CERTIFIED MANAGEMENT ACCOUNTANT

Volume 13, No. 1, September 2025

RE-DEFINING MANAGEMENT ACCOUNTING:

AI INNOVATION AND SUSTAINABLE VALUE CREATION

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Cover page-A partly AI generated picture symbolizing AI Innovation and Sustainability

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The National Professional Management Accounting Institution in Sri Lanka

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The release of this issue of the Certified Management Accountant, the Journal of CMA *Sri Lanka*, coincides with the

CMA *Sri Lanka* Silver Jubilee

International Management Accounting Conference 2025

and is dedicated to the theme

Re-defining Management Accounting:

AI Innovation and Sustainable Value Creation

CMA *Sri Lanka* (2000-2025)

Our Journey

The Beginnings

The Institute of Certified Management Accountants of Sri Lanka (CMA *Sri Lanka*), the national professional Management Accounting institution dedicated to equipping future accountants, celebrates 25 years of tireless service in the island nation. Set up in response to lack of an indigenous body of management accounting (MA) CMA *Sri Lanka* was set up in 1999 with the technical assistance of CMA Canada now CPA Canada with the financial assistance of the Canadian International Development Agency (CIDA) by its founder Prof Lakshman R Watawala. The body was inaugurated as the Society of Certified Management Accountants of Sri Lanka (SCMASL) on June 3, 2000, to be incorporated in the year 2009 as a statutory body by Act of Parliament No. 23 of 2009. CMA *Sri Lanka* has rendered yeoman service to the nation in the areas of cost and management accounting education, development of the profession, dissemination of knowledge, and societal development.

Resourceful MA Professionals

CMA *Sri Lanka*, through its professional programme and the practical experience component revised every 5 years with the latest revision taken place in 2023 produces competent MA professionals endowed with a global-local outlook who would contribute to realization of organizational goals in today's complex and dynamic environment. The contents of the programme which comprise new knowledge, developments, and modern technologies associated with MA and allied fields are in compliance with IFAC (International Federation of Accountants) requirements and International Education Standards for professional accountants. Those who complete the professional programme and the practical experience requirement qualify for the Associate Membership (ACMA) of the Institute while they gain Fellow Membership (FCMA) via advanced learning and skill development acquired through participation in Continuing Professional Development (CPD) programmes offered by the Institute. Owing to the quality education and training received members of CMA *Sri Lanka* occupy top-notch positions in the local and global corporate arena. As per the directive issued by the Government Treasury on a cabinet directive in 2017 the CMA *Sri Lanka* qualification is recognized to be on par with CIMA (UK), ACCA (UK) and CA Sri Lanka.

Development of the Profession

CMA *Sri Lanka* contributes to the development of the management accounting profession in diverse ways. In addition to the CPD activities which cover a wide spectrum of topical, behavioral and technological themes, the Institute engages in research and publications, popularizing management accounting, cost accounting standard setting, and recognition of excecellence in performance MA professionals. Of them, the CMA *Sri Lanka* Annual Conference, the flagship event of the Institute provides a forum for deliberation on a theme of topical interest with participation of industry, academia, and administrators. Further, working with an intent to popularize the theme of sustainability among organizations, CMA Excellence in Integrated Reporting Awards is held annually, an event of glamour and splendor which entered its 10th chapter in 2024. Coming to publications, the Certified Management Accountant, launched in 2002, continues an unbroken tradition, gathering momentum with each new issue.

Deeply committed to the theme of Cost Accounting and Cost Management, CMA *Sri Lanka* has taken the lead role in standard setting for use in industry and the state sectors. Working in association with the Institute of Cost Accountants of India it has recently released fifteen Cost Accounting Standards as exposure drafts for deliberation by industry. The Institute is now in the process gaining statutory recognition for their adoption.

International Recognition and Strategic Linkages

CMA *Sri Lanka* enjoys a high level of recognition among the accounting fraternity, academic and industrial community as well as the state sector. It enjoys full membership of International Federation of Accountants – IFAC (2014); South Asian Federation of Accountants – SAFA (2009); and Confederation of Asian and Pacific Accountants- CAPA (2016). Further, its many strategic linkages with local and foreign bodies, ranging from Member Recognition Agreement (MRA), Memoranda of Understanding (MOU) and Industry Partnerships to other ad-hoc arrangements are of benefit to all associated parties.

Being of Service to the Society

Apart from it's the services rendered to the student community and the profession CMA *Sri Lanka* extends its services to the surrounding society. It accomplishes this in several ways. A case in point is the management development programme it has been conducting since 2013 for the benefit of staff of the Department of Samurdhi Development. Since 2020, the Institute has also been active in the upliftment of the SME sector with a wide range of services being offered including providing consultancy services. CMA *Sri Lanka* is also devoted to broadening the horizons of education through activities such as offering scholarships to needy students, and conducting seminars for Advanced Level students, and teacher awareness programmes. It is also known for propagating global themes (e.g. International Accounting Day, International Women's Day, and World Environmental Day), in addition to popularizing local themes among lay audiences. Furthermore, it displays a high degree of corporate citizenship through Corporate Responsibility Projects that it carries out, largely, with the involvement of the Students' Guild, the student body of CMA *Sri Lanka.*

Digital Online Methods

CMA *Sri Lanka* was one of the first few organizations to turn the threat of immobilization during the COVID 19 days (2020) to an opportunity by switching to digital online methods and the first computer - based testing for a local professional accounting body was conducted by CMA *Sri Lanka*. This resulted in the conduct of a large quantum of activities on-line, such as study sessions and evaluations, CPD programmes, the annual conference, Integrated Reporting Awards, as well as other meetings. It involved reaching out to effectively larger audiences at greatly reduced costs. The Institute continues to use digital online methods to date, as appropriate. Many of the online CPD programmes are done free of charge for the membership as well as the corporate sector and are well attended.

CMA *Sri Lanka* as a Brand

Over the past twenty five years CMA *Sri Lanka* has grown to be a well-known Sri Lankan brand in the sphere of accounting. We must be thankful to CMA Canada for giving us this brand way back in the initial years without any restrictions and today it is a global brand. An accessible qualification whose entry criteria are in alignment with the local education system, it is renowned for its high quality and affordable cost. The other services it provides to the profession and society make it dear to everyone. The students and members of CMA *Sri Lanka*, bound by a strong code of ethics, will serve as brand ambassadors and contribute to the growth of the Institute.

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From the President
CMA *Sri Lanka*

It gives me much pleasure to send this message on the occasion of the release of the Certified Management Accountant, the Journal of CMA *Sri Lanka* coinciding with the CMA *Sri Lanka* Silver Jubilee International Management Accounting Conference, 2025. With CMA *Sri Lanka* completing 25 years of untiring service in the advancement of Management Accounting it is noteworthy that Redefining Management Accounting: AI Innovation and Sustainable Value Creation is used as the theme of both the Journal and the Conference. This is largely owing to the intimacy of the theme with the Institute's spearheading activities.

Looking back at the history, the first edition of the Management Accounting Journal was issued in June 2002 by the Society of Certified Management Accountants of Sri Lanka. The Journal Committee was Chaired by H Ananda Wehalle Secretary of the Society who presented the first copy at the inaugural CMA Business Management Conference on 15th June 2002 to Robert Dye, President & CEO CMA Canada who delivered the keynote address.

CMA *Sri Lanka* has been an ardent promoter of the need to redefine Management Accounting through development of sub-disciplines among which AI innovation and Sustainable Value Creation loom large. It is common knowledge that in recent years the Institute took a keen interest in promoting AI in the public and private sectors through conduct of lectures, short programmes both physically and via zoom, as well as writings. On the other hand, the Institute has been in the forefront of popularizing the concept and practice sustainability through numerous initiatives, including the much acclaimed CMA Excellence in Integrating Reporting Awards which is now in its 11th chapter. Such developments, among others, widen the scope of Management Accounting which calls for redefining of the discipline. In this background, the International Management Accounting Conference of the silver jubilee year and the Certified National Management Accountant afford an invaluable opportunity to promote this emerging need and to carry the message to the masses. Thus, the relevance and the significance of this year's theme.

The publication carries an interesting line-up of articles that deal with different aspects of AI and sustainability. Contributed by experts and practioners, they offer a strong knowledge and skill storehouse to readers. Further, CMA *Sri Lanka* News and other tidbits add to the variety of the publication. I take this opportunity to thank Mr. Kosala Dissanyake and the Journal Committee, the article writers, Dr. Mangala Fonseka and Ms. Orillia Carolyn, Co-editors and others who assisted in the successful completion of this task.

As CMA *Sri Lanka* now goes beyond the first twenty five years of its existence, it will, inspired by the global trends and developments, continue to serve the nation with even greater dedication, towards its prosperity and sustainability.

I wish to quote from my Message as the President in the Management Accounting Journal issued in the second publication in December 2002.

"We have removed the barrier of 'Local affordability or Global Digital Divide", which has been haunting our society for a long period of time. The affordability of the CMA program has opened doors for many school leavers, undergraduates, graduates and those in employment looking for career advancement to pursue the ÇMA *Sri Lanka* Professional Management Accounting qualification which will provide brighter career prospects and enable them to contribute to the prosperity of Sri Lanka."

Professor Lakshman R Watawala

From the Chairman,

Journal Committee, CMA *Sri Lanka*

I am pleased to present this issue of the Certified Management Accountant, the Journal of CMA Sri Lanka as it completes 25 years of tireless service in the advancement of Management Accounting in the island nation. It coincides with the CMA Sri Lanka Silver Jubilee International Management Accounting Conference 2025 and dedicates itself to the conference theme 'Redefining Management Accounting: AI Innovation and Sustainable Value Creation'.

With the advent of explosive innovations in AI and the huge cry for ensuring sustainability while being in business the scope of Management Accountant is broadening rapidly. This is a debate very much in vogue at present which needs to be looked at from the Sri Lankan perspective. This issue of the Journal attempts to do just this through its interesting line-up of articles contributed by academics, industry experts and practioners.

This issue of the Journal consists of twelve articles dealing with the aforesaid theme, distributed equally between AI Innovation and Sustainable Value Creation. The coverage of articles under Sustainable Value Creation includes accounting for sustainability, relevant standards, and sector specific sustainability efforts while those of AI Innovation looks at aspects such as leveraging AI for competitive advantage, use of AI in the finance sector and the evolving role of management accountant in the digital age. Taking the articles together the Journal develops a strong case for the need to redefine management accounting. The CMA News and quotes on sustainability make it a holistic experience of reading.

I take this opportunity to thank Professor Lakshman R Watawala, President CMA Sri Lanka, members of the Journal Committee; contributors; Dr. Mangala Fonseka and Ms. Oriella Carolyn, Co-editors as well as Ms. Akela Wijeratne for their invaluable support in making the present issue of the Certified Management Accountant a reality.

We do hope that you will enjoy reading the articles which will give you useful input for incorporation in your professional work. We also hope that these will in turn translate into greater productivity and performance in your workplaces and the nation at large.

Kosala M Dissanayake

Editors' Note

The vast strides of advancements taking place in the areas of Artificial Intelligence (AI) and Sustainability tend to expand the scope and the role of Management Accounting. As a result, academics and practitioners, both internationally and locally, ponder on the need to redefine Management Accounting with a view to making it more relevant and up to date. CMA *Sri Lanka* is pleased to deliberate in this enquiry through dedicating the current issue of its Journal the Certified Management Accountant to the theme Redefining Management Accounting: AI Innovation and Sustainable Value Creation.

The current issue consists of twelve articles equally distributed between different aspects of Sustainability and AI. It also contains a collection of Inspirational Quotes on Sustainability that will add variety to the publication. It concludes with CMA *Sri Lanka*, a pictorial presentation of salient events that took place in recent months.

The lead article by Samanthi Senaratne, with her contribution on accounting for sustainability, sets the stage for more specialized articles to follow. This examines the concept of sustainability reporting and its implications for corporate accountability. With a lucid account of the evolution of sustainability reporting she argues that it constitutes a paradigmatic shift in the purpose and scope of corporate reporting. It also contributes to ongoing discussions on how accounting can address the systemic crises of climate change, biodiversity loss, and social inequality, and ultimately redefines the role of business in society.

The article by MIM Riyath, largely a theoretical contribution, presents an integrated framework by which an organization can manage inherent tensions in organizational sustainability through dialectical management control systems. Developed for the Sri Lankan context, where economic recovery imperatives often conflict with emerging sustainability disclosure requirements (SLFRS S1/S2), the framework conceptualizes sustainability governance as a polycentric system involving multiple decision-making centres.

The next article by Krishnasamy Tharsika systematically reviews peer-reviewed literature (from the Emerald database), on stakeholder responses, materiality discussions, implementation issues, and future direction concerns related to IFRS S1 and S2. The findings highlight robust stakeholder endorsement of the International Sustainability Standards Board's (ISSB) objectives while having reservations regarding legitimacy, inclusivity, and its singular materiality framework. Among the shortcomings she laments the inadequate representation from developing nations that creates power imbalances in standard-setting.

Manoj Boteju in his article addresses the global shift towards renewable energy (RE) sources and argues that traditional accounting frameworks, primarily designed for fossil fuel-based infrastructure, are now being challenged by the financial, operational, and environmental aspects of RE projects. This article, with focus on Sri Lanka, explores the evolving landscape of accounting for renewable energy. In this effort it touches on aspects such as capital investment, cost allocation, Levelized Cost of Energy (LCOE), carbon credit accounting, and sustainability reporting.

The next article, by Chamitha Rathnayake, takes on the banking sector, which is increasingly embracing corporate sustainability (CSR), with the realization that robust Environmental, Social, and Governance (ESG) practices can drive business success. This article explores how ESG initiatives contribute to competitive advantage, customer loyalty, and operational efficiency in the banking sector. Drawing on recent literature and a locally conducted survey the contributor hastens to reframe CSR findings within an ESG based framework.

The final article on sustainability is devoted to discussing the role of Green Investment in economic growth in Sri Lanka. In this respect HMMKM Herath, with focus on industries like ecotourism, sustainable agriculture, and renewable energy, examines Sri Lanka's present green investment environment, highlighting the potential and difficulties. It is noted that while programmes like organic farming and the expansion of solar power improve economic resilience, lack of policies, funding, and public awareness stand out as difficulties. The article concludes with three illustrative mini-case studies.

Kaushika Jayalath, in his article, informs that AI continues to redefine the contours of business and finance and emphasizes the need for its early adoption by accounting professionals in order to sustain relevance and competitiveness of their enterprises. It exemplifies how AI, specifically Generative and Agentic, can be strategically leveraged by management accountants. Further, it explores real-world applications, governance frameworks, and cultural shifts that are fundamental to integrate AI into accounting practices responsibly.

Next, Prabash Galagedera, in his contribution titled AI for Finance Professionals: Accelerating Transformation in the Digital Age cautions that the finance profession stands at the precipice of its most significant transformation since the advent of computerisation. As AI innovations reshape industries worldwide, finance professionals must embrace this technological revolution or face the risk of obsolescence. It is emphasized that convergence of AI capabilities with financial expertise presents unprecedented opportunities to enhance efficiency, accuracy, and strategic value creation.

Taking a general standpoint, Senaka Kelum Gamage observes that the accounting profession is undergoing a significant transformation in moving away from its traditional emphasis on historical financial reporting towards a future where strategic insight and technological competence are essential. He argues that this global shift, fueled by unprecedented technological advancements led by AI, the increasing availability of data, and the growing need for businesses to navigate complex and dynamic environments is of immense relevance to Sri Lanka, and calls for the need for a new brand of accounting professionals.

The last three articles by CMA *Sri Lanka* members were entrees for publication in IFAC Global Knowledge Gateway (ifac.org/knowledge.gateway.com), of which the contribution by MIM Riyath appeared in the IFAC Global Knowledge Gateway in September 2024. It is reproduced here together with two other articles (Indrajith Karunarathna and Dayal Abhayasinghe), all of which emphasize the changing role of Management Accounting, Management Accountant and Management Accounting Education in the advent of the explosive growth of IT with AI playing a domineering role.

Thus ends the line-up of articles which should give the reader a notion of the strength of the case for redefining Management Accounting in the wake of AI innovation and sustainable value creation efforts that are on the rise in the local and global corporate environment.

In the compilation of the Journal no alterations were made to the contents though formatting changes were made to ensure uniformity across articles. The different styles of referencing articles will bear testimony to this stance taken by editors. We wish you informative and enjoyable reading. The editors shall also be pleased to receive your views and comments. Please write to bhatiyamangala@yahoo.com.

Dr. Mangala Fonseka
Orillia Alexander
Co-editors


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Accounting for Sustainability:
Expanding the Boundaries of Corporate Accountability

Samanthi Senaratne

Abstract

This paper examines the concept of sustainability reporting and its implications for corporate accountability. The paper demonstrates that sustainability reporting represents more than an incremental extension of financial reporting but constitutes a paradigmatic shift in the purpose and scope of corporate reporting. Drawing on global frameworks such as the Global Reporting Initiative (GRI), the International Sustainability Standards Board (ISSB), and the European Sustainability Reporting Standards (ESRS), the paper demonstrates how different approaches to sustainability disclosure reflect competing visions of accountability. Using Sri Lanka as an illustrative case, it highlights both regulatory advances - such as the early adoption of ISSB standards and persistent challenges in embedding sustainability within reporting practice, including data limitations, assurance capacity, and organisational readiness. By placing sustainability reporting within broader debate on accountability, the paper contributes to ongoing discussions on how accounting can address the systemic crises of climate change, biodiversity loss, and social inequality, and ultimately redefines the role of business in society.

Introduction

Climate change, environmental degradation, and widening social inequality have raised fundamental questions about how companies are held accountable for their actions (Global Accounting Alliance, 2025). Traditional accounting, focused largely on financial performance, has proven inadequate in addressing these challenges (Gray, 2010). In response, sustainability reporting has emerged as a central feature of contemporary corporate reporting. KPMG's (2024) survey reports that sustainability reporting[1] has become a standard practice for many companies, with a steady growth over the past decade with 96% of G250 companies[2] report on sustainability or ESG matters and N100 companies[3] have continued to increase their reporting rates at each global survey with 79% of companies report on sustainability in 2024. In view of these developments, the concept of 'sustainability' has gained prominence within accounting literature (Busco et al., 2018). Hence, the linkage between sustainable development and sustainability reporting is discussed widely in accounting literature by framing reporting practices as both a reflection of and a response to broader social and environmental imperatives (Stefanescu, 2021; Bebbington, and Larrinaga, 2014).

In this context, this paper positions sustainability reporting not as a mere technical exercise in corporate reporting but as an arena of debate over the meaning of accountability in contemporary society. The paper also reflects on how emerging economies like Sri Lanka engage with global sustainability pressures by illustrating how international frameworks are adapted within the country.

1 Sustainability reporting is often used interchangeably with environmental, triple bottom line, and CSR reporting. It generally communicates a company's sustainability risks and the policies, actions, or decisions taken to manage or remediate them to external stakeholders.

2 The G250 refers to the world's 250 largest companies by revenue based on the 2023 Fortune 500 ranking.

3 The N100 refers to a worldwide sample of the top 100 companies by revenue in 58 countries, territories and jurisdictions researched in this study -i.e., 5,800 companies in total.

From sustainable development to corporate sustainability

The Brundtland Report (World Commission on Environment and Development, 1987) popularized the concept of sustainable development as meeting needs of the present generation without compromising the ability of future generations to meet theirs. Within the corporate context, this evolved into the notion of corporate sustainability (Dyllick and Hockerts, 2002), which broadens the focus from purely financial performance to the creation of value for multiple stakeholders. Hence, UN Global Compact, the world's largest corporate sustainability initiative, requires businesses to align their strategies and operations with its ten principles on human rights, labour, environment and anti-corruption; and take strategic actions to advance broader societal goals, such as the UN Sustainable Development Goals (SDGs).

Central to this shift is the recognition that organisations are deeply embedded within, and dependent upon, natural systems. Businesses rely on critical ecosystem resources such as water, raw materials, pollination, and climate while simultaneously exerting both positive and negative impacts on nature through activities like pollution, deforestation, and land-use change. These interdependencies generate a spectrum of risks - physical, transition, and systemic while also creating significant opportunities, including entry into new markets, gains in resource efficiency, and improved access to sustainable finance (Global Accounting Alliance, 2025). Reflecting these dynamics, sustainability reporting has become an essential feature in corporate reporting as it enables stakeholders to obtain a more comprehensive assessment of organisational performance, resilience, and long-term value creation.

Sustainable development is confronted by multiple interconnected challenges. Climate change, driven by greenhouse gas emissions, contributes to biodiversity loss; environmental degradation in turn exacerbates climate risks; and social inequality ensures that vulnerable communities face disproportionate harms. For organisations, these challenges resulting from the Climate-Nature-Inequality Nexus represent material sustainability risks and opportunities (Global Accounting Alliance, 2025). Sustainability reporting has emerged to make these interconnections visible, translating complex socio-ecological issues into organisational accountability mechanisms.

