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Research Article 03

Exploring Drivers Affecting Environmental Sustainability Reporting Practices: A Study Based on the Sri Lankan Hotel Industry

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Abstract

Environmental sustainability reporting has grown in importance practice in order to connect business operations with global sustainability goals. The volume and quality of this reporting differ greatly between sectors and regions. This study explores factors affecting environmental sustainability reporting in the Sri Lankan Hotel sector. This study utilizes a qualitative approach for data analysis. Semi-structured interviews with hotel managers, naturalists, and finance managers from a variety of hotel categories were used to gather data using a thematic analysis. The employees of the companies hold different positions, educational backgrounds, and professional experiences. A total of 20 responses has been collected and analyzed using thematic analysis. According to the study, senior management commitment, regulatory pressure, industry competition, and knowledge of international reporting standards are significant factors impacting Environmental Sustainability Reporting Practices in Sri Lankan Hotels. How ever customer influence and governance committee meetings had no direct influence on Environmental Sustainability Reporting practices. Future studies should examine the quality of ESR in other provinces in Sri Lanka to explore how beneficial it is to stakeholders. The study suggests that in order to improve their reporting and compete globally, hotels need to establish a culture that completely supports sustainability.

Keywords: Environmental sustainability reporting, global reporting initiatives, hotel industry, Sri Lanka, stakeholder pressure

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Introduction

Since the 1990`s the US media has focused on corporate social responsibility and as a result it has become a staple in the public relations toolbox of many businesses. In an ideal world it is widely believed that business organizations will behave in a socially conscious way as a result of moral commitments driven by external and internal factors. On the other hand, developing nations are finding it difficult to partake in the global economic success as the environmental space shrinks and resources are depleted. Industry 4.0 is revolutionizing the way companies manufacture, improve and distribute their products. However, with Industry 4.0, there is still a massive consumption of resources, raw materials, energy and information, which makes the environment unsustainable and therefore, the society and the public sector more aware of the risks and environmental challenges (Oláh *et al.*, 2020). When looking at the current competitive scenario, the commitment to environmental protection has become an important variable. As Molina-Azorín et al. (2009) showed that environmental initiatives are one of the tools available to improve performance and receive a competitive advantage. Due to these various reasons, such as pressure from stakeholders, organizations are much more focused on developing sustainable practices (Nethsarani and Samudrage, 2021).

The term "sustainability" is defined as an effort "to meet the needs of the present without compromising the ability of future operations to meet their own needs." (Morelli, 2011). Also, with reference to humankind's movement to scientific and technological development by means of various paths, it can be identified that living conditions of man have been threatened as a result of people-made social, economic and environmental crises at the dawn of the 21st century with the loss of respect for moral attitudes, values and ideals in society and environment (Abstract, E., Lecturer, V. and Studies, B. 2017). Although natural resources are limited, greedy man destroys everything in nature owing to their unlimited, overwhelming growth of attitudes. The earth is the only place in which human beings and other beings can survive. The environmental catastrophe manifests itself in a variety of ways, such as global warming, over-population, deforestation, depletion of food sources, rising sea levels, damage to the Ozone Layer, pollution of the land, atmospheric pollution, melting ice-glaziers, aggravation of the Acid-rain level, rapid disappearance of forests, desertification, alarming rate of extinction of wildlife, scarcity of resources, pollution by toxic chemicals, hazardous waste, rubbish cities and all sorts of radiation.

The researcher Oláh et al. (2020) further stated that despite all the above and even though consumers are aware of the limited nature of resources and their importance, organizations are still a long way from sustainable consumption, and the demand for goods and products is much higher than real needs. Therefore, there is a great difference between sustainable consumption and actual behaviour. Hence, the goal of sustainability is to balance the interests of economic development, social/cultural well-being and the appropriate deployment of environmental resources.

As discussed above, it can be identified that socially responsible companies should focus on the long-term environmental effects of their current activities through the approach of environmental-sustainable reporting. Corporate sustainability is the most important business issue among corporations (Magid and King, 1991). The argument here is that society is suffering from the trouble that occurs from various unnecessary activities done by corporations. So, government and other regulatory authorities have to develop and introduce rules and regulations to protect society from those unnecessary outcomes.

