

SURVEY ON CORPORATE SOCIAL RESPONSIBILITY IN SRI LANKA

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ABSTRACT

This survey is conducted to understand the current state of CSR development and to assess the degree of CSR practices in Srilanka. A questionnaire-based survey research was carried out and the questionnaire was posted to all the 235 listed companies under the Colombo Stock Exchange and 104 had responded. After screening for completeness and validity, 93 questionnaires were suitable for analysis, giving a response rate of 39.5%. The sample consisted of a wide array of businesses. Wholesale and retail (13), transport and logistics (11) and manufacturing (10) were the dominant trades in the sample. The median turnover was Rs. 505 million with a maximum of Rs. 21,079 million and a minimum of Rs. 62 million. In terms of years in existence, there are very young companies (age 3 years) as well as very old companies (age 100 years) with a median of 15 years. In terms of the number of employees, there were small companies (141 employees) and very big companies (23,000 employees) with a median of 380 employees. The study is descriptive and covers the following issues: CSR perceptions and expectations, driving forces and objectives in CSR activities, the major barriers hindering the development of CSR, CSR management strategies and processes within the company, relationships with and attitudes towards the major stakeholders in CSR activities, the role of the government in CSR development in Srilanka. The findings of this empirical research may be useful to researchers who work in the CSR field. For managers, the study can provide some guidance in their CSR strategic planning. For policy-makers, it helps to understand better the current state of CSR in the country and work out more effective public policies and instruments in fostering sustainable development.

Keywords: *Corporate Social Responsibility, Ownership and Managers*

1. Introduction

This Research explores the nature and extent of Corporate Social Responsibility (CSR) practices in Sri Lanka and, hence, provides empirical insights into how CSR practices are shaped by both local and global forces in a developing country.

CSR is a broad concept which basically asks: What is the role of business in society? How do organizations fulfill their responsibilities to their employees and to society? And how/why do businesses publicly disclose CSR information? (Carroll, 2008; Crane, McWilliams, Matten, Moon, & Siegel, 2008;

Handy, 2002). Since the early 1950s, the different ideologies underpinning CSR have been discussed, argued, debated, and researched (Bowen, 1953; Carroll, 2008). However, CSR's "phenomenal rise to prominence in the 1990s and 2000s suggests that it is a relatively new area of academic research" (Crane et al., 2008 p.3) Nevertheless, researchers still do not share a common definition or set of core principles for CSR (See, Aaronson, 2003; Carroll, 1999; Dahlsrud, 2008.), because of its vagueness and subjectivity (Crane et al., 2008). One of the most frequently cited CSR definitions comes from Carroll (1979): "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time" (p. 500). This definition of CSR emphasises societal expectations of organizations and, it implies that the nature of CSR depends on the business context and also the evolutionary phase (the time) of society in which the business operates. The Commission of the European Communities (2006), on the other hand, tries to be more explanatory in terms of to whom and regarding what a business should be responsible:

Corporate social responsibility (CSR) is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis; it is about enterprises deciding to go beyond minimum legal requirements and obligations stemming from collective agreements in order to address societal needs (p. 2).

For the purpose of this Research, CSR is defined as businesses engaging in voluntary social and environmental endeavours that exceed the existing legal requirements (McWilliams, Siegel, & Wright, 2006; Van Marrewijk, 2003). These endeavours include charity/philanthropy, environmental activism or any organizational activity related to the uplifting of social or environmental conditions. However, this is only an ostensive guidance and the researcher keeps the meaning of CSR open throughout this research, while trying to understand the performative meanings that the corporate managers attach to the concept of Corporate Social Responsibility. CSR reporting is the other area that this research study focuses on and is considered to be a part of CSR: the communicative element of it. CSR reporting can be identified as the provision of corporate disclosure of nonfinancial information in addition to traditional accounting information, even when it is not a mandatory requirement (Mathews & Perera, 1996). Generally, these nonfinancial disclosures cover information on employees, products, contribution to the society, the organization's attempts to prevent or reduce environmental pollution, and all the other social and environmental interactions and activities (Mathews & Perera, 1996). Globally, companies tend to disclose their CSR issues in their annual reports, standalone reports, or integrated reports (KPMG, 2005; 2006).

