

The Impact of Environmental Sustainability on Financial Performance in the Food, Beverage, and Tobacco Industry in Sri Lanka

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Abstract

This study investigates the Impact of Environmental Sustainability (ES) on Financial Performance (FP) in the Food, Beverage, and Tobacco (FBT) industry in Sri Lanka. Sustainability, as defined by Clough (2006) and Tatlici and Sertyesilisik (2019), involves meeting present needs while preserving the ability to cater to future generations. The study focuses on the Economic, Social, and Environmental dimensions of sustainability, emphasizing ES as a systematic process of economic activities bound by environmental constraints. Rapid global expansion and technological advancements in international trade have heightened environmental concerns, evident in rising CO₂ emissions and health risks. Firms worldwide, including in Sri Lanka, are adopting ES practices, often disclosed through ES reporting. Despite the costs, firms anticipate long-term benefits, both financial and non-financial. This study centers on ES practices' impact on FP, crucial in any business firm. The researcher selects the FBT industry due to its categorization under Consumer Staples and its association with pollution. FBT firms must adhere to ES rules, incurring additional costs to maintain profitability. The investigation aims to fill the research gap on the ES-FP link in the FBT sector, considering the industry's unique challenges. The research question explores the impact of ES on FP in the FBT industry, with objectives to measure and analyze this relationship. The significance lies in providing empirical evidence on the ES-FP connection, aiding decision-makers in the industry, guiding policymakers, and supporting sustainable development goals. The study addresses limitations, emphasizing the need for a larger, more varied sample and cautious consideration of industry-specific factors.

Keywords: Environmental Sustainability, Financial Performance, Food, Beverage and Tobacco Firms.