The Relationship between Corporate Social Responsibility Disclosure and Financial Performance:Evidence from Listed Manufacturing Companies in Sri Lanka

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Abstract

The concept of Corporate Social Responsibility (CSR) was developed around the globe in the 1950s. CSR is a business approach that contributes to sustainable development by delivering economic, social and environmental benefits for all stakeholders. This study aims to explore the relationship between CSR disclosure and the financial performance of the manufacturing industry of the Colombo Stock Exchange (CSE). A deductive approach and quantitative research method are utilized to achieve the research objectives. The researcher selected listed manufacturing companies on CSE in Sri Lanka as a sample for a period of five years, starting from 2015 to 2019. This study is based on a secondary data collected using annual. This study employed ROA and Tobin's Q to measure financial performance. The content analysis was used to measure the CSR index to identify the CSR dimensions, namely social, economic and environmental. The firm size is used as the control variable in this study. The finding shows that there is a significant negative relationship between CSR disclosure and the financial performance. The study provides some insights and builds on the literature in the area of CSR in a

developing country's environment. Finally, the findings suggest that there is an increasing trend in CSR disclosure levels in Sri Lanka.