1.2 Research objectives

The overall research objective of this Research is to examine the nature and extent of CSR practices in Sri Lanka. Operational as well as disclosure practices are examined. In line with this research objective, "examining the nature" means identifying salient and idiosyncratic features of CSR practices in Sri Lanka and explaining them in terms of deeply rooted sociocultural characteristics. As such, this exposition includes identifying the reasoning behind the CSR practices pertaining to a Sri Lankan context.

1.3 Research Questions

In order to achieve the overall research objective, four research questions are identified, and these research questions are below.

- 1) What are the features of CSR practices in Sri Lanka?
- 2) How are CSR practices perceived by Sri Lankan corporate managers?
- 3) Why do Sri Lankan companies adopt CSR initiatives, and why do these companies choose to disclose, or conceal, voluntary CSR information?
- 4) Why has CSR practice developed in the way it has in Sri Lanka?

2. Review of Literature

2.1 Corporate Social Responsibility

Strategic managers are consistently faced with the decision of how to allocate scarce corporate resources in an environment that is placing more and more pressures on them. Recent scholarship in strategic management suggests that many of these pressures are coming directly not from traditional concerns of strategic management but instead from concerns about social issues in management. Strategic resource allocation decisions have always been complex, but now they are even more so, since companies are assessed not only on the financial outcome of their decisions but also on the ways in which their companies measure up to a broader set of societal expectations.

Prahalad and Hamel (1994) indicate that influences on strategic decisions now come from influences that go well beyond traditional Industry-based competitive forces identified by Porter (1980). Changing customer expectations, regulatory shifts, problem of excess capacity (and presumably the associated employees), and environmental concerns are now becoming important influences on strategy (Prahalad and Hamel, 1994). These emerging influences on strategic decision making are the result of the impact of different stakeholder expectations and a company's interactions with a range of stakeholders arguably comprise its overall corporate social performance record.

2.2 What is CSR?

According to one of the most frequently cited definitions, CSR is *a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis* (Commission of European Communities, 2001). In reality, the distinction between companies' voluntary and mandatory action is sometimes blurred in the developing world. As Graham and Woods (2006) point out, voluntary initiatives may have mandatory aspects and national regulatory frameworks may incorporate the use of voluntary instruments. Also, debating whether companies should go beyond their legal obligations and voluntarily adopt CSR initiatives makes little sense in many developing countries. In some countries, for example India and Pakistan, it is the rule rather than the exception that companies do *not* comply with existing legal frameworks related to corruption, payment of taxes, fair trade practices, respect for human rights, customer services, environmental protection, etc. In this respect I agree with the adoption of a broader definition of CSR, as an umbrella term for a variety of theories and practices all of which recognize the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with whom they do business (e.g. within supply chains); and that (c) business needs

to manage its relationship with wider society, whether for reasons of commercial viability, or to add value to society (Graham and Woods, 2006).

2.3 History and development of CSR

Although CSR has only recently risen to prominence as a serious discipline in management, contributing to society is not a totally new concept for firms. In late 1770s, Adam Smith introduced the expression ‘the invisible hand’ to demonstrate how capitalists inadvertently brought about domestic economic prosperity even though their real intentions were the pursuit of self-interest. Smith argued that the metaphorical ‘hand’ helps produce benefits to society even when the capitalists did not plan for such social benefits. The invisible hand produces outcomes that may not be consciously planned. To Smith, social welfare is a by-product of capitalists’ activities. The impact of corporate activities on society has been thence debated by practitioners and researchers right up to this day.

