company's sustainability efforts. From the viewpoint of Goettsche et al. (2016), customer profile differences affect the value relevance of sustainability reporting in US companies. Research indicates that the customer stakeholder group is the most critical to the majority of executives investing in relationship-building through sustainability (Bradford et al., 2017). Customers also influence a firm's sustainability strategy more than any other stakeholder group. Researchers found that the customer stakeholder group has a direct influence on the choice of environmental key performance indicators. According to Holland and Foo (2003), ISO 14001 certification may be required to maintain a customer base, especially in Europe. Simultaneously, Kolk (2004) disclosed in the literature that customers are not interested in reporting sustainability practices. Goettsche et al. (2016) demonstrate that shareholders of B2B firms value the issuance of a GRI-aligned sustainability report negatively, while shareholders of B2C firms show no reaction to the issuance of such a report. Further it had indicated firm value is caused to be decreased when they do not address end consumer. Hence, the literature suggests that customer influence affects environmental sustainability reporting practices in the hotel industry, as presented by the hypothesis H<sub>3</sub>.

H<sub>3</sub>: Customer Influence has a positive impact on environmental sustainability reporting practices in the hotel industry in Sri Lanka

#### *Industry Influence*

The findings from Abd-Mutalib et al. (2014) have indicated that the lowest level of sustainability reporting in both extent and quality is among the firms in the hotel industry. As per the findings, 33% of firms in the real estate investment trust industry do not incorporate sustainability reporting in their annual reports. The situation might be due to the low level of holdings by institutional investors in the industry firms. According to the analysis of information disclosed by Rodrigo Garcia Motta et al. (2021), companies are more oriented to disclose integrated information. Hence, there is a clear positive effect of environmental innovation on the level of environmentally integrated disclosures. Moreover, the research carried out by Kühn et al. (2018) showed that industry affiliation has a positive impact on corporate sustainability reporting. In contrast, in a widely influential paper published by Dissanayake et al. (2019), the industry sector does not influence sustainability reporting in Sri Lanka. It is hypothesized that industry influence affects environmental sustainability reporting practices in the hotel industry, as presented by the hypothesis H<sub>4</sub>.

H<sub>4</sub>: Industry Influence has a positive impact on environmental sustainability reporting practices in the hotel industry in Sri Lanka

#### *Knowledge of GRI*

Knowledge of the Global Reporting Initiative (GRI) guidelines is essential for sustainability reporting. Lack of education on environmental and social responsibility can hinder reporting practices. According to Bradford et al. (2017) GRI is not an important dimension when reporting corporate sustainability. Abd-Mutalib et al. (2014) elaborate that the lack of education on environmental and social responsibility caused reporting on the firm's sustainability practices. As cited in CDSB et al. (2014), organizations should keep in mind the fact that GRI guidelines are a rather new way of reporting. The guidelines ought to be treated as the dynamic instrument they claim to be and, therefore, will continuously be developed. The transparency that the guidelines provide is perhaps more important. Thus, it is hypothesized that industry influence affects environmental sustainability reporting practices in the hotel industry, as presented by the hypothesis H<sub>5</sub>.

H<sub>5</sub>: Knowledge of GRI has a positive impact on environmental sustainability reporting practices in the hotel industry in Sri Lanka

#### *Governance Committee*

Based on the literature, it is assumed that governance committee meetings will affect environmental sustainability practices in the hotel industry. Research conducted by Ariyani et al. (2018) found that Governance Committee variables have a significant effect on Sustainability reporting disclosure. This means that in the implementation of serious corporate responsibility for long-term stability, the establishment of a Governance Committee can help sustainability reporting much higher. Companies that have a governance committee tend to conduct sustainability reporting publications compared with companies that do not have a governance committee, meaning there is pressure from the general public as well as reaction to the request stakeholders. Controversy Hidayah et al. (2019) indicated that the governance committee did not significantly affect the sustainability reporting. Even though the governance committee is trying to assist in the implementation of good corporate governance to the directors, there is no influence on disclosing the sustainability reporting. Parallel to the above aspiration, Lucia and Panggabean (2018) also reported that corporate governance does not significantly influence sustainability reporting disclosures. It is hypothesized that governance committee meetings affects environmental sustainability reporting practices in the hotel industry, as presented by the hypothesis H<sub>6</sub>.

