

# **The impact of corporate social responsibility on corporate risk: Evidence from listed financial companies in Colombo Stock Exchange**

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## **Abstract**

The purpose of this study is to investigate the impact of corporate social responsibility (CSR) on the risk of listed companies in Colombo Stock Exchange in Sri Lanka. Many research studies have been carried out in the areas of CSR and financial performance related to financial structure in both local and global contexts. However research that integrates CSR and risk has been limited. It has been a matter of whether CSR would affect an entity's firm risk, otherwise the expense of CSR would be in vain. As a result, assessing the impact of CSR on corporate risk of listed financial companies in Sri Lanka was identified as an objective. The study was based on secondary data. Environment, community, and employee related activities were considered as independent variables whereas, corporate risk was identified as the dependent variable. The corporate risk was measured by using Tobin's Q and CSR was measured by using three scale weighted average method. Furthermore, the study used data from a sample of 12 finance companies for 5 years from 2014 to 2018 and employed regression to uncover the relationships that exists between these variables. The findings of the study suggest that environment and community-based CSR activates are statistically significant and have a negative impact on firm risk while employee related activates have no statistically significant impact on corporate risk. Therefore, the study infers that CSR reduces excessive risk taking and risk avoidance.

**Keywords:** *Corporate social responsibility, corporate risk, finance companies*