

Relationship between CSR Activities and Financial Performance of the Companies in Sri Lanka

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Abstract

The corporate business organizations tend to have more CSR activities, as a strategy for future benefits. But it is still unclear that whether these CSR activities add value to the firm performance on which this study mainly focused. The purpose of this study is to give both companies and investors a better insight into CSR efforts and show how these efforts may add value to the business. Hence, the results are valuable for both companies and investors, as well as for other stakeholders who are benefited from companies' CSR efforts.

This study gives an opinion about relationship between corporate social responsibility activities and financial performance of listed manufacturing companies in Sri Lanka. Data was collected from secondary sources such as annual reports, sustainability report and other related publications. Sample size of the study is all listed manufacturing companies in Colombo Stock Exchange and period covered from this study is from 2012-2017. Independent variable was measurement based on CSR checklist issued by Ceylon Chamber of Commerce. It includes measures of management involvement, market place, workplace CSR Practices, governance and legal issues, employee welfare, human resource practices, social and community. To measure the firm financial performance Return on Assets (ROA) was used. In describing the relationship between company CSR and performance descriptive analysis, correlation and Regression analysis are employed as statistical tools to analyze the data. The results show that there is a significant positive relationship between CSR activities and financial performance of listed manufacturing companies in Sri Lanka indicating that CSR acting as a tool for increasing company performance.

Key Words: Corporate Social Responsibility, Financial Performance, ROA