

The Impact of Corporate Social Responsibility on Corporate Financial Performance in the Manufacturing Sector in Sri Lanka

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Abstract

The concept of corporate social responsibility (CSR) is still wide, intricate, and dynamic; it covers a wide range of concepts and actions. The objective of this study is to examine the impact of corporate social responsibility on the firm performance of manufacturing companies listed on the Colombo Stock Exchange in Sri Lanka. In the study, 30 listed manufacturing companies were selected as a sample. CSR activities are considered explanatory variables, which are divided into three dimensions, such as economic, social, and environmental activities. Return on assets is used to measure firm performance, while firm size is treated as a control variable. The necessary data for this study was collected from the annual reports of the respective companies for a period of five years, from 2018 to 2022. Tests of hypotheses are conducted using multiple regression analysis to look at how CSR affects business performance. The results of the regression model reveal that there is a significant positive impact on economic and social activities, but there is a significant negative impact on environmental activities or return on assets (ROA). The findings of the study suggest that the management of the company should focus more on CSR practices to attract more customers to their product, which can increase firm value and shareholders' wealth in the future. Investors can profit more from their investments when they choose businesses that place a greater emphasis on corporate social responsibility.

Keywords: Economic Activities, Social Activities, Environmental Activities, Return on Assets.