

IMPACT OF SOCIAL DISCLOSURE ON PROFITABILITY: EVIDENCE FROM HOTELS AND TRAVELS IN SRILANKAN LISTED COMPANIES

Piriya Muraleetharan ,T.Velnampy, B.Nimalathan

Senior Lecturer, Senior Professor, Professor

Department of Accounting,
Faculty of Management Studies and Commerce,
University of Jaffna

Abstract

Corporate social responsibility (CSR) is always new on the agenda of commercial organizations, due to its ability to improve the attractiveness of a firm. Corporate social responsibility is a broad principle affecting financial performance that has involved universal interest and learning in the overall economy. Corporate social responsibility principles have been achieved in commercial practice, but the idea has been a powerful position for each organization in recent periods. The research purposes of the study are to consider whether there is any impact of social disclosure and profitability under the theory and to examine whether there is any impact of social disclosure and profitability under the theory of moral organization by incorporating the idea of tactical organization into the definition of CSR as sustainable by counting social disclosure as independent variables, The independent variable is ROA, and the control variable is firm size. Secondary data has been collected for Sri Lankan hotels and travel companies in CSE, for the period from 2015 to 2019. An Eviews 8 was used in this analysis. In this analysis, the variables were tested using correlation and regression analysis. The results indicate that social disclosure has an optimistic influence on the profitability of hotels and travel companies. The outcome of this study offers excessive perceptions for the administration to incorporate CSR with the strategic resolution of the commercial and renew their commercial supervisory or fundamental principles.

Key words: CSR, profitability, ROA, social disclosure.

Introduction

A good company is not only considering profit but also trying to socially treat its employees, shareholders, and consumers, as well as surrounding the natural environment as a form of responsibility. These perform benefits to improve an organization's standing, which, in turn, will provide a firm with financial benefits.

The CSR index has an optimistic impact on FP because CSR is measured as a company's safeguard besides undesirable evidence destructive of the firm's standing, and therefore protects the financial outcome of the firm (Soana, 2011). By further disclosing CSR, firms can attract additional quality employees and customers (Sugino, 2015), as well as reinforce their association with stakeholders to fund their maintainable process (Moskowitz, 1972).

In the Sri Lankan context, companies are currently affected by the reporting of CSR disclosures connected to the past. Such a trend is consistent with the legitimacy theory, through which the companies are trying to originate a legitimate insight about the company in the minds of their constituents in society.

Accordingly, CSR disclosures are going to be a vital part of the yearly reports of listed companies. Whether there is a suggestion amid the close of social exposes and the performance of the firm. The present study is undertaken with the view of revealing the effect of social disclosure on profitability.

In short, the actual way to drive corporations to achieve good CSR is to help them understand that there is a close association amid the practice of CSR and the survival and development of corporations. CSR is a broad understanding of the interrelationship between a company and society while at the

same time anchoring it in the strategies and activities of specific companies.

The generally changing areas exclude merely seeing profit growth (Verschoor, 1998). CSR scratches a company's lowest line of profit creation because companies cannot continuously get revenues from their community actions. CSR across firms and industries requires a firm to concentrate not only on adding profit, but also on its social responsibilities so that it can meet the needs of numerous stakeholders (Ruf et al., 2001).

Statement of the Problem

The results of the impact of Corporate Social Responsibility Disclosure (CSR) and FP on previous studies have been varied. Certain researchers have been documented an adverse association amid CSR and profitability (Wright and Ferris 1997).

The nonexistence of acceptance about the association amid CSR and financial performance is a grim problem because the United Nations. The actions have conceivable threatened water, supply, national security, human health, food security, and economic growth (IPCC 2018).

The association between social disclosure and profitability is dangerous if managers and find the right balance to endorse sustainability for the morale of both banks and society (Marti et al., 2015) due to the indecisiveness of past research scholars maintained for further study the impact of social revelation and presentation. Based on that the following questions are constructed to find the answers to the problem statement.

What is the Impact of social disclosure and profitability of Hotels and Travels companies in Sri Lanka?

Research objectives

To identify the impact of social CSR disclosure on profitability in Hotels and Travels companies.