H<sub>6</sub>- Governance Committee has a positive impact on environmental sustainability reporting practices in the hotel industry in Sri Lanka.

#### *Organization Culture*

Cultural factors, such as uncertainty avoidance, influence the reporting of environmental matters. As per the findings of Pucheta-Martínez & Gallego-Álvarez (2020) uncertainty avoidance contexts tend to encourage the reporting of environmental matters in their financial reports. The uncertainty avoidance focuses "a society's tolerance for ambiguity", in which people embrace or avert an event of something unexpected, unknown or away

from the status quo. In Domingues et al. (2017) also identified sustainability reporting has an impact to the organizational culture and in certain situations that has led to an increase in proactive changes made by internal stakeholders. Accordingly, organizational culture impacts sustainability reporting, as given by H<sub>7</sub>.

H<sub>7</sub>: Organization culture has a positive impact on environmental sustainability reporting practices in the hotel industry in Sri Lanka.

*Hotel Size*

Company size is a significant characteristic associated with sustainability reporting. Larger companies with substantial workforces and market shares are more likely to provide detailed sustainability reports. Thus, company size is found to be the most relevant company characteristics associated with sustainability reporting by listed companies in Sri Lanka (Dissanayake, Tilt & Qian, 2019). Based on the research carried out Kühn et al. (2018) showed effect of company size caused to the CSR reporting. It is required to provide information on the sustainability report for companies with a sizeable workforce and market share (Le et al., 2023).

H<sub>8</sub>: Hotel size has a positive impact on environmental sustainability reporting practices in the hotel industry in Sri Lanka.

This literature review highlights the various factors influencing environmental sustainability reporting (ESR) in the hotel industry. Senior management commitment, legislative pressure, customer influence, industry influence, knowledge of GRI, governance committee meetings, company culture, and hotel size all play critical roles in shaping sustainability practices, which is summarized in Table 2.

Table 2: Summary of literature used for hypothesis development

Variable	Hypotheses	Positive/ Negative	References
Senior Management commitment	There is a significant impact of SMC on ESR practices in the hotel industry in Sri Lanka	Positive	Jang et al. (2017), Wijethilake & Lama (2019)
Legislative Pressure	There is a significant impact of LP on ESR practices in the hotel industry in Sri Lanka	Positive Negative	Park et al., (2014), Farooq & de Villiers (2019), Novokmet & Rogošić, (2016)
Customer Influence	There is a significant impact of CI on ESR practices in the hotel industry in Sri Lanka	Positive	CDSB et al. (2014), Dissanayake et al. (2019) Контроль (2010)
Industry Influence	There is a significant impact of II on ESR practices in the hotel industry in Sri Lanka	Positive	Goettsche et al. (2016), Kolk (2004), Dissanayake et al. (2019)
Knowledge of GRI	There is a significant knowledge of GRI on ESR practices in the hotel industry in Sri Lanka	Negative Positive	Kühn et al. (2018), Bradford et al. (2017)
Governance committee meetings	There is a significant knowledge of GCM on ESR practices in the hotel industry in Sri Lanka	Negative Negative Positive	Ariyani et al. (2018) Hidayah et al. (2019) Lucia & Panggabean (2018)

**Research Methodology**

This study employs the positivism research philosophy with deductive reasoning approach, since it investigates factors affecting environmental sustainability reporting in the hotel sector. Positivism relies on quantifiable observations and objective data collection. Further, given the nature of this study, a quantitative research approach was selected, as it can provide presumptions about potential outcomes. The total population is 490 hotels, as listed on the Sri Lanka Tourism Development Authority website. The target population consists of 102 hotels from three provinces, licensed by the Tourist Board of Sri Lanka, across various star categories. The sample was drawn from the Central, Southern, and Western Provinces as of March 31, 2024. Non-random sampling was employed, with selections made based on convenience. Accordingly, a structured questionnaire was distributed to hotel senior

management electronically via Google Forms. The sample size consisted of 102 respondents from various hotels. The questionnaire employed a 5-point Likert scale to measure independent and mediator dependent variables, with end points ranging from "strongly disagree" to "strongly agree." Appendix 2 presents the operationalization of the study's variables. The variables, hotel size, and culture, were assessed using categorical, nominal variables. The content validity was ensured through expert views and available sustainability literature, ensuring the questionnaire provided adequate coverage of the investigative questions.

