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Environmental Disclosure Quality and Financial Performance of Fast Food Chain Businesses in General Santos City

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Abstract—**This study explored the relationship between environmental disclosures quality and the financial performance of fast-food chain businesses in General Santos City. The present research study used a quantitative method, employing a descriptive correlational design to investigate the nature of the mentioned variables as well as the relationship between them. This study is anchored on the Stakeholder Theory of Freeman (1984) and Legitimacy Theory by Deegan (2002) and Suchman (1995). After gathering the mean rating of the 111 fast-food chain businesses, results showed a high level of hard environmental disclosure, soft environmental disclosure, and financial performance. Using the Pearson Product Correlation Coefficient, the researchers determined that there is a significant relationship between the environmental disclosure quality and the financial performance of Fast Food Chain Businesses in General Santos City. Ultimately, it is recommended that future research should pursue other types of enterprises or extend to different geographical areas.**

Index Terms—**Environmental disclosure quality, fast food chain businesses, financial performance, Pearson product correlation coefficient, stakeholder theory, legitimacy theory.**

1. Introduction

In a developing country like the Philippines, the exacerbating effects of environmental degradation have illuminated the importance of environmental sustainability for almost all sectors to reduce their negative environmental footprint.

The fast-food industry, known for its rapid growth and global presence, has faced criticism for its environmental impact. From excessive packaging to energy consumption, these businesses have been regarded as a major source of anthropogenic greenhouse gas emissions, providing around 30% of the total world emissions [1].

Environmental degradation and issues alike did not receive the level of concern they ought to have until environmentally conscious people. These people increasingly expect businesses to adopt sustainable practices, and any deviation can result in reputational damage and declining sales. Accordingly, this has put heightened pressure upon organizations and businesses to disclose their environmental practices.

Environmental disclosure, as outlined by the Association of Chartered Certified Accountants (ACCA), encompasses a fusion of data, incorporating objectives, clarifications, and numerical data, reflecting the environmental burdens and efforts of a company [2]. According to Clarkson et al. (2008) [3], hard environmental disclosure pertains to a subset of environmental disclosure that focuses mainly on factual, quantifiable, and verifiable environmental information. On the other hand, soft environmental disclosure heavily emphasizes the qualitative and subjective information about a company [4].

As described by Lenglet (2023) [5], assessing the financial performance of a company involves examining its financial results such as revenue, losses, costs, expenses, and other financial parameters. In this study, financial performance will be measured using key performance indicators such as net profit margin, return on assets (ROA).

This study is deeply anchored on the Legitimacy Theory by Deegan (2002) [6] and Suchman (1995) [7] and by Freeman (1984) [8]. The Stakeholder Theory, as explained by Jensen and Meckling (1976) [9], emphasizes that disclosure and decision making must account for the interests and issues of different groups, including investors, consumers, regulators, and the general public.

On the other hand, Legitimacy theory discusses the idea of organizations striving to maintain their legitimacy within their environment [10]. For the study in this dissertation, it suggests that businesses may make use of environmental disclosures to develop and maintain credibility, particularly in response to societal demands, and for the sake of legal duty.

Multiple studies have shown that financial performance of business is significantly impacted by environmental disclosure. Specifically, the study by Nandini et al. (2020) [11] found that the cost incurred in environmental protection is significantly correlated with the Return on Capital Employed, Return on Assets (ROA), Return on Equity (ROE), Net Profit Margin, and Dividend per Share.

Similarly, the study conducted by Al-waeli et al. (2021) [12] revealed that industrial companies identified that the quality of its environmental disclosure is relatively weaker compared to other third-world countries.

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Gatimbu and Wabwire (2016) [13] also came to similar conclusions. Their study showed a strong relationship between the company disclosures and its financial performance. This suggests a link between financial performance and increased environmental transparency.

Conversely, Bucala [14] outlined the connection between the bank's financial performance and its CSR disclosure performance using ROA and ROE to measure profitability. The study draws the conclusion that there is a conspicuous absence of systematic and transparent reporting.

Moreover, Virtania and Siregar (2017) [15], Plumlee et al. (2015) [16], and Giannopoulos et al. (2022) [17] have found that environmental disclosure as a whole significantly affects the profitability of the company. However, when it was further categorized into "hard" and "soft" types, the results differed.

Xu (2020) [18] in their study analyzes the empirical relationship between the financial performance of the coal industry and the disclosure of environmental accounting information. The findings indicate that the coal business is positively correlated with profitability but not with debt level.

The study of Dhar and Chowdhury [19] demonstrated a strong positive relationship between environmental accounting reporting (EAR) and its profit margin. However, the connections between EAR and ROAE (return on average equity), ROAA (return on average assets), and EPS (earnings per share) are insignificant. The study also showed that the control elements' size, overhead, capital ratio, and debt ratio is significantly affecting its financial performance.

Zulfatillah [4] was able to use a multiple linear regression model to test the direct impact of environmental disclosure quality on the profitability of publicly listed manufacturing companies in Indonesia. The results of their model 1 show that hard type disclosure significantly, at a level of significance of 10%, influenced Return on Equity (ROE). In contrast, their model 2 analyzed the effect of soft type disclosure, and found that it had no significant effect on ROE.

According to the study by Andriana and Anisykurlillah [21], economic performance is not much impacted by profit margin or firm size. Through environmental disclosure, there is no observable relationship between environmental performance and firm size or economic performance. The profit margin has a far-reaching effect on economic performance through environmental disclosure. The results of their study show that better environmental performance and environmental disclosure are related to better economic performance. Moreover, with a higher profit margin, it increases the threshold for economic performance.

