

## Sustainable Environmental Practices and Financial Performance; Evidence from listed SME in the UK

### **Abstract**

This paper aims to examine the relationship between environmental management and SMEs performance. In order to investigate this relationship, the study adopts General Methods of Moments (GMM) on a sample of 201 quoted Small and Medium Enterprises (SMEs) on the United Kingdom (UK) Alternative Investment Market (AIM) from 2011 to 2016. Consistent with our prediction based on contradictory results of existing studies, the study documents that corporate investment channelled through efficient environmental management translates into superior SME performance. In particular, we find a non-monotonic (inverted U-shaped) relationship between environmental management and financial performance, which suggests that SMEs have an optimal environmental management level that maximises their performance. We find the predictability to be stronger among small firms, and relevant on only internal performance, Return on Assets (ROA).