

SUSTAINABILITY REPORTING DISCLOSURES AND ITS IMPACT ON FIRMS' FINANCIAL PERFORMANCE: A COMPARATIVE STUDY BETWEEN BANKING INDUSTRY AND INSURANCE INDUSTRY COMPANIES IN THE COLOMBO STOCK EXCHANGE IN SRI LANKA

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Abstract

Sustainability reporting integrates the organizations' economic, environmental and social performance towards achieving better financial performance and also it has become a topical issue due to the inadequacy of a definitive model or a rigid regulatory framework in this arena. Thus, the main purpose of this study is to make a comparison between the insurance and banking sectors regarding the level of sustainability reporting disclosure (environmental, social, and economic) and its impact on the financial performance of the firm. The research is a quantitative and deductive study which is based on several theories such as legitimacy, institutional, agency, and stakeholders' theories. The study used based on pooled data analysis of all the companies in the bank industry and the insurance industry as the sample of the study. It was derived from banking firms and insurance firms from the population of 20 industry categories of the Colombo Stock Exchange which were updated according to the Global Industry Classification Standard (GICS) on 30th September 2022. The analytical model is built on the independent variable of the sustainability reporting disclosure index and the dependent variables of the model were return on assets and return on equity. To measure the sustainability reporting disclosures, the study developed a sustainability reporting disclosure index by using a set of Global Reporting Initiative (GRI) guidelines. This GRI guideline has indicated a total of 133 sub-indicators. The result reveals how corporate sustainability reporting practices have changed over time. The findings of the study will mainly be useful for different decision-makers and stakeholders in the banking and insurance sectors; investors, regulators & standard-setting bodies, policymakers, and scholars to improve their knowledge about sustainable reporting practices.

Keywords: *sustainability reporting, financial performance, Global Reporting Initiative framework, bank industry, retail industry, Sri Lanka.*