The gathered foreign and local studies have provided insights into the similarities between these related studies and the current study. Although some of the studies use different terminologies for their variables, in a contextual manner, the notion is indistinguishable from the present study. Most of the studies have also identified financial performance indicators such as net profit margin, return on assets, and return on equity. Similarly, the present study will be using the Net Profit Margin, Return on Asset, and Return on Equity as the dependent variables for measuring the level of Financial Performance of Fast Food Chain Businesses in General Santos City.

Despite these similarities, previous researchers have not explored the relationships between these two variables in the fast food chain industry. The studies of Xu (2020), Dhar & Chowdhury (2021), Al-waeli et al. (2021), and Zulfatillah (2019) have only investigated industries such as coal enterprises, banking, industrial, manufacturing, and more [18] [19] [12] [4]. Addressing this issue will provide recommendations that will help businesses, investors, policymakers, and environmental advocates to enhance transparency and foster sustainable practices.

Therefore, this current study will address the gap by specifically examining the dynamics of these relationships within the fast food chain businesses, aiming to contribute valuable insights to the existing body of research.

2. Objectives of the Study

The purpose of the current study is to investigate whether the financial performance of fast food chain businesses in General Santos City and their quality of environmental disclosures are significantly correlated. It also seeks to ascertain the extent of environmental disclosure of Fast Food chain Businesses as well as the degree of financial performance of the said businesses.

A. *Statement of the Problem*

This study aims to determine the Environmental Disclosure Quality and its Implications on the Financial Performance of Fast Food Chain Businesses in General Santos City.

Specifically, this study will answer the following:

1. What is the level of Environmental Disclosure Quality of Fast Food Chain Businesses in General Santos City in terms of:
   1) Hard Environmental Disclosure
   2) Soft Environmental Disclosure
2. What is the level of Financial Performance of Fast Food Chain Businesses in General Santos City in terms of:
   1) Net Profit Margin
   2) Return on Assets (ROA)
   3) Return on Equity (ROE)
3. Is there a significant relationship between Environmental Disclosure Quality and Financial Performance of Fast Food Chain Businesses in General Santos City?

3. Materials and Methods

This study used a quantitative research method to understand the Environmental Disclosure Quality and Financial Performance of Fast Food Chain Businesses in General Santos City. Quantitative research is the predominant research paradigm in the social sciences. It entailed a collection of methods, techniques, and underlying assumptions employed to investigate psychological, social, and economic phenomena by examining numerical patterns [22]. The methodology of quantitative research involved the compilation of a variety of numerical data.

The researchers also employed the descriptive correlation design to determine the relationship between the independent variable (environmental disclosure) and the dependent variable (financial performance). As defined by Sousa et al. (2007) [23], the descriptive correlational design was the most appropriate and effective because this study involved measurement and utilization of the descriptive correlational design, systematically exploring the characteristics of these variables and the intricate interconnections among them. The research design was the comprehensive methodology of the researchers to elicit responses addressing the research questions that govern the investigation.

A. Research Locale

This study was conducted in businesses under the Fast Food Chain Industry within General Santos City. The aforementioned locale fell in the Philippine province of South Cotabato. It was a heavily developed and highly urbanized city that was situated in the Southern region of South Cotabato. General Santos City was chosen as the locale of the study because it was a highly urbanized city composed of twenty-six (26) barangays with a total population of six hundred sixty thousand five hundred seventy-three (660,573), of which a large percentage was part of the business industry.

The area of the research locale comprised various businesses that were operating under the Fast Food Chain Industry, including but not limited to Jollibee, McDonald's, and KFC. In addition, there were 147 Fast Food Chain Businesses that were presently operating in the city. The chosen locale permitted the researcher to gather data and insights to comprehend the operational dynamics of the fast food industry.

B. Research Respondents

The respondents in this study consisted of all fast food chain businesses in General Santos City. The determination of the research respondents involved obtaining a comprehensive list of such businesses from the City Mayor's Office, which indicated a total of one hundred forty-seven (147). However, due to strict information disclosure policies of certain businesses, only 111 out of 147 agreed to participate. Consequently, the researchers employed a census approach, including all 111 consenting businesses as respondents. A census involves including every individual or element from the population in the study, ensuring a complete representation. Martinez-Mesa et al. (2016) [24] stated that a census should be preferred whenever possible when investigating a population.

C. Research Instrument

The researchers utilized a survey questionnaire as a primary instrument in gathering information used in the present study. As highlighted by Roopa and Rani (2012) [25], questionnaires served as invaluable tools for gathering a diverse array of information from a large number of respondents. The researchers prepared an adopted and modified questionnaire that helped to comprehensively investigate the relationship between environmental disclosures and financial performance in fast food chain businesses in General Santos City.

The questionnaire was divided into three (3) sections, where the first part concentrated on the profile of the responses using closed-ended questions, including the name of the business, name, gender, age, position in the business, and years of service in the company/business. The second and third section is composed of questions that sought to measure the focal construct of both the environmental disclosure and financial performance, respectively. Each item was answered using a 5-point Likert Scale: (1) "strongly disagree", (2) "disagree", (3) "neutral", (4) "agree", (5) "strongly agree". Boone & Boone (2012) [26] stated that Likert scales are widely used when analyzing attitudinal and behavioral elements. Therefore, the five-point Likert Scale was chosen to measure the constructs. Figure 1 below shows the five-point Likert Scale.

