

COMPARATIVE STUDY ON THE IMPACT OF SUSTAINABILITY REPORTING PRACTICES ON FIRM PERFORMANCE IN LISTED FOOD, BEVERAGE, TOBACCO, FINANCE AND CAPITAL GOODS COMPANIES IN SRI LANKADWSM Denipitiya¹, GSS Rathnayaka² and SS Weligamage³**Abstract**

Sustainability Reporting plays a crucial role in the business world nowadays due to its benefits to different parties; it consists mainly of economic, social, and environmental disclosures. This study's main purpose is to evaluate the impact of sustainability reporting on the firm performance of the listed Food, Beverage, Tobacco, and capital goods industries and the finance industry. To determine the impact of sustainability reporting practices on firm performance, consider the sample of 36 CSE-listed companies in these two selected industries from 2017 to 2023. To measure the independent variable of sustainability reporting, implied economic disclosures, environmental disclosures, and social disclosures, while ROA and ROE are used to measure the dependent variable of the firm's financial performance. The panel regression model was mainly used to test the hypotheses of this study. As per the tests, results for the beverage, tobacco, and capital goods industries suggest that economic disclosures have a positive and significant impact on firm performance measured by both ROA and ROE, while environmental disclosures show a negative and insignificant impact, and social disclosure shows a positive and insignificant impact on the firm performances. Further, the finance industry results show that environmental sustainability reporting has a significant impact on ROA, and social sustainability reporting has a significant negative impact on ROE. Economic sustainability reporting showed no significant relationship with either metric. Further findings reveal that Sri Lankan sustainability reporting practices are not up to the admirable level when compared with the other countries; however, they further found that Sri Lankan sustainability reporting practices have improved throughout the period compared to the previous years.

Keywords- Economic disclosure, Social disclosure, Environmental disclosure, firm performance, Sustainability reporting.

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Introduction

In the present business context, sustainability reporting plays a vital role within most business organizations. The idea of sustainability reporting has recently become a catchphrase as organizations from all corners acknowledge the need to balance their environmental, social, and economic affairs (Bosi et al., 2022). Sustainability reporting, also referred to as non-financial or triple-bottom-line reporting, focuses on disclosing the performance and impact of an organization on various sustainability dimensions, such as the environment, social responsibility, and good economics.

When it comes to the Sri Lankan context, sustainability reporting was not mandatory before 2015. It is done by businesses voluntarily by considering its impact on the business in the future. However, according to Sustainability Reporting in Sri Lanka (2023), after 2015, GRI regulations and other reporting frameworks related to sustainability disclosure took place with better improvement within Sri Lanka. As a result, the Colombo Stock Exchange amended that the public listing companies need to have an ESG policy on their website in 2023.

In the consideration of sustainability reporting disclosures to be done on a very advanced basis, even though a few other voluntary frameworks are available, GRI is the most popular regulatory basis that is available to monitor the disclosure of sustainability activities. On the other hand, Jadhav et al. (2022) reveal that stakeholders are more concerned about how the business contributes to sustainability because it will help to increase the value creation of the business.

Further, Researchers have implied that efficient sustainability reporting may cause better enterprise performance, increase risk management, mean better capitalization, and present better stakeholder relations.

This study mainly focuses on the impact of sustainability reporting practices on the performance of listed food, beverage, tobacco, and capital goods and finance companies in Sri Lanka. It is important to determine the real impact of sustainability reporting disclosures on the firm's performance, to identify whether there is a negative or positive impact of sustainability reporting on firm performance. Some findings show that firm performance has a positive relationship with the disclosure of sustainability activities, and there is a significant impact when combining it with the ROA and ROE to measure the firm performance (Carvajal & Nadeem, 2022). Some findings say that there is no impact of sustainability reporting practices on firm performance. When considering those studies' outcomes, it is important to identify the real impact of the outcome.