Accounting for sustainability, expansion of accountability and materiality

Traditional financial reporting embodies a shareholder-centric accountability model, prioritising the interests of financial capital providers over those of other stakeholders. In contrast, sustainability reporting broadens this scope by recognising natural capital and social capital as integral to organisational survival and value creation. The accounting literature has long highlighted the need to extend accountability beyond shareholders (Gray, Owen, & Adams, 1996). Accordingly, sustainability reporting should be understood as a mechanism for broadening corporate accountability to address the expectations of diverse stakeholders. This argument raises fundamental questions: (a) to whom organisations are accountable; (b) what constitutes materiality in corporate reporting; and (c) how accounting can effectively capture ecological limits and social justice concerns. Hence, sustainability reporting represents a broader need to redefine and expand the boundaries of accountability in contemporary society.

There is a broader array of standards and frameworks on sustainability reporting (See Table 1). In the sustainability reporting landscape, these standards and frameworks differ in whether they focus on financial materiality (how sustainability issues affect the company's enterprise value) or impact materiality (how the company affects society and the environment) and some adopt double materiality (both perspectives).

Table 1: Standards and frameworks on sustainability reporting

Standard / Framework	Materiality Focus	Key Audience	Emphasis
ISSB (International Sustainability Standards Board) Standards[1]	Financial materiality	Investors, lenders, and other creditors	General sustainability (IFRS S1) and climate (IFRS S2) risks and opportunities linked to enterprise value
SASB[2] (Sustainability Accounting Standards Board) Standards	Financial materiality	Investors and financial markets	Industry-specific sustainability issues with financial impact
TCFD[3] (Task Force on Climate-related Financial Disclosures)	Financial materiality	Investors, lenders, insurers, regulators	Climate-related risks and opportunities structured around governance, strategy, risk management, metrics & targets
TNFD[4] (Taskforce on Nature-related Financial Disclosures)	Financial materiality	Investors, financial institutions, companies, regulators	Nature-related dependencies, risks, and opportunities, promotes enterprise value lens on biodiversity/nature
GRI Standards	Impact materiality	Wider stakeholders	Economic, environmental, and social impacts of organizations not just financial outcomes
ESRS (European Sustainability Reporting Standards – under EU CSRD)	Double materiality	Investors and wider stakeholders	Requires reporting on both financial materiality (enterprise value) and impact materiality (effects on society/environment)
International Integrated Reporting Framework	Primarily financial materiality, but broader 'value creation'	Providers of financial capital (Primarily investors)	Bridges financial and non-financial reporting, Focus on six capitals (financial, manufactured, human, intellectual, social, natural)

Nevertheless, sustainability reporting is challenged by fragmented standards, inconsistent definitions of materiality, and the difficulty of balancing diverse stakeholder expectations. Organisations also face data gaps, valuation complexities, and uncertainty in measuring long-term impacts, while limited assurance raises credibility concerns and risks of greenwashing. These challenges highlight the need for harmonization, reliable data systems, and stronger assurance to enhance the credibility and decision-usefulness of sustainability reporting.

1 Global baseline for investor-focused sustainability reporting
2 Now consolidated under IFRS Foundation
3 TCFD has fulfilled its remit and disbanded in November 2023.
4 Modelled on TCFD

The Sri Lankan context: Localising global agenda

Sustainability reporting in Sri Lanka originated as a voluntary practice and has steadily gained acceptance among public listed companies. According to KPMG (2024), 79% of the top 100 companies (N100) in Sri Lanka now produce sustainability reports and many firms using GRI standards as their principal reporting framework (GRI, 2023).

Against this backdrop, Sri Lanka Accounting Standards Committee officially adopted IFRS S1 and S2 as Sri Lanka Financial Reporting Standards (SLFRS) S1 and S2 in 2024, inviting voluntary adoption from January 1, 2024. To accelerate convergence with global benchmarks, the adoption of these standards has been made mandatory for the top 100 listed companies by market capitalization of the Colombo Stock Exchange (CSE) effective from January 1, 2025. In March 2024, Sri Lanka Accounting Standards Committee issued a clear, phased roadmap for mandatory adoption of these standards across all listed and certain non-listed entities, making Sri Lanka one of the first South Asian jurisdictions to formalize ISSB standards implementation. Sri Lanka is one of only seventeen jurisdictions globally to have introduced mandatory sustainability disclosure requirements or finalized plans to adopt the ISSB standards (Source: IFRS Foundation, 2025). The application of ISSB Standards was mandated for listed companies through an amendment to the CSE listing rules in 2024, which was approved by the Securities and Exchange Commission (SEC) of Sri Lanka in February 2025. Further, CA Sri Lanka has established the Sustainability Disclosure Standards Committee (SDSC) to review and recommend best practices for corporate sustainability reporting in order to support the effective implementation of ISSB standards.

In addition, Sri Lankan public listed companies are encouraged to engage in sustainability reporting through various initiatives led by the SEC and CSE. The revised CSE listing rules introduced in 2023 require all listed companies to publish an environmental, social, and governance (ESG) policy on their website (CSE, 2023). Moreover, the Central Bank has integrated sustainability considerations into its revised corporate governance regulations (2024), requiring boards of licensed banks to embed sustainability within strategic decision-making and business practices. Additionally, the Code of Best Practice on Corporate Governance issued by CA Sri Lanka recommends that companies provide sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are identified, managed, and measured (ICASL, 2023).

In this regard, Senaratne et al. (2024) find that Sri Lanka possesses favourable factor conditions, demand conditions, and related and supporting industries that collectively facilitate the adoption of the ISSB standards. These favourable conditions are particularly evident in the strength of the country’s accounting profession, which plays a pivotal role in enabling local companies to respond effectively to latest developments in corporate reporting, such as the mandatory adoption of ISSB standards in sustainability reporting. However, Sri Lankan companies also face significant challenges in adopting these standards, including difficulties in integrating sustainability focus into business models and operations, ensuring the availability of strategic leadership, technology, and supporting systems, enhancing staff competencies, lack of external assurance, and meeting the data-intensive requirements demanded by these standards.

Conclusion

This paper demonstrates that sustainability reporting represents a paradigm shift in expanding corporate accountability, challenging the long-standing dominance of shareholder-centric financial reporting. The standards/frameworks such as ISSB, GRI and ESRS embody different visions of accountability, reflecting ongoing struggles over whose interest that sustainability reporting should ultimately serve – i.e., whether narrowly focused on investors or broadly encompassing wider stakeholders or both.

The Sri Lankan case illustrates how these global standards are interpreted and localized within an emerging economy, where regulatory reforms have driven notable advances in sustainability reporting, yet significant implementation challenges remain. This experience underscores that sustainability reporting is not merely about introducing new disclosure requirements but rather redefining the purpose of a business in society ensuring that profit, people, and planet are given equal weight in organizational accountability.

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Dialectical Management Control Systems for Polycentric Sustainability Governance: A Framework for Sri Lankan Organizations

MIM Riyath

Abstract

This paper presents an integrated theoretical framework by which an organization can manage inherent tensions in organizational sustainability through dialectical management control systems. Developed for the Sri Lankan context, where economic recovery imperatives often conflict with emerging sustainability disclosure requirements (SLFRS S1/S2), the framework conceptualizes sustainability governance as a polycentric system involving multiple decision-making centres. The framework draws on rich work within both paradox theory and systems thinking, plus institutional and critical perspectives, to develop distinct steps for organizations that lack resources to handle opposing needs. Also, the framework is intended to help with practical implementation relevant to organizational capacity and includes conflict resolution mechanisms and crisis resilience strategies.

Keywords: dialectical tensions, management control systems, sustainability governance, SLFRS, Sri Lanka

Introduction

Sri Lankan organizations face mounting pressure to integrate sustainability into their governance frameworks while managing severe economic constraints. Traditional management control systems do not work well in this context because they usually focus on financial metrics rather than sustainability considerations and fail to account for inherent tensions between competing objectives. This research fills the gap by proposing a context-aware theoretical framework that conceptualizes sustainability governance as having dialectical and polycentric features. The framework (Figure 1) identifies specific tensions relevant to Sri Lankan organizations and provides concrete implementation pathways for management accountants implementing sustainability disclosure standards. This approach contributes to the literature by extending management control theory to address complex sustainability challenges in resource-constrained environments.

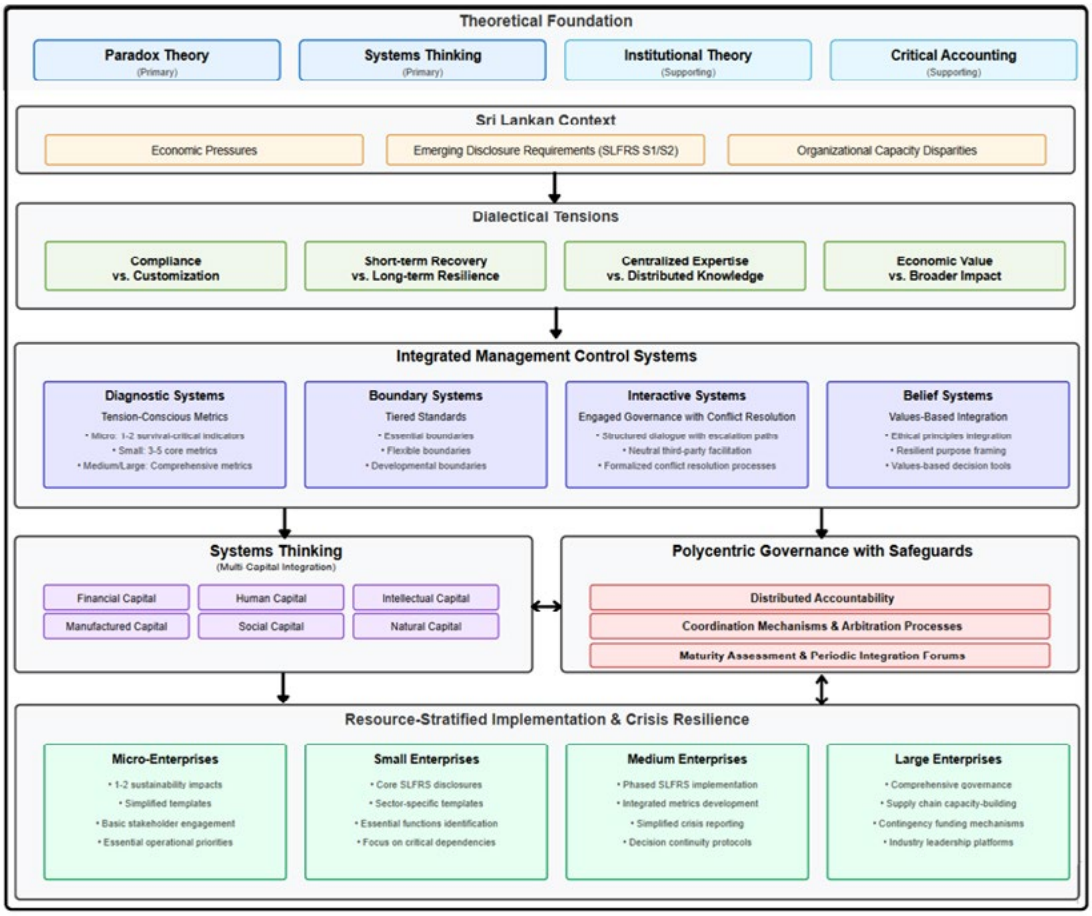

Figure 1: Dialectical management control framework for sustainability governance in Sri Lankan organizations

Theoretical framework and dialectical tensions in sustainability governance

Considering paradox theory and new empirical results on tensions embedded in sustainability (Hahn et al., 2018; Van der Byl & Slawinski, 2015), the literature suggests four separate dialectical tensions of particular importance to Sri Lankan organizations that are resource-constrained. First, the tension between compliance vs customization highlights the need to balance an organization's commitment to standardized SLFRS practices with contextual modifications, and the nature of this tension may take different forms across a number of industry sectors—from global-local compliance distinctions in the apparel industry to misaligned coordination capacity in certification networks to tea small holders (Beddewela & Fairbrass, 2016; Fernando & Lawrence, 2014). Second, temporal tensions between organizational focus on short-term economic recovery versus long-term sustainability outcomes arise in virtually all our qualitative and survey work. Here, the results indicate how organizational economic pressure often leads to delays in focusing on sustainability, even as sustainability is recognized as an important consideration in the organization's long-term strategy (Schad et al., 2016; Sharma & Jaiswal, 2018). Third, the governance challenges are greatly amplified concerning the tension between controlled centralized expertise and distributed knowledge given the predominantly hierarchical organization in Sri Lanka, which constitutes additional cultural and structural barriers for knowledge flows (Jayasinghe & Thomas, 2009). Fourth, measurement tensions between economic value quantification and broader impact assessment persist despite evolving stakeholder theory integration, as resource-constrained environments intensify tradeoff perceptions between financial performance indicators and more complex environmental and social metrics (Schaltegger & Burritt, 2018). Based on these identified tensions, the dialectical foundation upon which our polycentric governance framework is constructed is that sustainability management entails continuous negotiation rather than resolution through simplistic integration.

Integrated management control systems

This study extends Simons (1994) well-regarded levers of control framework to develop a contextualized typology of four interrelated control systems for sustainability governance in resource-constrained contexts. Organizations use diagnostic control systems with tension-sensitive metrics to measure performance at sustainability levels based on organizational capacity, ranging from survival-dependent indicators for micro-enterprises to extensive integrated metrics for larger organizations (Gond et al., 2012). Second, boundary systems adopt a tiered standards approach to meet compliance issues in emerging economies (Beddewela & Fairbrass, 2016) with three hierarchical boundaries including essential, non-negotiable parameters related to core regulatory requirements, flexible adaptation zones to accommodate customization and developmental aspirational standards that are rolled out in stages based on the capabilities of the business. Third, interactive control systems guarantee structured conflict resolution mechanisms in hierarchical contexts of organizations, such as formalized dialogue processes with escalation pathways, conflict resolution forums aimed to integrate different functional perspectives, and conflict resolution processes with facilitators in the case of intractable tensions (Rodrigue et al., 2013; Soderstrom et al., 2017). Fourth, the belief systems enhance values-based integration, based upon (Schaltegger & Burritt, 2018) argument on sustainability mindsets in terms of mechanisms for ethical principles integration, for resilient purpose framing in times of *economic* hardship, and structured protocols for mediating multiple cultural perspectives in the organizational context. The model contributes new directions to sustainability accounting *literature* by offering theoretically grounded yet pragmatically oriented *pathways* for standards implementation in unfavorable economic conditions while maintaining dialectical tension awareness (Sundin & Brown, 2017).

Polycentric Governance Model

This study builds upon the sustainability governance literature by proposing a polycentric model with strong coordination mechanisms tailored to resource-constrained environments (Aligica & Tarko, 2012). Instead of enforcing standard hierarchical structures that are often resource-intensive, this theorization suggests distributed decision-making approaches implemented with three particular governance safeguards. First, distributed accountability mechanisms embed sustainability responsibilities within existing roles in organizations rather than creating siloed specialized departments and are implemented with explicit accountability mapping to avoid diffusion of responsibility (Schneider et al., 2017). Second, formalized coordination mechanisms enable coherent governance despite distributed implementation, including responsibility matrices that explicitly demarcate decision boundaries, cross-functional arbitration panels for resolving competing priorities, and structured integration forums (Albareda & Waddock, 2018). Third, adaptive implementation approaches allow for evidence-based organizational maturity assessments, systematic prioritization methodologies aligned with resources available and phased implementation roadmaps that recognize capacity constraints (Maas et al., 2016).

The polycentric approach has particular benefits in the Sri Lankan context, where severe resource constraints preclude the establishment of dedicated sustainability specialized departments, allowing organizations to leverage existing organizational structures, with governance integrity maintained by a limited range of coordination interventions (Beddewela & Fairbrass, 2016; Fernando & Lawrence, 2014). The framework employs a multi-capital integration approach, recognizing the interconnected nature of financial, human, intellectual, manufactured, social, and natural capital in sustainability governance. This systems thinking perspective allows organizations to identify and manage trade-offs between different forms of capital, ensuring a holistic approach to value creation while respecting resource constraints.

Practical implementations and empirical insights

Using organizational contingency theory and resource based theories on sustainability implementation as theoretical basis, a resource stratified sustainability implementation framework matches organizational capacity. The framework prescribes differentiated approaches across four organizational categories: micro-enterprises (1-10 employees) prioritizing limited high-impact sustainability initiatives with direct business relevance through simplified templates; small enterprises (11-50 employees) implementing core SLFRS disclosures on material topics utilizing sector-specific templates and shared resources; medium enterprises (51-250 employees) applying phased SLFRS S1/S2 implementation with integrated metrics and formalized stakeholder engagement; and large enterprises (250+ employees) implementing comprehensive governance systems incorporating supply chain capacity-building and collaborative leadership approaches (Gunarathne & Lee, 2019; Wickramasinghe, 2015).

In addition, informed by evidence from cases of organizations operating during Sri Lanka's recent economic instability, this framework also explicitly integrates crisis resilience mechanisms incorporating essential function identification methods, decision continuity protocols, and simplified crisis reporting systems. Exploratory hypothetical implementation scenarios can be developed to illustrate the potential application of this framework across varying organizational contexts. For instance, a medium sized tea producer might apply a tiered boundary approach to a climate risk disclosure initiative when developing metrics linking smallholder climate resilience to product quality. Alternatively, a large apparel manufacturer might develop cross-functional arbitration mechanisms to resolve tensions between production efficiency imperatives and sustainability initiatives during economic disruption. These exploratory scenarios illustrate how such a framework might be applied across heterogeneous organizational contexts and economic circumstances in the Sri Lankan context (Beddewela & Fairbrass, 2016; Fernando & Lawrence, 2014).

Conclusion and research implications

This research advances sustainability accounting literature by providing a structured theoretical framework that acknowledges the complex realities facing organizations in resource-constrained environments. By embracing dialectical tensions rather than seeking to eliminate them, our framework offers empirically grounded pathways for implementing emerging sustainability standards while navigating economic constraints. Our contributions are threefold: First, we extend management control theory by integrating paradox perspectives with polycentric governance models, providing new insights for sustainability accounting. Second, we develop context-specific implementation approaches stratified by organizational capacity, addressing a significant gap in the literature regarding differential implementation of sustainability standards.

Third, we offer structured conflict resolution mechanisms for hierarchical and multicultural organisational contexts. These contributions have important implications for management accountants implementing sustainability disclosure standards in emerging economies. The framework provides concrete tools for developing control systems that balance competing demands through resource-stratified implementation guidance, conflict resolution mechanisms, and governance safeguards. Further research into the dynamics of conflict resolution mechanisms in hierarchical organizational structures typical of emerging economies is particularly interesting.

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A Systematic Review of IFRS Sustainability Standards: Stakeholder Perspectives, Materiality, Implementation Challenges and Future Directions

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Abstract

Establishing the International Sustainability Standards Board (ISSB) by the IFRS Foundation marks a significant advancement in the standardisation of global sustainability-related disclosure. This study systematically reviews peer-reviewed literature from the Emerald database, concentrating on stakeholder responses, materiality discussions, implementation issues, and future direction concerns related to IFRS S1 and S2. The results underscore robust stakeholder endorsement of the ISSB's objectives while causing significant apprehensions regarding legitimacy, inclusivity, and its singular materiality framework. The dominance of preparers in consultations and the insufficient representation from developing nations underscore power imbalances in standard-setting. Implementation problems encompass institutional power dynamics and possible misalignment with Sustainable Development Goals. The ISSB's investor-centric methodology improves comparability, however its limited materiality breadth may compromise wider environmental and social goals. Future advancement hinges on the ISSB's capacity to rectify legitimacy deficiencies, guarantee inclusive engagement, and integrate holistic sustainability viewpoints.

Keywords: IFRS S1 and S2, materiality, stakeholder response, sustainability reporting, Sustainability Reporting Standard Board

Introduction

The formation of the International Sustainability Standards Board (ISSB) by the IFRS Foundation marks a significant advancement in global efforts to standardize sustainability-related financial disclosures. The ISSB has introduced IFRS S1 and IFRS S2 to enhance the consistency and comparability of sustainability reporting, particularly for investors and capital market participants (Millar and Slack, 2024). These standards represent an investor-focused approach, which has sparked a spectrum of academic and stakeholder responses. While the ISSB has received broad support from stakeholders, concerns persist regarding the scope, materiality concept, and implementation challenges associated with these standards (Bohn *et al.*, 2025; Kulik and Dobler, 2023). Critics argue that the ISSB's emphasis on financial materiality may neglect broader environmental and social objectives envisioned by frameworks such as the Global Reporting Initiative (GRI) and the European Financial Reporting Advisory Group (EFRAG) (Abhayawansa, 2022; Ali et al., 2023). Additionally, scholars have identified legitimacy challenges and power imbalances in stakeholder participation, particularly the underrepresentation of voices from developing economies (Kulik & Dobler, 2023). This review aims to systematically examine the academic literature on IFRS sustainability standards, focusing on stakeholder responses, materiality debates, implementation barriers, and future directions. The study offers a consolidated perspective on emerging research trends and provides a foundation for future inquiry and policy development in the field of sustainability reporting.

