

IMPACT OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) REPORTING ON CORPORATE PERFORMANCE: EMPIRICAL EVIDENCE FROM LISTED COMPANIES IN SRI LANKA

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Industry observations revealed that companies around the world are shifting from short-term goals of maximizing profits to long-term sustainable ESG goals. Thus, a comparative study has been conducted, focusing on analysing and understanding the impact of ESG reporting on corporate performance in Sri Lanka based on Stakeholder theory and Signalling theory. Code of Best Practices introduced ESG Reporting in 2017 and there is a dearth of studies related to the SG Reporting and Performance in Sri Lanka. This study is carried out as a solution for the empirical gap. The archival data is gathered based on the audited annual set of financial statements & other significant disclosures for the period of 2017 to 2018 and the sample is consisted of 40 companies from the banking and Financial sector in Sri Lanka. The gathered data was dropped down and analysed by using Descriptive Statistics, Correlation and Regression. The researcher has used Corporate Performance which is measured by Return on Assets (ROA) Return on Investment (ROI) and Return on Capital Employed (ROCE) as dependent variable and ESG factors as independent variable. In this study ESG reporting is measured based on the compliance in Code of Best Practices of Corporate Governance in 2017. The findings of this study signified that the ESG factors & corporate performance of a particular company has a positive relationship. Moreover if a particular company is continuing comply with those ESG Factors as much as possible & in effective manner the performance related to the ROCE is better. Ultimately, the results show that good ESG reporting can indeed improve corporate performance, which has significant meanings for investors, company management, decision makers, and industry regulators.

Keywords: *ESG, Return on Assets, Return on Investment, Return on Capital Employed, Sri Lanka*