Despite the many debates and discussions on the social responsibility of firms, there remains a big question of what CSR actually is. As Kitchin (2002) stated, ‘one moment CSR seems to mean the engagement of nongovernmental organizations (NGOs), the next it is all about charitable donations, and 5 minutes later it seems to mean the ethical treatment of employees. One minute the NGOs are calling the shots, the next the accountants are in on the act selling reputation assurance’. Different authors seem to have different explanations as to what CSR is. Some argued that CSR is an excellent tool to market the firm and should therefore be led by marketers or be used to enhance the company’s brand. Others argued that firms should be socially responsible because that is the right way to behave.

It is not surprising that authors present contradicting pictures of what is CSR. After all, even if the same term, CSR, is used, it does not necessarily mean that the discussion is about the same concept. As an example, based on his review of nine empirical studies, Frooman (1994) concluded that the stock market penalizes firms’ socially irresponsible behaviour. Five of these nine studies looked at the market’s reaction following product recalls. Frooman assumed that product recall is a sign of social irresponsibility and in each case, the share-prices dropped after the recall. But it can also be argued that recalling products is an evidence of a socially responsible behaviour, because socially irresponsible firms will not recall their products. If this is the case, then Frooman’s study actually proved that socially responsible action (i.e. product recall) are punished by the market! Another case reviewed by Frooman was market reaction towards an airplane crash. But how can an airplane crash become a sign of corporate irresponsibility? It may be an accident, or carelessness of the pilot or mechanical failure. But surely it is not corporate irresponsibility. Frooman has clearly missed the fact that CSR is exemplified by a company’s reaction to an event or its actions in general, not by how the market react to actions taken by the company. Arguably, the lack of a consensus on what is CSR has led Frooman to measure the wrong indicators of social responsibility.

2.4 The Sri Lankan context

Privatization, the opening of Sri Lanka to foreign investment and increased domestic private investment have transformed Sri Lanka’s private sector into the country’s largest employer and most important source of revenue, as has occurred elsewhere around the world. The way the private sector acts and performs, therefore, will have more impact on the development of the country and its people than any

other area of society, including government, NGOs and religious organizations. The connection between business and social evolution has long been recognized and the private sector has become both the primary engine of financial growth and a major contributor to human resource development.

Sri Lanka has a long history of corporate philanthropy and large local companies practice it on an organized basis, though few have documented CSR policies. Most local business organizations felt that CSR was driven by conventions. They identified CSR as a historical practice that had been modernized to suit contemporary needs. However, transnational corporations based in Sri Lanka tend to be guided by the more formal policies of the parent companies, with some flexibility to suit the local context (International Alert, 2005).

After independence, the state led model of corporate responsibility evolved when India and Sri Lanka adopted the mixed economy with a socialist focus. With large public sector and state owned companies, the boundaries between the state and society were defined. Labour laws were brought in to support management principles, which created a framework for corporate responsibility in relation to community and worker relationships (Ceylon Chamber of Commerce, 2005).

2.5 Context for Grasping CSR Consciousness in Sri Lanka

For more than 2500 years, Sri Lankan cultural, social, political and economic life has been subjected to turbulent changes. These have generated an impetus for major developments in the economy of the country. Till 1505, Sri Lanka was an independent state with agriculture as the predominant economic activity. During this period, engaging in business was considered to be less socially acceptable (Chandraprema, 1989). Merchants from India, Arabia and China were the main traders who engaged in trade. From 1505 till 1948 Portuguese, Dutch and British colonists ruled Sri Lanka. The Dutch laid the formal foundation for business in Sri Lanka with the establishment of the Dutch-East India Company. The Dutch were followed by the British who significantly influenced what Sri Lanka is today. The British started to restructure the economy by shifting it from a subsistence agricultural economy to a trading economy based on tea, natural rubber and spices. Private companies were formed in the early period of the 18th century and in the late 1800s Sri Lanka had a stock market. John Keells Group, Aitken Spence, Brown & Company and Hayleys were some of the companies listed in the stock market. Many of these companies yet continue to do business in Sri Lanka mostly under Sri Lankan ownership. With these developments, a dual economy began to emerge in the well-developed corporate export based sector and the mass agricultural based subsistence sector (based in rural areas). Yet, in Sri Lanka taken as a whole, the public attitude towards doing business has not changed significantly. 75% of the population is rural and agriculture dominates. As a result, a feudal mentality prevails in the minds of the majority. There is, however, some recognition for the indigenous entrepreneurial community of businessmen who emerged from the southern part of Sri Lanka. The masses generally felt that the British based private companies were exploiting them. This resulted in an emergence of anti-capitalistic ideas from the 1920s (following in the footsteps of the Russian revolution). After independence in 1948, Sri Lanka experienced an era of socialist based inward looking development policies. The state became the source of ultimate welfare for the people. A large number of nationalized ventures were incorporated in the 1960s, especially in the larger industries such as cement and steel. All private enterprises including foreign based companies (i.e.

