

# **The Association between Corporate Social Responsibility and Financial Performance - with Special Reference to Public Quoted Companies in Sri Lanka**

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## **Abstract**

The concept of corporate social responsibility (CSR) has developed in the Western world since the twentieth century (1950). Many businesses neglect to engage in social work and some business organizations voluntarily engage in different types of CSR. Also, listed companies spend huge amounts of money in CSR activities for different purposes. The impact of those spending is not clear and especially how CSR spending influence on performance of companies is a bit confusing, as well as, mixed empirical evidence has been found in relevant previous studies on the relationship between CSR and Financial performance. Moreover, almost every previous study provides evidence of developed countries. This investigation is based to fill the knowledge gap of developing countries. Accordingly, the aim of this study is to examine the impact of CSR on financial performance of selected listed companies in Sri Lanka. Based on literature, independent variable is CSR and three dependent variables (ROA, ROE and EPS), and two control variables Firm Size and Leverage have been chosen in this study. The sample of this study consists of 75 listed companies on the Colombo stock exchange and they are selected based on their market capitalization. Data collected from annual reports covering periods from 2015 to 2019. Data were analyzed using regression analysis and E-Views packages. findings of this study will be useful for listed companies to gain an understanding about the direction of impact of CSR on their profitability and they can take decisions regarding their avenue and amount of CSR spending. Further, findings can be useful to offer pivotal implications about CSR and Financial performance for policy makers and regulators.

**Keywords:** Corporate Social Responsibility, Earnings per share, Financial performance, Return on Asset, Return on Equity.