

THE EFFECT OF ENVIRONMENTAL REPORTING ON FINANCIAL PERFORMANCE OF LISTED COMPANIES IN SRI LANKA

Kavindya Y.H.A.¹ and Wijekoon W.M.H.M.²

¹*amakavindya98@gmail.com*; ²*nisansala@kln.ac.lk*

Abstract

Environmental reporting has become increasingly important in the modern corporate world since it helps modern businesses stay competitive by keeping society informed about ongoing social actions. Even though environmental reporting is not yet mandatory, the company's management will always endeavour to reveal information about the company's environmental background. However, there is dearth of literature available on environmental reporting particularly in Sri Lankan context. Hence, this study investigates the impact of environmental reporting on financial performance of listed companies in Sri Lanka. The study used three independent variables namely greenhouse gas emission, water consumption and waste disposal. Return on asset (ROA) and return on equity (ROE) used to measure the financial performance. The population includes all manufacturing companies listed in Colombo Stock Exchange (CSE) under the previous industry classification. All listed manufacturing companies were selected as the sample of the study. However, firms who did not have complete data for the relevant time period were eliminated from the sample for this analysis. The annual reports from the website of Colombo Stock Exchange, sustainability reports for the 5 years period (2017-2021) and web site of the firms were used as sources of data collection. The data were examined utilizing descriptive statistics, correlation, and multiple regression analysis. The Findings of this research will provide useful evidence for manufacturing companies in understanding the importance of functioning in a socially and responsibly manner and its impact on financial performance. Further, this research will help to the individuals to understand the concept and importance of environmental reporting and increase community understanding of the importance of making decisions based on it.

Key Words: *environmental reporting, financial performance, listed companies*