

The relationship between corporate social responsibility and financial performance of manufacturing firms in Sri Lanka

YMSWV Sangarandanya¹ and RAI Chathurani¹

The concept of Corporate Social Responsibility (CSR) is a relatively new business concept to Sri Lankan business context. But, today most of leading companies and multinational companies practice this concept and try to gain the competitive advantage through this concept. Each and every business firm has a responsibility towards the society in a way that honor ethical values and respect people, communities and natural environment.

The objective of this study is, to explore and identify the relationship between CSR and financial performance of manufacturing firms in Sri Lanka and to determine the significance of CSR towards the financial performance of manufacturing firms in Sri Lanka

Today most of the Sri Lankan organizations misunderstand and has no clear idea about CSR. Therefore, they think CSR negatively affects to the organizational financial performance and there is no agreement between the cost and the benefits of CSR. Therefore, the study focuses on identification of relationship between CSR and financial performance of manufacturing firms in Sri Lanka.

In this study following issues are mainly addressed

- 1) How CSR affect on firm's financial performance
- 2) Is CSR good or bad for the organization

Based on above mentioned issues, formulated the following hypothesis for the study

- H1:- There is a positive relationship between CSR and financial performance
H2:- There is a significant influence of CSR on financial performance

Data were collected from 52 manufacturing firms in Sri Lanka through questionnaires and financial reports of that organization. The analysis was based on the co-relationship of co-efficient and chi-square analysis.

In conclusion it can be stated that there is a positive relationship between CSR and financial performance of organizations and the effect of CSR on financial performance is significant.

Key words: Corporate Social Responsibility (CSR), Financial performance, Manufacturing firms, Competitive advantage, Return on Capital Employed (ROCE)

¹ Department of Human Resource Management, Faculty of Commerce and Management Studies, University of Kelaniya, Sri Lanka