Since the 1992 Rio Conference, the theme of "sustainable development" has continued to receive growing attention in all fields (Marin and Jafari, 2002). The tourism industry has experienced considerable growth and success over the last decade despite the COVID-19 hit from 2019 to 2021. According to the global trends report of the World Travel and Tourism Council (2022), the tourism industry generated more than 289 million jobs in 2021. It contributed over 6 per cent (USD 5812 billion) of the global gross domestic product, which is a remarkable level of production that has had a considerable impact on economic, social and environmental conditions globally (Simpson, 2014). The hotel industry, as a significant sector of the tourism industry, also plays a major role in contributing to environmental sustainability. For example, the operations of a hotel require water, heating, cooling, lighting, a laundry system and appliances, all of which have a significant impact on the environment. More specifically Bonilla-Priego et al., (2014) found that in order to provide long-term socio-economic advantages to a nation and an organization, the management believes that eco-friendly tourism will play a significant part in the global tourism industry.

Tourism in Sri Lanka has great potential to contribute significantly to the Sri Lankan economy. Sri Lanka witnessed a continuous increase in tourism arrivals until 2018, with a substantial increase from 2010, when the civil war ended, and remained the third largest source of foreign currency earnings from 2014 to 2019, contributing 14 per cent of total foreign currency earnings (Bank et al., 2022). Subsequently, Sri Lanka`s tourism revenue reached 1 USD billion in 2022 compared with 507 USD million in 2021. Furthermore, it had stated Sri Lanka witnessed a continuous increase in tourism arrivals in the past until 2018, with a substantial increase from 2010 when the civil war ended. As per the tourism action plan 2022-2025 constructed by the Sri Lanka Tourism Development Authority, there is a concern about the conservation of nature and eco-friendliness from the Sri Lankan hotel sector (Sri Lanka Tourism Development Authority, 2022). As per the Lanka, (2023), the number of tourists who arrived from 2022 to 2023 has increased drastically, recording 106.6% increase.

However, as per the pilot study (Table 1) conducted in this study, 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 a wide range of environmental 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 of 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 in Theme Resorts & Spas (Pvt) Ltd

Resort Name	Awareness of Environmental Sustainability	Environmental Sustainability Reporting in the Hotel
Aliya Resorts &Spas (Pvt) Ltd	Yes	Yes
Amba Yaalu	Yes	Yes
Kithala Resort.	Yes	No
Wild Glamping Knuckles	No	No
Waraka Udawalawe	No	No
Adventure Factory	Yes	No
Colonial Bungalow Tebuwana	No	No
Parangi Weligama Bay	Yes	No

Source: Pilot study results (2024)

The Pilot study was based on eight hotels in Sri Lanka. Only five hotels are aware of the sustainability reporting. Currently, two companies are reporting their environmental sustainability practices.

Dyllick & Muff (2016) identified the reasons behind this lack of environmental sustainability reporting, such as additional costs, employee engagement and engagement of top management. Furthermore, a lack of common initiatives and frameworks for sustainability reporting assurance will lead to difficulties in relying on the measured performances of sustainability practices. This will eventually lead to sustainability reports being impossible to compare with one another. Xiao & Shailer, (2022) explain the barriers for SR, including the absence of incentives to prepare the sustainability reports and the lack in recognized standards related to sustainability reporting.

The main goal of this research is to investigate what factors affect the environmental sustainability reporting of the hotels in Sri Lanka, considering Economic, Environmental and Social Sustainability. The following research questions have been developed with respect to the gaps in the existing literature.