Items	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
1. There exist a Department for pollution control and/or management positions for environment management	☐	☐	☐	☐	☐

Fig. 1. The five-point Likert scale

The second section is composed of 45 questions based on the adopted and modified Index developed by Clarkson et al. [3], which is used to measure the environmental disclosures of the fast food chain businesses. It is divided into seven (7) general categories (A1-A7), where A1-A4 represent the "hard" items while A5-A7 represent the "soft" items (see Appendix B). The Hard type category included objective data such as environmental performance, energy use data, and environmental certifications. On the other hand, the Soft type category included subjective data such as company statements, goals, mission, vision, etc. This section consisted of 45 disclosure items, with 29 items classified as "Hard" and 16 items as "Soft."

The third section is composed of 11 questions adopted and modified from the studies of Kazimoto (2016) [27]and Bastic et al. (2020) [28]. This section aims to measure the financial performance of the businesses and is therefore categorized into Net Profit Margin (4 items), Return on Assets (4 items), and Return on Equity (3 items).

D. Research Procedure

In identifying the problem, the researchers sought an area within the business sector that had not received much in-depth investigation. As a result, the researchers have identified that the rise of environmentally conscious consumers and investors has pressured businesses to transparently disclose their environmental performance to the public. However, there is a gap in understanding how these environmental disclosures affect the financial performance of fast food chain businesses. To address this gap, the researchers proposed a quantitative correlational research study focusing on both hard and soft types of environmental disclosure and their implications on the financial performance of fast food chain businesses in General Santos City.

Thus, the researchers obtained and compiled all the necessary information to facilitate a thorough comprehension of the terminologies, concepts, and theories related to the current study. In particular, relevant studies and literature that are deemed useful for the present study are collected.

In order to determine the total population of fast food chain businesses, the researchers requested from the office of the City Mayor the list of the operating fast food chain businesses in General Santos City, identifying 147 such establishments. However, only 111 companies consented to participate in the study because of their stringent information disclosure standards.

After successfully obtaining permission from the research adviser and being approved by the ethics committee, the researchers proceeded with conducting the survey. The first part of the survey included the data needed for environmental disclosure, which will be collected through a survey. It is concentrated on determining explicit environmental disclosures provided by the fast food chain businesses. The second aspect comprises the information of the indicators of financial performance, which shall be collected with reference to the financial reports. Upon collection of the necessary data, the researchers shall move ahead by computing the data gathered with the application of Pearson's r or Pearson Product-Moment Correlation Coefficient. The results derived from such calculations are discussed further in the Results and Discussion chapter. The final step emphasizes giving a deeper explanation, interpretation, and insight into the effects of hard and soft environmental disclosures on the financial performance of the Fast Food Chain Businesses in General Santos City.

E. Statistical Tool

The study employed descriptive and inferential tools to examine the data gathered from the 111 respondent fast food chain businesses. Descriptive statistics, such as the business profile questions and five-point Likert Scale, were employed to measure and quantify the quality of environmental disclosure and financial performance of fast food chain companies. The researchers calculated the mean of the respondents' ratings of each variable and utilized the five-point Likert scale interpretation.

Table 1

Mean	Description	Interpretation
4.21 - 5.00	Strongly Agree	Always practiced
3.41 - 4.20	Agree	Often Practiced
2.61 - 3.40	Neither Agree nor Disagree	Sometimes Practiced
1.81 - 2.60	Disagree	Rarely Practiced
1.00 - 1.80	Strongly Disagree	Never Practiced

Further, to determine the correlation between environmental disclosure and financial performance, the researchers applied the Pearson R algorithm to figure out the Pearson correlation coefficient table, the necessity to produce a data chart with both variables labeled "x" and "y," and the addition of three more columns – (xy), (x^2) and (y^2). Being a descriptive statistic, according to Turney (2023) [29], the Pearson correlation coefficient enumerates a dataset's features. It specifically explains the direction and strength of a linear relationship between two quantitative variables.

The values of the Pearson correlation coefficient, denoted r, can range from +1 to -1. A result of 0 indicates that the two elements are unrelated to one another. A positive correlation is indicated by a value greater than 0, meaning that as one variable's value rises, the other variable's value also rises. If the value is less than 0, there is a negative relationship, whereas if the value of one variable increases, the value of the other variable decreases.

To understand Pearson's correlation coefficient, the researchers followed these guidelines:

Table 2

Strength of Association	Coefficient, r	
	Positive	Negative
Small	.1 to .3	-.1 to -.3
Medium	.3 to .5	-.3 to -.5
Large	.5 to 1.0	-.5 to -1.0

F. Ethical Considerations

These researchers put ethics first throughout the whole study. Respondents were fully informed of the study's purpose, procedures, risks, and benefits as they gave consent. Participation was voluntary, and respondents were told they could stop at any time with no consequences. Honesty and transparency were the guiding principles in all interactions with respondents. Procedures were in place to ensure respondent anonymity and data confidentiality by protecting and safeguarding privacy, and no personal identifiable information was included in the report. Researchers followed the highest ethical standards to ensure respondents were selected and treated fairly. Every respondent was treated with dignity and respect regardless of background or personal characteristics.

The ethical committee approved the study design and data collection methods to avoid harm and maximize benefit. By adhering to ethical principles of informed consent, voluntary participation, honesty, anonymity, confidentiality, and respect, the study aimed to contribute to knowledge and protect the rights and well-being of all respondents.

