Green Signal and Global Sales: The Impact of Environmental Accounting Disclosure on Export Performance of Small Cap Firms in South Africa

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Abstract

Small and medium enterprises are an essential part of any economy as a result of their contributions to the economic output. However, the export performance of SMEs, especially in developing countries, is limited by environmental regulations enacted to achieve sustainability goals due to compliance costs. Moreover, there is a paucity of studies on how environmental disclosure practices impact the export performances of SMEs. Hence, this study investigates the effect of environmental accounting disclosure on the export performance of 15 small-cap companies in South Africa. Using panel regression analysis, the result showed that environmental accounting disclosure (EAD) exerts a significant and negative impact on export revenue. Also, firms' size (TA) has a direct and significant relationship, while market capitalization and leverage variables have no significant effect on export performance. In addition, the effect of exchange rate is positive and significant on export revenue. This study concludes that the level of environmental accounting disclosure by SMEs is significant in improving the export performance of SMEs in South Africa. Therefore, there is a need for a supportive policy framework to alleviate the financial burden for environmental transparency to bolster the international competitiveness of small-cap businesses.

Keywords: Environmental Accounting disclosure, Export performance, SMEs