1. What do hotels in Sri Lanka currently report under environmental sustainability reporting practices?

2. What factors cause the environmental sustainability reporting practices of the hotel industry in Sri Lanka?

It is widely acknowledged that due to a variety of reasons, businesses are shifting from traditional financial reporting to sustainability reporting(Lozano, Nummert and Ceulemans, 2016). Study findings will offer fresh insights to the government when they implement new regulations related to environmental sustainability. Also results from this research study have practical implications for those who rely on both financial and non-financial information to make business decisions and formulate policies. The current status of the environmental sustainability reporting in Sri Lanka and the trends of sustainability reporting will help to clarify the difference between the desired and current state of environmental sustainability reporting

Literature Review

Stakeholder Theory

Stakeholder defined as Koizumi et al., (2002) "any group or individual who is affected by or can affect the achievement of an organization's objectives". Stakeholder theory has been an influential approach in many areas of business studies. Stakeholder theory refers to the ethical concept that addresses the outcome of business decisions, trends, profits and their collective impact on all stakeholders, including the shareholders, employees, financers, government, customers, and suppliers. Thereby, the study by Hörisch et al., (2020) used stakeholder theory as a method to inform sustainability accounting as a domain theory. In so doing, the concept of 'Accounting for Sustainability and Stakeholders' is developed. As suggested by the stakeholder theory, organizational goals cannot be fulfilled by ignoring the needs of other stakeholders, so whilst being accountable to investors or shareholders, companies must also balance a variety of stakeholder interests that can be affected by the company's activities.

As a consequence of government and environmentalist group pressures rose and society was much more aware of the business activities' effect on the natural environment, companies began to change their behaviour, seeking to reduce their environmental impacts in order to improve their image and to avoid the negative consequences caused by conflicts with stakeholders (Monteiro and Aibar-Guzmán, 2010). Consequently, as a result of the growing importance attached to environmental concerns and the subsequent need to disclose environmental information to stakeholders, firms have tended to voluntarily disclose more information about their environmental impacts, and therefore, environmental issues have been included in the companies' accounting information systems (Ratnayake, 2024).

As stakeholder theory continues to mature upto 21st century, there are many discussions. Thus, numerous corporate social responsibility and stakeholder initiatives that have sprung up in response to global risk scenarios such as climate change and nuclear warfare serve as an example of the necessity of global stakeholder discourse. In order to give management guidance for the 21st century, more research might contribute to the development of a functional global governance framework (Richter and Dow, 2017).

Factors affecting the Environmental Sustainability Reporting in the Hotel Sector

Many hotels incorporate principles and objectives of environmental responsibility in their business policy and strategy. However, the findings from Font et al. (2016) revealed that the main motivations for recording sustainability information in small tourism enterprises are owners' lifestyles and financial evolution. From the viewpoint of Jankovi and Kriva (2014), the reasons for such behaviour are contained in the efforts to decrease their impact on the environment, comply with environmental laws and regulations, reduce costs, improve reputation and ensure competitiveness and business viability. It has further by Ratnayake (2024) that increasing environmental awareness, as well as changes in tourism demand, force hotels to implement environmentally sustainable business practices that require the availability of reliable tools to assess the impact of the hotel on the environment. Moreover, they indicated that on the global level, the reasons for preparing environmental reports are improving energy efficiency, reducing the products' environmental footprint and cutting emissions and pollutants. For hotels in Croatia, the reasons for preparing sustainable reports are compliance with regulations and standards and long-term business success. Mensah (2007) identified incentives for environmentally sustainable practices as cost savings and portraying a good image in Ghana. Furthermore, this study discloses 52 hotels in Ghana; the most common environmental initiative is to use energy-efficient light bulbs and reused linen and towels, all of which require minimal capital expenditure (CAPEX), are relatively easy to implement and result in significant reductions in operational costs. The least common practices are composting food and using solar power.

Moreover, Lozano et al. (2016) revealed that company size, industry membership and perceived corporate impact (economic, environmental, social) played a minor role in a firm's decision to start publishing sustainability reports. Also, in this research, the respondents indicated that the company leaders and managers were the most involved actors in developing the sustainability reports. Milanes-Montero et al. (2018) show that the main factor influencing voluntary environmental disclosure is the size of each hotel chain, measured by the number of rooms. Further, it stated that the culture of the chains' parent countries determines only whether to disclose environmental information and where to do it. Furthermore, these researchers disclosed that parent country culture is not a determining factor behind the selection of disclosure themes: hotel chains with environmental concerns based in cultures throughout the world may all disclose equally about their water and energy consumption, CO2 emissions, toxic waste, paper or supply chain. In the Sri Lankan context, Wickramasinghe (2016) states that certain hotel and customer characteristics play an important role in determining the adoption of good environmental management practices in Sri Lanka. Hence, the study identified the hotel size, chain affiliation, luxury level, classification and number of employees per room as the independent variables to identify which element has an impact on determining receiving the environmental awards and certifications. Based on the analysis of findings, the author concluded that hotels in Kalutara receive more environmental awards and certifications than hotels in the Colombo district. Moreover, chain affiliation was recognized as the most significant determinant in receiving environmental awards and certifications for hotels. Further, the results of the study found that luxury hotels receive more environmental awards and certifications than mid-range and budget-level hotels. However, according to the findings, the size of a hotel is irrelevant to receiving environmental awards and certifications.