4. Results and Discussion

A. Level of Environmental Disclosures Quality

The quality of environmental disclosures among fast food chain businesses was assessed using the Clarkson Index [3]. A total of 29 hard environmental disclosure indicators were utilized to evaluate various dimensions, including corporate governance structures and management systems, credibility, environmental performance indicators, and environmental spending. These hard disclosure items formed the basis for determining the extent of environmental disclosure quality. Similarly, 16 soft environmental disclosure indicators, based on the same framework, were employed to assess the quality of disclosures by evaluating businesses' vision and strategy claims, environmental profile, and environmental initiatives. The results of which are summarized in the following tables.

The level of Environmental Disclosure Quality of fast food chain businesses in General Santos City was assessed in terms of Hard Environmental Disclosure and Soft Environmental Disclosure as shown in Table 3. The discussions are presented below using the key dimensions of hard and soft environmental disclosures quality.

Plumlee et al. (2015) [16] cited that when evaluating the

Table 3
Hard environmental disclosure of fast-food chain businesses in General Santos City

Governance structure and management systems	Weighted Mean	Description	Interpretation
A department for pollution control and/or management positions for environment management exists.	4.05	Agree	Often Practiced
An environmental and/or public issues committee in the board exists.	4.02	Agree	Often Practiced
Terms and conditions applicable to suppliers and/or customers regarding environmental practices exist.	4.08	Agree	Often Practiced
There is involvement among stakeholders in setting corporate environmental policies.	4.07	Agree	Often Practiced
There's Implementation of ISO14001 at the plant and firm level.	3.86	Agree	Often Practiced
Executive compensation is linked to environmental performance.	3.95	Agree	Often Practiced
Mean	**4.01**	**Agree**	**Often Practiced**
Credibility			
Adoption of GRI sustainability reporting guidelines or provision of a CERES report are publicly disclosed.	3.96	Agree	Often Practiced
Independent verification/assurance about environmental information disclosed in the EP report/web.	3.82	Agree	Often Practiced
Periodic independent verifications/audits on Environmental performance and/or systems are publicly disclosed.	3.99	Agree	Often Practiced
Acquires Certification of environmental programs by independent agencies.	4.02	Agree	Often Practiced
Acquires Product Certification with respect to environmental impact.	4.05	Agree	Often Practiced
External environmental performance awards and/or inclusion in a sustainability index are publicly disclosed.	3.94	Agree	Often Practiced
There is involvement of Stakeholders in the environmental disclosure process.	3.94	Agree	Often Practiced
Disclosure of participation in voluntary environmental initiatives endorsed by EPA or the Department of Energy.	3.91	Agree	Often Practiced
Disclosure of Participation in industry specific associations/initiatives to improve environmental practices.	3.95	Agree	Often Practiced
Disclosure of Participation in other environmental organizations/assoc. to improve environmental practices.	3.98	Agree	Often Practiced
Mean	**3.96**	**Agree**	**Often Practiced**
Environmental Performance Indicators			
Performance data is presented on energy use and/or energy efficiency.	4.06	Agree	Often Practiced
Performance data is presented on water use and/or energy efficiency.	4.12	Agree	Often Practiced
Performance data is presented on greenhouse gas emissions.	3.80	Agree	Often Practiced
Performance data is presented on other air emissions.	3.97	Agree	Often Practiced
Performance data is presented on TRI.	3.94	Agree	Often Practiced
Performance data is presented on other discharges, releases and/or spills.	3.94	Agree	Often Practiced
Performance data is presented on waste generation and/or management (recycling, re-use, reducing, treatment and disposal).	3.97	Agree	Often Practiced
Performance data is presented on land and resources use, biodiversity and conservation.	4.00	Agree	Often Practiced
Performance data is presented on environmental impacts of products and services.	4.08	Agree	Often Practiced
Performance data is presented on compliance performance (e.g.; exceedances, reportable incidents).	4.02	Agree	Often Practiced
Mean	**3.99**	**Agree**	**Often Practiced**
Environmental spending			
Summary of peso savings arising from environmental initiatives to the company are publicly disclosed.	4.04	Agree	Often Practiced
Amount spent on technologies, R&D and/or innovations to enhance environment performance and/or efficiency are publicly disclosed.	4.05	Agree	Often Practiced
Amounts spent on fines related to environmental issues are publicly disclosed.	4.05	Agree	Often Practiced
Mean	**4.04**	**Agree**	**Often Practiced**
Weighted Mean of Hard Disclosure Items	**3.99**	**Agree**	**Often Practiced**

impact of environmental disclosures, it is important to differentiate the two categories. The differences identified would help explain if the fast-food chain businesses in General Santos City practice these disclosures or not.

The variable hard environmental disclosure was evaluated using the four dimensions: Governance Structure and Management Systems,Credibility, Environmental Performance Indicators, and Environmental Spending. The overall weighted mean for hard disclosure items was M = 3.99, classified as "Agree," which implies that such practices are often practiced by the fast food chain businesses in General Santos City. These results suggest that while these businesses have established environmental governance structures and practices, there are still areas that require further improvement. The Governance Structure and Management Systems category presented above received a mean score of M = 4.01 ("Agree," Often Practiced), which indicates the presence of established environmental governance frameworks. The existence of pollution control departments and environmental management positions (M = 4.05) and stakeholder involvement in setting corporate environmental policies (M = 4.07) similarly received high ratings. However, the implementation of ISO14001 at the plant and firm level received a lower mean (M = 3.86), which suggests that while compliance with international environmental standards exists, further efforts are necessary to ensure comprehensive implementation.

These findings agree with Clarkson et al. (2008) [3], who argue that companies with well-structured governance frameworks are more likely to practice environmental responsibility and disclose relevant data. Al-Tuwajiri et al.

