

Impacts of Environmental Practices on Firms' Performance – Evidence from Listed Companies in Sri Lanka

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Abstract

The importance of environmental practices for a firm's performance and production strategy has been increasing at an unprecedented level across the globe. Sri Lankan government has also introduced such policies with adoption guidelines in order to comply with global requirement of environmental protection. On the other hand, regular authorities such as Institute of Chartered Accounts of Sri Lanka and Security Exchange Commission of Sri Lanka have also published reporting requirements regarding the complying with such environmental protection practices of the country. In this study, Environmental Disclosure Index used as indicators of environmental practice; ROE, ROA, Profit Margin used as measures of Performance. The sample consists of 40 listed companies at the Colombo Stock Exchange. The data collected for five years from 2015 to 2020 based on annual reports of the companies. Descriptive statistics, Correlation, Multiple regression methods used to examine the study. Most of the Sri Lankan listed companies have begun to publish their annual reports complying with these requirements adopting relevant guidelines. Accordingly, it is very important to find out the actual environmental protection practices undertaken by companies in order to find out the contribution of corporate individuals towards protection of environment. The findings revealed that there is a significant impact on Return Assets, Return on equity, Profit Margin, Firm size, Leverage on Environmental Practices on Firms Performance. This study examine contributes empirically and practically to the literature. The results will be of interest of regulators, both firms of developing and developed who have already adopted the seeking to adopt Environmental practices in their countries.

Key words: *Environmental Disclosure Index, Return on Asset, Return on Equity*