In summary, it is revealed that many factors affecting environmental sustainability reporting practices such as owners' lifestyles and financial evolution, comply with environmental laws and regulations, reduce costs, improve reputation, ensure competitiveness and business viability, company size, industry membership and perceived corporate impact (economic, environmental, social)

Barriers to Reporting Environmental Sustainability

Nethsarani and Samudrage (2021) identified the environmental costs and expenses, capitalizing those expenses, identifying the environmental liabilities and measuring those liabilities as some problems encountered by the companies in implementing environmental sustainability reporting. The findings from Font et al. (2016) revealed that among the factors that contributed as barriers, these researchers identified barriers to access to resources, time, knowledge, encouragement and facilities.

At present, in Sri Lanka, it is not a mandatory requirement to report on non-financial environmental performance data. In light of the evidence from Abeywardana et al., (2022) study of impediments to integrated and sustainability reporting, the difficulty in defining the content, determining the related information to be published as barriers in the Sri Lankan context.

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, organizations use core values as a management control system to disseminate organizational 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 organizational 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 organizational objectives among stakeholders. Moreover, the study stated, top managers must decide what to emphasize and what to de-emphasize. In the Jang et al. (2017) found the significance of leadership and the 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 institutionalize 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.

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, C.D.S.B. 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.

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 decreases when they do not address the end consumer.

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.

Knowledge of G.R.I.

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 C.D.S.B. 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.

Governance Committee Meetings

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.

Environmental Sustainability Reporting

As per the paper presented by Loman, (2014) indicated that the United States must shift towards mandating environmental disclosure and sustainability reporting. Hence, the use of a standardized reporting framework with more specific guidelines would improve companies' sustainability disclosures.

Organizations should formally report their activities to their stakeholders, probably under a mandatory framework. Generally, given the seriousness of the environmental problems which faces by the organizations, it would seem prudent for managers and accountants to take immediate action to address these threats (C.D.S.B. et al., 2014).

Table 2: Overview of Previous Research in the Field of Environmental Sustainability Reporting

Country	Author	Year	Objectives of the Study	Findings of the Study
Spain	Patricia Milanés, Chris Stone, Esteban Pérez-Calderón	2014	To analyze the environmental information disclosed by the three hundred largest international hotel companies; To identify factors influencing the likelihood of international hotel companies disclosing environmental information	Main factor influencing voluntary environmental disclosure size of each hotel chain, measured by their number of rooms
Sri Lanka	KAT Nethsarani, DN Samudrage	2021	To identify actual factors affecting the adoption and implementation of Environmental Management Accounting Practices in Apparel Industry Identify the types of Institutional forces that will induce E.M.A. adoption	Environmental compliance rules and regulations, industry and customer compliance, shareholder and customer compliance were the reasons behind the determination of factors that have led to adopt E.M.A.P.
Europe ZONE	Rodrigo Lozano, Benjamin Nummert	2016	Elucidating the interlinkages between Sustainability and	Company Internal Motivations, starting point for

