

Impact of Sustainability Reporting on Organizational Financial Performance

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ABSTRACT

Sustainability is meeting our own needs without compromising the ability of future generation to meet their own needs. Sustainability reports present organization values, governance model and demonstrate the organization strategy via the information published about economic, environmental and social impact. This research investigates the impact of SR on organizational financial performance. Moreover, SR expects to influence overall performance and profitability of the organizations. It might impact on organizational financial performance positively as well as negatively. In Sri Lanka context, this area is under researched and in-depth investigations need to be carried out to recognize the factual impact of sustainability reporting. Therefore, the research problem is to investigate how SR impact on the companies' financial performance. Accordingly, the aim of this study is to empirically examine sustainability reporting in publicly listed companies (financial sector) in Sri Lanka, its extent, nature and possible drivers, specifically considering the use of the Key Performance Indicators and its impact on firm performance. The study is based on secondary data from 13 banks, 41 diversified financials and 08 insurance companies listed on Colombo Stock Exchange. The independent variable is SR (general, economic, environmental, and social) and dependent variables are Return on Assets (ROA) and Return on Equity (ROE). Apart from these, the analysis uses control variables of total assets (TA) and total equity (TE). The study covers data for 5 years from 2015 to 2019. Panel data regression was used to analyze data using E-views. The findings of the study important to the stakeholders of the relevant companies mainly, primarily investors who are interested in the accuracy of their investment decisions and the customers who cares about the companies' stability and regulatory bodies of SR initiatives. The findings are also important to the employees as they focus on remuneration increments bonuses and job security.

Keywords: Colombo Stock Exchange, Financial Performance, Sri Lanka, Sustainability Reporting.