THE IMPACT OF QUALITY OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE ON FINANCIAL PERFORMANCE IN LISTED MANUFACTURING COMPANIES IN SRI LANKA

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Abstract

The purpose of this study is to examine the impact of quality of corporate social responsibility (CSR) disclosure on financial performance in listed manufacturing companies in Sri Lanka. Nineteen listed manufacturing companies were selected for a period of five years starting from 2012 to 2016. Quality of CSR disclosure (Employee, Community, Customer, product and Environment), firm size and firm age are identified as independent variables and financial performance identified as dependent variable for this study. CSR score was obtained using content analysis of reports of the companies on various components of corporate social responsibility as reported in their annual financial reports. The evaluation form was used to identify and collect CSR information. This study employed Net Profit Margin (NPM), Return on Assets (ROA) and Return on Equity (ROE) to identify the finance performance. Other than the above mentioned variables firm size measured by logarithm of total assets of manufacturing companies.

The findings indicated that a statistically significant positive relationship between CSR disclosure and Financial performance which measured in Net Profit Margin. While finding indicated that a statistically insignificant weak negative relationship between quality of CSR disclosure used in the model and the dependent variables, Corporate Financial Performance as measured by (ROA, ROE). The results of the study proved the slightly significant impact of CSR disclosure on finance performance. In addition, there are evidence found to support significant relationship between control variables (Firm size and firm age) and CSR disclosure quality. It is identified that Financial Performance will not be totally depend on quality of CSR disclosure. This indicate that, if quality of CSR disclosure increases, it would tend to slightly good at the finance performance of manufacturing company.

Keywords: Corporate Social Responsibility disclosure, Finance Performance, manufacturing companies, Net profit margin, Return on Assets, Return on Equity

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