In the data analysis, first data is examined for reliability and validity. Cronbach's alpha and composite reliability (CR) was used to measure the internal consistency reliability. An alpha value of 0.70 or higher is considered acceptable. The internal consistency reliability of the instrument was evaluated for the dependent variable scale and five independent variable scales. Convergent Validity explained the extent to which a measure positively correlated with alternative measures of the same construct. According to Hair et al. (2018), the threshold value for Average Variance Extracted (AVE) should be greater than 0.50 to confirm convergent validity. Discriminant validity is the next criterion for assessing a reflective measurement model. It shows the extent to which a construct is distinct from other constructs using heuristic standards, implying that a construct is unique and captures phenomena not represented by other constructs in the model. The Fornell Larcker criterion and HTMT criterion are used to assess the discriminant validity of the variables. Then, the Structural Equation Modelling (SEM) using SmartPLS was employed for data analysis. Partial Least Squares Structural Equation Modelling (PLS-SEM) is widely used in social sciences to analyze quantitative data. Kajtazi et al. (2023) note that PLS-SEM is efficient and flexible for testing relationships between variables. Faraj (2005) supports this, stating that PLS-SEM can analyze measurement models and structural models with multi-item constructs, including direct, indirect, and interaction effects. Sarstedt et al. (2020) further highlight that SEM is useful when the phenomenon of interest cannot be observed directly, establishing relationships between latent variables and their measures.

## Results and Discussion

### *Reliability and Validity of Variables*

The results presented in Table 3 reveal that the measurement of variables is reliable as all the variables got more than 0.7 Cronbach's alpha value and CR value. Further, for each construct, the AVE values are higher than greater than 0.50, which confirm convergent validity. Fornell-Larcker criterion, as shown in Table 4, and HTMT ratios below 0.85, as show in Table 5, confirmed the discriminant validity (Fornell & Larcker, 1981; Henseler et al., 2015). The multicollinearity issues were present as VIF values were below five (Hair et al., 2011).

Table 3: Reliability and Validity of Variables

Latent Variables	Loadings	Cronbach's alpha	CR	AVE	VIF
Culture (CL)					
CC 1	0.860				
CC 2	0.848				
CC 4	0.810				
CC 5	0.806				
CC 6	0.755	0.946	0.954	0.673	4.2
CC 7	0.804				
CC 8	0.857				
CC 9	0.788				
CC 10	0.845				
CC 11	0.824				
Customer Influence (CI)					
CI 2	0.855				
CI 4	0.871	0.858	0.914	0.780	4.8
CI 6	0.921				
Environment Sustainability Reporting (ESR)					
ESR 1	0.863				
ESR 2	0.937	0.863	0.916	0.785	-
ESR 3	0.856				
Governance Committee Meetings (GCM)					
GCM 1	0.886	0.903	0.939	0.838	4.9

GCM 2	0.954				
GCM 3	0.906				
Knowledge of GRI (KGRI)					
GRI1	0.953	0.871	0.939	0.885	4.9
GRI2	0.928				
Industry Influence (II)					
II 1	0.889				
II2	0.922	0.884	0.928	0.812	4.4
II3	0.891				
Legislative Pressure (LP)					
LP1	0.858				
LP2	0.835				
LP3	0.746	0.882	0.914	0.680	3.4
LP4	0.875				
LP5	0.802				
Hotel Size (HS)	1.000	-	-	-	-
Senior Management Commitment (SMC)					
SMC1	0.838				
SMC3	0.809				
SMC4	0.903	0.922	0.941	0.762	2.9
SMC5	0.892				
SMC6	0.839				

Table 4: Fornell-Larcker Criterion for Discriminant Validity

	CL	CI	ESR	GCM	HS	II	KGRI	LP	SMC
Culture (CL)	0.820								
Customer Influence (CI)	0.786	0.883							
ESR	0.792	0.692	0.886						
Governance committee meetings (GCM)	0.792	0.814	0.709	0.916					
Hotel Size (HS)	0.677	0.6210	0.745	0.716	Single-item				
Industry Influence (II)	0.649	0.807	0.697	0.797	0.691	0.901			
Knowledge of GRI (KGRI)	0.766	0.856	0.726	0.867	0.822	0.827	0.941		
Legislative Pressure (LP)	0.756	0.787	0.699	0.702	0.662	0.693	0.664	0.825	
Senior Management Commitment (SMC)	0.729	0.728	0.549	0.608	0.710	0.634	0.657	0.756	0.873