Methodology

This study adopts a systematic literature review approach to analyze the emerging body of research on IFRS S1, IFRS S2, and the ISSB. The review was limited to peer-reviewed journal articles published in the Emerald Insight database. A structured search query was employed, using combinations of keywords such as "International Sustainability Standards Board", "IFRS S1", and "IFRS S2" in titles and abstracts. Boolean logic was applied to refine the search results.

From the initial pool of 25 articles, 8 were selected based on their direct relevance to the objectives of the ISSB, methodological rigor, and thematic alignment. The selected studies were examined across four key themes: (1) stakeholder responses and legitimacy, (2) the materiality debate, (3) implementation challenges, and (4) future developments. Analytical techniques such as thematic content analysis, document review, and interpretive synthesis were used to assess the contributions of each study (Millar & Slack, 2024; Bohn et al., 2025; Abhayawansa, 2022; Rowbottom, 2023). The review aims to contribute to the academic discourse on sustainability reporting, highlighting areas of consensus and identifying gaps that warrant further research by synthesizing insights from these studies.

Results and discussion

Stakeholder responses and legitimacy challenges

The legitimacy of the ISSB as a standard-setting body remains widely debated. Millar and Slack (2024) and Bohn et al. (2025) investigate comment letters from investors and stakeholders, revealing broad support for the ISSB while also highlighting concerns regarding materiality, scope, and enforcement mechanisms. Although the ISSB was supported by 68% of stakeholders (Bohn *et al.*, 2025), critics argue that it is deficient in sustainability expertise and concentrates exclusively on investor requirements rather than broader environmental and social concerns.

Kulik and Dobler (2023) investigate stakeholder participation in ISSB consultations and discover that preparers and accounting professionals dominated the process, while investors and stakeholders from developing countries had limited representation. This imbalance raises concerns about input legitimacy and the extent to which the ISSB represents diverse global interests.

The materiality debate in IFRS sustainability standards

A central debate surrounding IFRS sustainability standards is the concept of materiality. Abhayawansa (2022) argues that both financial and double materiality have conceptual limitations, advocating for a more balanced approach that accounts for financial and non-financial capitals. Millar and Slack (2024) reinforce this concern by highlighting investor disagreements over single versus double materiality. The ISSB's preference for single materiality, focusing on financial impact, has led to criticism that its approach limits the broader sustainability objectives envisioned by frameworks such as GRI and the EFRAG.

Challenges in implementing IFRS sustainability standards

The implementation of IFRS sustainability standards presents a variety of obstacles. Ali et al. (2023) underscore the potential for the ISSB's approach to prioritise market-driven interests over sustainability imperatives, and also identify power struggles in sustainability standard-setting.

Afolabi et al. (2023) argue that the ISSB's growing influence could shift sustainability reporting away from the SDGs, undermining efforts to achieve global sustainability goals.

Moreover, Rowbottom (2023) posits that the ISSB's investor-oriented focus marginalises broader sustainability concerns, a transition that is facilitated by financial backing and strategic partnerships. This raises concerns regarding the efficacy of the IFRS sustainability standards in addressing social issues.

Future directions for IFRS sustainability standards

The future trajectory of IFRS sustainability standards remains uncertain. de Villiers and Dimes (2023) suggest that Integrated Reporting (IR) may remain beneficial for internal decision-making; however, it is likely to lose significance in external reporting as the ISSB gains a position of dominance. Millar and Slack (2024) emphasize that investor concerns regarding emissions reporting, assurance, and materiality will shape future refinements to IFRS S1 and S2.

As demand for mandated sustainability disclosures rises, Bohn et al. (2025) project that the ISSB's influence will grow but underline the need of addressing legitimacy issues by raising stakeholder inclusiveness. Kulik and Dobler (2023) recommend that future developments should ensure greater representation from diverse global stakeholders, particularly from developing economies, to enhance the legitimacy and effectiveness of IFRS sustainability standards.

Table 1: Summary of studies on stakeholder responses, materiality debate, implementation challenges, and future directions in IFRS sustainability standards

Theme	Author(s) & year	Objective	Methodology	Findings
Stakeholder Responses and Legitimacy Challenges	Millar & Slack (2024)	Examines investor responses to IFRS S1 and IFRS S2 to identify consensus and dissonance	Thematic content analysis of investor comment letters	Broad support for the ISSB, but concerns materiality, scope, and enforcement.
	Bohn, Macagnan & Kronbauer (2025)	Analyzes stakeholder responses to IFRS Foundation's consultation on ISSB legitimacy	Python-based content analysis of 577 comment letters	68% of stakeholders support ISSB, but critics highlight narrow focus and lack of sustainability expertise.
	Kulik & Dobler (2023)	Examines stakeholder participation in ISSB's first two exposure drafts	Content analysis of comment letters using rational-choice framework	Preparers and accounting professionals dominated participation; limited input from investors and developing countries.
The Materiality Debate in IFRS Sustainability Standards	Abhayawansa (2022)	Critically examines materiality in sustainability reporting and proposes an alternative	Review of academic & grey literature, including ISSB Exposure Draft responses	Proposes a single materiality approach, integrating financial and non-financial capitals.
	Millar & Slack (2024)	Highlights investor disagreements on single vs. double materiality	Thematic content analysis of investor comment letters	Disagreement between single vs. double materiality in investor responses. ISSB's preference for financial materiality criticized.
Challenges in Implementing IFRS Sustainability Standards	Ali et al. (2023)	Examines the role of standard setters and power struggles in sustainability reporting	Literature review and analysis of IASB, ISSB, GRI, and others using Bourdieu's concept of field	ISSB disrupts the standard-setting field, raising concerns about market-driven priorities shaping standards.
	Afolabi et al. (2023)	Assesses how ISSB and EFRAG influence GRI's position in sustainability reporting	Document analysis of GRI, EFRAG, and IFRS Foundation public releases	ISSB's growing influence may shift sustainability reporting away from SDGs, undermining GRI's original purpose.
	Rowbottom (2023)	Analyzes the role of the Corporate Reporting Dialogue (CRD) in global sustainability reporting	Interpretive approach using interviews, document analysis, and observations	CRD's evolution supports ISSB's investor-oriented reporting approach, marginalizing broader sustainability goals.

Future Directions for IFRS Sustainability Standards	De Villiers & Dimes (2023)	Analyzes the future of Integrated Reporting (IR) in light of ISSB's rise	Critical analysis using Alvesson & Deetz's (2000) framework	IR may remain relevant for internal use but lose external reporting significance as ISSB dominates.
	Millar & Slack (2024)	Examines the impact of investor concerns on future IFRS standards	Thematic content analysis of investor comment letters	Investor concerns on emissions reporting, assurance, and materiality will shape future ISSB standards.
	Bohn, Macagnan & Kronbauer (2025)	Predicts the ISSB's role expansion in mandatory sustainability reporting	Python-based content analysis of 577 comment letters	ISSB's role will likely expand with increasing demand for mandatory disclosures, but legitimacy concerns remain.
	Kulik & Dobler (2023)	Recommends greater inclusivity in future ISSB consultations	Content analysis of comment letters using rational-choice framework	Suggests the inclusion of more diverse global stakeholders, particularly from developing economies, to enhance legitimacy.

Conclusion

This systematic review produces academic perspectives on the IFRS Sustainability standards, especially IFRS S1 and IFRS S2, published by ISSB. This review finds that even though the ISSB represents a significant step towards global sustainability disclosure harmonization, the investor focus of this standard raises several critical issues. Stakeholder responses exhibit both support and scepticism, particularly around concerns of legitimacy, inclusivity, and scope. The dominance of preparers and accounting professionals, coupled with limited representation from developing countries, underscores the need for more equitable stakeholder engagement.

The argument on materiality is dominant to the critique of IFRS sustainability standards. The ISSB's adoption of single materiality has been challenged for its narrow focus on financial outcomes, which some scholars argue undermines broader sustainability goals, particularly in contrast to the double materiality approach embraced by frameworks like the GRI and EFRAG. Implementation challenges, including institutional power dynamics, capacity disparities, and the potential sidelining of the Sustainable Development Goals, further complicate the standards' global applicability.

The ISSB's future success will depend on its capacity to adapt to stakeholder concerns, rectify legitimacy gaps, and guarantee inclusivity, especially from underrepresented regions. Future advancements must emphasize the incorporation of comprehensive sustainability viewpoints, improve assurance systems, and promote equitable materiality frameworks that align with both financial and societal goals. This assessment establishes a basis for subsequent research and policy discussions, promoting a more inclusive, transparent, and effective global sustainability reporting framework.

Limitations and recommendations

This study is limited to literature derived just from Emerald publications, thus excludes research from other academic databases, regulatory reports, and industry insights, so limiting the range of viewpoints. Although Emerald offers excellent peer-reviewed research, the lack of Elsevier, Scopus, Taylor & Francis, and other sources could cause possible gaps in fully reflecting the range of arguments on IFRs sustainability criteria. Furthermore, absent from this study is bibliometric analysis, which would help to clarify author impact, citation patterns, and new research topics.

Future research should incorporate bibliometric analysis to identify publication trends, influential studies, and research gaps in IFRS sustainability standards. Furthermore, research should investigate the organisational obstacles associated with the implementation of IFRS, through the lens of companies that have effectively addressed these challenges. Comparative research on IFRS harmonization across different countries would provide valuable policy implications, particularly examining differences between developed and emerging economies. Furthermore, research should assess strategies for enhancing stakeholder participation in standard-setting, ensuring diverse representation from SMEs, developing economies, and non-investor stakeholders. Addressing these gaps will contribute to a more comprehensive understanding of IFRS sustainability standards and support the development of a more inclusive and effective global reporting framework.

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Accounting for Renewable Energy: A Sri Lankan Perspective

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Abstract

The global shift towards renewable energy (RE) sources such as solar, wind, hydro, and biomass are transforming how energy is produced, consumed, and accounted for. Traditional accounting frameworks, primarily designed for fossil fuel-based infrastructure, are now challenged by the financial, operational, and environmental aspects of RE projects. This article explores the evolving landscape of accounting for renewable energy, with a particular focus on Sri Lanka. Key aspects include capital investment, cost allocation, Levelized Cost of Energy (LCOE), carbon credit accounting, and sustainability reporting. As Sri Lanka strives to meet its target of generating 70% of electricity from renewables by 2030, accounting practices must adapt to include government grants, asset retirement obligations, and renewable energy certificates. Using the latest global and local data from 2024 and 2025, this article emphasizes the importance of transparent and harmonized accounting frameworks to support Sri Lanka's clean energy transition.

Introduction

Sri Lanka's energy transition is gaining momentum amid global climate commitments and domestic policy shifts. The island nation's dependence on imported fossil fuels has driven efforts to increase renewable energy adoption, especially solar and wind. The Sri Lanka Energy Sector Development Plan 2023–2030 outlines an ambitious goal: achieving 70% electricity generation from renewables by 2030. This requires not only infrastructure development, but also robust financial reporting and accounting frameworks tailored to the unique characteristics of RE projects.

Investment trends and the need for accounting reform

Sri Lanka's renewable energy investment in 2024 crossed LKR 95 billion (USD 300 million), driven by public-private partnerships in solar and wind sectors (Ministry of Power and Energy, 2024). The growing share of Independent Power Producers (IPPs) and donor-funded grid upgrades creates complexities in financial reporting, especially regarding ownership, depreciation, and government grants.

Table 1: Sri Lanka's renewable energy investment (2020–2024)

Year	Investment (LKR Billion)	% of Total energy CapEx
2020	25	22%
2021	40	28%
2022	58	35%
2023	81	47%
2024	95	51%

Source: Ministry of Finance and Ministry of Power and Energy, Sri Lanka (2024)

As investment in renewables grows, Sri Lankan entities must revise accounting practices to address emerging needs such as multi-year grants, foreign exchange volatility, and carbon credit recognition.

Capitalization and cost allocation in the Sri Lankan context

In Sri Lanka, solar and wind projects typically involve **high CapEx and low OpEx**, with capital-intensive components including solar panels, inverters, and battery systems. Accounting under Sri Lanka Financial Reporting Standards (SLFRS), aligned with IFRS, involves:

- Capitalizing infrastructure costs and depreciating assets over useful lives (15–25 years).
- Recognizing foreign grants (e.g., ADB or World Bank) under SLFRS 20, either as deferred income or deducted from the asset value.
- Challenges in allocating costs when PPAs (Power Purchase Agreements) include government subsidies or fixed feed-in tariffs.

Local RE companies must navigate these accounting requirements while managing unpredictable interest rates and currency risks that affect project viability.

Financial viability and LCOE

The **Levelized Cost of Energy (LCOE)** in Sri Lanka has declined significantly due to falling technology costs and improved project efficiencies. The Public Utilities Commission of Sri Lanka (PUCSL) reported the following 2024 average.

Table 2: LCOE by technology in Sri Lanka (2024)

Technology	LCOE (LKR/kWh)	LCOE (USD/MWh)
Solar PV	16.5	51
Wind	15.2	47
Mini Hydro	17	53
Diesel	47.8	148
Coal	31.5	98

Source: PUCSL (2024)

Accounting departments must incorporate LCOE values in impairment testing, project evaluation, and discounted cash flow modeling, particularly for RE assets facing competition from more efficient technologies.

Renewable energy certificates and carbon accounting

Sri Lanka's participation in the Voluntary Carbon Market (VCM) and its own Renewable Energy Certificates (RECs) program, introduced in 2023, have introduced new accounting dimensions. Under these systems:

- RECs are recorded as intangible assets, valued at market price upon generation.
- Income from REC sales is recognized once certificates are sold or retired.
- Scope 2 emissions are reported using the market-based method in alignment with updated GHG Protocol 2025 guidance.

Table 3: Carbon accounting framework – Sri Lanka's application (2025)

Scope	Description	Local Example
1	Direct emissions	Emissions from biomass combustion
2	Indirect energy use	Grid electricity from hydro or coal
3	Supply chain and downstream emissions	Imported wind turbine components

Source: Climate Change Secretariat, Sri Lanka (2025)

Proper tracking of RECs and emissions reductions is crucial for Sri Lankan firms participating in international carbon markets or reporting to investors on ESG performance.

Decommissioning, asset retirement, and environmental liabilities

Sri Lankan regulations under the Sustainable Energy Authority Act now require companies to present decommissioning plans for solar farms over 1 MW. Accounting implications include:

- Asset Retirement Obligations (AROs) estimated based on dismantling costs.
- Recognition under SLFRS-compliant IFRIC 1, adjusting for inflation and discount rates.
- Environmental liabilities like land restoration must be disclosed under SLFRS/IAS 37.

As large-scale RE projects mature, these obligations will significantly impact the long-term liabilities and financial health of project operators.

Sustainability and regulatory reporting

In 2025, the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB**)** recommended voluntary adoption of the IFRS ISSB climate disclosure standards for all listed companies and IPPs. These include:

- Disclosure of climate risks, governance, and transition plans.
- Reporting on Scope 1, 2, and where feasible, Scope 3 emissions.
- Description of how RE investment contributes to Nationally Determined Contributions (NDCs).

Additionally, the Ceylon Electricity Board (CEB) and Lanka Electricity Company (LECO) are required to submit quarterly sustainability reports to the PUCSL under updated 2024 directives.

Case study: Rooftop solar accounting in Sri Lanka

The ‘Soorya Bala Sangramaya’ program launched in 2016 saw over 65,000 rooftop solar units connected to the grid by 2024. Under Net Plus and Net Metering models:

- Solar panels are capitalized and depreciated over 20 years.
- Government grants from the Asian Development Bank are treated as deferred income or cost deductions.
- Revenue from electricity exported to the grid is recorded monthly, based on CEB-issued credit statements.
- Maintenance and inverter replacement are expensed as incurred.

This case illustrates the increasing need for accurate and transparent accounting systems, especially when households and SMEs become energy producers.

Challenges and way forward

Despite progress, Sri Lanka faces several accounting and policy challenges:

- Lack of standardized valuation methods for carbon credits and RECs.
- Uncertainty in currency fluctuation impact on long-term PPA revenue.
- Inconsistent treatment of foreign-funded grants in financial statements.

To address these, Sri Lanka should:

- Introduce national RE accounting guidelines aligned with IFRS and ISSB.
- Provide training to accountants and auditors on RE finance.
- Encourage blockchain-based REC tracking and real-time carbon dashboards to improve transparency.

Conclusion

As Sri Lanka moves toward its renewable energy targets, the role of accurate, forward-looking accounting becomes pivotal. From capital allocation and depreciation to carbon credits and environmental liabilities, renewable energy accounting is central to financial sustainability and climate accountability. Sri Lankan entities must align with evolving international standards while adapting to local policy and market conditions. With clear regulatory support, harmonized disclosure frameworks, and improved capacity-building, the country can strengthen its renewable energy transition through sound accounting practices.

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Corporate Sustainability: How ESG Drives Business Success in the Banking Sector

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Abstract

The banking sector is increasingly embracing corporate sustainability, recognizing that robust Environmental, Social, and Governance (ESG) practices can drive business success. This paper explores how ESG initiatives contribute to competitive advantage, customer loyalty, and operational efficiency in banking. Drawing on recent literature and a local survey of 30 bank customers in Kandy, Sri Lanka, the study reframes Corporate Social Responsibility (CSR) findings within an ESG framework. Results indicate that while customers are moderately aware of their banks' sustainability initiatives, positive ESG performance correlates with enhanced customer loyalty and brand image. Banks leading in ESG (e.g., with higher community investments and ethical practices) tend to enjoy stronger customer retention and goodwill. We discuss how eco-innovation, sustainable operations, and stakeholder engagement in ESG reporting strengthen banks' market position. The paper concludes with theoretical and practical implications for sustainable banking, alongside limitations and directions for future research.

Keywords: ESG, corporate sustainability, banking sector, customer loyalty, eco-innovation, sustainable operations

Introduction

In recent years, corporate sustainability has become a strategic priority in the banking industry. Banks worldwide are under pressure to not only deliver financial performance but also to operate responsibly about the environment, society, and governance, collectively known as ESG (Environmental, Social, and Governance) factors. Adopting ESG principles is now seen as vital for long-term business success (CSR Influence on Brand Loyalty in Banking: The Role of Brand Credibility and Brand Identification) (The Rise of Sustainable Banking in the Finance Sector). Strong ESG performance in banks has been linked to multiple benefits: it enhances stakeholder trust and support, reduces risk, and can improve financial value (CSR Influence on Brand Loyalty in Banking: The Role of Brand Credibility and Brand Identification). For example, sustainable banks attract customers who are increasingly conscious of ethical and environmental issues, thereby fostering loyalty and brand differentiation (Linking Corporate Social Responsibility to Customer Loyalty through Co-Creation and Customer Company Identification: Exploring Sequential Mediation Mechanism) (The Rise of Sustainable Banking in the Finance Sector). This trend is evident globally and in emerging markets like Sri Lanka, where banks use CSR initiatives to engage communities and customers. However, gaps remain in understanding how exactly ESG drives competitiveness and loyalty in banking, and how local insights (e.g., from Sri Lankan banks) align with global patterns.

This paper examines how ESG-oriented sustainability practices contribute to business success in the banking sector. We integrate global scholarly insights with empirical findings from an unpublished Sri Lankan study titled *"The Impact of CSR on Customer Loyalty in the Banking Sector."* That study's data on 30 bank customers in Kandy involving customer awareness of CSR and loyalty is reframed through the ESG lens to provide localized evidence. Key sub-themes addressed include sustainable operations and supply chains in banking, **eco-innovation** for competitive advantage, and stakeholder engagement through ESG reporting. By blending global and local perspectives, the paper sheds light on how banks can leverage ESG for enhanced customer loyalty and overall competitiveness. The findings aim to contribute to the literature on sustainable banking and offer practical guidance for banks seeking Q1-level excellence in sustainability performance.

Literature review

ESG and corporate sustainability in banking

Corporate sustainability in banking refers to aligning business strategies with environmental stewardship, social responsibility, and strong governance. Banks have traditionally engaged in CSR activities (philanthropy, community investment, ethical practices) as part of sustainability. Today, this has evolved into a broader ESG approach that also emphasizes environmental impacts and governance transparency. Research shows that integrating ESG into core business yields significant benefits. For instance, firms with strong ESG performance enjoy increased stakeholder support and purchase intention, and even see reduced financial risk (CSR Influence on Brand Loyalty in Banking: The Role of Brand Credibility and Brand Identification). In banking, superior ESG ratings can attract investors and improve firm stability (Full article: The significance of ESG performance for financial distress). A recent study of global banks finds that favorable ESG performance correlates with improved loan portfolio quality (lower non-performing loans) (Does ESG performance reduce banks' nonperforming loans?), underscoring that all three ESG pillars contribute to financial health. Even during challenging economic periods, such as rising interest rate environments, ESG-oriented banks have been found to outperform peers, maintaining customer confidence and stable performance.