Table 4
Soft environmental disclosure of fast-food chain businesses in General Santos City

Vision and strategy claims	**Weighted Mean**	**Description**	**Interpretation**
CEO statements on environmental performance in letters to shareholders and/or stakeholders are publicly disclosed.	4.03	Agree	Often Practiced
A statement of corporate environmental policy, values and principles, environment codes of conduct are publicly disclosed.	4.08	Agree	Often Practiced
A statement about formal management systems regarding environmental risk and performance are publicly disclosed.	4.09	Agree	Often Practiced
A statement that the firm undertakes periodic reviews and evaluations of its environmental performance are publicly disclosed.	4.12	Agree	Often Practiced
A statement of measurable goals in terms of future env. performance (if not awarded under A3) are publicly disclosed.	3.96	Agree	Often Practiced
A statement about specific environmental innovations and/or new technologies are publicly disclosed.	4.08	Agree	Often Practiced
Mean	**4.06**	**Agree**	**Often Practiced**
Environmental profile			**FALSE**
A statement about the firms' compliance (or lack thereof) with specific environmental standards are publicly disclosed.	4.06	Agree	Often Practiced
An overview of the environmental impact of the industry is publicly disclosed.	4.10	Agree	Often Practiced
An overview of how the business operations and/or products and services impact the environment are publicly disclosed.	4.04	Agree	Often Practiced
An overview of corporate environmental performance relative to industry peers is publicly disclosed.	4.10	Agree	Often Practiced
Mean	**4.07**	**Agree**	**Often Practiced**
Environmental initiatives			
A substantive description of employee training in environmental management and operations are publicly disclosed.	4.08	Agree	Often Practiced
Existence of response plans in case of environmental accidents are publicly disclosed.	4.04	Agree	Often Practiced
Internal environmental awards are publicly disclosed.	3.96	Agree	Often Practiced
Internal environmental audits are publicly disclosed.	4.11	Agree	Often Practiced
Internal certification of environmental programs are publicly disclosed.	4.06	Agree	Often Practiced
Community involvement and/or donations related to the environment (if not awarded under A1,4 or A2,7) are publicly disclosed.	3.86	Agree	Often Practiced
Mean	**4.02**	**Agree**	**Often Practiced**
Weighted Mean of Soft Disclosure Items	**4.05**	**Agree**	**Often Practiced**
Overall Weighted Mean	**4.02**	**Agree**	**Often Practiced**

(2004) [30] discovered similar results, showing that companies with pollution control departments woven into their governance structures tend to produce higher-quality environmental reports and achieve better financial outcomes. Stakeholder involvement scored impressively high (M = 4.07), aligning with Freeman's Stakeholder Theory (1984), which suggests that businesses that engage stakeholders in their environmental decision-making are more likely to develop sustainable, long-term strategies.

Moreover, the comparatively lower mean of ISO 14001 implementation is indicative of a problem that Ong et al. (2016) [2] identified in developing nations like the Philippines. Specifically, it emphasizes the limited uptake of globally accepted sustainability standards in spite of environmental compliance initiatives.

This raises the possibility of a policy and industry priority area.

The Credibility of environmental disclosures had a mean score of M = 3.96 ("Agree," Often Practiced), demonstrating that businesses engage in independent verification and stakeholder involvement. Certification of environmental programs by independent agencies (M = 4.02) and product certification regarding environmental impact (M = 4.05) were among the highest-rated aspects. However, independent verification of environmental information (M = 3.82) and external environmental performance awards (M = 3.94) received slightly lower scores, indicating the need to enhance external validation efforts.

For Environmental Performance Indicators, businesses had a mean score of M = 3.99 ("Agree," Often Practiced), showing that key performance data is frequently disclosed. The highest-rated aspect was water use disclosure (M = 4.12), followed by product environmental impact (M = 4.08) and energy use disclosure (M = 4.06). However, greenhouse gas emissions reporting received the lowest mean (M = 3.80), which highlights the need for improved transparency in this area.

The Environmental Spending category received the highest mean score of M = 4.04 ("Agree," Often Practiced), emphasizing that businesses allocate resources toward environmental initiatives. Disclosure of financial savings from environmental initiatives (M = 4.04) and amounts spent on environmental technologies and research (M = 4.05) were among the key reported aspects.

The findings of high mean scores in Credibility and Environmental Spending are supported by a study conducted by Virtania & Siregar (2017) [15]. They found out that companies that invest in verifiable, measurable disclosures (hard disclosures) typically saw better financial success. This also indicates that fast food chain businesses in General Santos City are increasingly institutionalizing sustainable practices, even if external validation initiatives like awards and independent verification received somewhat lower marks.

On the other hand, Soft Environmental Disclosure was evaluated across three dimensions: Vision and Strategy Claims, Environmental Profile, and Environmental Initiatives. The overall weighted mean for soft disclosure items was M = 4.05, classified as "Agree," indicating that fast food businesses often practiced environmental disclosure. However, there is still room for improvement in certain areas.

In terms of soft environmental disclosures, the results validate the applicability of Freeman's Stakeholder Theory (1984) [8]. Wherein strategy disclosure, audits, and staff training all demonstrate a stakeholder-oriented approach. As Zulfatillah (2019) [4] noted in their study, even while narrative disclosures are more prevalent, they frequently lack depth or concrete aims which reflect lower ratings for community-focused efforts and goal-setting.