Additionally, from firm to firm, the level of reporting quality for sustainability and consistency is greatly different. These differences have created difficulties in comparing and evaluating the reported information's reliability. Sustainability reporting among Sri Lankan companies is both in quality and consistency. Some businesses might comply with the reporting standards of the Global Reporting Initiative (GRI), whereas others could provide insignificant or non-comparable disclosures, thus raising the question about the validity of the reported information (Gunaratne et al., 2021).

Filling these research gaps is significant for several reasons. Firstly, it can help identify the advantages and limitations of corporate sustainability reporting in driving corporate sustainability and value creation, mostly within Sri Lanka. By exploring the influence of the sustainability performance in Sri Lankan firms on firm performance, the study can help fill the gap in corporate sustainability research and provide some insights into how sustainability reporting impacts emerging market firms (Dissanayake et al., 2020).

Further, most of the existing studies on sustainability reporting disclosures on firm performances were also conducted for the period before 2021 and not studies conducted for the period after 2021. Because of that, it was identified that there is a literature gap in this study area also. Therefore, the problem statement of this study would be the finding of the “Impact of Sustainability Reporting Practices on Firm Performance in Listed Food, Beverage, Tobacco, Financial Sector, and Capital Goods Companies in Sri Lanka.”

This study has two research questions and two objectives. The questions of the study would be,

- What is the impact of sustainability reporting practices on firm performance differ across listed food, beverage, tobacco, capital goods and finance companies in Sri Lanka?
 - What is the current level of sustainability reporting practices on firm performance differ across listed food, beverage, tobacco, capital goods and finance companies in Sri Lanka?
- The research objectives of the study,
- To examine the impact of sustainability reporting on firm performance differs across listed food, beverage, tobacco, capital goods and finance companies in Sri Lanka.
 - To measure the level of sustainability reporting on firm performance differs across listed food, beverage, tobacco, capital goods and finance companies in Sri Lanka.

Literature Review

Sustainable development is one of the critical requirements for the whole world and for developed and developing countries. According to the World Commission on Environment and Development, sustainable development is “the development happening with the meeting of the needs of the present generation without compromising the ability of future generations to meet their own needs” (Brundtland, 1987). When looking at sustainability and development from a business perspective, organizations meet the needs of their stakeholders without compromising the future stakeholders’ ability to meet their needs. (Dyllick & Hockerts, 2002). One of the main objectives of sustainable reporting is to show the evidence to stakeholders that they are complying with the sustainability standards and, at the same time, achieving their expectations. (Sooriyaarachchi, 2018).

As this study focuses on more industries within the country, investors can obtain a wider area of knowledge before doing a favorable investment, while in the food, Beverage, Tobacco, and capital goods industries, investors can refer to the economic disclosure information to identify the companies with strong financial sustainability practices, and at the same time, investors in the finance sector focus on environmental initiatives, as they can influence the companies' returns. In the consideration of the importance for regulators and policymakers, they are able to prioritize the economic standards, as these encourage the transparency, and the ESG compliances mitigate the risk involved in the finance sector as well. On the other hand, corporate decision makers can focus more on the economic sustainability reporting practices, as they are helpful for the enhance companies profit abilities. Further, it’s important to provide more attention to the environmental practices, as they are helpful to obtain competitive advantages. In the study of sustainability reporting practices, it’s very important to focus on the role of the global reporting framework (GRI). This GRI framework (Global Reporting Initiative Framework) is the most widely used and internationally recognized framework for sustainability reporting practices. It was invented by Environmentally Responsible Economies (CERES) in collaboration with the United Nations Environment Program (UNEP) and developed by the Global Sustainability Standard Board (GSSB). This framework can be used for organizations to report their environmental, economic, and social activities in the most regulated and correct manner. The main objective of the GRI framework is to develop a voluntary framework that any organization can use commonly to report sustainability activities.