To check the association amid social disclosure and profitability in Hotels and Travels listed companies.

Literature review

Corporate Social Responsibility Disclosure is a tool through which all parties practice assessing CSP (corporate social performance) (Abeyasinghe and Basnayaka, 2016). CSRD indicates the disclosure of information by a business about their social and economic activities. CSR is one of the key drivers for the CSR of the commercial sector, the structure of a civilization in which a good equilibrium is produced amid social, economic, and environmental aims.

Fahmi (2015) mentioned that CSR reporting disclosure is a procedure for collaborating on the social and environmental possessions of structural movements such as monetary development and civilization at large. According to). Financial performance is vital to the firm since it is the foundation for policymaking for both inside and outside parties. So it is essential for companies to take the capacity of their financial performance as the attainment in a positive square that reproduces the level of well-being of the company. The company's financial performance can be restrained by examining and assessing its financial statements.

An important amount of investigation has studied the association between CSR and ROA. Its base association may be optimistic, undesirable, or negative, and it is founded on researchers' study possibilities and

restrictions. According to the finance and insurance sectors in Srilanka Lanka, there is an optimistic and important association amid CSR disclosures and ROA.

CSR is an effort by industries to decrease undesirable impacts and enhance optimistic impacts for sustainable expansion for all investors in ecological, cultural, and community contexts. Rosiliana and other researchers, (2014) clarified that CSR has an optimistic effect on organizations that can grow community self-assurance in the product. This, of course, will improve the company's standing in the eyes of the community, the public will certainly be fascinated by the products brought by the company.

That CSR of the company does not only result in financial performance It specifies that the value of CSR revelations, which shows the number of social responsibility revelations, does not distress the higher or lower financial performance of banking and insurance companies in Sri Lanka. CSRD has an optimistic impact on attainment based on multiple regression analyses by Wijesinghe and Senarathna, (2011) and Niresh and Silva (2018).

The CSR concept focuses mainly on employees who can understand the full potential of the company. Numerous researchers stress the need for accountable worker behavior as a requirement for an answerable trade movement (Scheider and Scherer 2019).

Madurasinghe and Jahfer (2016) explained that CSR has an optimistic association with financial performance. Wijesinghe & Seneratne (2011) explained that CSR and FP have a significant optimistic connotation amid the disclosure of CSR and FP. Disclosure of CSR was restrained and

computed by the GRI rules and FP through accounting measures ROA and ROE. The effect of CSR on the FP of banks in Sri Lanka. There is an optimistic impact amid CSR and the FP (ROE, ROA, EPS, and net profit). The firm should attain a satisfactory level of profit that can satisfy the stockholders, needs while satisfying the needs of other stakeholders.

Methodology

The impact of CSR disclosures and the FP of listed companies on the CSE in Sri Lanka. So secondary data is collected by using company annual reports and the CSE data library. Twenty companies were considered for the study. The financial years

from 2015 to 2019 were selected as the period of this study. E-Views 8 software was used to analyze the data for this study. This study's analysis includes correlation analysis and regression analysis.

Conceptual Framework

Sekaran and Bougie, (2010) defined the conceptual framework as "logically developed, designated, and expanded system memory between variables considered applicable to the problem assessment. It identifies something that was constructed, not found.

