

Impact of Environmental Management Practices on the Financial Performance; Evidence from Listed Manufacturing Companies in Sri Lanka

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Abstract

This research aims to investigate the relationship between environmental management practices and financial performance in the context of Sri Lanka's manufacturing industry. Focusing on manufacturing companies listed on the Colombo Stock Exchange, the study investigates environmental management practices within these organizations and explores their correlation with financial indicators, particularly return on assets (ROA). Independent variables examined include green manufacturing practices, green process practices, and green supply chain management. The research objectives are twofold: first, to explain the existing environmental management practices among selected listed manufacturing companies, and second, to identify the relationship between these practices and financial performance as measured through ROA. The hypothesis shows that green production practices, green process practices, and green supply chain management positively affect the financial performance of manufacturing companies in Sri Lanka. Primary and secondary data are used for extensive analysis with a structured questionnaire serving as the primary data collection tool. The questionnaire covers various aspects of environmental management practices and captures the extent to which companies integrate green principles into their product design, production processes, and supply chain activities. Preliminary findings from the pilot research reveal that a significant percentage of the manufacturing firms in the sample have adopted environmental management practices to varying degrees. The pilot study also shows a positive trend towards green process practices and green supply chain management. Data analysis includes descriptive statistics, reliability analysis, validity tests, and Pearson correlation coefficients to reveal the complexities of the relationship between environmental practices and financial performance. The multivariate diagnostic test is applied to assess the potential correlation between the independent variables. The research explores the environmental management practices of manufacturing firms in Sri Lanka and their impact on financial performance. It provides practical insights for businesses, policymakers, and stakeholders, guiding on integrating sustainable practices for environmental and financial prosperity. The study contributes to corporate sustainability discourse in emerging economies, highlighting the complex relationship between environmental responsibility and financial success.

Keywords: Environmental Management Practices Financial Performance, Manufacturing Industry, Return on Assets, Measuring Environmental Performance