Table 5: HTMT Criterion for Discriminant Validity

	CL	CI	ESR	GCM	HS	II	KGRI	LP
Culture (CL)								
Customer Influence (CI)	0.754							
ESR	0.792	0.693						
Governance committee meetings (GCM)	0.792	0.790	0.710					
Hotel Size (HS)	-0.199	-0.121	-0.124	-0.171				
Industry Influence (II)	0.649	0.801	0.697	0.797	-0.126			
Knowledge of GRI (KGRI)	0.730	0.823	0.728	0.821	-0.079	0.828		
Legislative Pressure (LP)	0.756	0.755	0.699	0.702	-0.123	0.693	0.654	

**Hypothesis Testing**

The objective of this study was to indicate the factors affecting the environmental sustainability reporting practices in the Sri Lanka hotel industry. The findings, as reported in Table 6, show that the coefficients of the variables representing senior management commitment, legislative pressure, industry influence, knowledge of GRI, and organization culture are positive and significant. Accordingly, supporting H<sub>1</sub> H<sub>2</sub> H<sub>4</sub> H<sub>5</sub> and H<sub>7</sub>, results reveal that senior management commitment, legislative pressure, industry influence, knowledge of GRI, and culture have positive impact on the environmental sustainability reporting of the Sri Lankan hotel industry.

Table 6: Hypothesis Testing Results

	Coefficient	p-value	Hypothesis Testing Result
Senior Management Commitment→ESR	0.272*	0.013	H <sub>1</sub> is supported.
Legislative Pressure→ESR	0.260*	0.023	H <sub>2</sub> is supported.
Customer Influence→ESR	-0.121	0.461	H <sub>3</sub> is not supported.
Industry Influence→ESR	0.311*	0.011	H <sub>4</sub> is supported.
Knowledge of GRI→ESR	0.227*	0.017	H <sub>5</sub> is supported.
Governance Committee→ESR	-0.173	0.256	H <sub>6</sub> is not supported.
Culture→ESR	0.656**	0.000	H <sub>7</sub> is supported.
Hotel Size→ESR	0.021	0.715	H <sub>8</sub> is not supported.
	<i>R</i> <sup>2</sup> 0.726		

\*\* and \* indicate significance at 1 percent and 5 percent levels respectively.

These results are consistent with those of the previous studies, as follows. Wijethilake & Lama (2019) pointed out that senior management commitment is essential to the implementation of sustainability reporting practices. Further, as found by Dissanayake et al. (2019), the listed companies in Sri Lanka may receive incentives for sustainability reporting in response to pressure to adopt western standards to access to international markets. Moreover, as shown by Kühn et al. (2018), the environmental sustainability reporting is positively impacted by industry affiliation. The study of Ariyani et al. (2018) find that governance committee variables have a significant effect on sustainability reporting disclosure, which is consistent with the results of the current study. Meanwhile, Hidayah et al. (2019) do not support this result as they stated that governance committee does not significantly affecting the sustainability reporting. The results of the current study are not consistent with the studies conducted by Dissanayake et al. (2019) and Abd-Mutalib et al. (2014) which find that the industry influence has no significant influence over the environmental sustainability reporting.

