

The Impact of ESG (Environment, Social, and Governance) Practices on the Financial Performance of Listed Consumer Services Companies in Sri Lanka

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Abstract

Introduction: The impact of Environmental, Social, and Governance (ESG) practices on the financial performance of consumer services companies has taken centre stage in the global corporate landscape. This phenomenon is not unique to Sri Lanka. The aim of this research is to assess the impact of ESG practices on the financial performance of listed consumer service companies in Sri Lanka.

Methodology: This study uses a deductive approach and quantitative methods to analyze the data. Data were gathered from annual reports of 37 consumer service companies listed on the Colombo Stock Exchange (CSE) as the sample from 2017 to 2022.

The dependent and independent variables were financial performance and ESG practices, respectively. ESG disclosure scores were used to measure ESG practices, and both Return on Assets (ROA) and Return on Equity (ROE) were used to measure the financial performance of firms. Descriptive statistics, correlation and panel regression were used to analyse the data.

Findings: The study found a significant impact on ESG practices and firm performance in listed consumer service sector companies in Sri Lanka. These findings contribute to the growing global discourse on ESG practices, guiding the evolving landscape of sustainable business practices.

Conclusion: This research offers actionable insights for policymakers, investors, and corporate leaders. It emphasises that ESG and sustainability reporting are not financial liabilities but strategic assets, paving the way for improved financial performance, stakeholder relationships, and transparency.

Keywords: Environmental; Social and Governance (ESG) practices; Return on Assets (ROA); Return on Equity (ROE); listed consumer service companies, Sri Lanka.