Importantly, banks are expanding their focus beyond traditional CSR to include environmental innovation and governance reforms. Many banks have adopted socially responsible strategies, embedding ethical conduct and community engagement into their business models (CSR Influence on Brand Loyalty in Banking: The Role of Brand Credibility and Brand Identification). However, scholars note that while banks often emphasize the economic and social aspects of CSR, they have historically paid less attention to the environmental dimension (CSR Influence on Brand Loyalty in Banking: The Role of Brand Credibility and Brand Identification). This is changing as climate change and sustainability become pressing issues: environmentally friendly initiatives (such as green finance and carbon footprint reduction) are increasingly linked to how stakeholders perceive banks' overall service quality and reputation (CSR Influence on Brand Loyalty in Banking: The Role of Brand Credibility and Brand Identification) (CSR Influence on Brand Loyalty in Banking: The Role of Brand Credibility and Brand Identification). In essence, a bank's sustainability profile – across E, S, and G is now a critical component of its brand image and value proposition.

Sustainable operations and supply chains in banking

Unlike manufacturing firms, banks have a relatively small direct environmental footprint, but they still pursue sustainable operations to improve efficiency and demonstrate leadership. This includes reducing energy and paper use in branches, adopting renewable energy in offices, and promoting digital banking to cut resource consumption. Such eco-efficient operations can lower costs and enhance a bank's reputation for environmental responsibility. According to industry analyses, banks are working to reduce their carbon footprints through measures like paperless services and green buildings (7 Ways the Financial Industry Can Reduce Its Environmental Impact). For example, some banks have committed to carbon-neutral business operations and set targets for energy savings and waste reduction in their facilities (Global Retail Banking 2022: Sense and Sustainability , BCG). These steps not only contribute to environmental goals but also often result in cost savings (e.g., lower utility bills), illustrating how sustainability can align with profitability.

Beyond internal operations, banks increasingly incorporate sustainability into their supply chain and procurement practices. They are giving preference to vendors and suppliers with strong ESG credentials to ensure that their supply chains uphold the same values (7 Ways the Financial Industry Can Reduce Its Environmental Impact) (7 Ways the Financial Industry Can Reduce Its Environmental Impact). A notable case is Bank of America, which now requires a large portion of its suppliers to set greenhouse gas reduction targets and screens the majority of its vendors for ESG risks (7 Ways the Financial Industry Can Reduce Its Environmental Impact). By doing so, banks reduce upstream risks and signal their commitment to broader corporate sustainability. This approach can enhance brand equity and trust: aligning supply chains with sustainability demonstrates consistency in values, which stakeholders—especially institutional investors and informed customers increasingly expect. Furthermore, engaging suppliers on ESG can spur innovation and efficiency (e.g., less waste, more recycling in office supplies), contributing to operational resilience. In summary, sustainable banking operations and green supply chain management help banks cut costs, comply with regulations, and strengthen their market positioning by showcasing holistic environmental responsibility (Document.pdf) (Document.pdf).

Eco-innovation and competitive advantage

Eco-innovation in banking refers to innovative products, services, or processes that provide environmental benefits alongside economic gains. Examples include digital banking services that reduce paper usage, green credit products (loans for renewable energy projects), or fintech solutions that track and reward sustainable consumer behavior. Embracing eco-innovation is increasingly seen as a driver of economic competitiveness in the finance sector. Research indicates that eco-innovation promotes sustainable economic growth while mitigating environmental impacts (Exploring the Nexus of Eco-Innovation and Sustainable Development: A Bibliometric Review and Analysis). It has become an essential tool for firms seeking to align with global sustainability goals and capture new market opportunities (Exploring the Nexus of Eco-Innovation and Sustainable Development: A Bibliometric Review and Analysis). In banking, offering innovative sustainable products (like green bonds, carbon footprint trackers for account holders, or investment funds screening ESG criteria) can attract a new segment of eco-conscious customers and investors, thus expanding market share.

Moreover, eco-innovation can differentiate a bank’s brand. Banks that pioneer green financial products or implement cutting-edge sustainability technologies often enjoy reputational benefits and early-mover advantages. For instance, the rise of “green fintech”, including neobanks that promise to invest deposits sustainably, shows that innovation around sustainability can fuel market growth and customer acquisition (7 Ways the Financial Industry Can Reduce Its Environmental Impact) (7 Ways the Financial Industry Can Reduce Its Environmental Impact). Traditional banks are responding by launching their green initiatives (such as issuing sustainable bonds or providing carbon calculators to clients) to stay competitive (7 Ways the Financial Industry Can Reduce Its Environmental Impact). The competitive edge gained from eco-innovation is twofold: (1) tapping into growing demand for sustainable finance, and (2) achieving efficiency gains (through technology that reduces waste and resource use). Ultimately, banks that integrate eco-innovation into their strategy may not only bolster their environmental performance but also enhance profitability and growth in the long run (Document.pdf).

Stakeholder engagement and ESG reporting

A bank's sustainability journey is closely watched by its stakeholders, including customers, employees, regulators, investors, and the communities it serves. Stakeholder engagement is therefore a critical component of ESG strategy in banking. Successful banks actively engage these groups to identify material ESG issues, respond to concerns, and incorporate feedback into their sustainability programs. For example, leading banks map their stakeholders (customers, staff, community, shareholders, etc.) and maintain dialogue through surveys. By doing so, banks can tailor their ESG initiatives to stakeholder priorities (such as financial inclusion, community development, and climate action) and thereby gain stronger stakeholder support and loyalty. Engaging customers in sustainability (e.g., by educating them on the bank's green products or community projects) can reinforce positive perceptions and loyalty to the brand (Linking Corporate Social Responsibility to Customer Loyalty through Co-Creation and Customer Company Identification: Exploring Sequential Mediation Mechanism).

Transparency through ESG reporting is another pillar of stakeholder engagement. Banks increasingly publish annual sustainability or ESG reports following frameworks like the Global Reporting Initiative (GRI) or integrated reporting standards. These reports disclose the bank's environmental impact (carbon emissions, energy use), social contributions (employee welfare, community investment), and governance practices (ethics, risk management). Effective ESG reporting can enhance a bank's credibility and accountability, thus building trust with stakeholders. However, recent research suggests a need for caution: a study of 58 banks across 13 countries found that most opted for only partial third-party assurance of their sustainability reports, leading to relatively low levels of assured information (Sustainability Reporting in the Banking Industry: Examining the Extent of Assurance, Journal of Accounting, Ethics & Public Policy, JAEPP). Such low assurance levels may call into question the credibility of some disclosed ESG information (Sustainability Reporting in the Banking Industry: Examining the Extent of Assurance | Journal of Accounting, Ethics & Public Policy, JAEPP). This indicates that while ESG reporting is now common, the banking sector must improve the rigor and verification of reported data to truly satisfy stakeholders' demand for transparency. Robust assurance and clear, honest disclosure of ESG performance will strengthen stakeholder confidence and can differentiate banks in terms of governance quality. In summary, proactive stakeholder engagement coupled with transparent ESG reporting helps banks demonstrate accountability and ethical governance, reinforcing their reputation and stakeholder loyalty.

ESG and customer loyalty in banking

One of the most tangible ways ESG drives business success in banking is through its impact on customer loyalty. Customers today are not solely driven by interest rates or convenience; many also consider a bank's social and environmental conduct. Empirical studies in various markets have confirmed that effective CSR/ESG practices can increase customer satisfaction, trust, and loyalty towards banks (Linking Corporate Social Responsibility to Customer Loyalty through Co-Creation and Customer Company Identification: Exploring Sequential Mediation Mechanism). For instance, research in Pakistan's banking sector found a positive relationship between perceived CSR and customer loyalty, often mediated by enhanced trust and corporate image

(Linking Corporate Social Responsibility to Customer Loyalty through Co-Creation and Customer Company Identification: Exploring Sequential Mediation Mechanism). Similarly, studies in other Asian markets show that when banks demonstrate genuine social responsibility, customers develop a stronger emotional attachment and are more likely to remain loyal and recommend the bank to others (The effect of CSR beliefs among bank customers during ... - Frontiers). ESG initiatives signal to customers that the bank shares their values, which can deepen the customer–company identification and commitment.

To contextualize this linkage, we draw on a survey of bank customers in Kandy, Sri Lanka (an unpublished 2018 study focusing on CSR and loyalty). The survey (n=30) revealed that a significant portion of customers are aware of their bank's CSR activities and that this awareness has a positive, though not singular, effect on loyalty (THE IMPACT OF CORPORATE SOCIAL.docx). Specifically, about one-third (33.3%) of respondents reported actively thinking about and being aware of their bank's social and community initiatives (THE IMPACT OF CORPORATE SOCIAL.docx). These customers tended to express higher loyalty, feeling proud of their bank's contributions (such as to environmental sustainability or education programs). 20% of those surveyed said they would not switch to a competitor bank because their current bank engages in CSR initiatives (THE IMPACT OF CORPORATE SOCIAL.docx). This indicates a segment of loyalty directly attributable to the bank's ESG efforts. However, the survey also found that CSR alone is rarely the decisive factor for choosing a bank: many respondents did not choose their bank *because of* CSR per se (THE IMPACT OF CORPORATE SOCIAL.docx). A majority still prioritize core service values, especially economic benefits. For example, the Sri Lankan respondents emphasized financial benefits (better interest rates, lower fees) as primary, with CSR viewed as a bonus (THE IMPACT OF CORPORATE SOCIAL.docx). This aligns with global observations that while a strong ESG record can bolster loyalty and satisfaction, it must be accompanied by competitive products and service quality.

Interestingly, the Sri Lankan study's findings hinted at a correlation between banks' ESG investments and customer perceptions. Among local banks, Bank of Ceylon (BOC) had the highest CSR expenditure in 2017 (LKR 127.5 million) and also garnered the strongest positive customer attitude and loyalty in the survey (THE IMPACT OF CORPORATE SOCIAL.docx) (THE IMPACT OF CORPORATE SOCIAL.docx). In contrast, another large bank with substantial CSR spends did not see commensurate customer loyalty in the sample (THE IMPACT OF CORPORATE SOCIAL.docx), suggesting that how ESG initiatives are communicated and perceived might be as important as the amount spent. Communicating CSR/ESG activities effectively (for instance, via annual reports or marketing) was recommended to strengthen customer awareness and loyalty (THE IMPACT OF CORPORATE SOCIAL.docx). Overall, the evidence supports that ESG initiatives contribute to customer loyalty and brand equity in banking customers may reward banks for "doing good" with their long-term patronage, especially when those initiatives resonate with customer values or directly benefit the community. Therefore, integrating ESG into the customer value proposition can be a competitive differentiator in the banking sector.

Discussion

The integration of the Sri Lankan case insights with the broader literature reinforces a key message: ESG-driven corporate sustainability is a catalyst for business success in banking. From a theoretical standpoint, this aligns with stakeholder theory, banks that attend to the interests of various stakeholders (not just shareholders) through ESG activities build greater stakeholder loyalty and social capital. Customers, as primary stakeholders, respond to banks' environmental and social performance, influencing their loyalty and word-of-mouth advocacy. The findings from Kandy echo global patterns: a baseline of service quality and economic value is necessary, but ESG excellence provides an additional layer of competitive advantage. Banks that excel in governance and ethical conduct (for example, refraining from unfair practices and ensuring transparency) foster trust, which is foundational for loyalty (THE IMPACT OF CORPORATE SOCIAL.docx). Social initiatives (community development, charitable giving, employee welfare) help humanize the bank and strengthen customer relationships. Environmental leadership (such as financing green projects or reducing the bank's own footprint) increasingly appeals to environmentally conscious customers and investors.

Moreover, eco-innovation emerged as an important theme for competitiveness. By innovating in sustainable products and operations, banks can open new revenue streams (like green financing products) and improve efficiency, thereby achieving the dual goals of sustainability and profitability (Exploring the Nexus of Eco-Innovation and Sustainable Development: A Bibliometric Review and Analysis). This supports the idea of a positive feedback loop between sustainability and economic competitiveness, as banks pursue ESG innovation, they differentiate themselves and potentially achieve superior growth (e.g., attracting clients who seek sustainable investment options). Similarly, attention to sustainable operations and supply chains contributes indirectly to success by reducing risks and building resilience. For example, screening suppliers for ESG criteria can prevent reputational or regulatory issues down the line (7 Ways the Financial Industry Can Reduce Its Environmental Impact), while cutting energy use lowers operating costs. These operational gains can translate to financial performance, fulfilling aspects of the triple bottom line (people, planet, profit).

However, the discussion also highlights challenges. Customer awareness of ESG activities is not a given – even in the Sri Lankan context, where banks are active in CSR, a significant fraction of customers were only moderately aware or concerned (THE IMPACT OF CORPORATE SOCIAL.docx). This implies banks must improve how they communicate and engage customers on sustainability issues. Effective stakeholder engagement and marketing are needed to translate ESG performance into perceived value for customers. Additionally, credibility in ESG claims is crucial; as noted, if sustainability reports lack full assurance, stakeholders may remain skeptical (Sustainability Reporting in the Banking Industry: Examining the Extent of Assurance, Journal of Accounting, Ethics & Public Policy, JAEPP). Banks striving for Q1-level sustainability leadership should therefore adopt best practices in ESG disclosure and verification to avoid accusations of "greenwashing" and to genuinely build trust.

In summary, ESG drives business success in banking through multiple pathways: enhancing brand reputation and customer loyalty, opening avenues for innovation and growth, improving risk management, and aligning the bank with the expectations of regulators and society. Banks that strategically integrate ESG into their core business model rather than treating it as a peripheral CSR activity are better positioned to achieve sustainable success. The convergence of global research and local empirical evidence in this study underscores that even in developing markets, the ESG-business success link is salient and growing.

Implications, limitations, and future research

Theoretical implications: This research contributes to the understanding of corporate sustainability in banking by bridging CSR and ESG frameworks. It suggests that traditional CSR initiatives can be reframed under ESG dimensions (Environmental, Social, Governance) to more comprehensively assess their impact on business outcomes. The positive correlation between ESG efforts and customer loyalty supports theories of stakeholder engagement and resource-based views of the firm, where intangibles like brand reputation and trust (built via ESG) become strategic assets. The findings reinforce that bank performance should be evaluated not only on financial metrics but also on ESG criteria, as these shape long-term competitiveness and legitimacy.

Practical implications: For banking industry practitioners, the results highlight actionable strategies. Firstly, banks should strengthen their ESG programs with a balanced focus on all three pillars: for instance, combining environmental initiatives (carbon reduction, green products) with social projects (community outreach, financial literacy programs) and governance improvements (transparency, ethical compliance). The Sri Lankan case indicates that even modest CSR activities, if well-designed and communicated, can boost customer loyalty and positive word-of-mouth. Banks are advised to actively communicate their ESG achievements to customers via annual reports, social media, and frontline staff to raise awareness of how the bank is "giving back" and operating responsibly (THE IMPACT OF CORPORATE SOCIAL.docx). This can enhance customer pride and emotional connection to the brand. Additionally, banks should leverage eco-innovation opportunities (like digital banking enhancements that also save resources) to appeal to tech-savvy and eco-conscious segments. Sustainable supply chain practices, as demonstrated by global banks, can reduce risk and cost; thus, procurement policies should include ESG criteria. Banks might also consider reward programs for customers who support the bank's sustainability (for example, preferential rates for green loans or recognition for long-term loyal customers), linking ESG efforts directly to customer benefits. Finally, improving ESG reporting and obtaining external assurance can strengthen stakeholder trust, a practical step for banks aiming to be leaders in sustainability reporting.

Limitations: This study has limitations that must be acknowledged. The local empirical component is based on a small sample (30 customers in one city), which limits the generalizability of those quantitative insights. Customer perceptions in Kandy may not represent the broader population of banking customers, even within Sri Lanka. Additionally, the CSR study was conducted in 2018; awareness and attitudes could have evolved since then, especially given the increasing global focus on ESG in recent years. The study also primarily examines customer loyalty as the success outcome; other important business success indicators (like financial performance, employee satisfaction, or investor behavior) are not directly analyzed here, though discussed in the literature. There is also an inherent challenge in attributing business success solely to ESG, as many interrelated factors (competitive pricing, service quality, macroeconomic conditions) play roles. Thus, establishing clear causality is difficult – we rely on correlations and reported perceptions.

Future research: Building on these findings, future research could take several directions. Larger-scale studies in the banking sector could quantitatively examine ESG performance metrics against customer loyalty and financial performance across multiple regions or countries. Longitudinal research would be valuable to see how improvements in a bank's ESG ratings over time affect customer retention and market share. There is also scoped to explore other stakeholder perspectives – for example, how ESG in banking influences employee loyalty and talent attraction, or how investors price in ESG performance for banks. Comparative studies between developed and developing markets could shed light on cultural or economic differences in how stakeholders value ESG in banking. Additionally, qualitative research (e.g., interviews with bank managers and customers) might provide deeper insight into which specific ESG initiatives resonate most with customers and why. Finally, future studies should investigate the role of ESG regulations and standards (such as sustainable finance taxonomies or disclosure mandates) in shaping bank strategies, to inform both policymakers and bank strategists on enabling corporate sustainability effectively.

Conclusion

Corporate sustainability, viewed through the ESG lens, has proven to be more than a moral obligation for banks; it is a strategic imperative that can drive business success. This paper has illustrated that in the banking sector, strong performance in environmental responsibility, social engagement, and governance quality contributes to building a loyal customer base, spurring innovation, and enhancing competitive advantage. Banks that integrate ESG into their core strategy tend to enjoy reputational benefits and stakeholder trust that translate into tangible business outcomes, from customer retention to improved risk management. The case of Sri Lankan banks underscores that these dynamics are globally relevant: even where ESG is a relatively new focus, customers notice and appreciate genuine sustainability efforts by their banks, as reflected in their loyalty behaviors.

To succeed in the future, banks must continue evolving, embedding sustainability in every aspect of operations and decision-making and measuring success not just in quarterly profits but in long-term stakeholder value. As the banking industry navigates challenges such as climate change, digital transformation, and social inequalities, ESG principles will guide the way toward resilient and inclusive growth. In conclusion, ESG is not a peripheral concern but a driving force for modern banking success, aligning the sector's economic objectives with the broader goal of sustainable development.

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Sustainability Finance:
The Role of Green Investment in Economic Growth in Sri Lanka

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Abstract

As it tackles environmental issues, sustainability finance has become a vital engine of economic expansion. With emphasis on industries like ecotourism, sustainable agriculture, and renewable energy, this study investigates the contribution of green investment to Sri Lanka's economic growth. The study examines Sri Lanka's present green investment environment using secondary data and qualitative research techniques, highlighting significant potential and difficulties. Results show that while programs like organic farming and the expansion of solar power improve economic resilience, obstacles including a lack of policies, a lack of funding, and a lack of public awareness impede development. Case studies from other countries, including India's Green Hydrogen Mission, provide information about possible approaches to growing green investments in Sri Lanka. To fully realize the promise of sustainable finance, it is imperative to strengthen regulatory frameworks, promote financial instruments such as green bonds, and cultivate public-private collaborations. In addition to promoting economic expansion, strengthening green investment techniques can aid Sri Lanka's shift to a sustainable future.

Keywords: Global Trends in Green Investment and Economic Growth, Green Investment and Economic Growth in Developing Economies, Sri Lanka's Current Green Investment Landscape.

Introduction

Sustainability financing has become a vital instrument in recent years for promoting economic expansion on a worldwide scale while tackling environmental issues. It focuses on funding initiatives that advance social and environmental objectives in addition to producing financial gains. Green investment, which focuses on areas like eco-friendly infrastructure, sustainable agriculture, and renewable energy, is one of the most significant aspects of sustainability finance. The importance of green investments in promoting economic growth is becoming more apparent as nations deal with the consequences of resource depletion and climate change. Due to the island nation of Sri Lanka's economic difficulties and environmental vulnerabilities, green investment is essential for long-term, sustainable growth. The need for the nation to shift to a more resilient economy that promotes sustainable energy sources and lessens dependency on fossil fuels is becoming increasingly pressing.

However, a number of obstacles including a shortage of funding, gaps in policy, and a lack of awareness prevent the broad adoption of green finance techniques in Sri Lanka, despite the Country's enormous potential for given investment .By looking at ongoing initiatives and spotting chances to improve green investments, this study investigates how green investment contributes to economic growth in Sri Lanka. The study intends to clarify the possible advantages, difficulties, and suggestions for enhancing green investment in the nation by employing secondary data and qualitative research techniques.

Literature Review

Global trends in green investment and economic growth

The potential of green investments to promote environmental sustainability and economic development is well known. (Porter, 1990), asserts that countries that adopt sustainable practices and environmental legislation can produce long-term competitive advantages such improved energy security, job development, and technological innovation. Green investments in eco-friendly infrastructure, sustainable agriculture, and renewable energy have emerged as crucial elements of the global movement towards a low-carbon economy. Over $10 trillion is anticipated to flow into green projects worldwide by 2030, according to studies by the (United Nations Environment Programme (UNEP), 2020), which also shows a notable increase in global expenditures aimed at achieving the Sustainable Development Goals (SDGs).Economic growth in developing nations has also been connected to green investment. For instance, according to the (Asian Development Bank (ADB), 2021), investments in renewable energy have improved energy access, reduced poverty, and created jobs throughout Asia. Similar to this, India's National Solar Mission has improved energy security and decreased its reliance on imported coal by effectively developing a market for solar energy. These illustrations show that green investments, particularly in emerging nations, can be a potent instrument for accelerating economic growth.