tea plantations) were nationalized. The political establishment had public support for these, as people seemed to have lost faith in private enterprises.

2.6 Nature of CSR Initiatives of some Sri Lankan Corporate Entities

CSR initiatives of Sri Lankan firms can be understood from two broad perspectives:

a) externally focused (popular visible level) and b) the internal policy level. The former includes themes that appeal to the public at large. For instance, Union Assurance, an insurance company, has been carrying out a public awareness campaign on general safety aimed at children. The company sponsored a public awareness campaign on precautions to be taken in lighting fireworks in festive seasons. This has resulted in a significant reduction in burn accidents. In another campaign the same company highlighted the need for precaution in crossing public roads. The company requested pedestrians to raise and wave their hands to the drivers of vehicles before crossing public roads with a view to reducing accidents. The same company erected notice boards on the banks of reservoirs, rivers and beaches where it is dangerous to swim. Sampath Bank, a local commercial bank, sponsors a public awareness campaign about preserving forests. One foreign company importing and distributing cement sponsors a reforestation program. D Samson Industries, a local shoe manufacturing and distributing company, organizes an island-wide school art competition with a view to enhancing the artistic skills of children. More examples can be cited as evidence of extensive externally focused CSR practices.

2.7 CSR Activities of the Private Sector in Sri Lanka

Corporate Social Responsibility (CSR) is a concept whereby companies undertake certain responsibilities towards society independent of their business concerns. Although the activities are not directly related to their business, there is an indirect impact on the business which is a positive one. For example: there is a positive image of the company in the eye of the public and the employees' morale is boosted, which in turn has a positive effect on the productivity of the company.

The research showed various forms of CSR activities being performed by the private sector. Many companies have a social responsibility statement in their annual reports. In many instances CSR seems to be an integral component of business. Charitable activities by the business community in support of various social causes are not an entirely new concept. However, they are ad hoc and seen as purely optional initiatives. CSR can be seen as a concept which brings benefits to both business and to the community. It is a win-win situation. Its ambit has to be explored fully in order to tap its potential.

The private sector seems to derive the following benefits from its charitable activity.

1. It boosts the morale of employees, which helps produce a more productive work force.
2. It enhances the image of the company, which in turn enhances the image of its products.
3. It helps to maintain good relationships with all sectors of the community.
4. It helps create new relationships with the government, aid agencies and other private sector companies.
5. It can compensate for the negative aspects of a company's activities. (e.g. Ceylon Tobacco Company, which is engaged in the production of tobacco products, strategically engages in taking on social responsibilities to maintain a good image).
6. It opens avenues for receiving tax exemptions and other concessions.

The main forms of CSR activity observed in Sri Lanka can be categorized as follows:

1. Philanthropic and charitable activities.
2. Environmental conservation
3. Public awareness
4. Corporate sponsorships

According to Pirithiviraj J.C.D and K. Kajendra (2010) in their study on “Relationship between Market Orientation and Corporate Social Responsibility with special reference to Sri Lankan Financial Sector” it has been found that variables of market orientation; customer orientation, competitor orientation and inter-functional coordination are positively related to corporate social responsibility. Therefore it can be derived that there is a positive relationship between market orientation and corporate social responsibility. Thus the more an entity incorporate needs, wants and expectations of the customers, the more it can initiate measures satisfying the social expectations of their customers. Hence, if an organization wants to improve its socially responsible business behavior it has to move towards market orientation practices such as customer orientation, competitor orientation and inter-functional coordination.

