

The Relationship between Corporate Social Responsibility and Financial Performance: The Effect of Easy Access to Capital and Managerial Ownership

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Abstract

Previous theoretical explanations and empirical findings on the relationship between Corporate Social Responsibility and Financial Performance are inconsistent. Therefore, drawing on the stakeholder theory, the agency theory, the legitimacy theory and the information asymmetry theory, the current study attempts to examine the effect of CSR on Financial Performance by exploring the mediating effect of Easy Access to Capital and the moderating effect of Managerial Ownership on the relationship between CSR and Financial Performance. The study was quantitative and cross sectional. This study was carried out using data from 153 Public Limited Companies listed on the Colombo Stock Exchange and the data was analyzed using SPSS 20.0 and Structural Equation Modelling (SEM) with the aid of AMOS 20.0. The findings of the current study show that there is a significant positive relationship between CSR and Financial Performance. Further, it is found that Easy Access to Capital (EAC) mediates the CSR-Financial Performance relationship, acting as a partial mediator. Furthermore, Managerial Ownership has a moderating effect on the relationship between CSR and EAC.

Keywords: Corporate social responsibility, Financial performance, Easy access to capital, Managerial ownership

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