Green investment and economic growth in developing economies

When it comes to green investment, developing nations confront particular opportunities and challenges. On the one hand, these economies frequently lack infrastructure and financial resources, which might impede the expansion of green initiatives. However, there are undeveloped natural resources and a rising need for renewable energy in many emerging nations, such as Sri Lanka. Green investments can provide a way to address environmental issues and achieve sustainable economic growth, especially in industries like hydropower, wind, and solar. Green investments not only boost economic growth but also help reach more general sustainable development goals, according to research on developing economies. Investments in green technologies, for example, can boost a company's competitiveness and generate new industries that propel long-term economic success, according to research by (Hart, 1997).

Sri Lanka's current green investment landscape

In its national development objectives, Sri Lanka has acknowledged the significance of sustainability finance and green investment. The government has pledged to expand the capacity of renewable energy sources and implement sustainable practices across a range of industries. For instance, by 2030, 70% of Sri Lanka's energy must come from renewable sources, according to the country's Renewable Energy Policy (2019). Three major sectors for green investment have been Identified hydropower, wind power and solar power energy.

But even with the advancements, there are still a number of difficulties. One of the main challenges, according to (Jayawardena, 2020), is the dearth of adequate green funding choices. Furthermore, industries like ecotourism and sustainable agriculture have not advanced quickly due to unclear laws and incentives for green initiatives. Growth has also been hampered by the public and private sectors' lack of knowledge and instruction regarding the possible advantages of green investments.

Methodology

This study uses secondary data and a qualitative research methodology. The current state of green investments in Sri Lanka and their possible influence on economic growth can be thoroughly examined using qualitative methodologies. Government papers, scholarly works, trade journals, and publications from global institutions like the World Bank, the Asian Development Bank (ADB), and the United Nations Environment Programmed (UNEP) are examples of secondary data sources. Government policies, case studies of green investment projects, and reports on ecotourism, sustainable agriculture, and renewable energy activities in Sri Lanka are the main subjects of the study. Finding trends, obstacles, and chances to boost green investment and achieve sustainable economic growth in Sri Lanka is the aim.

Analysis and discussion

Green investments in Sri Lanka

In recent years, Sri Lanka has started a few green investment initiatives. Growing the capacity of renewable energy has received a lot of attention, and initiatives like the 100 MW solar park in Hambantota are essential to raising the proportion of renewable energy in the energy mix. The National Action Plan for the implementation of the Sustainable Development Goals (SDGs) and the 2019 Renewable Energy Policy are two examples of the proactive policies the Sri Lankan government has developed to encourage green investments.

Green investments in sustainable agriculture have also increased. In rural areas, where agriculture continues to be the major source of income for many households, eco-friendly agricultural methods and organic farming practices are being pushed. By raising the income of farmers who use these methods, these initiatives not only help to reduce poverty but also promote environmental sustainability. Effects on Economic development For Sri Lanka, green investments have the potential to yield significant financial gains. For instance, the field of renewable energy has the potential to lessen dependency on fossil fuels, create jobs, and transfer technologies. For instance, the development and maintenance of solar equipment at the Hambantota Solar Park has produced jobs for locals. Increasing the generation of renewable energy can help lessen the financial burden of importing fossil fuels, which now account for a sizable amount of the nation’s foreign exchange spending. Technological innovation is also supported by the green investment sector. Sri Lanka has the chance to develop into a regional center for renewable energy solutions as the need for clean energy technologies increases globally. Furthermore, environmentally friendly investments in ecotourism and agriculture have the potential to support rural economic growth and establish sustainable livelihoods.

Challenges to green investment in Sri Lanka

Green investments have potential, but there are still a number of obstacles to overcome. The absence of adequate funding sources for green projects is the main obstacle. Access to green bonds and other financing vehicles that could draw in private investors is restricted, and Sri Lanka's financial system is still not quite prepared to handle significant green investments. The regulatory and policy environment presents another difficulty. Although the government has implemented a number of green policies, there are currently no explicit laws that control private sector participation in green investments. Furthermore, investors have found it challenging to evaluate the environmental impact of projects due to the lack of a strong green certification system.

Opportunities for growth

In Sri Lanka, there are lots of chances to boost green investments. The creation of green bonds, which can serve as a funding source for sustainable infrastructure and renewable energy projects, is one promising sector. Additionally, raising awareness and educating the public about green investment prospect can draw in both domestic and foreign investors, Furthermore, investment can be stimulated by fortifying policy frameworks and providing incentives, such tax breaks and subsidies, for green initiatives. Additionally, the government can concentrate on forming alliances with global financial organizations that specialize in green finance

Case studies

Case study 1: Solar power expansion in Sri Lanka

Solar power is one of the main areas of growth in Sri Lanka's renewable energy sector, which has made substantial progress in 2025. The Mannar Solar Power Plant, which began operations in 2023, is a noteworthy project. The 200 MW plant is a component of Sri Lanka's ambitious ambition to reach 70% of its electricity from renewable sources by (Sri Lanka Ministry of Power energy, 2023). By producing more than 2.5 percent of Sri Lanka's electricity by 2025, the Mannar Solar Power Plant will have significantly reduced the country's dependency on imported fossil fuels and stabilized energy prices (Sri Lanka Ministry of Power and Energy , 2025).

By generating more than 2,000 jobs during the building and operating stages, this project has not only improved the nation's energy security but also stimulated local economic growth. Additionally, the project was funded by a mix of foreign and domestic green bonds, demonstrating the expanding role of green finance in Sri Lanka (World Bank, 2025). The Mannar Solar Power Plant's performance demonstrates the possibility of expanding renewable energy initiatives nationwide. Sri Lanka is establishing itself as a regional leader in renewable energy thanks to the growing capacity of solar energy, a trend that is anticipated to continue in 2025 and beyond.

Case study 2: Sustainable agriculture and eco-tourism initiatives in Sri Lanka

Sustainable agriculture and ecotourism have grown significantly in Sri Lanka in 2025 thanks to green initiatives meant to lessen environmental effects and foster economic growth. The "Green Lanka Farming Project," which was started in 2022 with the goal of converting 20,000 farmers to organic farming by 2025, is one example. By producing organic tea, spices, and vegetables, this program has improved soil health, increased biodiversity, and allowed farmers to earn more money (Sri Lanka Ministry of Agriculture, 2025). By generating jobs in agriculture, marketing, and distribution, the organic agricultural industry has improved the rural economy in addition to helping the environment.

Additionally, more foreign travelers looking for eco-friendly travel destinations have been drawn to eco-tourism, which is fueled by these sustainable agriculture techniques. As one of Asia's top green tourist destinations, Sri Lanka's ecotourism sector is expected to bring in over $1 billion by 2025 (Sri Lanka Tourisum Development Authority, 2025). Particularly in rural areas where agriculture is the primary source of income, the Green Lanka Farming Project serves as an illustration of how sustainable methods may both alleviate environmental challenges and spur economic growth.

Case study 3: (International): India's green hydrogen initiatives (2025)

Since its beginning in 2021, India's National Green Hydrogen Mission has made great strides toward switching to cleaner energy sources. India has advanced significantly in the production of green hydrogen from renewable resources, particularly solar and wind power, as of (Indian Ministry of New and Renewable Energy, 2025). In addition to aiding in the country's energy transition, India's emphasis on green hydrogen has created new avenues for employment and Industrial expansion. Sri Lanka is keeping a careful eye on India's advancements, especially in the area of green hydrogen production. The possibility of creating a green hydrogen hub in South Asia is being discussed between the two nations (Sri Lanka Ministry of Power and Energy , 2025). Sri Lanka offers a great chance to establish a green hydrogen sector akin to India's because of its wealth of natural resources, including its strong coastline winds and high sun radiation. In addition to helping Sri Lanka achieve its long-term energy and sustainability objectives, working with India on green hydrogen might spur economic growth by creating new employment, industries, and technologies.

Conclusion

In order to support sustainable economic growth in Sri Lanka, green investment is essential. Although the nation has achieved strides in fields like ecotourism, sustainable agriculture, and renewable energy, more work is required to remove obstacles like lack of knowledge, regulatory gaps, and financial difficulties. Sri Lanka can fully realize the promise of green investments by putting in place strong green regulations, developing financial tools like green bonds, and stepping up its education and awareness initiatives. In addition to boosting the nation's economy, this will aid in its transition to a more robust and sustainable future.

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Inspirational Quotes on Sustainability

We can't just consume our way to a more sustainable world. ***Jennifer Nini***

The first rule of sustainability is to align with natural forces, or at least not try to defy them. ***Paul Hawken***

We never know the worth of water till the well is dry. ***Thomas Fuller***

Sustainability is here to stay, or we may not be. ***Niall FitzGerald***

The sustainability revolution will, hopefully, be the third major social and economic turning point in human history, following the Neolithic Revolution – moving from hunter-gathering to farming – and the Industrial Revolution. ***Prince Charles***

The natural environment sustains the life of all beings universally. ***Dalai Lama***

The strongest governments on earth cannot clean up pollution by themselves. They must rely on each ordinary person, like you and me, on our choices, and on our will ***Chai Jing***

From a sustainability standpoint, look for natural products, but not all chemicals are bad. Learn what works for you. ***Jane Lauder***

We have forgotten how to be good guests, how to walk lightly on the earth as its other creatures do. ***Barbara Ward***

If it can't be reduced, reused, repaired, rebuilt, refurbished, refinished, recycled, or composted, then it should be restricted, designed, or removed from production. ***Pete Seeger***

The proper use of science is not to conquer nature but to live in it. ***Barry Commoner***

We don't need a handful of people doing zero waste perfectly. We need millions of people doing it imperfectly. ***Anne Marie Bonneau***

When sustainability is viewed as being a matter of survival for your business, I believe you can create massive change. ***Cameron Sinclair***

The greatest threat to our planet is the belief that someone else will save it. ***Robert Swan***

There must be a better way to make the things we want, a way that doesn't spoil the sky, or the rain or the land. ***Paul McCartney.***

A nation that destroys its soils destroys itself. Forests are the lungs of our land, purifying the air and giving fresh strength to our people. ***Franklin D Roosevelt.***

Earth provides enough to satisfy every man's needs, but not every man's greed. ***Mahatma Gandhi.***

Essentially, all life depends upon the soil... There can be no life without soil and no soil without life; they have evolved together. ***Dr. Charles E. Kellogg.***

Only when the last tree is cut down, the last fish eaten, and the last stream poisoned, will you realize that you cannot eat money. ***Cree Indian Proverb.***

Preservation of our environment is not a liberal or conservative challenge; it's common sense. ***Ronald Reagan.***

Progress is impossible without change, and those who cannot change their minds cannot change anything. ***George Bernard Shaw.***

The activist is not the man who says the river is dirty. The activist is the man who cleans up the river. ***Ross Perot.***

There are no passengers on spaceship earth. We are all crew. ***Marshall McLuhan.***

This supersedes political parties, race, creed, religion, it doesn't matter. If we do not solve the environment, we're all damned. ***Elon Musk.***

We are living on this planet as if we had another one to go to. ***Terry Swearingen.***

We are the first generation to feel the impact of climate change and the last generation that can do something about it. ***Barack Obama.***

We can no longer speak of sustainable development apart from intergenerational solidarity. ***Pope Francis.***

We do not inherit the Earth from our ancestors; we borrow it from our children. ***Native American Proverb.***

We don’t have to engage in grand, heroic actions to participate in change. Small acts, when multiplied by millions of people, can transform the world. ***Howard Zinn.***

Climate change is the single greatest threat to a sustainable future, but addressing the climate challenge presents a golden opportunity to promote prosperity, security, and a brighter future for all. ***Ban Ki-Moon.***

The earth will not continue to offer its harvest except with faithful stewardship. We cannot say we love the land and then take steps to destroy it for use by future generations. ***Pope John Paul II.***

Source: The Internet.

Future-Ready CMA:
Leveraging AI for a Competitive Advantage

Kaushika Jayalath

Abstract

As artificial intelligence (AI) continues to redefine the contours of business and finance, accounting professionals must rapidly adapt to sustain their relevance and competitiveness. This article examines how AI-specifically Generative and Agentic AI-can be strategically leveraged by management accountants. It explores real-world applications, governance frameworks, and cultural shifts required to responsibly integrate AI into accounting practices, offering both conceptual clarity and practical direction for the modern CMA.

Introduction: The strategic imperative of AI

The global business landscape is undergoing a seismic shift catalysed by the rise of artificial intelligence (AI). While initial apprehensions regarding AI's potential to replace human professionals persist, the evolving consensus suggests a more nuanced reality: AI is not poised to replace accountants but to empower those who can effectively integrate it into their workflows.

The webinar, "Future-Ready CMA: Leveraging AI for a Competitive Advantage," opened with this provocative assertion: "*AI will not replace you. But someone using AI better than you will*." This theme framed AI not as a threat, but as a strategic enabler—a partner that can elevate the accountant's role from data processor to insight generator.

Conceptual foundations of AI in accounting

To contextualise AI's role in accounting and finance, it is necessary to understand its three foundational layers:

- Applications: Practical tools such as ChatGPT, Microsoft Copilot, Otter.ai, and Fireflies.ai provide real-time transcription, content generation, and intelligent assistance capabilities.
- Data: Quality and accessibility of structured and unstructured financial data are critical for AI's accuracy and predictive capabilities.
- Infrastructure: AI's effectiveness depends heavily on robust cloud-based platforms and ERP systems that allow seamless integration across finance functions.

These layers collectively support an AI-driven finance function capable of transforming decision-making, reporting, and compliance tasks.

Real-world applications of AI in finance and accounting

The central theme of the webinar was the practicality of AI tools in everyday finance functions. Drawing on industry examples and Oracle's enterprise solutions, the discussion outlined several key applications:

- Automation of routine tasks - AI now handles tasks traditionally assigned to junior accountants, including invoice and purchase order line matching, intelligent document recognition (using OCR), automated account defaulting and spend classification.

- Predictive analytics and forecasting - AI models generate real-time cash flow forecasts, detect anomalies, and support scenario planning. Predictive planning tools can now auto-generate or validate forecasts, significantly reducing budget cycle times by up to 50%.
- Insight generation - Generative AI tools produce narrative summaries for board reports, management commentaries, and project updates. This transforms the finance function into a strategic communication partner, not just a reporting mechanism.
- Fraud detection and compliance - AI enables real-time anomaly detection in expense claims and other transactions, mitigating fraud risk and reducing audit complexity. AI-powered compliance tools can also automate regulatory reporting using structured and unstructured data.

Industry use cases and strategic value realisation

The application of AI is not confined to accounting. Cross-industry examples illustrate how AI contributes to business transformation:

- Insurance sector: AI-powered chatbots are deployed to streamline underwriting and claims processing, enhancing customer responsiveness and reducing manual handling errors. These bots are trained on internal policy documentation and historical claims data, enabling them to triage customer queries in real time.
- Banking sector: AI tools are employed in back-office functions to extract entities and key information from regulatory filings, contracts, and financial reports. This speeds up compliance and audit readiness, while also enabling regulatory submissions to be partially automated.
- Retail sector: Intelligent assistants enhance customer support functions by answering questions related to products, warranties, and policies. These tools are often integrated with knowledge bases and CRM systems, reducing call centre load and improving customer satisfaction.
- Government: Language processing AI is deployed to summarise complex legal or policy documents in multiple languages, improving accessibility and citizen engagement in multilingual populations.

These cross-sector examples underscore the strategic role of AI not just as a tool for automation but as an enabler of compliance, speed, and scale. Accounting professionals must begin to see AI not solely as a technical adjunct, but as a lever for strategic advantage and stakeholder engagement.

Agentic AI and the rise of virtual finance co-workers

An emerging frontier is the adoption of **Agentic AI**—autonomous digital agents capable of performing cognitive tasks without explicit instructions. Examples include virtual finance assistants that prepare financial commentary, draft stakeholder updates, or alert stakeholders to KPI variances.

In the context of finance, Agentic AI is already reshaping core functions by acting as a digital co-worker—proactively assisting with tasks that traditionally required analytical judgment. As discussed in the webinar, one of the most impactful applications is in the generation of financial narratives: AI agents can interpret numerical outputs from ERP systems and automatically produce commentary for monthly management reports or board packs. These agents also monitor key financial indicators such as revenue, margins, and operational efficiency in real time, and can flag material deviations as they occur.

In planning and budgeting, Agentic AI can run dynamic scenario analyses, identify cost optimisation opportunities, and even propose draft budgets aligned with strategic objectives. A highlighted use case from Oracle demonstrated AI agents that automate not just transaction processing but also contextual insights—such as identifying which variances are statistically significant and which require escalation. These capabilities shift the finance team's role from number crunchers to strategic interpreters, allowing human professionals to focus on judgment, communication, and oversight.

This evolution suggests a shift from human-machine interaction to **human-machine collaboration**. Accountants are no longer merely users of software but orchestrators of intelligent agents that learn and evolve.

The strategic question then arises: *What governance structures are necessary to ensure these agents operate ethically and transparently?*

Governance, ethics, and the role of the Board

The deployment of AI within finance must not occur in a vacuum. Without deliberate oversight, AI introduces risks related to data bias, algorithmic opacity, and unintended consequences. The webinar made specific reference to the 'Principles for safe, effective and responsible AI use' jointly developed by the University of Technology Sydney's Human Technology Institute and the Australian Institute of Company Directors (AICD). These principles form a blueprint for boards, CFOs, and senior finance executives tasked with implementing AI within ethically and operationally sound frameworks:

- Roles and responsibilities: Clearly delineate decision-making accountability. For example, who is responsible if an AI-generated forecast leads to a misinformed strategic decision?
- People, skills, and culture: Conduct ongoing assessments of organisational digital capabilities. This includes upskilling finance teams and leadership in AI literacy, promoting a culture of innovation while addressing fears around job displacement.
- Governance structures: Ensure AI-related issues are discussed at board level. This may involve updating board charters to include digital risk oversight or creating a technology subcommittee.
- Strategy, principles, and policies: Incorporate AI into corporate strategy and operational policies, including privacy, cybersecurity, and procurement.
- Practices and controls: AI systems must be incorporated into existing enterprise risk management (ERM) frameworks. Third-party AI vendors should undergo rigorous due diligence and be evaluated for alignment with internal risk standards.
- Infrastructure and transparency: Maintain a comprehensive inventory of AI tools and ensure data sources and model training sets are documented. This supports auditability and trust.
- Stakeholder engagement: Consider the broader societal implications of AI tools. Finance leaders should ensure outputs are explainable, and that recourse mechanisms are available for decisions impacting individuals or clients.

- Monitoring and evaluation: High-risk AI systems should be continuously monitored using key performance indicators (KPIs) and reviewed through both internal and external assurance processes.

Finance professionals, particularly those in leadership roles, are uniquely positioned to embed these principles across organisational AI initiatives. Their deep understanding of risk, regulation, and reporting makes them natural stewards of ethical technology integration. Moreover, CMAs can advocate for frameworks that ensure data used by AI tools is both relevant and representative.

Challenges and cultural transformation

Despite the promise of AI, its implementation is far from frictionless. The webinar addressed a range of challenges that finance teams and organisations are grappling with:

Skills and Knowledge Gaps - A recurring barrier to AI adoption is the lack of AI fluency among finance professionals. While many may use Excel macros or dashboards, fewer are comfortable with AI-specific concepts like prompt engineering, model training, or API integrations. This impedes the ability to both use and evaluate AI tools effectively.

To overcome this, organisations must invest in continuous professional development, not only in technical skills but also in areas such as data literacy, model validation, and AI ethics. Professional bodies like CMA *Sri Lanka* can play a catalytic role by incorporating AI modules into CPD and certification programs.

Resistance to Change - Cultural resistance remains a significant obstacle. Employees may perceive AI as a threat to job security or autonomy, especially if the implementation is poorly communicated. In the finance function, where roles are often structured around control and predictability, disruption can feel especially destabilising.

Leadership must reframe AI adoption as augmentative rather than reductive—emphasising that automation of low-value tasks frees professionals to engage in strategic analysis, stakeholder communication, and scenario planning.

Data quality issues - AI is only as effective as the data it consumes. Many organisations still struggle with fragmented, siloed, or poor-quality data, limiting the utility of advanced AI tools. Finance teams must work closely with IT departments to improve data governance, master data management, and interoperability of systems.

Trust and transparency - Trust in AI systems remains low, particularly when outputs are not easily explainable. Finance professionals often operate in environments where transparency and auditability are non-negotiable. If an AI-generated report cannot be interrogated, its utility is severely limited in a compliance-heavy domain like accounting.

This calls for explainable AI (XAI) models and processes that document how decisions are made, what data was used, and how outcomes can be challenged or validated.