			Organizational Change Management System	planning organisational change for sustainability and organisational change for sustainability improves the reporting process
Sri Lanka	Kanchana Wickramasinghe	2016	Assesses the adoption of good environmental management practices in the Sri Lankan hotel industry, focusing on energy, water, solid waste and waste water management	Certain hotel characteristics and customer characteristics play an important role in determining the adoption of good environmental management practices and measures
Sri Lanka	Dinithi Dissanayake, Carol Tilt	2018	Investigate the company characteristics influence sustainability reporting of listed companies in Sri Lanka	Larger companies are at the forefront of sustainability reporting and are increasingly making use of the G.R.I. guidelines in communicating sustainability information
Spain	María Consuelo, Isabel Gallego	2020	Analyse how cultural factors affect the environmental disclosure practices of companies in different countries	Companies operating in countries with individualist, masculine and indulgent cultures are less likely to disclose environmental information
Spain	Jose F Molina, Enrique Claver, Jorge Pereira	2008	Examine the link between environmental practices and firm performance in Spanish hotel industry	Environmental management exerts a significant influence on hotel performance. Hotel managers should implement environmental practices to protect

				the natural environment
Croatia	Sandra Jankovic, Dubrvaka Krivacic	2014	Examine the development of hotel environmental accounting practices	It is possible to develop environmental accounting when management commitment for environmental issues is incorporated in corporate environmental policy and if business practices incorporate environmental management.
Bangladesh	Abdhul Kaium, Seong Mi Bae	2017	Investigate the nature of environmental accounting and reporting of listed banks in Bangladesh	Environmental accounting concepts and reporting by listed Bangladesh banks are still developing. Banks disclose information mainly for green banking, energy savings. How ever they must focus on waste and water management strategies.
Kenya	R. Magara, N.N Aming, E. Momanyi	2015	Study the impact of environmental accounting on financial performance in Kisii county	There is a positive and significant relationship between environmental information, tracking of environmental cost savings and perceived financial performance of corporate organisations in Kisii county.
Malaysia	Tze San Ong, Boon Heng, Yee Woon	2014	Analysing the relationship between environmental	There is a positive correlation between efficiency used

			improvement and the financial performance of listed firms in Malaysia	towards natural resources and financial performance. Policies on material reuse is positively related to the profit development.
Germany	Max Goettsche, Tobias Steindl, Simon Gietl	2014	Investigate whether customers have an impact on the value relevance of sustainability reporting	When firms do not address end-consumers, findings show that sustainability reporting actually decreases firm value
United Kingdom	Peter Jones, David Hillier, Daphne Comfort	2015	Offer Personal reflections on sustainability within hospitality industry	The definition of sustainability within hospitality industry constructed business imperative than ongoing commitment.
South Africa	Nicola Cucari, Shame Mugova	2017	Explore integrated reporting satisfy stakeholder informational needs and contributes their empowerment.	General norms and enforcement mechanisms that regulate stakeholders' rights can have a significant impact on business disclosure practices
United States of America	Laura Medrado, Leonard Jackson	2016	Examine non-financial disclosures by hospitality firms on C.S.R. dimensions	Lodging firms disclosed the most information on C.S.R. dimensions than firms operating in the food & beverage, cruise line industry. Most frequent indicators were water usage, energy conservation, waste generation.
Zimbabwe	France Maphosa	1997	Analyzing the mission statements and company reports of in	The mission statements emphasize customer interests,

	largest corporations in Zimbabwe	maximization of returns of the shareholders while corporate reports give more attention to financial than social issues.

Source: Author constructed based on the literature

Research Methodology

Research Philosophy

The research philosophy consists of three types: positivism, pragmatism and interpretivism. For this study, factors affecting the environmental sustainability reporting in the hotel sector, the interpretivism research philosophy has been chosen. Based on the research carried out Saunders et al., (2019), the research approach allows the researcher to decide on which direction to go and what kind of research results to obtain based on the domain area of the problem statement. There are two approaches: deductive and inductive reasoning. For this study, factors affecting the E.S.R. in the hotel sector, the inductive reasoning approach has been selected. As per the research onion designed by the Saunders et al., (2019) showed case study, ethnography, survey, and experiment are some of the strategies that could be used by the researcher to collect the data. In this research study, researchers are willing to understand the factors affecting the E.S.R. in the hotel sector, in the Sri Lankan context, and therefore, these factors require the collection of data from the direct participants to know their perception. Finally, a case study strategy has been chosen for this study, where structured interviews based on the research area, aims and objectives are developed and distributed to hotel senior management for collecting their responses. Hence, interviews, observations, and focus groups are the qualitative data collection methods (Ranney *et al.*, 2015).

