

Impact of Corporate Social Responsibility Practices to the Financial Performance in the Licensed Banks in Sri Lanka

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ABSTRACT

Introduction: Corporate social responsibility (CSR) is a relatively new idea that has a significant impact on organizations. Nowadays, many organizations are focused on CSR activities to enhance their business reputation. The aim of this study is to investigate the impact of corporate social responsibility practices on the financial performance of licensed banks in Sri Lanka.

Design/Methodology/Approach: This study is based on a set of sampling methods, with the group consisting of ten banks. Secondary data was gathered for ten years from 2011 to 2020 through annual reports and other banks publications. For data analysis techniques, regression and correlation analysis methods are used. ROE, ROA, and EPS are used as dependent variables and CSR expenses as the independent variable.

Findings: It was found there is an impact of corporate social responsibility activities on the financial performance of the licensed banks in Sri Lanka. Furthermore, the study results that one independent variable has no significant impact on the financial performance of banks. In the study there are nine hypotheses are related to sub-variables, Community & Social expenses, Education expenses, Other CSR expenses, ROE, ROA, and EPS are independent and dependent variables respectively.

Conclusion: The Community & Social Expenses has a very significant impact on the financial performance of listed banks. Further, bank's spending on education and other CSR activities are also having a moderate impact to the financial performance. Hence it is important for listed banks to have a good approach to CSR activities to improve financial performance.

Keywords: *Corporate social Responsibility (CSR), Financial performance (FP), Return on equity (ROE), Return on Asset (ROA), Earning per share (EPS)*