Theoretical Review

In the consideration of theoretical review, there are some authors focused different theories related to the sustainability reporting. Among them legitimacy theory, signaling theory and the stakeholder theory plays a wider role. Many experimental studies have considered the role of legibility in the context of reporting on sustainability and corporate performance. Dincer et al. (2023) have considered the relationship between sustainable reports and the firm performance of those companies from the U. S. The results here indicate that firms with high environmental legitimacy ratings, as seen in their sustainability reports, have better financial performance, which suggests that stakeholders care about legitimate practices and reporting as supported by firms’ statements.

According to the signaling theory, the concept of information asymmetry holds a central position, and the reason for this is that organizations and stakeholders may send signals to decrease the information asymmetry, affecting their perceptions. Malaysian firms of mature stock markets were investigated in a study by Mohd Ghazali (2007) using the theory of signaling as its underlying principle. Moreover, the data suggested that among firms with better sustainability reporting, in the long run, the company would gain its reputation or financial performance advantage (Mansour et al., 2022).

Empirical Review

Some studies show the positive influence between sustainability reporting and firm performance.

Dincer & Wijesinghe (2021) conducted their study of sustainability reporting and company financial performance: Evidence from emerging markets by gathering data from 60 capitalized listed companies from 2012 to 2019. The main objective of this study is to examine the compliance level of sustainability reporting and to investigate the impact of sustainability reporting on the financial performance of companies. Their findings suggested that there is a positive and significant impact of sustainability reporting of environmental and social aspects on firm performance.

When considering further literature regarding this area, Thayaraj & Karunarathne (2021) investigated the impact of sustainability reporting on firm performance based on 102 selected listed companies in Sri Lanka. They show that the result is a moderately positive relationship between environmental disclosure, economic disclosure, social disclosure, and firm performance. However, the results of the researchers vary from each other. The study by Silva (2018) shows that in the financial sector in Sri Lanka, there is no significant difference in sustainability

reporting disclosure, especially between financial institutions and banking. Further, it is stated that the amount of disclosure does not significantly impact the firm’s performance.

Among others, the et al. (2010) result of CSR spending on multinational companies indicates that CSR spending does not have a positive influence on financial performance. There is a possibility that the resources allocated to sustainability reporting and CSR activities may draw away the funds and attention from the main business operations in the short run, which may hurt financial performance metrics such as ROA and ROE.

However, when it comes to the Sri Lankan context, most researchers reveal that sustainability reporting is at a much lower level than in other countries. The main reason behind that is that there are no restricted or essential regulations regarding that disclosure.

Research Methodology

This research mainly focuses on evaluates the impact of sustainability reporting on the firm performance in the food, beverage, tobacco, capital goods, and financial sector industries in Sri Lanka. The population of the study mainly consists of 150 companies, including the industries of food, beverage, tobacco, the financial sector, and the capital goods industries. The sample consists of 36 companies, which were selected based on the data availability in the annual reports by using the purposive sampling method. This sampling method was followed to ensure the selected firms provide required sustainable reporting information sufficiently and consistently throughout our selected time period. Further, selected the companies only if they disclosed economic, environmental, and social information according to the GRI guidelines, as this method is helpful for measuring the data reliably. The data was observed from the 2017 to 2023 period.

The conceptual framework of this study mainly showcases the relationship between the dependent and independent variables. The independent variable of the sustainability reporting practices is measured by economic, social, and environmental disclosures. The dependent variable is the firm performance, and it is measured by ROA (Return on Assets) and ROE (Return on Equity). The researchers developed a sustainability index that determined the disclosure levels with the help of Excel spreadsheets. Data analysis was done with the STATA 13 software package on panel data.

