

CORPORATE SOCIAL RESPONSIBILITY AND CAPITAL STRUCTURE OF LISTED COMPANIES IN SRI LANKA.

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Abstract

Corporate social responsibility plays a significant role in today's corporate world. It is a way of describing how companies control and measure their impact on the whole of society. Apart from that, the capital structure plays the main role in the business. This means that the capital structure consists of equity capital and debt capital and it describes how companies finance their operations. The prior researchers conducted research on corporate social responsibility and financial performance, corporate governance and corporate social responsibility disclosures. Given this context, there were few researches available on the impact of corporate social responsibility on capital structure particularly in developing countries. Further, there were no studies on sector comparison relating to the impact of corporate social responsibility on the capital structure of listed companies in the Colombo Stock Exchange. Therefore, to fill this gap, this study aims to analyze the impact of corporate social responsibility on the capital structure of industrial and material sector companies listed in the Colombo Stock Exchange in Sri Lanka. Further this study will provide fresh insights by comparing two sectors with regard to corporate social responsibility and capital structure. This research will use an index which consists with economic, social, and environmental activities to measure the CSR disclosures. The debt-to-equity ratio was used to measure the capital structure. This research used industrial and material sector companies as the population and 20 companies were selected from each sector as the sample for the study. Data will be collected from annual reports for the period from 2017 to 2021. E- Views analysis software will be used to analyze the data. Accordingly, the findings of this study will offer a better understanding of corporate social responsibility and the capital structure of listed companies in Sri Lanka.

Keywords: *Corporate social responsibility, Capital Structure, Economic Activities, Social Activities, Environmental Activities, Debt to equity Ratio.*