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## **Nexus between carbon emission and financial performance moderated by environmental sensitivity: evidence from emerging economy**

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**Abstract:** Though the impact of carbon emission on financial performance has been studied widely, it has not been explored much in emerging economies. The present study aims to examine the relationship between carbon emission and financial performance (accounting as well as market-based) of Indian companies along with the moderating effect of environmental sensitivity on this relationship. Using panel least square regression analysis, we found negative but insignificant impact of carbon emissions on financial performance. However, environmental sensitivity was found to have a strong positive moderating effect on this relationship, indicating that negative impact of carbon emission is more intense for environmentally sensitive firms. The robustness of results has been validated through change in method, controlling for self-selection bias, and endogeneity issues. The findings of the present study will assist managers, government, and policy makers in decision making on emission management by considering the nature of the industry.

**Keywords:** carbon emission; financial performance; sustainability; environmental sensitivity; moderation.

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**Biographical notes:** Avani Raval has more than nine years of experience in teaching in account and finance area. She received her PhD from Gujarat Technological University in Management. She has attended several national and international conferences and presented research papers. Her areas of interest include accounting and finance, and carbon credit.