

The Impact of Sustainable Accounting Practices on Shareholders' Wealth: Evidence from an Emerging Economy of Sri Lanka

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Abstract

Sustainability accounting is considered as a sub category of accounting which discloses the economic, social and environmental performance to stakeholders. This study investigates the impact of sustainability accounting practices on shareholders' wealth of public listed companies in Sri Lanka. Extant literature on sustainability reporting are based on developed countries and dearth of studies available from developing countries. The aims of this research are to identify the level of sustainable accounting practices in the public listed companies in Sri Lanka and to examine the impact of sustainability accounting practices on shareholder wealth. Economic performance disclosure, environmental performance disclosure and social performance disclosure are used as independent variables of the study. Dependent variable is return on equity as a measure of shareholders' wealth. The sample consists of 54 companies that disclose sustainability accounting practices and listed on Colombo stock exchange during the period from 2015 to 2019. All the secondary data are collected from Colombo stock exchange and company websites. E-views application software will be used to analyse data on the formulated models. Results of this study provide guidance for the companies that willing to establish sustainability reporting practices and it would helpful to create shareholders' wealth by adopting sustainable accounting practices and create value to the entities. Findings of the study are of interest to all stakeholders including managers, investors, employees, government, accounting standards setters, preparers and users of accounting information for promoting them to preserve sustainability in long term.

Keywords: Global Reporting Initiatives, Return on Equity, Sustainability Reporting