IMAPACT OF CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE ON THE SHARE PRICE OF LISTED MANUFACTURING COMPANIES IN SRI LANKA

LIBRARY
2 8 NOV 2019
EASTERN UNIVERSITY, SRI LANKA.

By

JAYASINGHE MUDIYANSELAGE NAMAL PUNEETHA JAYASANKA

REG NO: EU/IS/2013/COM/105

INDEX NO: COM 1755

FCM2266
Project Report
Library - EUSL

A Project report

submitted to the Faculty of Commerce and Management, Eastern University, Sri Lanka, as a partial fulfillment of the requirement for the Degree of Bachelor of Commerce (BCOM).

Department of Commerce
Faculty of Commerce and Management
Eastern University, Sri lanka

2019

PROCESSED
MAIN LIBRARY, EUSL

ABSTRACT

The purpose of this study is to examine the impact of Corporate Social Responsibility Disclosure on Share Price in Listed Manufacturing Companies in Sri Lanka. Corporate Social Responsibility Disclosure is an emerging trend in the world so as in Sri Lanka. In Sri Lankan context, a few empirical studies have been conducted with the relationship between CSR disclosure and Share price. So there is an empirical knowledge gap exists in the CSR disclosure and Share Price. Hence, this study attempts to fill this knowledge gap.

Nineteen Listed Manufacturing Companies is selected from Colombo Stock Exchange for a period of five years starting from 2014 to 2018. Corporate Social Responsibility score is obtained using content analysis of reports of the companies on various components of corporate social responsibility as reported in their annual financial reports. The various components for measuring the Corporate Social Responsibility disclosure (Employees, Community, Customers, Products and Environment), are identified as independent variables and Share price identified as dependent variable for this study. Descriptive Statistics, Pearson's Correlation and multiple regression are used for analysing this research. Univariate analysis was used to find out the values for mean, standard deviation by using the variables. Bivariate analysis was used to find out the impact and relationship between Corporate Social Responsibility disclosure and Share Price. They were presented in charts, tables and graphs using the Software Statistical Package of Social Science, version 19.0.

The results indicate that, there is a moderate level of Corporate Social Responsibility disclosure, with a negative relationship between the Corporate Social Responsibility disclosure and the Share Price of the Listed Manufacturing Companies in Sri Lanka. This depict that, if the Corporate Social Responsibility disclosure increases, it would tend to increase the share price of the company. And the Corporate Social Responsibility disclosure has a positive and significant influence to the Share Price of the Manufacturing Companies.

Key words: Corporate Social Responsibility Disclosure, Share Price, Manufacturing Companies, Average Share Price

TABLE OF CONTENT

Acknowledgement.....i

Abstract.....ii

Table of Content.....iv

List of Table.....ix

List of Abbreviations.....xi

List of Figures.....xii

CHAPTER ONE - INTRODUCTION.....1

1.1 Background of the Study.....1

1.2 Problem Statement.....3

1.3 Research Questions.....4

1.4 Objectives of the Study.....5

1.5 Scope of the Study.....6

1.6 Significance of the Study.....6

1.7 Chapter Summary.....6

CHAPTER TWO - LITERATURE REVIEW.....7

2.1 Introduction.....7

2.2 Share Price.....7

2.3 Average Share Price.....8

2.4 Different Indexes in CSE.....8

2.4.1 All Share Price Index.....8

2.4.2 Milanka Price Index.....9

2.4.3 Sensitive Price Index.....9

2.4.4 Total Return Index.....9

2.4.5 Debt Trading System.....9

2.5 Corporate Social Responsibility - Definitions 9
2.6 History of Corporate Social Responsibility 11
2.7 Theories Explaining Corporate Social Responsibility 12
2.7.1 Stakeholder Theory 13
2.7.2 Social Contracts Theory 15
2.7.3 Legitimacy Theory 15
2.8 Motivations for Corporate Social Responsibility 16
2.9 Corporate Social Responsibility Disclosure Levels 19
2.9.1 Adequate Disclosure: 19
2.9.2 Fair Disclosure: 19
2.9.3 Full Disclosure: 19
2.10 Measurement of Corporate Social Responsibility Disclosure 19
2.11 The Efficient Stock Market and Valuation 20
2.11.1 Signaling Theory 21
2.12 Previous Research Findings 22
2.12.1 Theory Supporting a Negative relationship 22
2.12.2 Theory Supporting a Neutral or Insignificant Relationship 23
2.12.3 Theory Supporting a Positive Relationship 24
2.12.4 Studies Showing Varying Relationship 27
2.13 Chapter Summary 28
CHAPTER THREE - CONCEPTUALIZATION AND OPERATIONALIZATION. 30
3.1 Introduction 30
3.2 Conceptualization 30
3.2.1 Conceptual Framework 30
3.3 Corporate Social Responsibility and Share Price 31
3.3.1 Employees 31
3.3.2 Community 32

3.3.3 Customers 32
3.3.4 Products 33
3.3.5 Environment 33
3.3.6 Share Price 34
3.4 Operationalization of Variables 34
3.5 Chapter Summary 36
CHAPTER FOUR - METHODOLOGY 37
4.1 Introduction 37
4.2 Research Design 37
4.3 Sampling 37
4.4 Data Collection 37
4.5 Methods of Measurement 38
4.6 Formulation of Hypotheses 39
4.7 Methods of Data Presentation and Analysis 39
4.7.1 Univariate Analysis 39
4.7.2 Bivariate Analysis 40
4.7.3 Regression Analysis 40
4.8 Chapter Summary 41
CHAPTER FIVE - DATA PRESENTATION AND ANALYSIS 42
5.1 Introduction 42
5.2 Data Presentation 42
Univariate Analysis 42
5.3.1 Descriptive Statistics 42
5.3.2 Corporate Social Responsibility in 2014-2016 43
5.4 Bivariate Analysis 49
5.4.1 Correlation Analysis 49

5.4.2 Relationship between CSR Disclosure and Employees Activities of Manufacturing Sector in CSE 49
5.5 Regression Analysis 55
5.5.1 Simple Regression Analysis 55
5.5.2 Simple Regression Analysis between CSR disclosure and Average Share Price 55
5.5.3 Multiple Regression Analysis 57
5.5.4 Regression Analysis for CSR disclosure and ASP 57
5.6 Chapter Summary 61
CHAPTER SIX - DISCUSSION 62
6.1 Introduction 62
6.2 Discussion on Univariate Analysis 62
6.2.1 Descriptive Statistics for All Variables. 62
6.3 Discussion on Bivariate and Multivariate Analysis 62
6.3.1 Relationship between Determinants of Average Share Price 62
6.3.2 Influence Level of Determinants of Average Share Price. 64
6.3.3 Impact of Determinants of Share Price 65
6.4 Chapter Summary 66
CHAPTER SEVEN - CONCLUSION AND RECOMMENDATION 67
7.1. Introduction 67
7.2 Conclusion 67
7.3 Recommendation 68
7.4 Suggestions for Future Research 70
7.5 Chapter Summary 70
LIST OF REFERENCES 74
APPENDIX – I Secondary data Collection and Evaluation Form 79
APPENDIX – II The output of the Data Analysis 81

APPENDIX – III List of the Manufacturing Companies..... 116