2.8 Practice of CSR

Many businesses in Sri Lanka practice some form of social activity, usually through charitable giving to religious or educational institutions. This is a positive foundation for future work and shows the willingness of business to support social investment. However, most businesses have only a general understanding of CSR and have become involved in initiatives without an overall policy.

This may be due to the fact that most organizations have only a limited understanding of the outputs of CSR. Some are conscious of the immediate benefits, such as improved public image or more motivated employees, but few perceive the longer-term return, for example, of investing in capacity building of young people to produce a more skilled workforce, or promoting social harmony to create a more conducive environment for growth. The short-term vision that seeks to boost brand recognition or corporate image can result in initiatives that are poorly planned, not integrated with community or government strategies and which, more often than not, are either ineffective or unsustainable. The private sector needs support to understand the long-term benefits of CSR, as well as their own potential in supporting such developments.

The good intentions of Sri Lankan business and its interest in serving society contain the potential to transform informal practices into more structured and integrated initiatives. However, there is little or no engagement with civil society and government at present, no coordination of effort and little exposure to best practice to catalyze change. Engagement is required to help the private sector understand how its long-term interests are linked to the development of society around it. This engagement is essential to the definition and implementation of sustainable CSR efforts because individual businesses rarely have the experience to address challenges that lie outside the scope of their core business activities.

There is limited coordination of socially responsible practices in the private sector, although it enjoys a history of philanthropy. The latter has sparked a growing interest in CSR and led to some business organizations in Colombo actively building up their knowledge of its practice. These organizations have

shown signs of moving towards a focus on more strategic CSR programmes and overall policy. However, a more cooperative approach is needed to strengthen CSR practice. The organizations at the forefront of CSR need to engage others in dialogue to provide opportunities for shared learning and the development of best practice. Anecdotally, the opposite appears to be happening. The short-term view of the benefits of CSR has created an insular and competitive approach which is healthy at one level— because there is a limited history of CSR in Sri Lanka— but which desperately requires shared learning if it is to evolve into best practice. There are some encouraging signs that this is changing but more formal interaction is needed. The private sector should consider cooperation on initiatives of mutual concern. Effectiveness, especially on national or regional issues, can be greatly improved through the pooling of resources and integration with government and other development objectives.

3. Research methods

3.1 Sampling strategy

Punch (1998) suggests that there is no simple way of summarising sampling strategies for research. Research involves a variety of research approaches, purposes and settings. Some authors have discussed and typologically analysed sampling strategies that can be used in research studies (Bryman, 2012; Johnson, 1990; Miles and Huberman, 1994). However, these sampling strategies vary considerably, and the appropriate approach depends on the purpose and the research objective/questions guiding the study (Bryman, 2012). A sample selection strategy was used to achieve the objectives of this paper. It was first necessary to identify companies which were likely to engage in CSR practices. Therefore, purposive sampling was used because this allowed the researchers to select the companies, mostly the large companies, which were likely to engage in CSR practices.

3.2 Data collection

Empirical evidence suggests that there is a positive link between the size of companies and level of CSR practice (Adams and Harte, 1998; Andrew *et al.*, 1989; Collins *et al.*, 2010; Fernando and Pandey, 2012). This link indicates that large companies are more likely to engage in CSR activities and reporting. Therefore, based on market capitalisation, the top 200 companies listed in the Colombo Stock Exchange (CSE) were selected for the questionnaire survey. The companies were requested to have the questionnaire completed by a corporate manager who is directly involved in CSR disclosure and/or the decision-making process. The questionnaires were posted to the registered head offices of the sample 200 companies, together with a cover letter, information sheet and a stamped envelope with a Sri Lankan return address. After two weeks, the respondents were given follow-up telephone calls. By the end of March 2010, 20 questionnaires were received by post. The researchers used an active approach to improve the response rate by utilising personal contacts, and one of the researchers visited corporations, especially targeting the largest companies. In addition to 20 questionnaire received by post, 31 questionnaires were collected by visiting companies individually, and 2 questionnaires were received through email as attachments, totalling 53 questionnaires. Of the 53 questionnaires, 2 were considered as unusable, as they were incomplete and were removed from the analysis. The survey finally used 51 usable questionnaires for the analysis after achieving a response rate of 25.5 per cent. The responses did include 28 companies (56 per cent) of the largest 50 companies listed in the CSE. These responding companies represent various industry categories, namely, banking, finance and insurance (24 per cent),

