Impact of Sustainability Reporting Practices on Firm Performance: with Special Reference to Banks in Sri Lanka

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ABSTRACT

Purpose: The objective of this study is to examine the impact of sustainability reporting practices on firm performance in banks in Sri Lanka.

Design/Methodology/Approach: The research is quantitative and used deductive research logic, based on secondary data from 20 licensed commercial banks and 04 licensed specialized banks that are registered with the Central Bank of Sri Lanka for seven years from 2015 to 2021. Return on Assets and Tobin's Q are the dependent variables whereas Sustainability Reporting Score consisting of economic disclosure, environmental disclosure, social disclosure are the independent variables of this study. STATA version 13 Statistical package was used to analyze data using panel regression.

Findings: According to the study's findings, environmental disclosure and social disclosure have significant impact on the return on assets, whereas economic disclosures have no significant impact on the return on assets. Further, social disclosures have a significant impact on Tobin's Q. However, economic disclosures and environmental disclosures have no significant impact on Tobin's Q. Moreover, the most influencing factor for sustainability reporting practices on firm performance was environmental disclosures.

Originality: This study contributes to the existing literature by identifying the current state of sustainability reporting in licensed commercial banks and licensed specialized banks in Sri Lanka and the trend of sustainability reporting in Sri Lanka over the past seven years.

Keywords: *Firm Performance, Sustainability Reporting, Economic Disclosure, Environmental Disclosure, Social Disclosure.*