The Vision and Strategy Claims category had a mean score of M = 4.06 ("Agree," Often Practiced), suggesting that fast food chain businesses often disclose corporate environmental strategies and commitments. The highest-rated statement was periodic reviews and evaluations of environmental performance (M = 4.12), which highlights a firm commitment to assessing and improving sustainability practices. Nevertheless, the disclosure of measurable goals for future environmental performance received the lowest mean (M = 3.96), which indicates a need for more clearly defined sustainability targets.

The Environmental Profile dimension had the highest mean among the three categories at M = 4.07 ("Agree," Often Practiced). Businesses most frequently disclosed industry-wide environmental impacts and corporate performance relative to industry peers (both M = 4.10). These results suggest that companies actively communicate their standing in the industry regarding environmental responsibility. However, the disclosure of how business operations specifically impact the environment had a slightly lower mean (M = 4.04), indicating room for greater transparency.

Similarly, this criterion of Environmental Profile also mirrors the assertion of Freeman (1984) that businesses that include and educate its stakeholders create more robust and long-lasting connections [8].

The Environmental Initiatives dimension had a mean score of M = 4.02 ("Agree," Often Practiced), indicating that fast food chains frequently engage in environmental programs and initiatives. Internal environmental audits (M = 4.11) and employee training on environmental management (M = 4.08) were among the most frequently disclosed aspects. However, community involvement and environmental donations had the lowest mean (M = 3.86), suggesting that while businesses implement internal sustainability efforts, there may be fewer externally focused initiatives.

This emphasis on internal sustainability initiatives rather than community involvement is consistent with Zulfatillah's (2019) conclusion that while soft disclosures, like donations or outside community initiatives, do not have a statistically significant effect on profitability, hard disclosure practices have a major impact on financial results [4]. This also aligns with Virtania and Siregar (2017), which states that soft environmental disclosures may result in greater perceived costs, which would lessen the incentive for companies to invest in sustainability initiatives that face the public [15].

The findings indicate that fast food chain businesses in General Santos City exhibit a high level of environmental disclosure quality, with an overall weighted mean of M = 4.02 ("Agree," Often Practiced). Hard Environmental Disclosure (M = 3.99) is well-integrated into business practices, particularly in governance, spending, and performance tracking, though improvements can be made in independent verification and ISO compliance. Soft Environmental Disclosure (M = 4.05) is also well-practiced, with businesses effectively communicating their environmental strategies and industry impact. However, there remains room for improvement in setting measurable environmental goals and enhancing community engagement efforts. Addressing these areas could further strengthen environmental transparency and sustainability efforts in the fast food industry.

In contrast to the findings in Bucala's study which identified a conspicuous absence of systematic and transparent reporting regarding CSR disclosure, this study shows a more positive outcome. Although Bucala's study highlights the gaps in transparency and systematic CSR reporting within the banking sector, this study demonstrates that fast food chain businesses in General Santos City exhibit a high level of environmental disclosure, with both hard and soft environmental disclosures being well-practiced [14].

B. Level of Financial Performance

The financial performance of fast food chain businesses in

Table 5
Financial performance of fast-food chain businesses in General Santos City

Net Profit Margin	**Weighted Mean**	**Description**	**Interpretation**
The company's profit margins have increased in the last year.	4.37	Strongly Agree	Always practiced
The company has been able to generate profit in the last year.	4.30	Strongly Agree	Always practiced
The company has been able to meet its annual financial objectives.	4.35	Strongly Agree	Always practiced
The company has funded business growth from profits.	4.41	Strongly Agree	Always practiced
Mean	**4.36**	**Strongly Agree**	**Always practiced**
Return on Assets (ROA)			
The return on assets has been substantially better.	4.21	Agree	Often Practiced
The company makes profits on its assets.	4.21	Agree	Often Practiced
The profits made on the company's investments are increasing every year.	4.20	Agree	Often Practiced
The company's value of profits compared to assets increases every year.	4.22	Strongly Agree	Always practiced
Mean	**4.21**	**Agree**	**Often Practiced**
Return on Equity (ROE)			
The return on equity has been substantially better.	4.29	Strongly Agree	Always practiced
The company's investors have increased in the last year.	4.24	Strongly Agree	Always practiced
The income generated for shareholders is increasing every year.	4.19	Agree	Often Practiced
Mean	**4.24**	**Strongly Agree**	**Always practiced**
Overall Weighted Mean	**4.27**	**Strongly Agree**	**Always practiced**

General Santos City was evaluated using three key performance indicators: Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE). These indicators were analyzed to determine the overall level of financial performance within the local fast food industry. The results presented in Table 5 offer valuable insights into the profitability and financial sustainability of fast-food chain businesses in General Santos City.

Net Profit Margin evaluates a company's ability to generate profit relative to revenue. As presented in Table 5, the weighted mean for Net Profit Margin was M = 4.36, classified as "Strongly Agree," which implies that practices were "Always Practiced". This suggests that fast food businesses in General Santos City have consistently demonstrated strong profitability. Among the indicators in this category, the most highly rated was the capacity to finance business expansion using profits (M = 4.41), suggesting that firms are successfully using their earnings to support growth. Companies also noted a rise in profit margins over the past year (M = 4.37) and a steady record of meeting their yearly financial goals (M = 4.35), all of which point to solid overall financial health.

The findings of Dhar and Chowdhury (2021), whose analysis supports the hypothesis that increased Environmental Accounting Reporting (EAR) disclosure enhances profit margins, are consistent with the Net Profit Margin results pointed out above [19]. Cost reductions from implementing sustainable investments could be the reason for this increase in profitability. Businesses can lower operating expenses like waste management and energy use by putting sustainability foremost and implementing eco-friendly practices. In light of this, the increased transparency brought about by EAR disclosure not only encourages investor confidence but also sets up companies for long-term financial success through sustainable, cost-effective operations.

