

# **The Environmental Disclosure Practices and Firm Performance: Evidence from Manufacturing Sector in Sri Lanka**

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## **ABSTRACT**

**Introduction:** This research study aims to identify how the environmental disclosure practices influence the firm performance with the moderating effect of environmental performance.

**Design/Methodology/Approach:** The Sample of the study consist with of 15 listed companies in manufacturing industry in Sri Lanka which will mainly focus on the financial years of 2014 to 2020. Also, it is expected to collect data relating to environmental disclosure with the help of an environmental disclosure index developed by Clarkson et al. (2008) and the data will be collected from the annual reports and the sustainability reports of the companies in the sample. Using the correlation and regression analysis it has been tested whether there is a direct relationship between the environmental disclosure and the firm's financial performance through this research study. Further, it has also been performed an interaction effect of regression analysis to study the moderating effect of environmental performance on the direct relationship between environmental disclosure and firm market value.

**Findings:** As per the findings of this study it was revealed that there is an insignificant positive relationship between environmental disclosure and ROE as well as an insignificant negative relationship between environmental disclosure and ROS. Therefore, it can be concluded that there is no systematic relationship between environmental disclosure and firm performance. Moreover, no significant moderating effect of environmental performance was identified from this research study.

**Conclusion:** The results indicated that there was no systematic relationship between the environmental disclosure and firm performance since the correlation is not significant. As an additional analysis, a panel regression was run, and it also indicated a positive relationship between environmental disclosure with respect to the ROE and ROS.

**Keywords:** *Corporate Social Responsibility, Environmental Disclosure, Environmental Performance, Financial Performance*