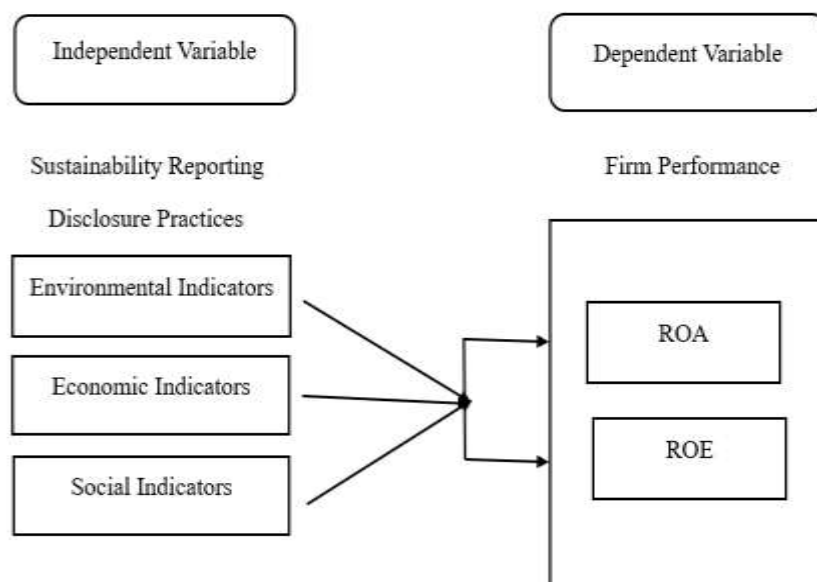


Figure 01: Conceptual Framework Diagram

Further developed a research model for this study and also developed the hypotheses based on the past researchers' findings; they are as follows:

- H1: There is a significant impact of economic reporting disclosures on firm performance measured by ROE.
- H2: There is a significant impact of economic reporting disclosures on firm performance measured by ROA.
- H3: There is a significant impact of Environmental reporting disclosures on firm performance measured by ROE.
- H4: There is a significant impact of Environmental reporting disclosures on firm performance measured by ROA.
- H5: There is a significant impact of social reporting disclosures on firm performance measured by ROE.
- H6: There is a significant impact of social reporting disclosures on firm performance measured by ROA.

Further developed an econometric model to find out the impact of sustainability reporting on the firm’s performance. There are two separate models that were identified for this study.

$$01) FP (ROA) = \beta_0 + \beta_1 ENI + \beta_2 ECI + \beta_3 SI + \varepsilon$$

FP(ROA) = Firm performance by Return on Assets

The equation is presented below by using the ROE to measure the dependent variables.

$$02) FP (ROE) = \beta_0 + \beta_1 ENI + \beta_2 ECI + \beta_3 SI + \varepsilon$$

Where,

FP(ROE) = Firm performance by Return on Equity

β_0 = Constant

ENI = Environmental Index

ECI = Economic Index

SI = Social Index

Operationalization Table

Table 01: Operationalization table

Dependent Variables	Definition	Measurement	Citation
Return on Equity (ROE)	It indicates the return of a firm in relation to its shareholders equity.	Net income Total shareholder’s equity	(Petersen & Schoeman, 2008; Eranga & Wijesinghe, 2021)
Return on Assets (ROA)	It indicates the profitability of a firm about its total assets.	Net Income Total Assets	
Independent Variables			
Economic index	It indicates what economical performances were disclosed by the company.	The number of Economic guidelines fulfilled by the company divided by the number of Economic guidelines that the company should fulfil as per the GRI	(Eranga & Wijesinghe, 2021; (Khan et al., 2023)
Social Index	It indicates what Social performances were disclosed by the company.	The number of Economic guidelines fulfilled by the company divided by the number of Economic guidelines that the company should fulfil as per the GRI	
Environmental Index	It indicates what environmental performances were disclosed by the company.	The number of Environmental guidelines fulfilled by the company is divided by the number of Environmental guidelines that the company should fulfil as per the GRI.	

Data Analysis and the Discussion

Here, mainly conducted descriptive analysis, correlation analysis, and panel regression analysis to obtain the study's outcome. The results are generated using the Stata software and consider the data from 2017 to 2023. And, further conducted the Levin, Lin, and Chu (LLC) stationary test, normality test, multicollinearity, autocorrelation, and heteroscedasticity.

First, conduct the stationary test to find out whether the data is normal or not, as per the results gathered from the LLC (Levin, Lin & Chu test). All the dependent and independent variables' values are lower than the 5% significance level, which indicates that the data are stationary.

