

Corporate Social Responsibility and the Financial Performance of the S&P SL Top 20 Companies in Sri Lanka

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In present business context most of the business organizations are engaged in different kind of corporate social responsibility programmes voluntarily. There is no any law or government influence that the organizations must perform or engaged in corporate social responsibility activities. For those activities businesses incurred their financial resources and other non-financial resources. Most of the researchers researched on the relationship between corporate social responsibility and the financial performance because in general corporate social responsibility activities are cost to any company. There are many studies supporting for different types of relationships between the corporate social responsibility (positive, negative and neutral) and financial performance. For this analysis, it was selected 20 listed companies, in the S&P SL 20 in the Colombo stock exchange and for this analysis it was considered annual report data for the period from 2011 to 2015. This analysis mainly focussed on three regression models to test the relationship between the corporate social responsibility and the financial performance. These models represent the regression results of relationship between the corporate social responsibility and profit after tax, relationship between corporate social responsibility and return on assets and relationship between the corporate social responsibility and return on equity. Research findings shows that there is a positive relationship between the corporate social responsibility and profit after tax and negative relationship with return on assets and return on equity. Therefore it is concluded that, there is a relationship between the corporate social responsibility and financial performance of the companies.

Keywords: Corporate Social Responsibility, Financial performance, Profit after Tax, Return on Assets, Return on Equity