The Impact of Sustainability Reporting on Financial Performance: Evidence from Listed Banks and Finance Companies in Sri Lanka

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ABSTRACT

Introduction - Sustainability reporting in the areas of economic, environmental and social disclosures for achieving better financial performance has become a contemporary issue due to the absence of a regulatory framework in this area. Therefore, the purpose of this study is to examine the impact of sustainability reporting on financial performance of listed banks and finance companies in Sri Lanka in line with Global Reporting Initiatives (GRI).

Design/ Methodology/ Approach - Data for 12 banks and 8 finance companies listed in Colombo Stock Exchange (CSE) is analyzed using panel multiple regression analysis. Levels of economic disclosures, environmental disclosures, and social disclosures are the independent variables of the study and Return on Equity (ROE) and Return on Assets (ROA) are the dependent variables of the study.

Findings - Listed banks and finance companies reported more on social disclosures rather than on economic disclosures and environmental disclosures and reported more on customer privacy, training and education, employment with reference to the specific aspects of the GRI and less on supplier environmental assessments, freedom of association and collective bargaining, security practices. Further the economic, environmental and social disclosures create no significant impact on firms' ROE. And the economic and social disclosures create no significant impact on firms' ROA except environmental disclosures.

Conclusion - Introducing regulations and monitoring sustainability disclosure practices will enhance the balance between each area of economic, environmental and social reporting.

Keywords: *Sustainability Reporting, GRI, Financial Performance, Content Analysis, Listed Banks and Finance Companies*