manufacturing (14 per cent), diversified holdings (12 per cent), beverage food and tobacco (8 per cent), motors (8 per cent), plantations (8 per cent), telecommunication (8 per cent) and other (20 per cent). This “other” category includes hotels and travel, construction and engineering, chemicals and pharmaceuticals, land and property, power and energy and stores and supplies.

3.3 The purpose, nature and scope of the survey instrument

A survey instrument used in a New Zealand study (Collins *et al.*, 2010) was adapted for this research project. The survey questions of the New Zealand study were constructed based on a review of the literature; the questions were in a simple and understandable form, and the scope was suited to the purpose of this research. Thus, the questionnaire, which had been used in an ongoing New Zealand research project (Collins *et al.*, 2010), was used with the New Zealand researchers’ permission, but with slight modifications for the Sri Lankan context.

Based on a review of the CSR literature, Collins *et al.* (2010) identified the most common environmental and social practices adopted by CSR reporting companies in constructing the survey questions. The survey questions drew on the following five areas of CSR practices:

1. environmental practices;
2. social practices;
3. internally and externally perceived pressure towards adopting CSR practices;
4. barriers and drivers; and
5. management perceptions about the future of CSR practices (however, in this paper, we consider only environmental practices and social practices).

To explore each of these areas, simple, closed questions were constructed. Most of the survey questions were designed to obtain “yes” or “no” answers. For example, to ascertain respondents’ CSR practices, the following types of questions were asked:

- Q1.* Does your business engage in a recycling programme?
- Q2.* Does your company produce a public environmental and/or sustainability report?
- Q3.* Does your company develop product and service innovations based on environmental benefits?
- Q4.* Does your company provide job training?

The complete questionnaire can be obtained by contacting the corresponding author

4. Questionnaire survey analysis of CSR practices

4.1 Existence of CSR activities

A total of 18 CSR activities under the five indicators were investigated in the research. Some of these activities need to be fully operational, not only be present, while only the existence is sufficient for some others. To make the differentiation, the CSR activities are investigated in two ways – some activities on an existence and operational scale (not in place / partly in place / in place, not in use / in place, partly in use / in place, in use) and some on an existence only scale (yes / no).

Table 1 presents the CSR activities on the existence and operational scale and table 8 presents the CSR activities on the existence only scale.

Table 1: Existence of CSR activities I

<i>No</i>	<i>Initiative</i>	<i>Not in place</i>	<i>Partly in place</i>	<i>In place, not in use</i>	<i>In place, partly in use</i>	<i>In place, in use</i>
1	Separate department for CSR	24 (25.8%)	20 (21.5%)	14 (15.1%)	20 (21.5%)	15 (16.1%)
2	Policy on human resource management	0 (0.0%)	22 (23.6%)	29 (31.2%)	27 (29.0%)	15 (16.1%)
3	Policy on occupational health & safety	35 (37.6%)	21 (22.6%)	8 (8.6%)	12 (12.9%)	12 (12.9%)
4	Policy on gender and sexual harassment	78 (83.8%)	0 (0.0%)	0 (0.0%)	14 (15.1%)	1 (1.1%)
5	Policy on environment management	8 (8.6%)	14 (15.1%)	19 (20.4%)	40 (43.0%)	12 (12.9%)
6	Policy on refraining from giving and receiving bribes	77 (82.8%)	7 (7.5%)	3 (3.2%)	5 (5.4%)	1 (1.1%)
7	Quality management system	0 (0.0%)	0 (0.0%)	2 (2.2%)	75 (80.6%)	16 (17.2%)
8	Customer satisfaction measurement system	0 (0.0%)	0 (0.0%)	20 (21.5%)	59 (63.4%)	14 (15.1%)
9	Customer/supplier complaint management system	0 (0.0%)	0 (0.0%)	12 (12.9%)	64 (68.8%)	17 (18.3%)

