

The Impact of Corporate Social Responsibility on Profitability of Banking Sector in Sri Lanka

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The concept of Corporate Social Responsibility (CSR) has gradually become a leading issue in business sector today. Most of the private companies, specially the banks in private sector take a variety of initiatives all aimed at making sense of CSR. It signals that they have realized their responsibility towards the society. They are trying to achieve sustainable development through practicing this concept. Past studies conducted in various sectors in different countries also favored the hypothesis that there is a positive relationship between CSR and profitability. This study was an attempt to examine this in banking sector in Sri Lanka.

The primary objective was to identify the impact of Corporate Social Responsibility on Profitability in Banking Sector, identifying them as the financial intermediaries who interact more with the general public. Banks have become an important component in service sector contributing 40% to the work force as well as 9% to the GDP (Commercial Bank Annual Report, 2009). Secondary objective was to examine whether the impact is significant or not.

Data were collected from listed banks in the Colombo Stock Exchange (CSE). The analysis was based on non-parametric tests such as Chi-Square test, Correlation Coefficient and Coefficient of determination (R^2) and simple statistical methods like percentages, tables and graphs. Data analysis revealed that there is a positive relationship of CSR on bank's profitability. It is further revealed that the impact is not significant.

Key words: Corporate Social Responsibility, Profitability, Banking sector, Sustainable development, Colombo Stock Exchange, Gross Domestic Production