The main source of the study is the primary data sources, using the structured interview. The data are collected by interviewing different companies (with a special emphasis on the large companies). The sample size was 20 respondents.

Population, Sample & Sampling Technique

The term population describes the entire group of people, activities that the researcher is trying to find out more information (Wells, 2021). The total population is 490 as indicated on the website of Sri Lanka Tourism Development Authority. The target population of the study is the 20 hotels in three provinces that have taken licenses from the Tourist Board of Sri Lanka, which are in different star categories. Accordingly, the study sample of 20 hotel companies was drawn from the Central Province, Southern Province and Western Province, as at 31st of March, 2025. The interview questionnaire has designed to measure the factors influencing environmental sustainability reporting, where the relationship of the affected variables is analyzed.

Purposive sampling is a non-random sampling method in which participants are specifically selected according to characteristics relevant to the study`s goals. The researcher employs judgment in order to select the most representative participants who are most likely to offer insightful information for the study. Thirty hotels from three provinces were specifically chosen for this study in order to concentrate on environmental sustainability criteria. However, the study`s actual sample consisted 20 hotels that responded to the interviews due to practical limitations.

Data Collection Technique

The study engaged both primary and secondary data sources. The secondary data mainly consists of annual reports of listed companies in Sri Lanka and the websites that helped identify the empirical issues in the hotel sector. Additionally, international and local journals and proceedings of the conferences were helpful in formulating the research problem, reviewing extant literature and developing the structured questionnaire. The hotel industry is a highly diversified business that is operated on registered hotels, while unregistered hotel also operate, which may be the majority. Therefore, considering the scope of the hotel industry, the research focused on hotels registered as sole proprietorships, partnerships, and companies in accordance to the 2007 no. 7 Companies Act. This study focused only on 20 registered hotels, including bungalows, 1-star to 5-star hotels.

Semi-structured interviews are used with pre-planned questions. This interview enables interviewers to adapt their approach as the discussion approaches, delving further into fresh topics that emerge from participants' answers. Face-to-face interviews that lasted between 45 minutes were conducted with the participants' permission. Data saturation was achieved when no new themes surfaced from ongoing interviews, indicating that the factors affecting environmental sustainability reporting within the sample had been adequately covered. In order to guarantee trustworthy participants were given the opportunity to examine their interview transcripts.

Data Analysis Method

As suggested by Braun & Clarke (2014), the thematic analysis strategy was used to analyze the data. First, by familiarizing the data, creating initial codes, collating codes with supporting data, grouping codes into themes, revising themes, and writing the narrative are the six steps explained in thematic analysis. This analysis was employed as to analyze the qualitative data collected from the interviews. All the interviews were conducted via face-to-face meetings and recorded with the consent of the respondents. In the first step, the data, which is in the form of recordings, were transcribed. The second step was to conduct a microanalysis of each interview in order to understand any overlooked meaning in the paragraphs, sentences and words. Codes were defined as the most basic segment in a meaningful way from the gathered data. Codes were thoroughly examined to create potential themes and themes were created by analyzing, combining and comparing how codes are related to one another. Created themes were reviewed to ensure whether they were delineated in the captured coded data. Then the definition and narrative description were created for each theme, highlighting its importance to the study questions.

