

The Impact of Corporate Social Responsibility on Firm Performance: A study of Manufacturing Industry in Sri Lanka

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In Sri Lanka, the Manufacturing sector has a glorious history of getting engaged themselves in different kinds of social activities which is formally known as CSR (Corporate Social Responsibility). There has been an increased and continued expenditure by listed manufacturing Industries on CSR activities over the years globally. It is now expected that a profit-making organization must engage in socially responsive activities. The study sought to examine the influence of expenditure on CSR on financial performance of manufacturing sector in Sri Lanka. The specific objective was to find out the influence of CSR on industries' profitability, to determine effects of CSR on a firm's using Return on Assets (ROA), Return on Equity (ROE), and return on Investment (ROI). The study used annual reports of randomly selected company for the period of 2010 to 2015. Correlation analysis and regression were analyzed using E-views. To assess the impact as well as test the hypothesis of the study whether there is a relationship and the extent of the relationship between the independent variable (corporate social responsibility expenditure) and the dependent variables. (ROA, ROE, ROI). The hypothesis that was formulated was tested and the result shows that there is significant negative relationship between CSR and ROA, that there is significant negative relationship between CSR and ROE and. There is significant Positive relationship between CSR and ROI in manufacturing industry in Sri Lanka. The study concluded that expenditure on Corporate Social Responsibility had a significant negative influence on the ROA and ROE of an industry as well as that expenditure on Corporate Social Responsibility had a significant negative influence on the ROI in manufacturing industry in Sri Lanka.

Keywords: Corporate Social Responsibility, Profitability, ROA, ROE, ROI