

# **The Impact of Environmental Reporting on Company Financial Performance of Listed Manufacturing Companies in Sri Lanka**

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## **Abstract**

The impact of business activities on the environment is gradually increasing. Hence it is vital for stakeholders to be concern on the relationship between environment aspects and company's decision making process. This study aims to investigate the impact of environmental reporting on the financial performances of listed manufacturing companies in Sri Lanka. Further, this study extends to explain the interaction between the environmental disclosure and firm's specific variables such as firm size and leverage on firm's financial performance. The main variables of the study are, environmental disclosure being the independent variable, firm size and leverage as the control variables and Return on Assets (ROA) as the dependent variable. The current study use secondary data of 41 manufacturing companies in Colombo Stock Exchange for the period of 5 years from 2013 – 2017 by using content analysis. Correlation and multiple regression models is used to analyze the relationships of this research study.

The results reveal that there is a significant relationship between environmental accounting disclosures and firm's financial performance when environmental accounting is moderated by firm specific variables such as firm size and leverage of the selected companies.

**Key Words:** Environmental Disclosures, Financial Performance, Return on Assets, Firm Size, Leverage