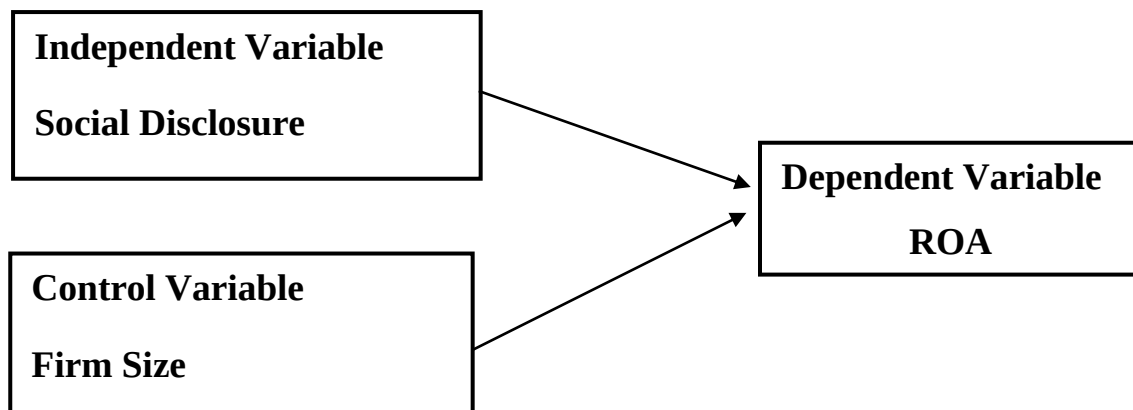


Figure 1: Conceptual Framework

Analysis and Discussion

This study explains the impact of social disclosures on the profitability of hotels and travel companies. This paper explained the analysis of correlation and regression.

Correlation analysis

Correlation analysis is used to examine any significant suggestions among the autonomous and dependent variables of the study.

Table 1: Correlation Analysis

Correlation Probability	SOP	Firm Size	ROA
SOP	1.000000 -----		
Firm Size	0.320334 0.0000	1.000000 -----	
ROA	0.131020 0.0320	0.449163 0.0000	1.000000 -----

Table 1 presents the correlation analysis of the independent variable social disclosure and the control variable firm size, as well as the ROA response variable in this model. The above table indicates that social disclosure has a significant impact on ROA, the value is 0.131020 and the probability value is 0.0320 ($p < 0.05$). There is association amid CSR disclosure and

profitability. Firm size is positively correlated with ROA; the p-value is 0.0000, which is less than 0.05. There is a significant relationship between firm size and ROA. This conclusion is in line with the results of preceding studies (Lone & Khan 2016), which examined the causal relationships between various dimensions of CSR and FP.

Regression Analysis

Regression analysis was used to find out the impact of autonomous variables on dependent variables. There is no strong indication of multicollinearity amid the

variables used in this study, as the VIF centered values are less than 10. In this regard, regression analysis can be conducted.

Table 2: Regression Analysis of ROA

Vari	Coef	Std. Er	t-Sta	Pro.
Con	0.008723	0.009458	0.922341	0.3572
SOP	-0.062791	0.029852	-2.103413	0.0364
Firm Size	0.006567	0.000984	6.671044	0.0000
R-sq 0.241566		Adj R-squared 0.227093		
F-stat 16.68977		Durbin-Wat 1.646304		
Pr (F-stat) 0.0000				

The above table shows that social disclosure and firm size have a significant impact on the return on assets of selected hotels and travel companies at a 5% level. Also, the adjusted R^2 for social disclosure has an impact on ROA of 0.2270. This means 22.7 % of the variation in the dependent variable can be explained by this model. The P-value is 0.000, which is less than 5%. Durbin Watson's stat shows a value of 1.6463, which is near two and implies there is no serial correlation.

This specifies that there is an optimistic impact of disclosure of CSR on ROA and, hence, overall profitability. What can these financial welfare derivatives be from CSR. Many investigators have recognized the benefits of CSR, which eventually lead to better financial performance (Baiman & Verrecchia, 1996; Diamond & Verrecchia, 1991)

Conclusion

The study included an analysis of the impact of social disclosure on profitability. When compared to developed and developing countries. But an optimistic association amid CSR and FP was shown by (Adeneye & Ahmed, 2015), and Hassan (2006) proposed that an optimistic association exists between social disclosure and profitability. Caputo & Venturelli (2017) examined the causal relationships between various dimensions of CSR and FP. Considerably, the result of the study found a significant positive impact of social disclosures on profitability and ROA. The findings presented in the study indicated that autonomous variables (social disclosure) have a momentous impact on the return on assets. Based on the study, practitioners such as listed companies, current, and future investors can derive several implications.

CSR is a test for several firms, compelling them to recklessly place their stress on attaining financial aims in the errand of executing the idea of informally accountable business, which will exactly emphasize their company's long-term feasibility. However, the applied application of the idea differs based on the organization, and size of the source of a given commercial organization, with global corporations and businesses more complicated in environmental impairment and showing a bigger degree of community responsibility.

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