

Impact of Sustainability Reporting on Firm Financial Performance: Evidence from the Banking Sector in Sri Lanka Pre and Post Covid-19 Period

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Abstract

This research examines the impact of sustainability reporting on financial performance in the Sri Lankan banking industry before, and after the COVID-19 pandemic. The study aims to achieve two main objectives by analyzing secondary data obtained from the annual and sustainability reports of 15 commercial banks. First, it aims to determine whether sustainability reporting has a significant impact on banks' financial performance as measured by return on assets (ROA) in the pre-and post-COVID-19 periods. Second, to investigate the relationship between the financial performance of the banking sector and sustainability reporting practices in these different periods. The second goal of the study is to clarify the relationship between financial performance and sustainability reporting in the banking industry during these different periods. The results show a significant positive correlation between ROA and economic disclosures in sustainability reports, suggesting that banks that highlight economic factors in their sustainability reporting see better financial results. Environmental disclosures show a nonsignificant positive relationship with return on assets (ROA). Social disclosures show a significant negative relationship with return on assets (ROA), and in the context of the banking sector, these findings highlight the complex relationship between financial performance and sustainability reporting. They provide insights for stakeholders, legislators, and financial institutions trying to navigate the changing environment shaped by the transformative effects of the COVID-19 pandemic, in addition to sustainability needs.

Keywords: COVID-19, Global Reporting Initiative, Return on Assets, Economic Disclosure, Environmental Disclosure, Social Disclosure, Sustainability Reporting