

# **The Effect of Sustainability Reporting Disclosures on Firms' Performance: A Comparison between Finance Companies & Non-Finance Listed Companies in the Colombo Stock Exchange**

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## **Abstract**

This study investigates the impact of Sustainability Reporting Disclosure on Firm Financial Performance, specifically comparing finance companies and Non-Finance Companies in Sri Lanka, focusing on Listed Companies on the Colombo Stock Exchange. The study assesses economic, environmental, and social disclosures within sustainability reporting and their influence on financial performance. Despite a global trend in increased investor interest in non-financial performance, the research identifies a lower-than-expected level of sustainability disclosure among the selected companies. Using secondary data from annual reports, including financial and non-financial information, the study employs descriptive analysis, correlation tests, and regression analysis. Results reveal a moderately positive relationship between sustainability reporting and Return on Assets (ROA), indicating that companies can achieve positive outcomes by prioritizing either sustainability or financial performance. The research questions are What is the impact of Sustainability Reporting Disclosure on Firm Financial Performance and Does the impact of Sustainability Reporting Disclosure on firm performance differ between Finance companies and non-finance companies? Findings suggest a positive relationship between sustainability reporting disclosure and Return On assets (ROA), with differences in the effects of economic, environmental, and social disclosures on the finance sector and non-finance sector. Recommendations include enhancing the quality of disclosure in Sri Lanka, given the absence of specific standards and potential challenges for stakeholders in comparing reports. The study's contributions extend to providing insights into the motivations for social transparency and potential sector-specific financial indicators. Future research may delve deeper into the dynamics of sustainability reporting in various industries. Overall, the study underscores the critical relationship between sustainability reporting disclosure and the success of both finance companies and non-finance companies in Sri Lanka, signaling a growing industry shift toward sustainability practices.

**Keywords:** Economic Disclosure, Environmental Disclosure, Social Disclosure, Firm Performance, Sustainability Reporting Disclosure