Audience insights and readiness indicators

One of the most valuable aspects of the webinar was the interactive polling and live Q&A segments, which provided a window into the current state of AI readiness among finance professionals in Sri Lanka.

Adoption patterns - A majority of participants reported having used AI tools such as ChatGPT or Microsoft Copilot in a personal or experimental capacity. However, fewer than 30% indicated regular or strategic use of AI in their daily accounting workflows. This suggests high interest but low operationalisation of AI capabilities.

Governance gaps - Responses revealed that formal AI governance frameworks are still rare. Most organisations have not yet developed policies around AI procurement, data ethics, or model validation. This gap presents both a risk and an opportunity for CMAs to lead policy development and risk integration initiatives.

Appetite for learning encouragingly- The interactive discussions reflected a strong appetite for structured learning. Many participants expressed interest in tools that could automate expense processing, accelerate forecasting, or support audit analytics.

This readiness to experiment—if supported by appropriate training and governance—positions Sri Lanka's finance professionals well for proactive digital transformation.

Conclusion: Becoming future-ready

As the session concluded, three themes emerged:

- AI is here—and accelerating. Waiting is not a strategy.
- CMAs must evolve—from transactional roles to strategic advisors equipped with digital tools.
- Governance is non-negotiable. Ethical, transparent AI is everyone's responsibility.

The call to action was clear: Experiment. Educate. Engage.

"We are not here to be replaced. We are here to be augmented. Let AI do the heavy lifting—so we can lift our thinking."

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AI for Finance Professionals: Accelerating Transformation in the Digital Age

Prabash Galagedara

Introduction

The finance profession stands at the precipice of its most significant transformation since the advent of computerisation. As artificial intelligence reshapes industries worldwide, finance professionals must embrace this technological revolution or risk obsolescence. The convergence of AI capabilities with financial expertise presents unprecedented opportunities to enhance efficiency, accuracy, and strategic value creation.

The evolution of finance: From ledgers to AI agents

Finance has always been an early adopter of transformative technologies. The profession's journey from manual ledgers in the 1920s to today's AI-powered systems reveals a consistent pattern of adaptation and evolution. Each technological leap—from adding machines to calculators, from mainframe computers to personal computers, and from spreadsheets to cloud-based ERP systems—has fundamentally altered the role of finance professionals.

Today's finance professionals have evolved far beyond traditional bookkeepers. They have become strategic advisors, business partners, and the ultimate custodians of corporate responsibility. This evolution continues as AI agents emerge as the next frontier, promising to automate routine tasks while elevating human expertise to higher-value strategic functions.

The AI boom: A $1 trillion investment wave

The current AI boom represents more than technological hype—it's backed by substantial investment and proven results. Companies mentioning AI in their market updates have witnessed approximately 5% increases in market capitalisation, while more than $1 trillion has been committed to AI technology investments globally.

The AI ecosystem spans five critical layers: hardware and chips (led by companies like NVIDIA), compute and storage infrastructure (Microsoft and cloud providers), AI models (OpenAI and similar platforms), applications (UiPath and process automation tools), and education (universities and training programs). This comprehensive investment across the entire stack demonstrates the depth and sustainability of the AI transformation.

The talent market reflects this investment surge, with AI-related roles commanding 78% higher salaries than traditional occupations. Entry-level AI positions offer 128% higher compensation than non-AI roles, while mid-level and senior positions show increases of 58% and 49%, respectively. These premium salaries signal the market's recognition of AI skills as mission-critical capabilities.

AI Applications transforming finance functions

External reporting revolution

AI is revolutionising how organisations communicate financial information to stakeholders. Modern AI-powered reporting systems offer voice-activated summaries, multilingual support, and conversational AI interfaces that allow users to query financial data naturally. These systems generate personalised reports, create custom visualisations, and provide accessible features like screen readers and voice-to-text narratives. The result is more engaging, accessible, and actionable financial communication.

Intelligent financial planning and forecasting

Traditional forecasting methods are being superseded by AI algorithms that analyze vast datasets in real-time. These systems enhance forecasting accuracy through continuous learning, provide sophisticated scenario analysis capabilities, and automate routine planning tasks. By processing multiple variables simultaneously and identifying patterns invisible to human analysis, AI-driven forecasting delivers strategic insights that drive better business decisions.

Proactive fraud prevention

AI has transformed fraud prevention from reactive detection to proactive prevention. Modern AI systems monitor transactions in real-time, recognize patterns and anomalies that indicate fraudulent activity, and adapt their detection capabilities through machine learning. These systems significantly reduce false positives while enhancing identity verification processes and improving credit assessments. The result is more secure financial operations with reduced operational overhead.

Real-time risk management

Risk management has evolved from periodic assessments to continuous monitoring through AI-powered Risk ERP systems. These platforms provide real-time risk reporting at all organizational levels, including board-level dashboards. Generative AI enables rapid review of vast document repositories, while robotic process automation captures and manages risks end-to-end. Advanced simulation techniques provide forward-looking risk visibility, allowing organisations to anticipate and mitigate future challenges.

Automated accounting operations

Perhaps nowhere is AI's impact more profound than in core accounting functions. AI systems can now handle transaction classification and coding, perform real-time reconciliations, detect anomalies, generate automated journal entries, and conduct continuous audit monitoring. These systems optimize financial close processes, accept voice and text-based inputs, integrate seamlessly with existing systems, and generate reports with automated commentary. The promise of fully automated financial accounting is becoming a reality.

Intelligent tax compliance

Leading tax authorities worldwide operate as technology platforms, leveraging AI extensively for efficiency gains. AI-powered tax systems automate filing processes, detect and prevent fraud, monitor compliance requirements, conduct risk-based audits, and provide customer engagement through intelligent chatbots. These systems analyse data across multiple sources—banks, government databases, stock markets, and cryptocurrency platforms—to understand comprehensive tax liability automatically.

Next-generation auditing

AI is revolutionizing audit methodology through advanced data analysis capabilities, sophisticated risk assessment algorithms, and automation of repetitive tasks. AI-powered audit systems provide continuous monitoring capabilities, automate workflow processes, enhance collaboration tools, and integrate seamlessly with ERP and financial systems. The result is more thorough, efficient, and insightful audit processes that deliver greater value to stakeholders.

AI-powered forensic investigation

In forensic accounting, AI agents are uncovering insights that human investigators might miss. These systems excel at anomaly detection, fraud prevention, task automation, continuous monitoring, risk scoring and prioritisation, and comprehensive document management. AI's ability to process vast amounts of data quickly and identify subtle patterns makes it invaluable for forensic investigations.

Essential AI skills for finance professionals

Modern finance professionals must develop competency in five essential AI-related areas:

- AI agents: Understanding how to deploy and manage AI agents for various finance functions, from customer service chatbots to complex analytical tasks.
- Data wrangling: Mastering the art of preparing, cleaning, and structuring data for AI consumption—a critical skill as AI systems require high-quality input data.
- Insights generation: Learning to interpret AI-generated insights and translate them into actionable business recommendations.
- AutoML platforms: Gaining familiarity with automated machine learning tools that democratise AI model development for business users.
- Workflow automation: Understanding how to design and implement AI-powered process automation that streamlines finance operations.

Strategic implementation framework

Successfully implementing AI in finance requires a comprehensive three-pillar approach focusing on data, tools, and processes:

Data foundation

Organizations must migrate financial data to secure, accessible cloud storage platforms. This migration enables AI systems to access the comprehensive datasets necessary for effective analysis and decision-making.

Tool deployment

Every finance professional should receive access to AI agents and analytics platforms. This democratisation of AI tools ensures that the entire finance organization can leverage artificial intelligence capabilities in their daily work.

Process transformation

All finance processes should be redesigned with AI and technology integration in mind. This transformation goes beyond automation to the fundamental reimagining of how finance functions operate in an AI-enabled environment.

The path forward: Measurable outcomes

Organisations implementing comprehensive AI strategies in finance can expect tangible results: secure and accessible data storage across all financial information, month-end close processes completed by day one, 100% utilisation of AI agents across all finance activities, and comprehensive AI training for all finance staff.

These outcomes represent more than operational improvements—they signify a fundamental shift toward real-time financial insights that drive business decisions at unprecedented speed and accuracy.

Conclusion: Embracing the AI imperative

The question facing finance professionals is not whether AI will transform their field, but how quickly they can adapt to lead this transformation. The technology exists, the investment is flowing, and early adopters are already realizing significant competitive advantages.

Finance professionals who embrace AI today position themselves as strategic leaders in tomorrow's business environment. Those who hesitate risk being left behind as the profession evolves around them. The choice is clear: embrace AI transformation and unlock unprecedented opportunities for value creation, efficiency gains, and strategic impact.

The future of finance is not about replacing human expertise with artificial intelligence—it's about augmenting human capabilities with AI power to achieve results that neither could accomplish alone. In this symbiotic relationship lies the true potential of AI for finance professionals.

Prabash Galagedara

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The Rise of the Strategic Accountant: More than Just Numbers in the Digital Age

Senaka Kelum Gamage

Introduction

The accounting profession is undergoing a significant transformation, moving away from its traditional emphasis on historical financial reporting towards a future where strategic insight and technological competence are essential. This global shift is fueled by rapid technological advancements, the increasing availability of data, and the growing need for businesses to navigate complex and dynamic environments. In Sri Lanka, this evolution is particularly important as the nation's economy becomes more integrated into the global landscape, and businesses strive for enhanced competitiveness and transparency. This necessitates a new generation of accounting professionals capable of providing strategic guidance and driving value creation, in addition to managing financial records.

Historically, accountants were often seen as specialists focused on number-crunching, confined to ledgers and spreadsheets. However, they are increasingly emerging as strategic advisors, data analysts, and technology experts, playing a crucial role in navigating the complexities of modern business. This evolution is largely driven by the advancement of technology, with automation, artificial intelligence (AI), and cloud computing revolutionizing accounting practices and enabling professionals to concentrate on higher-level analysis and strategic decision-making. As Brynjolfsson and McAfee (2014) pointed out in 'the Second Machine Age,' automation is not simply about replacing manual labor but about augmenting human capabilities with intelligent machines.

The evolving role of the accountant

Understanding the historical context of the accounting profession is crucial to fully appreciate the rise of the strategic accountant. Traditionally, accountants were primarily responsible for bookkeeping, maintaining financial records, and preparing financial statements, with a strong focus on historical data and compliance with accounting standards and regulations. However, several factors have converged to transform this traditional role.

Globalization has increased the demand for accountants who can navigate complex international transactions and understand diverse accounting standards. Economic volatility has underscored the importance of timely financial information for effective decision-making, requiring accountants to provide insights that mitigate risk.

Regulatory changes have added to the complexity of compliance, and technological advancements have automated routine tasks, providing accountants with tools for advanced analysis. Furthermore, the explosion of data has created a need for accountants capable of analyzing large datasets and extracting meaningful insights to inform business strategy. In this evolving landscape, the "strategic accountant" has become a key player, a finance professional who transcends traditional functions to contribute to an organization's strategic goals by providing financial insights, supporting decision-making, managing performance, assessing risk, and participating in strategic planning.

Applications of technology in accounting

Technology's impact on accounting is profound and multifaceted, revolutionizing practices through automation and advanced analytical tools. Envision a scenario where sophisticated software automatically manages data entry and invoice processing, freeing accountants to concentrate on in-depth financial analysis. This automation extends beyond basic data entry to encompass tasks like bank reconciliation, fixed asset management, and even initial trial balance preparation, significantly enhancing efficiency and minimizing the risk of human error. AI algorithms can analyze extensive datasets, uncovering patterns and trends that would otherwise remain undetected. This capability extends beyond simple trend analysis; AI can forecast cash flow, evaluate credit risk, and accurately detect fraudulent transactions. For instance, AI-powered systems can continuously monitor transactions in real-time, identifying suspicious activities indicative of fraud, a task virtually impossible for manual human review.

Cloud-based accounting platforms have further optimized financial operations, providing real-time access to information and enabling seamless collaboration among teams. This accessibility allows businesses to respond quickly to changing market conditions and make timely strategic adjustments. Cloud platforms also foster collaboration, enabling simultaneous work on financial documents by various stakeholders, thereby improving efficiency and communication. As Davenport and Harris (2017) emphasized in 'Competing on Analytics,'the ability to leverage real-time data is a critical competitive advantage. Moreover, technology facilitates the development of advanced financial reporting tools that offer stakeholders interactive dashboards and data visualizations. These tools surpass traditional static reports, enabling users to explore specific data points and gain a deeper understanding of a company's financial performance.

Blockchain technology is also emerging in accounting, promising increased transparency and security in financial transactions. Key technologies transforming accounting include Artificial Intelligence (AI) and Machine Learning, Robotic Process Automation (RPA), Cloud Computing, Data Visualization Tools, and Blockchain Technology. The adoption of these technologies significantly impacts accounting functions such as auditing, tax accounting, management accounting, and forensic accounting. However, the increased reliance on technology also raises concerns about cybersecurity and data integrity, requiring accountants to prioritize data protection and ensure the reliability of financial information.

The skill set of the strategic accountant

The technological revolution and the evolving role of the accountant necessitate a new set of skills, moving beyond traditional accounting principles. Expertise in data analytics, programming languages like Python and R, and familiarity with emerging technologies like blockchain and FinTech are becoming increasingly essential. Accountants are no longer simply custodians of financial records; they are now interpreters of data, translating complex financial information into actionable insights for various stakeholders, including CEOs, investors, regulatory bodies, and the public. As Libby and Hodge (2012) described, the accountant must effectively act as an information intermediary. The essential skills for strategic accountants can be categorized into technical skills, soft skills, and ethical considerations. Technical skills encompass data analytics (for analyzing large datasets), programming (for automating tasks and manipulating data), database management (for extracting financial information), and proficiency in accounting software (for utilizing various accounting systems). Soft skills include communication (for conveying financial information clearly), critical thinking (for objective analysis), problem-solving (for developing effective solutions), leadership (for influencing and motivating teams), and collaboration (for working effectively in diverse teams). Ethical considerations are paramount and comprise integrity (for maintaining honesty), objectivity (for providing unbiased advice), confidentiality (for protecting sensitive information), and professional skepticism (for critical evaluation of information).

Global and Sri Lankan perspectives

The transformation of the accounting profession is a global phenomenon with specific implications for different regions and countries. Globally, there is an increasing focus on sustainability reporting, with a growing demand for companies to report on their environmental, social, and governance (ESG) performance, where accountants play a crucial role in measuring and reporting ESG metrics. Integrated reporting, which combines financial and non-financial information for a holistic view of organizational performance, is also gaining prominence. Efforts are underway to harmonize accounting standards globally, exemplified by the International Financial Reporting Standards (IFRS). Furthermore, there is a global shortage of skilled accountants, particularly those with expertise in technology and data analytics.

In the Sri Lankan context, the country's developing economy requires skilled accountants to support businesses and ensure financial stability. The adoption of technology in the Sri Lankan accounting profession is accelerating, driven by the need to enhance efficiency and competitiveness. The regulatory environment in Sri Lanka is evolving to align with global trends, necessitating that accountants stay informed about new regulations and compliance requirements. Professional accounting bodies in Sri Lanka play a vital role in providing training and development opportunities for accountants.

The future of accounting

The accounting profession is poised for continued rapid evolution, shaped by emerging trends and technologies. AI-driven auditing is expected to become increasingly prevalent, automating tasks and enhancing the efficiency and effectiveness of the audit process. Continuous accounting, involving real-time or near real-time processing of accounting data, will provide stakeholders with up-to-date financial information. Blockchain technology has the potential to transform supply chain finance transactions by improving efficiency and transparency. Accountants will play an increasingly important role in strategic decision-making within organizations, including evaluating the financial implications of mergers and acquisitions, providing financial analysis for investment decisions, and developing and monitoring key performance indicators (KPIs) to track progress towards strategic objectives. The increasing globalization of business requires accountants to handle complex cross-border transactions, understand diverse accounting standards and regulations, prepare financial reports for international stakeholders, and demonstrate cultural sensitivity when working with people from different backgrounds.

Embracing the future of accounting

To succeed in this evolving field, aspiring and current accountants must proactively develop their skills and knowledge, embracing a commitment to continuous learning and adaptation. This includes pursuing accounting or finance degrees with specializations or strong components in data analytics, information systems, or business intelligence. In Sri Lanka, universities such as the University of Sri Jayewardenepura, the University of Colombo, the University of Kelaniya, and the University of Peradeniya are increasingly offering accounting programs that incorporate data analysis and technology-related subjects to meet this demand.

Obtaining certifications that demonstrate advanced skills, like the Certified Data Analytics Professional (CDAP) or certifications in specific accounting software (e.g., SAP, Oracle), is also beneficial, signaling professional excellence.

Furthermore, pursuing professional qualifications such as those offered by the Institute of Certified Management Accountants of Sri Lanka (CMA *Sri Lanka*), which emphasizes strategic management accounting, is highly relevant for accountants seeking to become strategic business partners. Online learning platforms like Coursera, edX, and Udemy offer valuable opportunities to learn programming languages (Python, R), data visualization tools (Tableau, Power BI), and blockchain technology.

Many Sri Lankan institutions and professional bodies are also establishing online learning platforms to enhance accessibility to these skills and address the digital skills gap. Attending workshops, conferences, and webinars focused on emerging trends in accounting, such as AI in finance, cybersecurity, and sustainability reporting, is essential for professional development and staying current with industry changes. Networking with professionals through industry events and online communities is crucial for staying informed about new opportunities and best practices. In Sri Lanka, professional bodies like the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Association of Accounting Technicians of Sri Lanka (AAT Sri Lanka), and CMA *Sri Lanka* provide important professional development and networking avenues. By proactively taking these steps, accountants can effectively position themselves for success in the era of the strategic accountant, both in Sri Lanka and globally.

The future of accounting is not about replacing human accountants with machines. Rather, it is about empowering professionals with advanced tools and technologies to elevate their role beyond routine tasks. Accountants are becoming strategic partners, working alongside business leaders to drive growth, manage risks, and create sustainable value. As IFRS Foundation (2021) suggests, the modern accountant must be able to adapt to ever-changing reporting standards.

In a world increasingly driven by data, the accountant is no longer just a numbers person; they are a strategic navigator, guiding businesses towards a prosperous and sustainable future. Their ability to translate complex financial information into actionable insights makes them invaluable assets in any organization. The age of the strategic accountant has arrived, and it is reshaping the landscape of modern business.

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The Changing Role of the Management Accountant in an Advancing IT Environment in Sri Lanka

MIM Riyath

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Introduction

Information Technology (IT) has shifted the role of management accountants the world over including Sri Lanka from descriptive to prescriptive, providing data, analytics, insights and consultancy tailored to the unique needs of local businesses. This shift has prompted the Institute of Certified Management Accountants of Sri Lanka (CMA *Sri Lanka*)[1] to actively prepare its members for success in this changing environment, balancing traditional practices with cutting-edge technology. This paper spells out a brief account of this transformation which keeps unfolding in its numerous forms.

Evolution of the Management Accountant's role

Traditionally, management accountants focused on costs, budgets, and financial reporting. However, with the high development of IT systems that prevailed in the country, their work shifted to a focus on activities such as strategic planning, data analysis, and consultancy in various industries. This change is evidenced in ERP systems implementation, big data analytics, and artificial intelligence in accounting practices in Sri Lanka. For instance, a leading telecommunications company has integrated its processes with the help of the 'Analytics at the Edge 'program to provide data analytics to hundreds of workers across the company. Likewise, a major fabric supplier has embraced the SAP ERP system to enhance management control and service delivery.

Enhancing value through Information Technology

There are several ways through which enhancing value takes place.

- Data Analytics and Decision Support: Management accountants use analytics to make profound analyses and offer tactical plans for improved decisions. They also process large amounts of data, orient in tendencies, and provide managers with models of possible financial outcomes and plans for the company's further development. For instance, adopting big data enables the prediction of future revenue and the discovery of new ways to reduce costs.
- Automation of Routine Tasks: AI and machine learning help increase efficiency by reducing the hours that would otherwise be spent performing administrative work like data entry, analysis, and report preparation. This frees managerial time for self-creation activities such as focusing on strategic planning and risk management by the management accountants. Manual, repetitive work is best replaced by computers within the organization because it saves time and errors are very low, creating credible financial information.

1 The national Professional Management Accounting Institution in Sri Lanka, CMA *Sri Lanka* was initially formed as the Society of Management Accountants of Sri Lanka founded in 1999 to be incorporated as the Institute of Certified Management Accountants by Parliament Act No. 23 of 2009. The founder Professor Lakshman R. Watawala, accounting professional cum administrator par excellence, continues to lead as the President, CMA *Sri Lanka*.

- Real-Time Reporting: Sophisticated applications in computers bring efficiency in fast and immediate reporting of the company's financial position to the stakeholders. This flexibility in reporting outweighs the need for better, faster responses to market shifts and improves strategy development. Real-time reporting functionalities allow for deliveries of management accountants' reports as and when needed, which is important for business decision-making processes.
- Enhanced Financial Controls: IT solutions enhance the reliability of financial information and provide sound financial risk management and compliance with the legislation. This minimizes risks and improves the overall worth of organizations financially. Some of the IT solutions and mechanisms of advanced financial controls are using checks and balances in the form of automated systems, real-time monitoring of financial transactions, and enhanced fraud detection mechanisms.

