

Impact of Corporate Social Responsibility Disclosures on Institutional Ownership of the Highest Turnover Non-Financial Companies in Sri Lanka.

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Corporate Social Responsibility (CSR) is a vital source for organizations to increase their social reputation in the competitive markets. Organizations actively participate to disclose their CSR activities through annual reports in order to make an overall picture of the organizations' social value creation process. Institutional Owners (IO) are one of dominant party who has high investment portfolios. However, there is no consensus in the literature about the impact of CSR Disclosures (CSR D) on IO in Sri Lankan context. There for this study examines the impact of CSR D on IO of the highest turnover non-financial companies in Sri Lanka. Data were collected from annual reports of 25 listed non-financial companies which are categorized under LMD 100 in Sri Lankan Business Magazine (SBM) over the period from 2011-2017 based on annual turnover. CSR D measured through a grading procedure under 67 disclosure items and IO indicated through number of shares owned by institutional owners. As control variables, firm leverage and firm size used. Descriptive statistics, correlation analysis and random effect regression model of panel data analysis were used for the statistical analysis. The finding of this study revealed that there is a significant and positive relationship between CSR D and IO. Furthermore, CSR D significantly and positively impact on IO. Firm leverage negatively impacts on IO while firm size positively impact on IO. In conclusion, it is confirmed that, when non-financial companies engage with effective CSR disclosure procedure, institutional investors tend to invest in those companies with the feeling of less risky investment. The findings of this research will be crucial to the non-financial companies in Sri Lanka to enhance the disclosing procedure of CSR in order to gain more institutional investors' attraction and results also will provide guidance for organizations which are engaging with poor CSR disclosures.

Keywords: Corporate Social Responsibility (CSR), Corporate Social Responsibility Disclosures (CSR D), Institutional Ownership (IO), Sri Lanka Business Magazine (SBM)