

EFFECT OF CORPORATE SOCIAL RESPONSIBILITY ON FINANCIAL PERFORMANCE OF BANKS IN SRI LANKA

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Abstract: This study examined the effect of corporate social responsibility on financial performance selected Licensed Commercial Banks in Sri Lanka. The objective of this study is to examine the impact of corporate social responsibility on financial performance for the period of 2010 to 2014 in selected Commercial Banks of Sri Lanka. There are Amana Bank PLC, People's Bank, Commercial Bank of Ceylon PLC, Hatton National Bank, Nations trust Bank, Bank of Ceylon, DFCC Bank PLC, National Development Bank PLC, Pan Asia Banking Corporation and Sampath Bank PLC. This study utilizes the secondary data. The data were collected from annual reports on the selected banks, Directors' reports. Other sources such as newsletters, news articles, journals and websites were also used. The data were analyzed using correlation, regression analysis and hypothesis testing by SPSS 20.0 software. In addition, the regression model shows that there is positive impact between CSR and the dimensions of financial performance (ROA, ROE, EPS and Net Profit). The finding of this study shows that there is positive and significant relationship between corporate social responsibility and financial performance which demonstrates that there is positive impact of corporate social responsibility on financial performance of selected Licensed Commercial Banks of Sri Lanka. This study concludes that CSR for the success of Commercial Bank since it helps to improve financial performance. The study recommends that banks may portray themselves as socially responsible firms it will lead to improve the overall financial performance of the Banks. Government should play its role to motivate the banks to spend for the welfare of the societies, nations, environment where banks operate their businesses and earn profits.

Keywords: Corporate Social Responsibility, Financial Performance and Licensed Commercial Banks