The Impact of Corporate Sustainability Reporting & Financial Performance Comparative Study between Banking & Consumer Durables and Apparel Sector

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Abstract

Corporate sustainability reporting is the practice of a company openly disclosing its environmental, social, and governance (ESG) performance, demonstrating its commitment to sustainable and responsible business practices. This reporting typically involves the publication of a sustainability report or integrated report, which details the organization's efforts, impacts, and initiatives in areas such as Environmental Performance: includes details about the company's energy consumption, greenhouse gas emissions, waste management, water usage, and efforts toward conservation and renewable resources. Sustainability reporting is guided by international frameworks such as the Global Reporting Initiative (GRI), the Task Force on Climate-related Financial Disclosures (TCFD), and the Sustainability Accounting Standards Board (SASB). The purpose of this paper is to provide a comparison between the consumer durables & apparel sector and banking sectors concerning the level of sustainability reporting (environmental, social, and governance (ESG)) and its impact on operational, financial, and market performance. The main research problem investigated in this research is "What is the impact on Corporate sustainability reporting and Financial performance of Banking & Consumer durables & apparel sector?". The study depends on the selected sample which consists of 20 listed firms from Sri Lanka for five years from 2018 to 2022. The data used in this study were collected from annual reports presented in the CSE Website. The study sample included the Consumer durables & apparel sector and the banking sector. The study sample included 10 consumer durables and apparel sector companies and 10 banks. A multivariate model is used to investigate the impact of sustainability reporting (ESG) on a firm's performance. The theoretical model is built on agency, legitimacy, resources, and stakeholders' theories. The practical model is built on the independent variable and the dependent variables. The findings deduced from the empirical results on one hand demonstrated that ESG positively affects the financial performance in the consumer durables and apparel sector. However, on the other hand, the ESG negatively affects the financial performance in the banking sector.

Keywords: Corporate Sustainability Reporting, Financial Performance