

## **Impact of Corporate Social Responsibility on Firm Financial Performance: Evidence from the Listed Manufacturing Companies in Sri Lanka**

Lakshitha, W.R.<sup>1</sup> and Perera, H.A.P.L.<sup>2</sup>  
rajithlak1@gmail.com<sup>1</sup>, prabathperera@kln.ac.lk<sup>2</sup>

This study analyzes the relationship between corporate social responsibility (CSR) practices and Firm Financial Performance of the listed manufacturing companies in Sri Lanka with the utilization of data, obtained from thirty two (32) firms' audited annual report and financial statements between 2010-2015, Variables used for the study include, CSR spending of the company (salaries and wages spending of employees, donation in the form of health, environment, sports, community and education etc., employees' welfare funds & Other benefits), Return on Assets (ROA), Net profit ratio (NPR) and control variable (total assets). Previous literatures provide conflicting results on the relationship between corporate social responsibility (CSR) practice and firm financial performance with some studies showing a positive relationship, others negative and still others showing that there is no relationship between the two variables. It is with this background that this study sought to establish the relationship between corporate social responsibility practice and financial performance. The correlation and regression tests were conducted by using SPSS. The results suggested significant negative relationship between CSR and ROA without adding control variable and adding the control variable. As well as there is a significant negative relationship between CSR and NPR with and without adding control variable. The actual responsibility of conducting CSR activities are, to share their profits with society as without them they could not survive. Also future research should be conducted to quantify how much or to what degree these CSR programs have impacted on the society and its corresponding value generation for the company. The value from a practical perspective, the study is required to assess if investments in CSR is worthwhile or not.

**Keywords:** Corporate Social Responsibility (CSR), Corporate Financial Performance (CFP), Profitability, Social responsibility