

Abstract

Testing The Relationship Between Environmental Performance and Financial Performance Case of The Listed Egyptian Companies

This study investigated the relationship of corporate environmental performance (CEP) and corporate financial performance (CFP) to determine if CEP can affect the firms' financial performance. Therefore, this research will add to the academic research by presenting evidence on the nature of the general association between environmental performance and firms' market value and profitability instead of focusing on the immediate effect of a particular environmental event. This study is applied on listed companies in the Egyptian Stock Market and Egyptian companies listed in the Egyptian Corporate Responsibility Index 'S&P/ EGX ESG Index' from 2007 to 2013. Using the data collected which are secondary data from financial statements for the period 2007-2013 and primary data collected through questionnaire, while applying OLS regression model and Mann-Whitney test. This research intends to provide better understanding of the effect of the environmental performance on financial performance in Egypt, while comparing the financial performance of companies certified with ISO 14001 and listed in the index with companies that are neither certified with ISO 14001 nor listed in the index. The results of the study failed to find a positive significant relationship between environmental performance either measured by ISO 14001 questionnaire and cumulative stock and Return on Equity. However, the study revealed a positive relationship between environmental performance either measured by ISO 14001 questionnaire and Return on Assets. The study also finds that companies certified with ISO 14001 and listed in the CSR index have a better financial performance neither measured by ROA and ROE than companies with neither ISO nor listed in the index. However, there is no difference in financial performance measured by cumulative stock returns between the two groups. The main conclusions drawn from this study that investors in the emerging capital markets like Egypt are not concerned with the environmental activities to assess the firms' performance. This dissertation recommends for the companies to be aware of the benefits of being more socially and environmentally responsible. Moreover, The Egyptian Stock Exchange has to set more stringent disclose requirements concerning the firms' social responsibilities and accomplishments.