## Conclusion and Implications

Drawing on the stakeholder theory perspective this study investigates factors affecting the environmental sustainability reporting practices of the Sri Lankan hotel industry. According to the results, this study concluded that senior management commitment, legislative pressure, industry influence, knowledge of GRI, and organization culture are significant influences of the environmental sustainability reporting practices of the Sri Lankan hotels sector. The results of this study have several important implications for both theory and practice. Theoretically, it enhances the understanding of factors that drive ESR within the context of the hotel industry in a developing country like Sri Lanka. It contributes to the existing literature by providing empirical evidence from Sri Lanka, emphasizing the unique influences in this sector. When practical implications are concerned, hotel management should focus on fostering a strong commitment to sustainability at the senior management level since it plays a crucial role in setting the tone and priorities for sustainability initiatives. Further, understanding and complying with legislative requirements related to sustainability reporting is essential. Managers should stay informed about relevant regulations and ensure their organizations adhere to these standards. The industry influence on ESR suggests that benchmarking against peers and industry leaders can drive improvements in sustainability practices. Hotels can benefit from participating in industry forums and networks to share best practices and learn from each other. Moreover, the positive effect of the knowledge of GRI on ESR suggests that training and awareness programs on the GRI standards are important. Managers should invest in building knowledge and skills related to sustainability reporting frameworks among their staff. Cultivating a culture that values sustainability can significantly enhance ESR practices. Organizational culture change requires ongoing effort and commitment but can lead to substantial long-term benefits. Policymakers should consider strengthening legislative frameworks to encourage more robust sustainability reporting. The positive impact of legislative pressure highlights the role of policy in promoting sustainable practices. Incentives for compliance with sustainability reporting standards can be introduced to motivate organizations to adopt best practices. This could include tax benefits, recognition programs, or access to financing for companies demonstrating strong sustainability performance.

## Limitations of the Study and Recommendations for Future Studies

This study has several limitations that may present opportunities for future research. The sample in this study was chosen from hotels registered with a Sri Lanka tourism development authority; this may not be representative of the entire population of Sri Lanka hotel managers. In future studies, researchers may collaborate with hotel

associations to obtain a more representative sample of Sri Lankan hotel managers. The sample of the current study is limited to three provinces of the country. Future studies should be directed to cover other provinces of the country. Further, sustainability reporting quality has been ignored. Thus, future studies should focus on whether the quality and the content of the sustainability reporting actually satisfying the information need of the stakeholders and contributes to their empowerment.

## References

- Abd-Mutalib, H., Jamil, C. Z. M., & Wan-Hussin, W. N. (2014). The Availability, Extent and Quality of Sustainability Reporting by Malaysian Listed Firms: Subsequent to Mandatory Disclosure. *Asian Journal of Finance & Accounting*, 6(2), 239. <https://doi.org/10.5296/ajfa.v6i2.6108>
- Abeywardana, N. L. E., Azam, S. M. F., & Teng, K. L. L. (2022). Towards the Sustainability Enhancement: Identification of Impediments on Integrated Reporting. *Universal Journal of Accounting and Finance*, 10(2), 591–600. <https://doi.org/10.13189/ujaf.2022.100224>
- Ariyani, A. P., Ak, M., & Hartomo, O. D. (2018). *Analysis of Key Factors Affecting the Reporting Disclosure Indexes of*. 16(1), 15–25.
- Bank, C., Sri, O. F., Report, A., Role, T., Recovery, P., Introduction, S. L., Industry, T., Response, T., & Normal, N. (2022). *Central bank of sri lanka | annual report 2021 box 5 The Role of Tourism during Post-Pandemic Recovery in Sri Lanka Introduction*. 158–161.
- Bonilla-Priego, M. J., Font, X., & Pacheco-Olivares, M. del R. (2014). Corporate sustainability reporting index and baseline data for the cruise industry. *Tourism Management*, 44, 149–160. <https://doi.org/10.1016/j.tourman.2014.03.004>
- Bradford, M., Earp, J. B., Showalter, D. S., & Williams, P. F. (2017). Corporate sustainability reporting and stakeholder concerns: Is there a disconnect? *Accounting Horizons*, 31(1), 83–102. <https://doi.org/10.2308/acch-51639>
- Bushashe, M. A. (2023). Determinants of private banks performance in Ethiopia: A partial least square structural equation model analysis (PLS-SEM). *Cogent Business and Management*, 10(1), 195–204. <https://doi.org/10.1080/23311975.2023.2174246>
- CDSB, UNEPFI, ISO, IIRC, Morhardt, J. E., Baird, S., Freeman, K., Roca, L. C., Searcy, C., Daub, C. H., Kolk, A., Hedberg, C. J., Von Malmberg, F., Willis, A., Lele, S. M., Bertazzi, P., Global Reporting Initiative, UNEP, Global Reporting Initiative, ... Bommel, K. Van. (2014). Towards transparency : progress on global sustainability reporting 2004. *Academy of Management*, 44(1), 38. <http://proceedings.aom.org/content/2014/1/16275.short%5Cnhttp://proceedings.aom.org/content/2014/1/10821?relatedurls=yes&legid=amproc;2014/1/10821%5Cnhttp://proceedings.aom.org/content/2014/1/12606%5Cnhttp://www.mi-is.be/sites/default/files/doc/publicati>
- Dissanayake, D., Tilt, C., & Qian, W. (2019). Factors influencing sustainability reporting by Sri Lankan companies. *Pacific Accounting Review*, 31(1), 84–109. <https://doi.org/10.1108/PAR-10-2017-0085>
- Domingues, A. R., Lozano, R., Ceulemans, K., & Ramos, T. B. (2017). Sustainability reporting in public sector organisations: Exploring the relation between the reporting process and organisational change management for sustainability. *Journal of Environmental Management*, 192, 292–301. <https://doi.org/10.1016/j.jenvman.2017.01.074>
- Dyllick, T., & Muff, K. (2016). Clarifying the Meaning of Sustainable Business: Introducing a Typology From Business-as-Usual to True Business Sustainability. *Organization and Environment*, 29(2), 156–174. <https://doi.org/10.1177/1086026615575176>
- Faraj, S. (2005). S Pecial I Ssue W Hy S Hould I S Hare ? E Xamining S Ocial. *Social Capital & Knowledge Contribution SPECIAL*, 29(1), 35–57.
- Font, X., Garay, L., & Jones, S. (2016). Sustainability motivations and practices in small tourism enterprises in European protected areas. *Journal of Cleaner Production*, 137, 1439–1448. <https://doi.org/10.1016/j.jclepro.2014.01.071>

