

Abstract

Corporate Stakeholder Theory, Corporate Social Responsibility (CSR) leads to a higher financial performance of firms. However, previous theoretical explanations and empirical findings on the relationship between corporate social responsibility and financial performance are inconsistent. Therefore, drawing on stakeholder theory, agency theory, legitimacy theory and 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 data was analyzed using SPSS 20.0 and Structural Equation Modeling (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. Hence, this study made a major theoretical contribution by addressing these knowledge gaps in Stakeholder Theory, as explained above.