

Environmental Concern Disclosures and Financial Performance in CSE Listed Hotels

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Abstract

Environmental concern disclosure as a part of corporate disclosure has become a vital matter in recent decades due to many reasons that happened throughout the globe. Sri Lanka also has not been exempted from this, due to a few incidents that happened recently. The incident that happened in the Rathupaswala area in 2016 is one of the famous incidents that happened around a rubber factory. The factory was running well while enhancing the income level of villagers for many years came to an end, due to the improper treatment towards the environment. This incident opened the eyes of the corporations to think about the environment rather than making merely a profit. Every individual and firm is liable for the actions they take which directly impact on the natural resources. Thus, firms must be engaged in adopting a standard way of disclosing the actions towards the economy, environment, and social aspects which have been emphasized by the Global Reporting Initiative Guidelines as well. Accordingly, the present study aimed to investigate whether the environmental disclosures of firms have an impact on financial performance. The population of the present study is listed hotels in the Colombo Stock Exchange, and the sample was limited to 60 hotels. The selected dimensions of environmental accounting practices are the existence of any environmental concern disclosures, water management reporting, energy management reporting, and waste management reporting. The reporting of such disclosures is in monetary and non-monetary terms. By aligning with the literature, the content analysis method was used for measuring the disclosure procedure of the sample hotels. Financial performance has been measured using return on assets. Moreover, efficiency and capital intensity have been used as the control variables. The descriptive, correlation, regression on panel data analysis were used to analyse the collected data. The results of the study revealed a positive significant impact of energy management reporting and the existence of any environmental concern disclosures on return on assets while the other two dimensions showed an insignificant impact on return on assets. The finding suggests further studies to seek this association and make valid conclusions based on those findings.

Keywords: Environmental concern disclosures, financial performance, listed hotels, return on assets