Impact of Corporate Social Responsibility Disclosure on Firm Performance: Evidence from Sri Lanka's Food, Beverage and Tobacco Sector

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Abstract

This study examines the impact of corporate social responsibility (CSR) disclosure on firm performance within Food, Beverage and Tobacco sector of the Colombo Stock Exchange from 2019 to 2023. Prior research pays limited attention to disclosure as the focal construct, offers little industry specific evidence. The objective is to test whether CSR disclosure by using an index covering economic, environmental and philanthropic dimensions is associated with firm performance, using panel regression on both accounting-based ROA and ROE and market-based Tobin's Q performance measures, controlling for capital intensity. The results reveal that all three CSR disclosure dimensions are positively and significantly associated with ROA and ROE, while environmental and philanthropic disclosures also enhance Tobin's Q with a weaker effect. These findings indicate that CSR disclosure acts as a strategic intangible asset that improves operational efficiency and stakeholder trust. However, the relatively modest valuation impact suggests a time lag in how markets incorporate CSR information in frontier markets. The study offers theoretical, practical guidance for managers, investors and policy implications, highlighting CSR's role in sustainable corporate strategy and capital market development in emerging economies.