

The Impact of Corporate Social Responsibility on Financial Distress: Evidence from Listed Companies in Sri Lanka

Nagodavithana, M.S.¹ and Tilakasiri, K.K.²

¹nvmathsarani@gmail.com; ²ktilakasiri@kln.ac.lk

Abstract

In today's business environment, Corporate Social Responsibility is of greatest significance, particularly because of Sri Lanka's current financial crisis and the health of the global economy. This study aimed to evaluate the impact of corporate social responsibility on the financial distress of non-financial companies listed on the Colombo Stock Exchange (CSE). The study used secondary data from audited financial statements and annual reports of the listed firms in Sri Lanka besides financial companies over 2018 – 2022. The data was analyzed using Ordinary Least Square Regression. The disclosure index of corporate social responsibility measures the independent variable. The dependent variable financial distress is measured by the Z.Score model. Research results suggest a significant positive impact of corporate social responsibility on financial distress. Based on the findings, it was recommended that listed companies put corporate social responsibility activity management procedures in place to avoid facing financial distress.

Keywords: Corporate Social Responsibility, Financial Distress, Z.Score Model, Listed Non-Financial Companies