

Impact of Environmental Management Accounting Practices on Financial Performance of Listed Manufacturing Companies in Sri Lanka

Perera, P. R. M. R.¹ and Meepagama, U. E.²

Department of Accountancy, University of Kelaniya

¹Malintha.perera@ymail.com, ²udanimeepagama@gmail.com

The objective of this paper is to examine the Environmental Management Accounting (EMA) practices in achieving financial performances in listed manufacturing companies in Colombo Stock Exchange (CSE). This is an exploratory study based on analyzing secondary data to answer the research problem of how does the application of EMA relate with financial performance in listed manufacturing companies in Sri Lanka. EMA can be defined as the identification, collection, estimation, analysis, internal reporting, and use of materials and energy flow information, environmental cost information, and other cost information for both conventional and environmental decision-making within an organization. EMA systems have the dual purpose of managing and improving the financial and environmental performance of an entity. Application of EMA, which integrates two of the main principles of sustainable development in terms of environment and economics, can help to significantly improve corporate decision making. Literatures bordering on the areas of EMA practices were reviewed using corporate annual reports of ten (10) manufacturing companies listed in Colombo Stock Exchange in the year 2013. EMA application is employed as independent variable and parameters such as environmental information, environmental evaluation, environmental cost savings and environmental laws are used to measure EMA. Further, profitability and revenue growth are used to measure the financial performance of selected companies. Correlations and multiple regression analysis is used to analyze the data of this research. This study makes an original contribution to the growing body of empirical studies on practices of EMA in Sri Lanka.

Keywords: *Environmental Management Accounting Practices, Listed manufacturing Companies, Financial Performance, Colombo Stock Exchange*