Conceptual Indicator Model

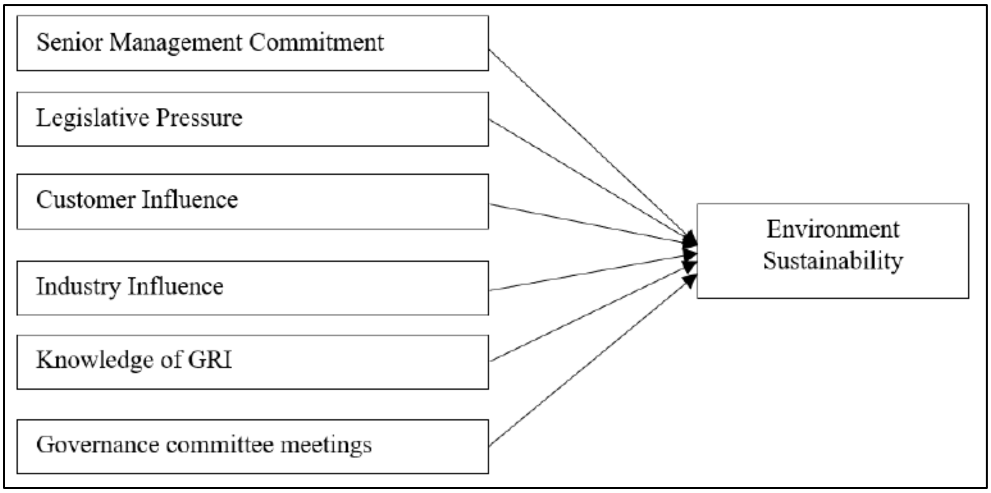

Figure 1: Conceptual Framework
Source: Researcher Developed based on Literature

Results and Interpretations

The following table indicates the codes/subthemes developed, and based on those subthemes, the main themes were developed.

Table 3. Themes Visualization

Sub Theme	Main Theme
Senior management support for sustainability	Leadership commitment
Long-term vision and strategy alignment	
Resource allocation for ESR initiatives	
Compliance with national environmental regulations	Institutional Pressure
Influence of tourism authorities	
Customer demand for eco-friendly practices	Stakeholder Expectations
Influence of travel agencies and tour operators	
Shareholder interest in ESG disclosure	
Adoption of sector-specific sustainability standards	Industry Norms
Industry awards and recognition	
Understanding of Global Reporting Initiative (GRI) guidelines	Knowledge of Reporting Standards

Availability of training and education on ESR	
Sustainability committee meetings	Internal Governance Mechanisms
Internal accountability and reporting lines	

Source: Interview output (2025)

Discussion

Leadership Commitment

"Our senior management has been the biggest driver behind our environmental reporting. They don't just want it done for compliance—they genuinely believe that being sustainable is part of our identity as a hotel. From allocating budgets for energy-saving systems to hiring people specifically to handle sustainability initiatives, their commitment really sets the tone for the entire organization." (General Manager- Hotel A)

Institutional Pressure

"There's definitely pressure from the authorities, especially in recent years. We've had to follow new environmental guidelines introduced by the tourism board, and if we don't comply, it could affect our licensing or ratings. It's not just about doing the right thing anymore—it's about staying in business. That's a big motivation for us to report on what we're doing for the environment." (Finance Manager- Hotel B)

Stakeholder Expectations

"Guests today are very conscious. We get questions almost every week about our energy use, whether we recycle, if we source our food locally—those kinds of things. International guests, in particular, want to see documented proof of our practices. We've even had travel agents request copies of our sustainability reports before confirming bookings. It's clear that customer influence is shaping what and how we report." (Naturalist- Hotel C)

Industry Norms

"In the hotel industry, especially in tourist-heavy areas, you can't ignore what your competitors are doing. When other hotels in the region started publishing sustainability reports and winning green awards, it became obvious we had to step up. There's a certain standard now—if you're not reporting, you're seen as falling behind, not just in sustainability but overall professionalism" (Group Accountant- Hotel D)

Knowledge of Reporting Standards

"The biggest challenge for us was understanding how to report. We had heard of GRI, but the framework seemed overwhelming at first. We don't have sustainability experts on staff, so making sense of all the indicators and guidelines took time. We eventually got some help through workshops and consultations, and now we see the value in using a structured framework—it just took some learning" (Resident Manager- Hotel E)

Internal Governance Mechanisms

"*We established a sustainability committee about two years ago, and that changed everything. We now meet regularly to review our environmental performance, discuss goals, and plan reporting. What used to be an optional discussion has become a regular part of how we manage the hotel. Our general manager even presents sustainability updates during executive board meetings. It's no longer a side issue—it's part of our governance now.*" *(Sustainability Officer- Hotel F)*