Here in the data analysis the selected industries are referred as follows,

Industry A—Food, beverage, tobacco, and capital goods industry

Industry B – Finance Sector

Table 02: Stationary Test

Variable	P-value of Industry A	P value industry B
ROE	0.0001	0.0000
ROA	0.0000	0.0000
Economic Index	0.0003	0.0000
Environmental Index	0.0002	0.0001
Social Index	0.0013	0.0000

As per the stationary test results obtained from the Levin, Lin, and Chu (LLC) in the two different industries, the p-value is less than 0.05 ($p < 0.05$), which indicates that all the dependent and independent variables in the industries show that all their data are stationary at the 5% significance level.

Table 03: Descriptive Statistics

Variables	Industry A				Industry B			
	Mean	Std.Dev	Min	Max	Mean	Std.Dev	Min	Max
Eco. Index	0.4322	0.2639	0.0588	1.0000	0.4724	0.2185	0.0588	1.0000
Env.Index	0.4945	0.23045	0.0625	1.0000	0.3234	0.2129	0.0312	0.8437
Social.Index	0.4677	0.2124	0.1500	0.9000	0.4484	0.1521	0.1750	0.8000
ROE	0.1456	0.0846	0.0002	0.3500	0.1465	0.0668	0.0167	0.3132
ROA	0.0921	0.0576	0.0002	0.2469	0.0200	0.0097	0.0024	0.0463

When considering the descriptive statistics, all the sustainability reporting indexes recorded a mean value in the 43% to 50% range, suggesting that the Sri Lankan listed companies in the food and beverage, capital goods, and finance industries have an average level of disclosures in the economic, environmental, and social sustainability reporting. When comparing both the A and B industries, the maximum value of the economic index is shown as a value of 1, while the minimum value is shown as 0.05. When it comes to the environmental index in the finance sector, its maximum value is 0.8, while the other industry shows 0.9. The finance sector's minimum value is shown to be 0.03, while the other sector's minimum value is shown as 0.06. Considering the social index, the maximum value of industry A is 0.9, while its minimum value is 0.15. In industry B, its maximum value is 0.8, while the minimum value is 0.175.

As the results of the descriptive statistics for the dependent variable show, the highest value of the ROE in both industries is 0.3. However, their minimum values are different from each other, as the finance sector value is about 0.016 and the other industries show the value as 0.0002. The ROA maximum value is 0.04 in the finance sector, while the other sectors show the value as 0.24. In terms of the minimum value consideration, the finance sector value is 0.002, and the other sector's value is 0.0002.

Table 04: Correlation Analysis for Industry A

Variables	ROE	ROA	Economic_index	Environmental_index	Social Index
ROE	1				
ROA	0.8111	1			
Economic_index	0.1204	0.1319	1		
Environmental_index	0.1252	0.0190	0.6440	1	
Social_index	0.1160	0.0264	0.7890	0.8161	1

The correlation matrix results in the Industry A show that economic disclosures (Eco_Index), Environmental disclosures (Env_Index), and social disclosures (Soci_Index) exhibit a low degree of positive relationship with ROE. When considering the relationship between independent variables and the ROA, the economic index showcases a positive low degree of relationship with the ROA, because all values are less than 0.5. This indicates that when the economic disclosures are increased, the ROA value will increase to a very low level. Environmental

and social disclosures show a low degree of positive relationship with the ROA; however, there are no significant impacts from these two independent variables on ROA.

Table 05: Correlation Analysis for Industry B

Variables	ROE	ROA	Economic_index	Environmental_index	Social_Index
ROE	1				
ROA	0.5797	1			
Economic_index	-0.1997	-0.0926	1		
Environmental_index	-0.0155	0.1717	0.4388	1	
Social_index	-0.3153	-0.1003	0.5492	0.5030	1

Industry B displays that there is no significant relationship between sustainability reporting and firm performance. The correlation between the economic index and ROE and ROA shows a weak negative correlation. The environmental index shows a negative correlation with ROE and a positive correlation with ROA, but both are weak. The social index shows a moderate negative result with ROE and a weak relationship with ROA.

