



THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE FINANCIAL PERFORMANCE IN SRI LANKAN BANKING INDUSTRY

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ABSTRACT

The paper aims to clarify the relationship between corporate social responsibility and corporate financial performance in the Sri Lankan banking sector. Corporate social responsibility has grown to a main proportion of any organization in terms of reflecting their reputation towards the communities which they operate. The acceptance of becoming socially concerned entity has raised the concerns of influencing their financial performance. The data were complemented by a content analysis. Thus, social responsibility was measured through a word counting analysis of twenty five annual reports over five years. Corporate social responsibility disclosures were segregated as per seven key topics of environment, community, employee, product, energy, health and safety and other. Corporate financial profitability was measured through the common key indicators of Return on Assets and Return on Equity. The findings of the study reveal a positive, but weak relationship as per the regression and correlation between the two variables even though the banks have paid much attention on corporate social reporting. This research is significant to deliver insights and a proper understanding to the numerous corporate social responsibility activities and practices which needed to perform successfully in the banking sector in Sri Lanka. This paper fulfils an identified need to study how corporate social responsibility measures influence the corporate financial performance.

Keywords: corporate social responsibility, Corporate financial performance, Sri Lanka, banking industry, Content analysis