The objective of this study was to indicate the factors affecting the environmental sustainability reporting practices in the Sri Lankan hotel industry. The findings showed that culture, industry influence, legislative pressure, knowledge of G.R.I., and senior management commitment were significantly influenced by environmental sustainability reporting. Although the customer influence and governance committee meeting, hotel rating had no direct effect on Environmental sustainability reporting. Stakeholder theory offers a helpful perspective for understanding how the ESR practices observed in these hotels are influenced and driven by a combination of internal and external stakeholders. As such it promotes improved ESR that focuses beyond simple compliance and serves the objectives of various stakeholders by actively aligning senior management leadership with institutional norms. Wijethilake & Lama, (2019) pointed out that senior management commitment is essential to the implementation of sustainability reporting practices. Stakeholder theory emphasizes how influential internal stakeholders shape organizational priorities to fulfil social and economic obligations, and this strong internal driver is consistent with that idea. Further, listed companies in Sri Lanka may receive incentives for sustainability reporting in response to pressure to adopt Western standards to access international markets (Dissanayake, Tilt and Qian, 2019). Moreover Kühn et al., (2018) is also in line with environmental sustainability reporting is positively impacted by industry affiliation. This peer influence illustrates how several stakeholder groups work together to shape ESR practices complements regulatory concerns. Previous studies Ariyani et al., (2018) The results of governance committee variables have a significant effect on Sustainability reporting disclosure. Meanwhile Hidayah et al., (2019) do not support these results because they stated that the governance committee does not significantly affect the sustainability reporting. On the other hand, researchers differentiate that industry influence has a significant influence over the sustainability reporting in this study when compared to the studies conducted by Dissanayake et al., (2019) and Abd-Mutalib et al., (2014) that concluded industry sector does not influence sustainability reporting. Overall, these factors indicate that ESR is a dynamic result rather than just a reaction to discrete constraints.

Conclusion and Recommendations

Conclusion

The study examined the factors influencing the environmental sustainability reporting in 20 Sri Lankan hotels using the stakeholder theory perspective. According to this study, the Sri Lankan hotel sector's environmental sustainability reporting is significantly impacted by senior management commitment, institutional pressures, industry influence, organizational culture, and knowledge of the reporting framework. The strongest motivating factor was senior management commitment, which has gone beyond simple compliance to integrate sustainability into the hotel`s fundamental identity. Additionally, regulations and other institutional forces encourage hotels to report ES practices in order to safeguard their licenses and ratings. Hence, hotels are encouraged by industry standards and competition to implement

ESR to maintain their competitiveness. However, there was no apparent direct impact of governance committee meetings or customer influence on ESR in this context. In order to improve ESR, the study emphasizes the necessity of committed leadership, regulatory compliance and capacity building. Therefore, in order to increase competitiveness in international markets, Sri Lankan hotels should concentrate on these areas.

Recommendations

Based on a review and evaluation of the sustainability reporting practices in Sri Lanka, the following recommendations are offered to address deficiencies and capitalize on opportunities for improvement.

- In order to promote efficient ESR, Sri Lankan hotels should place a higher priority on encouraging senior management commitment to reporting. Sustainability-related leadership development programmes can boost accountability.
- Regulatory institutions must offer more precise instructions and assistance to hotels in meeting ESR criteria. Hence, hotels can better comprehend and adhere to these regulations with the support of frequent workshops and advice services.
- Initiatives to increase capacity, such as GRI workshops, are crucial for enhancing the understand on ESR
- As opposed to only being a matter of compliance, hotels should cultivate a culture that embraces ESR as an integral aspect of their brand.

Even though this study found less evidence of customer influence, hotels should still interact with guests to increase awareness and foster trust.

The results may not accurately reflect the overall hotel industry due to the sample size and lack of diversity in hotel attributes such as star rating. According to difficulties in understanding the GRI framework, some hotels are underreporting, which this study may not completely measure. Also, this study misses changes in sustainability reporting practices over time because it is a snapshot in time.

Although scholar has identified the factors affecting the environmental sustainability reporting in the Sri Lankan hotel industry, it does not cover certain provinces such as Northern and North West. On the other hand, sustainability reporting quality has been ignored. The argument here is that future studies should focus on whether the quality and the content of the sustainability reporting actually satisfy the information needs of the stakeholders and contribute to their empowerment.

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