As per the results obtained finally, it can be concluded that correlation is dependent on the nature of the different industries, as can be seen from the above results. Even though industry A shows a positive correlation, industry B shows a negative correlation.

Panel Regression Results

Regression analysis is another powerful statistical tool that any researcher can use to evaluate the relationship between the variables. Three main models are used in the panel data: pooled OLS, fixed effects (FE), and random effects (RE). The main selection out of these three main models is based on the type of analysis and the data set used. Here is the Hausman test for selecting the model.

H0: random effects would be consistent and efficient.

H1: random effects would be inconsistent (the fixed effect model is consistent)

$$\begin{aligned} \text{chi2}(3) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= 4.19 \\ \text{Prob}>\text{chi2} &= 0.2418 \end{aligned}$$

As per the results indicated in the Hausman test figure 6, the p-value of this data set would be 0.2418. Then we have to conclude that because the p-value is higher than the 5% level (P>0.05), accepting the null hypothesis, the random effect is the suitable model for the ROE.

Source: Author calculation

$$\begin{aligned} \text{chi2}(3) &= (b-B)'[(V_b-V_B)^{-1}](b-B) \\ &= 2.64 \\ \text{Prob}>\text{chi2} &= 0.4502 \end{aligned}$$

Figure 07: Hausman Test—ROA

According to the above results in figure 7, the Hausman test was done for the second model of ROA; its probability value of 0.4502 is higher than the 5% (P > 0.05) level. Because of that, we have to accept the null hypothesis that the random effect would be consistent.

Table 06: Random Effect Results on ROE

Industry	ROE	Coef.	Std. Err.	z	P	[95% Conf. Interval]
A	Eco_Index	0.0048040	0.0555599	0.09	0.037	-0.1040914 0.1136993
A	Env_Index	-0.0255606	0.0672524	-0.38	0.704	-0.1573729 0.1062517
A	Social_Index	0.0848244	0.0822614	1.03	0.302	-0.0764049 0.2460538
B	Eco_Index	-0.0406503	0.0283425	-1.43	0.084	-0.0962007 0.0149000
B	Env_Index	0.0063659	0.0339576	0.19	0.430	-0.0601899 0.0729216
B	Social_Index	-0.0557732	0.0494462	-1.13	0.003	-0.1526858 0.0411395

As per the results of random effect based on ROE ,the Industry A Eco_Index $\beta = 0.004$, 95% CI [-0.104, 0.1136], and the p-value is less than the 5% significance level, which indicates that the economic index has a positive and significant impact on firm performance when ROE measures it because its p-value is 0.037. The Env_Index shows $\beta = -0.025$, $P = 0.704$, 95% CI [-0.157, 0.106], and has a negative insignificant impact, while the Social_Index shows a $\beta = 0.08$, $P = 0.302$, and 95% CI [-0.076, 0.246] positive insignificant impact.

The result of the random effect for ROE in industry B shows the Social_Index $\beta = -0.055$, 95% CI [-0.152, 0.041], and the p-value 0.003 is less than the 5% significance level, and it indicates that the Social_Index has a negative and significant effect. The Env_Index shows $\beta = 0.0063$, $P = 0.430$, and a 95% CI [-0.060, 0.07], a positive insignificant impact, while the Eco_Index shows a negative insignificant impact, as its P-value of 0.084 is higher than the 5% significance level.

