



Impact of Corporate Social Responsibility On Corporate Financial Performance

(WITH SPECIAL REFERENCE TO THE CSE ENLISTED
MANUFACTURING COMPANIES IN SRI LANKA)

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ABSTRACT

CSR is approach that lead to the sustainable development by delivering economic, social and environmental benefits for all stakeholders. However, there is no consensus in the literature on the relationship between CSR and financial performance of corporations. Hence this study endeavored to explore the impact of CSR on corporate financial performance referring to the manufacturing companies listed in Colombo Stock Exchange in Sri Lanka. Moreover, this study attempt to identify relationship between CSR and corporate financial performance of listed manufacturing companies in Sri Lanka. The Stakeholder Perspective Theory was used to measure the CSR while ROA and ROE were used as the proxies for the financial performance of corporations. Risk was considered as control variable and it measured through debt to equity ratio. The sample of this study consists of ten manufacturing companies listed in the Colombo Stock Exchange and sample period spans for five years from 2011- 2018. This study is used 50 firm year observations for the analysis and this study is based on secondary data. Descriptive statistics, correlation coefficient and panel data regression analysis techniques were used for the statistical analysis. The results revealed that CSR has significant positive impact on corporate financial performance in listed manufacturing companies in Sri Lanka. Further it revealed that there is a significant and positive relationship between CSR and corporate financial performance. Moreover, it revealed that the control variable of risk has a significant negative relationship with ROA while insignificant relationship with ROE. This study recommended the companies to undertake CSR activities for all stakeholders as it leads to improve the financial performance.

Keywords: Corporate Social Responsibility, Corporate Financial Performance, Return on Assets, Return on Equity, Colombo Stock Exchange