Return on Assets, on the other hand, measures the efficiency of a company in utilizing its assets to generate profit. The weighted mean for ROA was M = 4.21, classified as "Agree," indicating that these practices were "Often Practiced." This finding suggests that while fast food businesses in General Santos City are generating returns on their assets, there remains room for further optimization. The highest-rated statement in this category was the increasing value of profits compared to assets each year (M = 4.22), demonstrating that businesses are progressively improving asset utilization. The other indicators, such as making profits on assets (M = 4.21) and growing profits on investments (M = 4.20), received slightly lower ratings but still reflect a positive trend in financial performance.

The above result as to the Return on Assets (ROA) contrasts with the findings of Dhar and Chowdhury (2021), whose study indicates an insignificant association between Environmental Accounting Reporting (EAR) practices and the dependent variable, Return on Assets (ROA) [19]. Similarly, Giannopoulos et al. (2022) found that ROA is negatively impacted by increased investments in Environmental, Social, and Governance (ESG) initiatives [17]? Additionally, the study by Bucala (2021) concludes that banks' Corporate Social Responsibility (CSR) disclosures, including economic and environmental aspects, did not significantly influence profitability as measured by ROA and Return on Equity (ROE). These studies help explain why the mean score for ROA in this context was slightly lower than that for other Key Performance Indicators (KPIs).

However, the result still aligns with the research of Nandini et al. (2020) [11], which suggests a significant positive relationship between environmental reporting disclosures and ROA. Their findings indicate that effective environmental reporting can lead to improved financial performance, as higher returns on assets suggest more efficient and strategic use of company resources.

Return on Equity assesses how effectively a company generates returns for its shareholders. The weighted mean for ROE was M = 4.24, classified as "Strongly Agree," indicating that these practices were "Always Practiced." This suggests that fast food businesses in General Santos City are successfully creating value for their investors. The highest-rated aspect was the substantial improvement in ROE over time (M = 4.29), followed by an increase in the number of investors (M = 4.24). The increasing income generated for shareholders (M = 4.19) also indicates stable financial performance, although it received a slightly lower rating than the other indicators in this category.

The above data is consistent with the findings of Zulfatillah (2019) [4] in his study titled *"Environmental Disclosure Quality and Its Impact on Profitability Performance."* The study concluded that the quality of environmental disclosure significantly influences corporate profitability, with profitability being measured using the Return on Equity (ROE) ratio. Zulfatillah emphasized that shareholders invest their assets with the expectation of profitable returns, which typically come in the form of dividends and capital gains. Therefore, the higher the profitability, the greater the expected returns for investors. This relationship between profitability and environmental disclosure reflects the social expectations placed on companies to maintain their business operations in a way that aligns with societal values and sustainability goals.

The overall weighted mean across all financial performance indicators was M = 4.27, which falls under the classification of "Strongly Agree", implying that it is "Always Practiced". These findings suggest that fast food chain businesses in General Santos City exhibit strong financial health, characterized by increasing profitability, efficient asset utilization, and growing shareholder value. However, while businesses perform well in generating profits and reinvesting earnings, opportunities remain to further optimize asset returns and shareholder income to sustain long-term financial stability.

C. Significant Relationship between Environmental Disclosure Quality and Financial Performance

To examine the relationship between environmental disclosure and financial performance, the researchers employed the Pearson r correlation analysis. This statistical method was used to calculate the Pearson correlation coefficients, providing a quantitative measure of the strength and direction of the relationship between the two variables. A summary of the findings relating to the financial performance and

Table 6
Relationship between environmental disclosures quality and financial performance of fast-food chain businesses in General Santos City

Source of relationship	df	Computed r	p-value	Interpretation
Environmental Disclosure Quality Financial Performance	109	0.71	< 0. 001	Significant
Correlation is significant at 0.001 level				

environmental disclosures quality of fast-food chain businesses in General Santos City is shown in the following table.

Table 6 provides the relationship between Environmental Disclosure Quality and Financial Performance of fast food chain businesses in General Santos City. The computed correlation coefficient (r = 0.71) indicates a strong positive relationship between the environmental disclosures quality and financial performance. With a p-value of (< 0.001), the results are highly significant, meaning the relationship is unlikely to be due to chance. This suggests that companies that are more transparent about their environmental practices tend to experience better financial performance. These results highlight the potential role of environmental accountability in driving business success in the fast food industry of General Santos City.

The results are consistent with a study by Gatimbu and Wabwire (2016) titled *"Effect of Corporate Environmental Disclosure on Financial Performance of Firms Listed at Nairobi Securities Exchange Kenya."* The researchers identified that the mean financial performance of businesses with high environmental disclosure ratings varied significantly from that of companies with low environmental disclosure ratings [13]. According to the study, companies that make more comprehensive and transparent environmental disclosures typically see improved financial performance. And this is driven by a number of matters, including increased investor trust, a better reputation, and the potential for attracting stakeholders and customers who are concerned about the environment. Accordingly, the study emphasizes the significance of environmental disclosure is to financial success for companies that are listed on the Nairobi Securities Exchange.

Furthermore, Nandini et al. (2020) found a strong correlation between environmental accounting disclosure and corporate profitability in their study, *"A Study on the Impact of Environmental Accounting on Profitability of Companies Listed on the Bombay Stock Exchange."* The idea that sustainable and transparent environmental practices can result in better financial outcomes is reinforced by the fact that they specifically point out a significant relationship between environmental accounting practices and key financial performance metrics like Return on Capital Employed (ROCE), Return on Net Worth (RONW), Net Profit Margin, Return on Assets (ROA), and Dividend Per Share (DPS) [11]. This indicates that businesses that incorporate environmental accounting into their financial reporting are likely to see improvements in profitability.