- Fornell, C., & Larcker, D. F. (1981). A comparative analysis of two structural equation models: LISREL and PLS applied to market data. In *A second generation of multivariate analysis* (Vol. 16, Issue 8, pp. 289–324). <http://deepblue.lib.umich.edu/handle/2027.42/35611>
- Goettsche, M., Steindl, T., & Gietl, S. (2016). Do Customers Affect the Value Relevance of Sustainability Reporting? Empirical Evidence on Stakeholder Interdependence. *Business Strategy and the Environment*, 25(3), 149–164. <https://doi.org/10.1002/bse.1856>
- Hair, J. F. H., Risher, J. J., Sarstedt, M., & Ringle, C. M. (2018). The Results of PLS-SEM Article information. *European Business Review*, 31(1), 2–24.
- Hidayah, N., Badawi, A., & Nugroho, L. (2019). Factors Affecting the Disclosure of Sustainability Reporting. *International Journal of Commerce and Finance*, 5(2), 219–229.
- Holland, L., & Foo, Y. B. (2003). Differences in environmental reporting practices in the UK and the US: The legal and regulatory context. *British Accounting Review*, 35(1), 1–18. [https://doi.org/10.1016/S0890-8389\(02\)00127-0](https://doi.org/10.1016/S0890-8389(02)00127-0)
- Hörisch, J., Schaltegger, S., & Freeman, R. E. (2020). Integrating stakeholder theory and sustainability accounting: A conceptual synthesis. *Journal of Cleaner Production*, 275. <https://doi.org/10.1016/j.jclepro.2020.124097>
- Jang, Y. J., Zheng, T., & Bosselman, R. (2017). Top managers' environmental values, leadership, and stakeholder engagement in promoting environmental sustainability in the restaurant industry. *International Journal of Hospitality Management*, 63, 101–111. <https://doi.org/10.1016/j.ijhm.2017.03.005>
- Janković, S., & Krivačić, D. (2014). Environmental accounting as perspective for hotel sustainability: Literature review. *Tourism and hospitality management*, 20(1), 103-120.
- Kajtazi, K., Rexhepi, G., Sharif, A., & Ozturk, I. (2023). Business model innovation and its impact on corporate sustainability. *Journal of Business Research*, 166(December 2022), 114082. <https://doi.org/10.1016/j.jbusres.2023.114082>
- Koizumi, Y., Yamada, R., Nishioka, M., Matsumura, Y., Tsuchido, T., & Taya, M. (2002). Deactivation kinetics of Escherichia coli cells correlated with intracellular superoxide dismutase activity in photoreaction with titanium dioxide particles. *Journal of Chemical Technology and Biotechnology*, 77(6), 671–677. <https://doi.org/10.1002/jctb.619>
- Kolk, A. (2004). A decade of sustainability reporting: Developments and significance. *International Journal of Environment and Sustainable Development*, 3(1), 51–64. <https://doi.org/10.1504/IJESD.2004.004688>
- Kühn, A. L., Stiglbauer, M., & Fifka, M. S. (2018). Contents and Determinants of Corporate Social Responsibility Website Reporting in Sub-Saharan Africa: A Seven-Country Study. In *Business and Society* (Vol. 57, Issue 3). <https://doi.org/10.1177/0007650315614234>
- Le, T. A., Huyen, T. N. T., Hanh, Q. N. T., & Phuoc, K. C. (2023). Announcement of the Sustainable Development Report of Vietnamese Hotel Enterprises. *Geojournal of Tourism and Geosites*, 49(3), 875–884. <https://doi.org/10.30892/gtg.49304-1088>
- Lines, L. (2020). Navigating complexity. *New Design*, 2020(143), 36–37.
- Loman, M. (2014). *Measuring and Reporting Sustainability : The Role of the Public Sector*. August, 1–14.
- Lozano, R., Nummert, B., & Ceulemans, K. (2016). Elucidating the relationship between Sustainability Reporting and Organisational Change Management for Sustainability. *Journal of Cleaner Production*, 125, 168–188. <https://doi.org/10.1016/j.jclepro.2016.03.021>
- Lucia, L., & Panggabean, R. R. (2018). the Effect of Firm'S Characteristic and Corporate Governance To Sustainability Report Disclosure. *Social Economics and Ecology International Journal (SEEIJ)*, 2(1), 18–28. <https://doi.org/10.31397/seeij.v2i1.15>

