

AN INVESTIGATION OF ENVIRONMENTAL MANAGEMENT PRACTICES ON FINANCIAL PERFORMANCE OF RUBBER INDUSTRY IN SRI LANKA

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At present, the value of a business is judged through multiple dimensions paying attention to economic, social and environmental aspects. All industrial organizations now realize that environmental issues as top most critical to resolve conflicts. The influence of environmental management practices on financial performance has become a critical issue often leading to contradicting results. This study investigates the relationship between environmental management practices (EMPs) on financial performance (FP) using the dataset from 30 rubber manufacturing organizations during the period of 2012-2016. The study is conducted apropos the three different EMPs of energy reduction (amount of furnace oil litters use per day), waste (amount of waste water generate cubic meters per day- m^3/day), and recycle (amount of recycle waste water as a percentage from total pure water consumption) in capturing the effect of EMPs on FP. In addition to elucidating how financial performance dealing with EMPs, the study uses return on assets (ROA) as a determinant of financial performance. It is more difficult to identify the general relationship between EMPs and FP of firms due to its heterogeneity during growth of firms. The estimation results suggest that the furnace oil consumption and recycle of waste water have significant positive driving forces on FP. However waste water treatment has no significant impact on FP. Therefore, it is critical to investigate the relationship between FP and EMPs yet to be resolved to build up scope for companies to implement better environmental practices in organizations.

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