Table 07 : Random effect Result on ROA

Industry	ROA	Coef.	Std. Err.	z	P	[95% Conf. Interval]
A	Eco_Index	0.0806000	0.037381	2.16	0.031	0.0070000 0.1540000
A	Env_Index	-0.0231261	0.0453115	-0.51	0.610	-0.1119350 0.0656828
A	Social_Index	0.0758837	0.0568208	1.34	0.182	-0.0354830 0.1872503
B	Eco_Index	0.0024479	0.0037274	0.66	0.511	-0.0048576 0.0097534
B	Env_Index	0.0288378	0.0045179	1.96	0.012	-0.0000172 0.0176928
B	Social_Index	-0.0039053	0.0065617	-0.60	0.552	-0.016766 0.0089555

As per the results obtained in Industry A for the random effect model ROA, it showed a similar outcome as to the results of the ROE. In the table below, the P value of the random effect model for ROA in Eco_Index is 0.031, which is less than 5%, and the 95% CI [0.007, 0.154] as a result, economic disclosure has a positive and significant impact on firm performances measured by ROA. While the Env_Index show results of = -0.023, value = 0.610, 95% CI [-0.111, 0.066], which has a negative and insignificant impact, the Social_Index show $\beta = 0.075$, = 1.34, 95% CI [-0.035, 0.187], which has a positive but insignificant impact on firm performance.

The result of the random effect for ROA in industry B shows the Env_Index $\beta = 0.02$, 95% CI [-0.0000172, 0.0176], and the p-value is less than the 5% significance level, and it indicates that the Env_Index has a positive and significant impact on firm performance when ROA measures it because its p-value is 0.012. The Eco_Index

shows $\beta = 0.002$, $P = 0.66$, and 95% CI [-0.004, 0.009], a positive insignificant impact, while the Social_Index shows $\beta = -0.003$, $P = -0.60$, 95% CI [-0.016, 0.008], a negative insignificant impact, as their P-value is higher than the 5% significant level.

Table 08 : Hypothesis Testing Results

Hypothesis	Results in Industry A	Results in Industry B
H1: There is a significant impact of economic reporting disclosures on firm performance measured by ROE.	Accepted	Rejected
H2: There is a significant impact of economic reporting disclosures on firm performance measured by ROA.	Accepted	Rejected
H3: There is a significant impact of Environmental reporting disclosures on firm performance measured by ROE.	Rejected	Rejected
H4: There is a significant impact of Environmental reporting disclosures on firm performance measured by ROA.	Rejected	Accepted
H5: There is a significant impact of social reporting disclosures on firm performance measured by ROE.	Rejected	Accepted
H6: There is a significant impact of social reporting disclosures on firm performance measured by ROA.	Rejected.	Rejected

Diagnostic Tests

In the panel data, it is needed to check the diagnostic tests to check whether the violations of the assumptions of multicollinearity, heteroscedasticity, and autocorrelation are the main tests that need to be checked and if the assumptions are violated in the regression model, the appropriate remedy. The Results are as follows:

Table 09: VIF table industry A

Variable	VIF	1/VIF
Social Index	4.66	0.214473
Env_Index	2.99	0.333919
Eco_Index	2.67	0.374757
Mean VIF	2.83	

Table 10: VIF table industry B

Variable	VIF	1/VIF
Social Index	1.67	0.599426
Env_Index	1.53	0.662974
Eco_Index	1.53	0.709015
Mean VIF	1.45	

As per the Industry A VIF test results, the VIF values of the variables indicate the Social_Index 4.66, Env_Index 2.99, and the Eco_Index 2.67. On the other hand, Industry B showed the VIF values of the variables indicate the results of the Social Index 1.67, the Env_Index 1.53, and the Eco_Index 1.53. According to the results, both industries results showed no multicollinearity issue exists in the independent variables. Testing autocorrelation is important because it provides an opportunity to identify whether it can affect the validity of the statistical model in the panel data set. Here to find out the autocorrelation mainly conduct the Wooldridge test (Table 11 and 12).

Table 11: Autocorrelation in industry A

F (1,17)	=	1.031
Prob > F	=	0.3243

Table 12: Autocorrelation in industry B

F (1,17)	=	21.503
Prob > F	=	0.002

Source: Author calculation

In industry A, the test P value is greater than 0.05 ($P > 0.05$); So, accept the null hypothesis that there is no serial correlation in the variables. Oppositely, in industry B, the result of the test P value is lesser than 0.05 ($P > 0.05$), so reject the null hypothesis and conclude that there is a serial correlation in the variables.