- Marin, C., & Jafari, J. (2002). Sustainable hotels for sustainable destinations. *Annals of Tourism Research*, 29(1), 266–268. [https://doi.org/10.1016/S0160-7383\(01\)00023-8](https://doi.org/10.1016/S0160-7383(01)00023-8)
- Mensah, I. (2007). Environmental management and sustainable tourism development: The case of hotels in Greater Accra Region (GAR) of Ghana. *Journal of Retail & Leisure Property*, 6(1), 15–22. <https://doi.org/10.1057/palgrave.rlp.5100039>
- Milanes-Montero, P., Stone, C., & Perez-Calderon, E. (2018). Environmental Reporting in the Hospitality Industry: an International Analysis. *Environmental Engineering and Management Journal*, 13(10), 2531–2540. <https://doi.org/10.30638/eemj.2014.283>
- Molina-Azorín, J. F., Claver-Cortés, E., Pereira-Moliner, J., & Tarí, J. J. (2009). Environmental practices and firm performance: an empirical analysis in the Spanish hotel industry. *Journal of Cleaner Production*, 17(5), 516–524. <https://doi.org/10.1016/j.jclepro.2008.09.001>
- Monteiro, S. M. da S., & Aibar-Guzmán, B. (2010). Determinants of environmental disclosure in the annual reports of large companies operating in Portugal. *Corporate Social Responsibility and Environmental Management*, 17(4), 185–204. <https://doi.org/10.1002/csr.197>
- Morelli, J. (2011). Environmental Sustainability: A Definition for Environmental Professionals. *Journal of Environmental Sustainability*, 1(1), 1–10. <https://doi.org/10.14448/jes.01.0002>
- Muller, S. M. (2020). All Animals Are Equal (but Some Are More Equal than Others): *Impersonating Animals*, 23(December 2018), 33–58. <https://doi.org/10.14321/j.ctv128fp04.6>
- Nethsarani, K. A. T., & Samudrage, D. N. (2021). Factors Affecting the Implementation of Environmental Management Accounting Practices through New Institutional Sociology Perspective: A case of an Apparel Manufacturer in Sri Lanka. In *Vidyodaya Journal of Management* (Vol. 7, Issue 2). <https://doi.org/10.31357/vjm.v7iii.5095>
- Novokmet, A. N. A. K., & Rogošić, A. (2016). *Bank sustainability reporting within the GRI-G4 framework*. 88(144), 109–124. <https://doi.org/10.5604/16414381.1212006>
- Oláh, J., Aburumman, N., Popp, J., Khan, M. A., Haddad, H., & Kitukutha, N. (2020). Impact of industry 4.0 on environmental sustainability. *Sustainability (Switzerland)*, 12(11), 1–21. <https://doi.org/10.3390/su12114674>
- Park, J., Jeong Kim, H., & McCleary, K. W. (2014). The Impact of Top Management's Environmental Attitudes on Hotel Companies' Environmental Management. *Journal of Hospitality and Tourism Research*, 38(1), 95–115. <https://doi.org/10.1177/1096348012452666>
- Pucheta-Martínez, M. C., & Gallego-Álvarez, I. (2020). Corporate Environmental Disclosure Practices in Different National Contexts: The Influence of Cultural Dimensions. *Organization and Environment*, 33(4), 597–623. <https://doi.org/10.1177/1086026619860263>
- Ranney, M. L., Meisel, Z. F., Choo, E. K., Garro, A. C., Sasson, C., & Morrow Guthrie, K. (2015). Interview-based Qualitative Research in Emergency Care Part II: Data Collection, Analysis and Results Reporting. *Academic Emergency Medicine*, 22(9), 1103–1112. <https://doi.org/10.1111/acem.12735>
- Richter, U. H., & Dow, K. E. (2017). Stakeholder theory: A deliberative perspective. *Business Ethics*, 26(4), 428–442. <https://doi.org/10.1111/beer.12164>
- Robert Simons, -systems. (1991). / Strategic Orientation and Top Management Attention To Control. *Strategic Management Journal*, 12(May 1990), 49–62.
- Rodrigo Garcia Motta, Angélica Link, Viviane Aparecida Bussolaro, G. de N. J., Palmeira, G., Riet-Correa, F., Moojen, V., Roehe, P. M., Weiblen, R., Batista, J. S., Bezerra, F. S. B., Lira, R. A., Carvalho, J. R. G., Neto, A. M. R., Petri, A. A., Teixeira, M. M. G., Molossi, F. A., de Cecco, B. S., Henker, L. C., Vargas, T. P., Lorenzetti, M. P., Bianchi, M. V., ... Alfieri, A. A. (2021). No 主観的健康感を中心とした在宅高齢者における健康関連指標に関する共分散構造分析Title. *Pesquisa Veterinaria Brasileira*, 26(2), 173–180. <http://www.ufrgs.br/actavet/31-1/artigo552.pdf>

