

Carbon Accounting in Sri Lankan SMEs: Challenges and Opportunities

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ABSTRACT

Purpose: This research investigates carbon accounting adoption among Small and Medium-sized Enterprises (SMEs) in Sri Lanka, focusing on both the barriers and opportunities they face. Despite being a critical component of the Sri Lankan economy, SMEs encounter significant challenges such as financial constraints, lack of technical expertise, and insufficient regulatory support. Carbon accounting is not only crucial for environmental sustainability but also enhances operational efficiency, risk management, and access to green financing, contributing to long-term business sustainability.

Design/Methodology/Approach: A mixed-methods approach was adopted, integrating quantitative surveys and qualitative interviews across various sectors to provide a comprehensive understanding of carbon accounting adoption.

Findings: The findings reveal that although awareness of carbon accounting is increasing, implementation rates remain low. Key barriers include limited access to relevant technologies, inadequate financial resources, and a lack of expertise, especially for domestically-focused SMEs. In contrast, SMEs involved in international trade demonstrate a higher propensity for carbon accounting adoption due to external regulatory pressures and competitive demands.

Practical implications: The study highlights significant opportunities for SMEs adopting carbon accounting, including enhanced access to green financing, improved market reputation, and better alignment with international sustainability standards. These benefits contribute to operational efficiency and offer a strategic advantage in competitive markets.

Originality value: This research provides valuable insights into the challenges and benefits of carbon accounting adoption among SMEs in Sri Lanka, a relatively underexplored area in the literature. The study concludes with actionable recommendations for policymakers, emphasizing the importance of developing sector-specific frameworks, financial incentives, and capacity-building programs to help SMEs overcome existing barriers. These measures are essential for promoting widespread carbon accounting adoption, thereby enhancing the sustainability and global competitiveness of Sri Lankan SMEs.

Keywords: *Carbon Accounting, Smes, Sustainability, Green Financing, Operational Efficiency, Sector-Specific Frameworks, Regulatory Support*