

The Relationship between the Environmental and Financial Performance of Australian Electricity Producers

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Abstract : The present study focuses on the environmental performance of the companies in the electricity-producing sector and its relationship with their financial performance. We will review the major studies that examined the relationship between the environmental and financial performance of firms in various industries. While the classical economic debates consider the environmental friendly activities costly and harmful to a firm's profitability, it is claimed that firms will be rewarded with higher profitability in long run through the investments in environmental friendly activities. In this context, prior studies have examined the relationship between the environmental and financial performance of firms operating in different industry sectors. Our study will employ an environmental indicator to increase the accuracy of the results and be employed as an independent variable in our developed econometric model to evaluate the impact of the financial performance of the firms on their environmental friendly activities in the context of companies operating in the Australian electricity-producing sector. As a result, we expect our methodology to contribute to the literature and the findings of the study will help us to provide recommendations and policy implications to the electricity producers.

Keywords : Australian electricity sector, efficiency measurement, environmental-financial performance interaction, environmental index

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