- Sarstedt, M., Ringle, C. M., & Hair, J. F. (2020). Handbook of Market Research. In *Handbook of Market Research* (Issue July). <https://doi.org/10.1007/978-3-319-05542-8>
- Sri Lanka Tourism Development Authority. (2022). *Year in Review - 2022*, 1–23.
- Sudusinghe, J. I., & Jayaratne, R. P. (2017). Social Sustainability Reporting in the Sri Lankan Apparel Supply Chain. *R4TLI Conference Proceedings 2017*, 17, 175–179.
- Wells, J. (2021). Biosocial Research Methods. In *The Encyclopedia of Research Methods in Criminology and Criminal Justice: Volume II: Parts 5-8*. <https://doi.org/10.1002/9781119111931.ch108>
- Wickramasinghe, K. (2016). Adoption of Environmental Management Practices in the Hotel Industry in Sri Lanka. *The South Asian Network for Development and Environmental Economics (SANDEE)*, 114, 114–116.
- Wijethilake, C., & Lama, T. (2019). Sustainability core values and sustainability risk management: Moderating effects of top management commitment and stakeholder pressure. *Business Strategy and the Environment*, 28(1), 143–154. <https://doi.org/10.1002/bse.2245>
- Xiao, X., & Shailer, G. (2022). Stakeholders' perceptions of factors affecting the credibility of sustainability reports. *British Accounting Review*, 54(1), 101002. <https://doi.org/10.1016/j.bar.2021.101002>
- Zalaghi, H., & Khazaei, M. (2016). The Role of Deductive and Inductive Reasoning in Accounting Research and Standard Setting. *Asian Journal of Finance & Accounting*, 8(1), 23. <https://doi.org/10.5296/ajfa.v8i1.8148>
- Контроль, С. И. (2010). Corporate Ownership & Control. *Control*, 7(4).