Contributions to the local and regional economy

Balancing the development of economic growth and the digital landscape in Sri Lanka changes the management accounting position, which is influenced by national peculiarities, the strategies of a state, and the tendencies of a global level. The" Digital Sri Lanka 2030" vision[2] to transform the country into a digitally enabled nation offers new opportunities and threats for management accountants who will be required to work with digital platforms and offer analysis on digital business models. It has become imperative because Sri Lanka is halting from being a rural economy-driven country to an urbanized economy with manufacturing and service sectors. Applying IT and data analytics to management accounting has enhanced the growth and competition of the various sectors. SMEs, which create 52% of the GDP and 20% of exports[3], receive significant advantages in terms of efficiency and costs. Management accountants contribute to meeting the IT-BPM[4] sector target with exports of $5 billion and employment of as many as 200 thousand people. In agriculture, which contributes 7.9% to GDP and employs over 30% of the population, data analytics improve productivity and reduce post-harvest losses. The tourism industry, which contributes over 4% to GDP and employs 450,000 people, relies on management accountants to optimize operations and pricing, aiding recovery and competitiveness. Thus, the contribution of Management Accounting to the local and regional economy is immense.

Educational imperatives

Even as the profession of management accountants changes, so does the professional development requirement. CMA *Sri Lanka* has pledged to offer relevant and current educational programs to enable those seeking the CMA qualification to get the necessary skills and knowledge. The curriculum of the CMA is reviewed from time to time to capture any modifications in technology, accounting regulations, and business environment.

Key educational initiatives by CMA *Sri Lanka*:

2 A digitally empowered Sri Lanka for innovation, inclusion and sustainable growth.
3 Asian Development Bank.
4 Business Process Management

CMA initiates strategic moves to face Advancing IT Environment in Sri Lanka.

- Updated Syllabus: CMA's 2023-2027 curriculum introduces a stream focusing on technology and integrates course components with contemporary technologies[5]. It ensures students have sufficient IT skills for leveraging any technological developments.
- Practical Training: CMA has affiliations with many Sri Lankan organizations covering the country's major industries for training, which will expose students to actual functioning IT accounting systems used in real life and actual business situations in Sri Lanka.
- Continuous Professional Development (CPD): CMA provides CPD programs tailored to align with business trends unique to Sri Lanka, such as currency fluctuation and ever-changing Tax and government policies. The institute emphasizes IT-focused CPD, equipping members with vital skills to adapt to technological advancements and digital transformation.

CMA also attaches great value to ethics in IT-driven management accounting. CMA educational programs aim to develop individuals' ethical sensitivity to digital challenges, ensuring adherence to professional integrity in the digital age.

The future of management accounting

Management accountants will be crucial in developing technological innovation in Sri Lanka as the country implements initiatives such as 'Digital Sri Lanka 2030'. Management accountants will transform into strategic partners by mastering emerging technologies. AI, blockchain, and data analytics will revolutionize their roles, requiring continuous upskilling. AI and machine learning will enhance management accountants' capabilities in developing sophisticated forecasting models and automating complex financial analyses. Blockchain will transform transaction verification and enable smart contract implementation in areas like supply chain finance. With the growing employment of analytics in Sri Lankan corporations, management accountants will expand their role in big data analysis, uncovering valuable insights across various sectors. Management accountants will be more consultative, engaging in close partnerships with IT, marketing, and operational teams, focusing on predictive analysis and risk management in an increasingly volatile global economy. This collaboration will be crucial in apparel manufacturing, where they will integrate environmental and social factors into financial reporting. With these advanced skills, management accountants will be crucial in steering Sri Lankan organizations through economic diversification, digital transformation, sustainable development, and global competition, positioning themselves as key drivers of innovation and growth.

Conclusion

The responsibility of management accountants increasing in an advancing IT environment becomes central to business success and the economy. Technology will, therefore, assist in changing the profession and thereby enhance the roles of management accountants in the sustainable development of Sri Lanka and the creation of value within the economy. Delivering continuous management accountancy education and professional development is important because it offers the practitioner the skills to survive such conditions. CMA *Sri Lanka* assists

5 The technology stream is an IT pillar that includes course units such as IT Applications, Data Analytics, Digital Tools for Accountants and Advanced Data Analytics. Futher the curriculum intergrates each course units with contemporary technologies such as Artificial Intelligence (AI), Big Data, Cyber security, Data Science, Internet of Things (IoT) and 4th industrial revolution (4IR).

those in the field of accountancy in having a good foundation on which they can depend through education, training, and skill development. Through a culture of training and development, CMA achieves its goal of making its members ready to operate in the new world order.

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The Practice of Management Accounting in Sri Lanka

Indrajith Karunarathna

Introduction

Management accounting plays a vital role in any organization. It is important to understand as to how it contributes towards the growth of an organization as well as the development of a country. The management accounting provides the capability of scrutinizing the operational activities in such a way that the information can be utilized for the purpose of optimizing the profitability. Further, the management accounting practices would deliver the required information in order to plan out the activities within an organization. Thus, the organizations would adopt the future resource allocations in an effective way under this context. Sri Lanka is equipped with many qualified finance professionals. Amidst the Management Accountants are superior as they are typically considered as the information hub. Sri Lanka as a developing country desires information to plan and forecast the future development goals. Thus, the Management Accountants who are practicing and working in the corporates provides a tremendous contribution when generating such information on time.

The role of management accountants

The management accountants are mainly responsible for examining economic facts, preparing future forecasts, mitigating enterprise risk, planning financials, optimizing resource allocation, strategizing, exploring performance against targets, providing financial insights for decision-making, and ultimately contributing to strategic planning. Moreover, financial accounting and bookkeeping practices are beneficial in order to report the particulars about the historical financial performance within a particular set of guidelines. Those practices are not future oriented whereas they are more in to comply with the typical statutory requirements, international standards and disclosures. Nevertheless, the management further requires customized operational and financial information that should support the effective decision making which should be future oriented. Management accounting practices should be able to provide the ability to use such information in a flexible manner so that a conclusive understanding can be easily reached. Hence, management accounting practices in this context should promote making the right managerial decisions.

Management accounting in Sri Lanka

In Sri Lankan context, many Sri Lankan companies are doing well in terms of traditional responsibilities, including working capital management, performing typical annual budgeting process and improving the control environment etc. They are reluctant to excel at evolving tasks such as implementing strategy formulation, validation, and execution and supplying effective business insights. A discussion is going on whether management accounting practices are evolving to keep step with the changing needs of companies operating in an ever more complex business environment. Since the management accounting has the capabilities of identifying as to how the operational efficiencies are optimized, many Sri Lankan top conglomerates are now utilizing qualified management accountants for this purpose. Thus, the demand for the management accounting qualifications in Sri Lanka are gradually increased. Also, in Sri Lanka it is recently observed a trend of increasing the usage of forward-thinking management accounting techniques and the changing way in which management accounting practices are productively being used: from an old-style monitoring and control perspective to a modern business and support-orientated perspective. Consequently, the role of the management accountant has exceled with both operating concerns and strategic priorities.

The Sri Lankan management accounting practice describes the current trends in management accounting such as identifying some of the environmental changes, ESG sustainability exposures that are driving management accounting change and discusses the impact of integrated information systems and the availability of financial information. With the right focus on this critically important area in consideration, now the finance professionals are converging to management accounting aspects rather than reporting the historical data. This contributes towards the organizations managing the costs and the revenues in such a way that optimum value addition can be reached. As a result, the management accounting practices unswervingly influence the economic value addition of Sri Lankan organizations.

The way forward

Management accounting remains a separate theme that needs to be effectively explore. There are a number of management accounting tools that can be used for the purpose of evaluating the cost, revenue as well as operational implications within an organization. In order to make sure that the organizations would be able to benefit from the usage of these management accounting tools, the qualified professionals should have the required knowledge and the understanding about them. Besides using modern management accounting tools, these professionals should have the capability of customizing them in line with the specific organizational requirements. This is the reason as to why the professionals with the right knowledge and the skill set related to the management accounting theme remains vigorous. The organization in the context of refining the knowledge related to the management accounting practices also remains a timely requirement of an emerging nation such as Sri Lanka. On the other hand, since the necessity of the management information becomes mandatory many top conglomerates should recruit qualified management accountants to their senior positions and obtain such specialized knowledge to meet the upcoming consequences.

Practical challenges

Despite its many benefits, there are a number of implications associated with improving the understanding related to the management accounting practices in Sri Lanka. The actual discourse requirements related to the management accounting studies need to be effectively developed. Further, localization of the understanding related to the management accounting practices is very important. In other words, while understanding the general management accounting concepts, the regional and industrial requirements related to the subject area also need to be identified so that specific management accounting tools which are required by the common industries in the region might have to be industrialized with the right focus. This would offer other management with the right tools and capabilities in order to understand the operations related to the organizations and then make sure that they take right measures in order to optimize the profitability and economic value additions of the overall industries. This would eventually lead to industrial capabilities so that these industries can effectively compete in the international markets.

Contribution of CMA *Sri Lanka*

Institute of Certified Management Accountants in Sri Lanka (CMA) remains a vital party that contribute towards the development of the qualified management accountants in Sri Lanka. The institution was incorporated under the Parliament Act 23 of 2009. Prof. Lakshman R Watawala, being the founder of this prestigious institution has done a tremendous role in promoting and escalating this internationally recognized management accounting qualification whilst identifying the scarcity of management accountants in Sri Lanka. Due to CMA *Sri Lanka's* professional backing, knowledge sharing, continuous professional development (CPD) and producing top class qualified management accountants at an affordable fee the management accounting profession in Sri Lanka has become popular and trending among students.

CMA *Sri Lanka* also provides the up-to-date knowledge related to management accounting in par with the international standards as well as other related business aspects. Hence, the qualification would eventually contribute to the development of a business professional with specific focus on the management accounting. Due to this substantial involvement, CMA *Sri Lanka* has been internationally recognized by International Federation of Accountants (IFAC), International Federation of the confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA) as a member.

Conclusion

The above discussion clearly highlights the importance of management accounting profession and the vital role played by CMA *Sri Lanka* as an academic institution which produces qualified management accountants. Sri Lanka is an emerging economy that has recently faced with challenging economic circumstances and will continue experiencing the negative implications. This is the reason that many organizations should have the capability of focusing on sustainable cost management while improving the overall economic value addition. They have to be competitive in the international markets in order to grow in the future. Hence, the role of management accounting remains at the core of the organizational management in the present context. These indicators provide positive vibes as to see the successful future of the management accounting profession which adds a numerous value not only to the organizations but also to the development of Sri Lanka and its region.

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Management Accounting Education in Sri Lanka: Bridging the Gap Between Academia and Industry

Dayal Abhayasinghe

Abstract

Management accounting in Sri Lanka has evolved significantly, yet a notable gap remains between academic education and industry practice. This article reviews the historical roots and current landscape of management accounting education in Sri Lanka, identifying key challenges such as outdated curricula, limited industry exposure among faculty, lack of technological integration and inequitable access. It explores strategic opportunities to bridge these gaps through curriculum reform, industry collaboration, faculty development, technological innovation and inclusivity initiatives. By fostering stronger ties between academia, industry and professional bodies, Sri Lanka can better prepare management accountants to meet modern business demands and contribute to national growth.

Introduction

Management accounting has now assumed a dynamic role in the context of business decisions taken, strategic planning and eventual organizational performance. Its importance to Sri Lanka has increased with the development of the economy and its increasing integration into world markets. This is further proven by the fact that a gap between academic education and industry practice in management accounting is underlined. This article discusses the state of management accounting education in Sri Lanka, identification of the challenges in aligning academic programmes with industry and the opportunities to bridge this gap.

State of management accounting education in Sri Lanka: A review

Historical perspective

The British accounting practices that prevailed throughout the colonial era has been considered to be a significant influence on the Sri Lankan accounting system. Formal accounting education started in Sri Lanka by the establishment of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) in 1959. At that period, the focus was more on financial accounting and auditing. As a distinct discipline, management accounting came into prominence in the latter half of the 20th century when businesses realized that there was a need for more advanced tools for effective financial management and strategic decision-making frameworks. There was an absence of national management accounting body in Sri Lanka till year 2000. Establishment of Institute of Certified Management Accountants of Sri Lanka (CMA *Sri Lanka*) is a significant milestone in management accounting education in the country.

Current educational landscape

Management accounting education today in Sri Lanka is being provided at a university level, professional bodies and at some private institutions too. All these institutions have been developed with their curricula oriented to give students theoretical knowledge alongside practical skills in management accounting.

Universities

There are major undergraduate and postgraduate programmes in management accounting offered by universities such as the University of Colombo, the University of Sri Jayewardenepura, and the University of Kelaniya. These courses include the total range, from cost management, budgeting to financial analysis and strategic management accounting.

Professional bodies

The two main professional bodies that provide an internationally recognized qualification related to management accounting in Sri Lanka are the Chartered Institute of Management Accountants (CIMA) and the Association of Chartered Certified Accountants (ACCA). Of these, CIMA proves to have quite a significant response and offers a much comprehensive curriculum that includes the incorporation of management accounting with broader business and financial management skills.

On the other hand, there are three local professional institutes that provide the course modules related to management accounting namely the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), the Institute of Certified Management Accountants of Sri Lanka (CMA *Sri Lanka*) and the Association of Accounting Technicians of Sri Lanka (AAT Sri Lanka).

Private institutions and technical colleges

Many private educational institutions and technical colleges also conduct diploma and certificate courses in management accounting. Such programmes have been specifically developed to cater to the demand of students who desire to have a more practical, career-oriented education in management accounting.

Issues in management accounting education

Although the aforementioned types of educational programmes are available, several issues have been encountered in trying to provide management accounting education, which would meet the requirements of industry.

Curriculum relevance and practical application

One of the most significant challenges is how the curriculum can remain relevant to the present needs of the business environment. Most of the institutions in Sri Lanka still rely on conventional curricula, which may not pay sufficient attention to the new trends and technologies in the field of management accounting. Such a gap between academic instruction and practice in the industry exposes the graduate to the world outside the classroom quite unprepared for the challenge.

Faculty development and industry experience

The fact that there are very few faculties who have adequate industry experience poses another principal challenge. While academic standards are vital, there is a strong dependence of teaching this subject on adequate experience in management accounting. Too little faculty involvement with the industry may lead to a very theoretical teaching approach that may not adequately prepare students for the profession in practice.

Technological integration

It is true that rapid technological development in management accounting brings with it both opportunities and challenges in education. These include data analytics, artificial intelligence and Enterprise Resource Planning (ERP) among others that might change the role of a management accountant radically. However, most of these technologies are not yet integrated into the curriculum in most educational institutions in Sri Lanka, as most of the said institutions still lack resources, have not updated their infrastructure and have limited expertise.

Access and inclusivity

Different regions of the country such as Sri Lanka have inequitable access to quality management accounting education. Qualifying programmes are largely sited in the city centers like Colombo and Kandy; in the potential of access by students from rural areas, there are, nevertheless, notable inequalities. This will create a problem with the lack of diversity in the talent pool in the long run and will increase the gap between academia and industry.

Bridging the gap: Opportunities for alignment

Several strategies help bridge the gap between academia and industry in management accounting education.

Curriculum reform and industry collaboration

There is the need for reform in the curriculum to relate or make relevant the education of management accounting to meet the requirements of industry. There should be close collaboration with respect to curriculum design between educator and industry in capturing current practices and emerging trends in management accounting. This might include advisory boards, industry partnerships, or input from professional bodies such as CA Sri Lanka, CMA *Sri Lanka*, AAT Sri Lanka, CIMA and ACCA etc.

For instance, the University of Sri Jayewardenepura has developed partnerships with leading companies in Sri Lanka to give students practical exposure in the form of internships and industry projects. It makes students accept the concepts of management accounting in practice.

Faculty development and industry experience

Faculty development is also important for better quality in management accounting education. In fact, institutions should support faculty members in involving themselves with industry through consulting projects, sabbaticals in the private sector and attendance at industry conferences and workshops. This can increase faculty insight into industry needs and provide an avenue for bringing practical insights from the field into the classroom.

For instance, the University of Colombo operates a faculty development programme integrated within its system, featuring industry placements and training of recent trends in management accounting. This programme cultivates stronger relations between academia and industry, in turn keeping the faculty abreast of new entrants into the field.

Technological integration and innovation

Technological integration in the curriculum of management accounting education, then, must be aimed at equipping students for today's digital age. This means that institutions must commit to serious investment in modern accounting software, data analytics tools and so on in online platforms to make the learning environment conducive. The curriculum should also enhance student competencies with respect to the evolving business environment by incorporating emerging technologies like blockchain, artificial intelligence and big data analytics.

CIMA has achieved this substantially by embedding digital tools and online resources into the learning syllabus. This will make students who pass out of CIMA adept in using technology for management accounting functions and thus be adequately prepared for the challenge at the modern workplace.

Enhancing access and inclusivity

This in turn means that accessibility to management accounting education will ensure the availability of a more diverse and inclusive talent pool from students of all backgrounds. Therefore, scholarships, financial aid, and various outreaches should be more accessible when it comes to this line of education in most educational institutions, more so to those students from underprivileged areas. Embracing online learning platforms can better be used to facilitate flexible and accessible learning for students who may not be able to attend regular classes.

CMA *Sri Lanka* had launched scholarship schemes and engagement programmes to increase diversity in the management accounting profession. Such moves level the playing field education-wise and subsequently create a roadmap for success for any striving management accountant.

The role of professional bodies

Professional bodies, such as CA Sri Lanka, CMA *Sri Lanka*, AAT Sri Lanka, CIMA and ACCA are also a catalyst between academia and the work environment. These institutions offer Continuous Professional Development (CPD) opportunities, conduct industry sector-relevant seminars & workshops and provides networking platforms for interaction among students, academia and professionals. Professional bodies can ensure the continued relevance of the practices and industry needs by fully engaging with the educational institutions and providing resources or support toward that end.

International collaboration

International collaboration can further help improve the quality of the management accounting teaching that Sri Lankan institutions provide. Most of these collaborations will place the Sri Lankan educational institution in contact with international best practice and research, among other resources. Such programmes, student exchange and joint research may be done to achieve a global perspective in enhancing quality learning.

For example, CIMA Sri Lanka division has collaborations with the foreign universities and professional bodies in joint programme provisions and research opportunities. This makes the student be exposed to the current trends that are happening in management accounting both in Sri Lanka and other parts of the world and helps in building a wider perspective of the profession.

Conclusion

Management accounting education in Sri Lanka is at the crossroads. Much has been accomplished in terms of developing the academic programmes offered whereas the real challenge remains to bridge the chasm between the academic community and the world of practice. It is in rectifying the concerns related to these areas in terms of the relevance of the curriculum, faculty interest, integration of information technology and accessibility to education opportunities that Sri Lanka would be able to make a whole new breed of management accountants prone to changing business requirements today.

This can only be accomplished if and when educational institutions, industry stakeholders and professional bodies fully work together. The stakeholders can work with each other thus assuring that management accounting education in Sri Lanka is relevant, innovative and inclusive. As Sri Lanka forges ahead to expand its economy and become a part of the global markets, its management accountants will occupy a central role. By investing in education and professional development, Sri Lanka can cultivate a new generation of management accountants who are well-placed to drive business success and contribute to the country's economic growth.