Industry A, the chi-squared value is 403862.00, suggesting that the high evidence for the heteroskedasticity test would be validated (table 15 and 16). When looking at the p-value of 0.0000. Industry B, The chi-square value was 7.05 with a P-value of 0.075. Both industries show that the p-value is less than 0.05, and we have to reject the null hypothesis of homoskedasticity and have to accept that there is heteroskedasticity.

Table 13: Heteroskedasticity in industry A

$$\text{Chi2 (18)} = 403862.00$$

$$\text{Prob} > \text{chi} 2 = 0.0000$$

Table 16: Heteroskedasticity industry B

$$\text{Chi2 (1)} = 7.1500$$

Source: Author calculation

$$\text{Prob} > \text{chi} 2 = 0.0075$$

Discussion on Findings

Research findings of industry A indicate that there is a positive and significant impact from the economic disclosures on the firm’s performance. Further, it is shown that there is no significant impact from social and environmental disclosures on the firm’s financial performance. When considering the past research findings, according to the Madarasinghe & Wanniarachchige (2022) study conducted on the consumer service industry in Sri Lanka, there was also a significant and positive impact from the companies' economic disclosures on the firms' financial performance, while environmental and social disclosures didn’t show any significant result, and there was no impact on the firms' financial performance. These research findings go in line with our research findings of industry A, even though the industries are different.

In this study to measure the firm performance used to measure ROA and ROE, the findings of Weerakondarachchi & Wijesinghe (2021) reveal that there is no impact from the Social and environmental disclosures on firm financial performance when measured by the ROA. That is also similar to our study findings of the industry A, which show that there is no impact from the social and environmental disclosure on ROA. However, this research said that there is no impact from the economic discourses on ROA and further told that Environmental disclosures have a significant impact on ROE. That finding is not in line with our findings. This is because they consider all the CSE-listed companies in Sri Lanka for their study.

However, when considering the research findings of the finance sector according to the hypothesis testing, the findings showed mixed results, whereas the analysis of environmental sustainability reporting displayed a positive association with ROA with (p=0.012); no such association was observed for environmental sustainability reporting concerning ROE with (p=0.430). Conversely, social sustainability reporting exhibited a significant negative relationship with ROE (p=0.03) but no significant impact on ROA (p=0.875), while economic sustainability reporting showed no significant relationship with either metric. This outcome provides further evidence to the existing literature that shows that environmental programs yield real operational improvements (Li et al., 2023; Sharma & Gupta, 2023).

Conclusion and Recommendation

This research investigated the impact of sustainability reporting on firm performance comparatively among the industry A and industry B companies listed on the Colombo Stock Exchange (CSE). This research will help to address the research gap found in the Sri Lankan context. As per the industry A, the result of this research indicates that economic disclosure has a significant impact on firm financial performance while social and environmental disclosures do not have an impact. But for industry B, it shows that only environmental and social disclosure has a significant impact on a firm's financial performance. Further findings reveal that the sustainability reporting in both industries' disclosure practices improved throughout the period, even though most of the companies were not up to the expected or the admirable level in Sri Lanka when compared with the other countries. It is very important to make them aware of the company's stakeholders and make them knowledgeable regarding the sustainability reporting disclosure practices. Future research could address these limitations and extend the current findings in several ways. This study only focused on the selected companies' data only available in the annual reports. Further, consider the data only from 2017 to 2023 because of the GRI guideline introduced after 2016, and for this study consider only the company's disclosures of their sustainability reporting practices according to the GRI guideline. The study was conducted based only in Sri Lanka. The researchers can conduct country-level analyses to understand which of the findings reflected in the sustainability-performance relationship are sensitive to the national context and which are not. This study can expand into qualitative research for future researchers. Most of all, the study conducted in this study area was conducted as a quantitative research method, and future researchers can gather the data by connecting to the key management personnel in the business.

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