Finally, the strong and significant relationship between financial performance and the environmental disclosure quality is consistent with the fundamental principles of both legitimacy theory and stakeholder theory. Businesses that are transparent about their environmental practices have a greater chance of establishing the confidence and support of stakeholders, resulting in enhanced reputation and generate financial benefits, based on the Stakeholder Theory. On the other hand, legitimacy theory implies that businesses gain and keep the support of the public by living up to societal norms and values, which environmental transparency facilitates.

These results indicate that fast food chain businesses in General Santos City that place a high value on honest and open environmental disclosure are better positioned to gain advantage over stakeholders and uphold their social legitimacy, both of which improve their financial performance.

5. Conclusion and Recommendation

A. Conclusion

With the growing emphasis on environmental sustainability and environmentally conscious consumers in the business world, this paper primarily used a quantitative approach to explore the impact of environmental disclosures on the financial performance of fast food chain businesses in General Santos City. Key findings of this study showed that fast food chains in General Santos City frequently use both hard and soft types of environmental disclosures, as shown by high weighted means across disclosure categories. The financial performance of these businesses was also excellent, especially when it involved Net Profit Margin, Return on Equity (ROE), and Return on Assets (ROA). Financial performance and environmental disclosure quality appear to be significantly positively correlated, according to the consistent findings across both variables. These findings show that the null hypothesis is rejected, affirming that Environmental Disclosure Quality significantly influences Financial Performance among fast food chain businesses in General Santos City.

Furthermore, this implies that businesses with better environmental reporting practicestend to achieve more favorable financial results. These findings align with the principles of both Stakeholder Theory and Legitimacy Theory, which suggest that meeting stakeholder expectations and maintaining social legitimacy through responsible disclosure enhances business outcomes. However, this research acknowledges certain research limitations, such as restricting findings solely to businesses within General Santos City, relying only on surveys conducted that may be subject to bias, and the difficulty in comprehending the questions presented in this study. Therefore, future research direction should expand the geographical scope, explore other industry-specific disclosure frameworks, and consider other financial performance indicators.

In conclusion, the researchers believe that the financial performance of General Santos City's fast food chain businesses and the quality of environmental disclosure have a significant relationship.

B. Recommendations

Based on the findings and conclusions of this study, the researchers highly recommend the following actions to enhance both environmental practices and financial performance. These recommendations aim to address the gaps identified in the study and provide guidance for future improvements in the industry.

Firstly, fast-food chain businesses may enhance their level of environmental disclosure, both in terms of hard and soft disclosures, as the data from this research indicates that companies with higher levels of environmental disclosure tend to perform better financially. Enterprises, particularly those in the fast food industry, may increase their awareness of environmental accounting and disclosure practices while strictly adhering to environmental protection laws, regulations, and policies. This is particularly important since shareholders and customers are growing more aware of corporate operations and practices in terms of the environment.

Furthermore, companies may give top priority to disclosing performance information about greenhouse gas emissions and be transparent about their community involvement, as these indicators received the lowest rating for hard and soft environmental disclosure, respectively. Therefore, to ensure transparency, compliance, and alignment with more general sustainability objectives, accounting departments of businesses, where appropriate, may set up a strong accountability system for environmental accounting information disclosure.

Secondly, students, especially those in the fields of accounting, finance, and environmental studies, are encouraged to deepen their understanding of green accounting and its implications for the financial performance of these businesses. They may also conduct their research, participate in environmental initiatives, and encourage discourse in sustainable practices so they can play a proactive role in advocating for disclosure transparency, accountability, and sustainability.

Thirdly, educators in the fields of accounting, management, and environment may integrate environmental accounting topics into the curriculum. These will equip their students with both theoretical knowledge and practical skills in sustainability reporting and environmental financial analysis.

Fourthly. the government and policymakers may fortify the framework for environmental disclosure policies and offer clearer policy guidelines and legal underpinnings for environmental accounting because many businesses continue to implement environmental accounting inconsistently. Strong oversight and evaluation mechanisms for environmental disclosures may be put in place by the government as this would secure compliance and give companies a workable legal foundation. Furthermore, while encouraging businesses to disclose the financial implications of their environmental protection measures in their financial reports, the government may also require them to do so.

Businesses would be able to present environmental accounting data more comprehensively and systematically, which consequently would enhance their capacity to increase long-term growth and profitability. In the end, this strategy may aid in reaching a fair conclusion where economic growth and environmental sustainability are achieved, which would be advantageous to both businesses and the public at large.

Lastly, future researchers should expand the scope to include other sectors with notable environmental impacts, such as manufacturing companies or other types of enterprises, which would provide unique, valuable insights. Additionally, the study was limited to businesses in General Santos City. Future research is suggested to extend to other regions of the country, especially in more urbanized areas with higher business activity, or even expand the geographical coverage to offer a broader perspective on the subject. Furthermore, this study utilized Net Profit Margin, Return on Assets (ROA), and Return on Equity (ROE) as dependent variables to measure financial performance, as these are widely recognized indicators. Future research may consider alternative financial metrics, such as Operating Cash Flow, Inventory Turnover, Earnings Per Share (EPS), or other key performance indicators. Broadening the range of variables may yield a more detailed and comprehensive understanding of the relationship between environmental disclosure and financial performance.

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