

Impact of Corporate Social Responsibility on Financial Performance of Listed Consumer Staples Companies in Sri Lanka

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Abstract

Corporate social responsibility has come to wider attention in the present competitive business environment across the globe, as self-regulation to be socially accountable. Meanwhile, some scholars argue that corporate social responsibility is a mean of enhancing firm performance which models the firm's strategic role as well. However, the finding related to the impact of corporate social responsibility on financial performance is inconclusive and yet to be answered. In this notion, the present study aimed to examine the impact of corporate social responsibility on the financial performance of listed consumer staples companies in Sri Lanka. Accordingly, corporate social responsibility was the dependent variable, which was measured in terms of four aspects namely, community, customer, employee, and environment. By going hand in hand with the literature, an index for measuring corporate social responsibility was developed. Moreover, the dependent variable of financial performance proxied through return on assets. The study was confined to the listed consumer staples companies in Sri Lanka. Although the whole sector was considered as the sample, due to the data availability, the sample was limited to 51 companies. The required data was extracted from the audited financial statements for the five years from 2015 to 2019. The gathered data analysed using descriptive analysis, correlation analysis, and regression analysis on panel data. The finding revealed that customer and employee have a positive impact on firm performance of the sample companies, whereas the other two dimensions reported an insignificant impact on the performance. The present finding concludes that investing in socially responsible activities related to the customer and community can enhance the performance of a firm. These findings may help corporate authorities to make decisions regarding the policy of their investments on social responsibility and related activities. However, replicating the study into a large sample is suggested in generalizing the current findings.

Keywords: Corporate social responsibility, financial performance, return on assets