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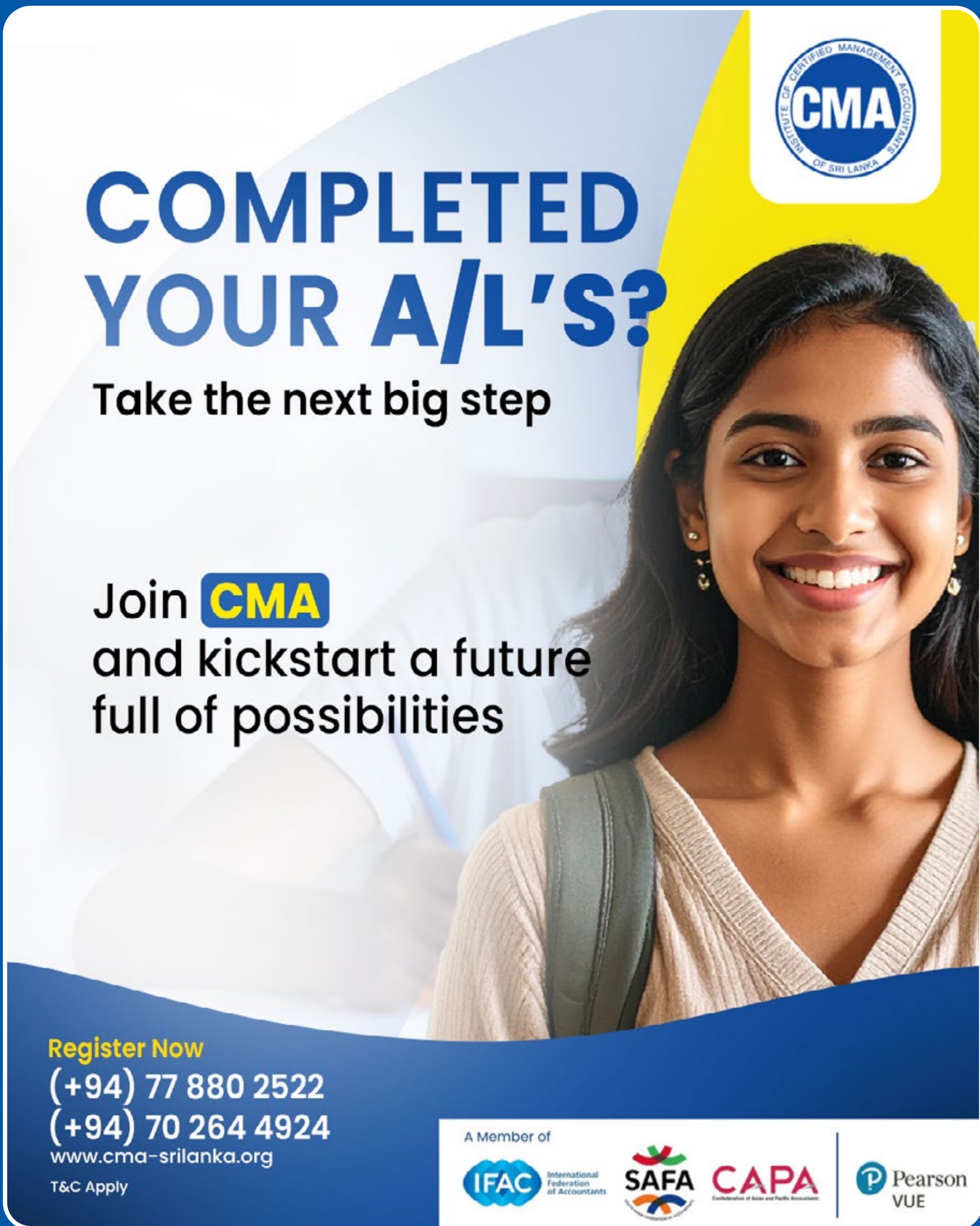
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CMA *Sri Lanka*
Continuing Professional Development Activities

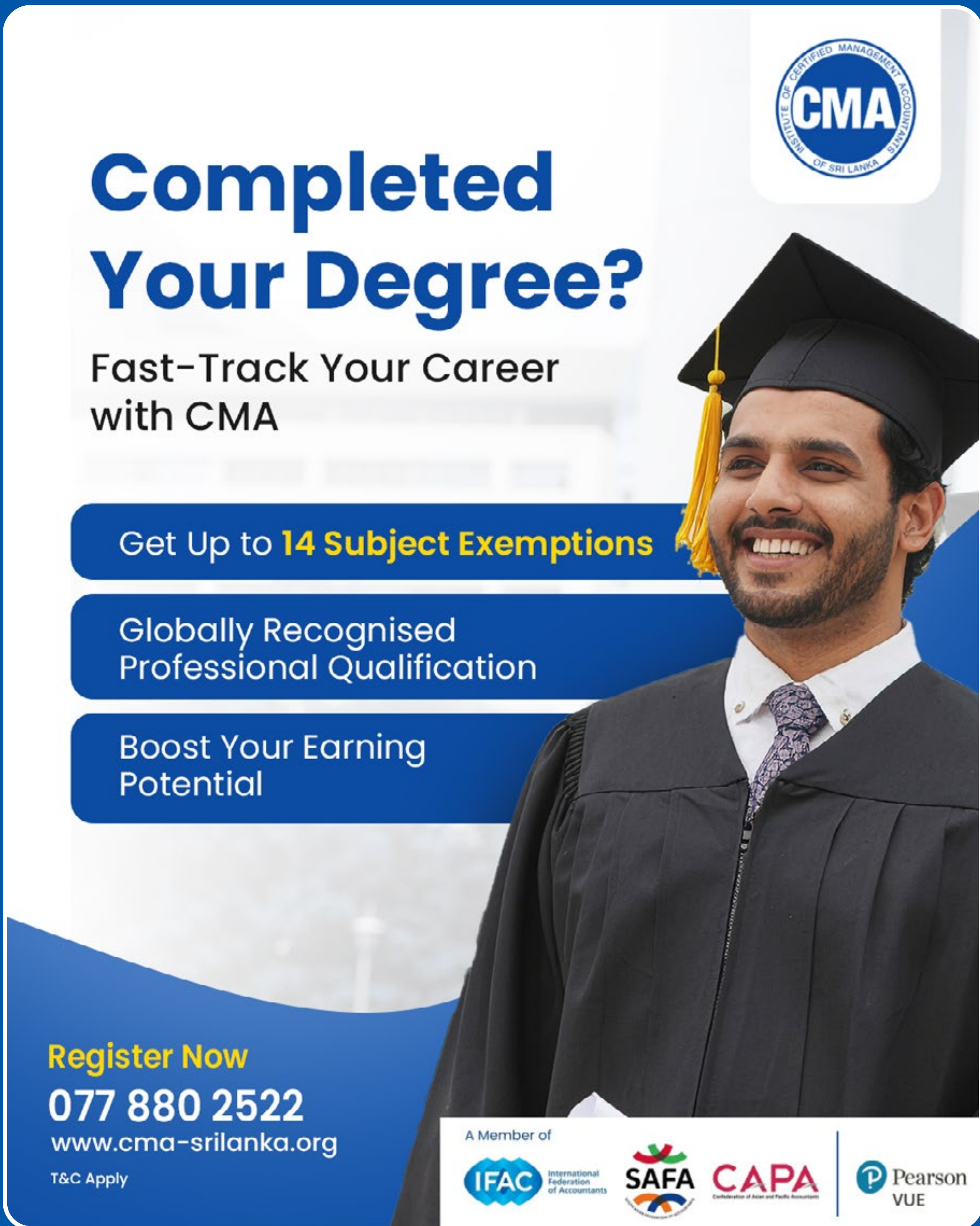
The route to Fellow Membership of the Institute necessarily engages Continuing Professional Development (CPD) in candidates. It conducts varied activities with this objective in focus. In addition, the Institute strongly advises its Fellow Members to continue with their continue professional development activities.

The period January-August 2025 witnessed the conduct of the following CPD activities. Since the outbreak of COVID 19 most of the CPD activities have been conducted online with appreciable interest and growth in the number of attendees.

- Course on Practical Application of VAT, SSCL & RAMIS – Batches 7 and 8
- Course on Practical Application of Income Tax – Batches 8 and 9
- The critical role of Data Analytics in Digital Business Transformation (data Analytics) Batch - 16
- Budget Highlights 2025 - Impact on Business, Economy and Society
- Mastering power analytics, visualization, transformation and dynamic dashboards with advanced MS excel and introducing MS power - Batch 17
- A Short Course on Cost Accounting for Professional Effectiveness - Batch 2
- Impact of Proposed Tax Changes - Personal Tax & Withholding Tax
- International Women's Day 2025 - For All Women and Girls: Rights. Equality. Empowerment
- AI Applications in Finance
- Impact of USA Tariffs of 44% on Sri Lankan Exports and Economy
- Future-Ready CMA: Leveraging AI for a Competitive Advantage
- Workshop on Cost Accounting Standards
- Cyber Security Workshop for MSMEs

CMA *Sri Lanka* is compelled to repeat some of the programmes owing to their great appeal to them. In the meantime, an interesting line up of programmes is ready for execution during the remainder of 2025. CPD Programmes to be conducted in the coming months include the following:

- Post Professional Diploma in Management Accounting
- CMA *Sri Lanka* Silver Jubilee International Management Accounting Conference 2025 on the theme 'Redefining Management Accounting: AI Innovation and Sustainable Value Creation'
- Workshop on Accounting Standards
- Course on Practical Applications of VAT, SSCL& RAMIS
- Course on Practical Applications of Income Tax
- Cost Accounting for Professional Effectiveness
- Power Data Comparisons/ Power Query/ Power BI Dashboards/ Power maps/ Advanced Excel



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CMA *Sri Lanka* News

All Night Pirith Chanting Ceremony, March 28, 2025

Vesak Dhamma Sermon, May 9, 2025

Vesak Dhamma Discourse conducted by Ven. Nanasiha of Vajiraramaya, Bambalapitiya.

Ice Cream Dansala, June 9, 2025 (Poson Poya Day)

CMA Christmas Carols, December 23, 2024

Beatwave with CMA *Sri Lanka*

Cost Accounting Technicians (CAT) students enjoyed an unforgettable day of fun on January 9, 2025, at the Air Force Grounds, Colombo 2. Marking the conclusion of their final examinations, the students came together to relax and relive memories with their batchmates. Dancing to the Beatwaves of DJ music, it was a perfect blend of joy, friendship, and celebration.

The CAT Awards Ceremony

The Certified Accounting Technologists (CAT) Awards Ceremony, 2025 was held on February 28, at the Main Hall of BMICH, Colombo, where around 700 students received their certificates as Certified Accounting Technologists as well as subject completion recognition. The event marked an important milestone in their academic journey, celebrating their hard work and achievements in the presence of fellow students, faculty, and guests. Prof. DBPH. Dissabandara, Chairman of the Securities and Exchange Commission (SEC) participated as the Chief Guest at the event.

CMA *Sri Lanka* MSME Business Development Summit & Business Excellence Awards 2025

The CMA *Sri Lanka* SME Development Committee organized the MSME Business Development Summit 2025 and the MSME Business Excellence Awards 2025 on June, 27 at the BMICH, Colombo, to celebrate UN MSME Day under the theme 'Business for MSMEs – Connecting the Entrepreneurs'. The summit brought together policymakers, financial institutions, development partners, and entrepreneurs to highlight the vital role of MSMEs in driving Sri Lanka's economy while addressing key challenges of finance, technology, and market access.

Delivering the keynote, Dr. Nandalal Weerasinghe, Governor of the Central Bank, emphasized MSMEs' contribution to GDP and employment, while stressing the importance of financial inclusion, digital transformation, and collaboration. Guest of Honour Ms. Joni Simpson from the ILO underscored the need for inclusive policies and targeted programs to empower women and persons with disabilities in entrepreneurship. Mr. Takafumi Kadano, Country Director of ADB, highlighted MSMEs' role in innovation and regional development, while outlining ADB's support for capacity building, financial literacy, and integration into global value chains.

The technical sessions explored the role of the National Credit Guarantee Institution, digital tools, export houses, and financial literacy, with special attention to women-led enterprises and struggling MSMEs. Recognition was also given to contributors of the NCGI initiative, which was officially launched in June 2025.

The Business Excellence Awards honored outstanding MSMEs across multiple sectors, with Plantbeat (Pvt) Ltd and Ceilan Coir Products Export (Pvt) Ltd receiving the Gold Award, Mayura Eco Holdings (Pvt) Ltd winning Silver, and KMT Apparel securing Bronze.

The event reaffirmed that MSMEs are the backbone of Sri Lanka's economy and that through innovation, inclusivity, and stronger ecosystems, they can drive long-term national growth and prosperity.







CMA *Sri Lanka* Graduation Ceremony, 2024

The CMA *Sri Lanka* Graduation Ceremony was held on December 17, 2024, at the Lotus Hall of BMICH, Colombo. With Mr. M Sanath U Manathunga, CEO, Commercial Bank of Ceylon PLC, gracing the occasion as the Chief Guest, over 300 participants received their certificates on this day as FCMAs, ACMAs, AMAs, CHFMAs, CABMs and passed finalists. In addition, merit prize and subject prize winners were also recognized for their outstanding performances with the Founder President Prof. Lakshman R. Watawala Gold Medal for Most Outstanding Performance awarded to Mr. YMTNB Yapa.



CMA *Sri Lanka* Launches Cost and Management Accounting Standards

The launch of the Cost and Management Accounting Standard, held at the Taj Samudra Colombo, marked a significant milestone in Sri Lanka's accounting profession. Organized by CMA *Sri Lanka*, the event brought together industry leaders, policymakers, and professionals to discuss the development and implementation of cost accounting standards that are expected to shape financial transparency and strengthen economic competitiveness. A workshop on the same theme was held alongside the launch, providing a forum for technical deliberations, expert presentations, and industry feedback.

The Chief Guest at the ceremony was the Minister of Labour and Deputy Minister of Economic Development, Hon. Prof. Anil Jayantha Fernando, who delivered the keynote address. In his speech, he underlined the critical role cost accounting plays in national economic planning, fiscal management, and public accountability. He emphasized that standardized cost accounting frameworks would contribute to fair and affordable pricing of goods and services for society, thereby benefiting both consumers and industries. Prof. Fernando formally launched the Cost Accounting Standards and was also honored with the "CMA *Sri Lanka* Distinguished Membership Award" by CMA President Prof. Lakshman R. Watawala. The award recognized his outstanding service to the profession, his commitment to CMA *Sri Lanka*, and his leadership in both the accounting field and government, aligned with the ethical mandate of the International Federation of Accountants (IFAC).

The newly introduced Cost Accounting Standards are currently released as an 'exposure draft,' comprising fifteen standards prepared in collaboration with the Institute of Cost Accountants of India under a 2019 Memorandum of Understanding. While modeled on the Indian framework, the draft seeks industry-specific feedback from Sri Lankan stakeholders to tailor the standards to local requirements before their final adoption.

The benefits of these standards are extensive. By providing a structured framework for cost measurement, allocation, and reporting, they are expected to enhance cost control, strengthen decision-making, and improve profitability across industries. Critical sectors such as power, telecommunications, cement, garments, petroleum, pharmaceuticals, and agriculture are expected to benefit particularly, as standards will guide cost determination and pricing, including price-controlled items. Furthermore, standardized records and practices will enable Sri Lankan exporters to become more competitive globally, boosting foreign exchange inflows while encouraging both private and public sector entities to adopt cost discipline and accountability.

During the event, Prof. Lakshman R. Watawala highlighted in his welcome address the importance of uniform cost accounting practices in promoting corporate governance and financial transparency. He also emphasized the recognition this initiative brings to the management accounting profession in Sri Lanka. The objectives and scope of the standards were further elaborated by Mr. Mahendra Jayasekara, Chairman of the Cost and Management Accounting Standards Board (CMASB). A detailed technical presentation was then delivered by Mr. Tyrell Roche, Member of the CMASB Technical Committee, which was followed by group discussions and participant presentations. These sessions provided valuable feedback from practitioners, demonstrating the collaborative approach needed to finalize and implement the standards.

The workshop concluded by reinforcing the importance of cooperation between regulators, professionals, and industries in driving the adoption of cost standards. Overall, the launch of the Cost and Management Accounting Standard positions CMA *Sri Lanka* at the forefront of professional advancement, equipping businesses and institutions with vital tools to meet modern financial, regulatory, and global market challenges.








Different facets and moods at the event

CMA *Sri Lanka* (2000-2025)

Significant Milestones of the Journey

1999

- Incorporated as the Society of Certified Management Accountants of Sri Lanka

2000

- Launch of the Society of Certified Management Accountants of Sri Lanka
- Enrolment of Founder Members and commencement of educational activities

2001

- Expansion of services to all geographical areas of the country
- Conduct of the first professional examination in March-April 2001

2002

- Commencement of the Management Accounting Journal
- Launch of the CMA Website

2003

- The first Graduation Ceremony
- Maiden MOU signed with the Open University of Sri Lanka- Granting of exemptions between the Professional Study Programme and the Bachelor of Management Studies Programme providing an opportunity for CMA students to obtain a recognized Bachelor's degree qualification together with the CMA professional qualification or a dual qualification.

2004

- Commencement of the CMA Computer Centre

2005

- Renaming the Journal as Certified Management Accountant
- CMA Journal Launch CMA Business Excellence Awards

2006

- Conduct of Conference on Business Performance and Value Creation -Precursor to annual management accounting conference

2007

- MOU signed with the All-India Management Association- New Delhi for establishment of a professional management body

2008

- MOU signed with Distance Education Modernization Project with the Ministry of Higher Education
- Commencement of e-learning courses

2009

- Incorporation of the Institute of Certified Management Accountants of Sri Lanka by Act of Parliament No. 23 of 2009
- Award of Membership of South Asian Federation of Accountants (SAFA)

2010

- Award of Associate Membership of the International Federation of Accountants (IFAC)
- Conduct of Global Management Accounting Summit

2011

- MOU signed with Association of Chartered Certified Accountants UK (ACCA UK)

2012

- Purchase of CMA Head Office to have its own premises at Colombo 4.
- Setting up of CMA Students' Guild

2013

- Commencement of management development for the staff of the Department of Samurdhi Development.
- Appointment of Committees by the Governing Council to undertake different activities

2014

- Award full membership of the International Federation of Accountants (IFAC)
- CMA members recognized to be on par with CIMA (UK), ACCA (UK) and CA Sri Lanka

2015

- Commencement of CMA Excellence in Integrated Reporting Awards
- Formation of CMA *Sri Lanka* Toast Masters' Club
- Visit of Ms. Olivia Kurtley, President, IFAC.

2016

- Initiation of scholarship scheme for needy students
- Awarded full membership of Confederation of Asian and Pacific Accountants (CAPA)

2017

- MOU signed with Pearson VUE for conduct of computer based examinations

2018

- Membership Pathway Agreement signed with CPA Australia at the World Congress of Accountants- Sydney, Australia
- MOUs signed with the Deakin University, Australia; International Chamber of Commerce of Sri Lanka (ICC); and Sri Lanka Institute of Marketing (SLIM)
- Launch of CMA Journal on Integrated Reporting
- Visit of Ms. Rachel Grimes, President IFAC

2019

- Launch of the CMA Cost and Management Accounting Standards Board (CMASB) and signing of MOU with the Institute of Cost Accountants of India to assist the CMASB
- MOU signed with the Open University of Sri Lanka to develop an e-learning system for use at the Foundation Level

2020

- Taking over of conduct of examinations conducted hitherto by the Department of Examinations
- MOU signed with the Human Resource Management Institute (HRMI) to grant exemptions to CMA students to follow its degree programme
- Introduction of digital on-line methodologies- Conducting lectures, evaluations, CPD programmes, the annual conference, Integrated Reporting Awards (in the hybrid-mode), and other meetings- both internal and external, etc.
- Conduct of Conference on Financial and Cost Management Accounting for Development of SMEs and follow-up activities
- Visit of Dr. In-Ki Joo, President, IFAC

2021

- Extension of the hitherto conducted computer based examinations for the foundation level (in partnership with Pearson VUE) to cover operational and managerial levels
- Execution of the first ever interim syllabus revision
- MOU signed with Universities of Sri Jayewardenepura, Sabaragamuwa, and the Sri Lanka Technological Campus (SLTC)

2022

- Launch of a new Members' Portal
- Launch of the Business School of CMA *Sri Lanka* to conduct short term programmes
- Introduction of a Certificate Course on Integrated Reporting
- Introduction of computer-based testing for the first three levels of the CMA Professional Programme
- Award of NVQ Level 6 (i.e. Higher National Diploma Level) status for the CMA Level 2 Diploma in Accounting and Business Management Course (of CMA) from the Tertiary and Vocational Education Commission (TVEC).
- Launch of In the Interest of the Nation- a coffee table book on the history of CMA

2023

- Launch of the CMA Professional Study Programme Syllabus (2023-2027)
- Introduction of the Learning Management System (LMS)

2024

- Launch of the CMA Certified Accounting Technologists' (CAT) Study Programme
- Conduct of a Joint International Conference with Institute of Cost and Management Accountants of India (ICMAI)
- Conduct of CMA *Sri Lanka* MSME (Micro, Small and Medoum Enterprises) Development Summit

2025

- Conduct of the CAT Awards Ceremony
- Conduct of CMA *Sri Lanka* MSME Business Development Summit & Business Excellence Awards
- Release of Exposure Drafts of Cost Accounting Standards of Sri Lanka

CMA *Sri Lanka* (2000-2025)

The Journey in Pictures

Launch of the Society of Certified Management Accountants- June 3, 2000

Launch of the CMA Journal - 2002

First Graduation Ceremony - 2003

CMA Business Management Conference, 2008

Inauguration of the Institute of Certified Management Accountants of Sri Lanka- June 4, 2009

Global Management Accounting Summit, 2010

CMA Professional Awards- 2012

Award full membership of the International Federation of Accountants (IFAC)- 2014

A Graduation Ceremony in progress

Visit of Ms. Olivia Kurtley, President IFAC- 2015

Samurdhi Programme, A Workshop in progress - 2016

Setting up of the Cost and Management Accounting Standards Board with assistance from Institute of Cost Accountants of India

CMA Research Forum- 2019

Conference on Financial and Cost Management Accounting for Development of SMEs- 2020

Launch of a CMA Professional Study Programme Syllabus - 2023

Integrated Reporting Awards 10th Anniversary- 2024

Digital-on-line Methods

Student Activities of the CMA Students' Guild

Incorporated by
Act of Parliament No. 23 of 2009

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