Source: Research data

This section looks at the existence of certain CSR activities which have to be both in place and in use to be effective. Majority of the banks do not have a fully operational separate department for CSR activities. When it comes to CSR related policies, banks have shown only conventional thinking. While majority of them have, at least in place, policies for human resource management and environment management, only a very few have policies for occupational health and safety, sexual harassment and bribing. However, most of the banks are paying attention on quality, customer satisfaction and customer complaints. These findings indicate that the banks are not looking beyond the traditional management practices to address more current issues.

Out of the nine CSR activities measured on a not in place – in place, in use scale, four are mostly not in place, four are in place, partly in use and one is in place, not in use. In majority of the companies there is no separate department for CSR and there are no policies for occupational health & safety, sexual harassment and bribes. Only less than 20% of the banks have sexual harassment and bribes policies. Even though policy statements are available for human resources and environment, only about half of the banks use them (45% and 55% respectively). When it comes to quality, customer satisfaction and customer complaints, all banks at least have a policy statement in place. The quality management systems are also in use in almost 98% of the banks. Customer satisfaction systems are in use in 79% and customer complaint systems are in use in 87% companies.

Table 2: Existence of CSR activities II

<i>No</i>	<i>Initiative</i>	<i>Yes</i>	<i>No</i>
1	Direct monetary benefits in addition to salaries & wages	93 (100.0%)	0 (0.0%)
2	Gratuity/pension scheme over and above statutory requirements	53 (56.9%)	40 (43.1%)
3	Health insurance scheme	46 (49.5%)	47 (50.5%)
4	Trade union	85 (91.4%)	8 (8.6%)
5	Annual sustainability/CSR reporting	17 (18.3%)	76 (81.7%)
6	Environmental auditing	16 (17.2%)	77 (82.8%)
7	Community liaison committee	24 (25.8%)	69 (74.2%)
8	Internal audit committee	61 (65.6%)	32 (34.4%)
9	Remuneration committee	60	33

		(64.5%)	(35.5%)
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Source: Research data

Another nine CSR activities were measured on a yes-no scale.

All companies have monetary benefits in addition to salaries and wages and over 90% of the companies have a trade union. Gratuity/pension schemes over and above statutory requirements are available in 57% of the companies. Around 65% of the banks have internal audit committees and remuneration committees (65.6% and 64.5% respectively). Slightly less than half of the banks have health insurance schemes. However, sustainability/CSR reporting, environmental auditing and community liaisons are weak, with only 25% of the banks having community liaison committees and less than 20% reporting sustainability/CSR and conducting environmental auditing.

4.2 Attitude on importance of CSR activities

The attitude towards the importance of CSR activities is an important determinant in the final decision on CSR investments. Table 9 summarizes the attitude on the importance of CSR activities.

Table 3: Attitude on importance of CSR activities

No	Initiative	Very low	Low	Moderate	High	Very high
1	Employee and family welfare	0 (0.0%)	10 (10.8%)	35 (37.6%)	33 (35.5%)	15 (16.1%)
2	Training and development opportunities for employees	0 (0.0%)	11 (11.8%)	25 (26.9%)	44 (47.3%)	13 (13.9%)
3	Obtaining environmental compliance certification	0 (0.0%)	15 (16.1%)	46 (49.5%)	22 (23.6%)	10 (10.8%)
4	Reducing pollution of air, water and soil	4 (4.3%)	10 (10.8%)	38 (40.8%)	29 (31.2%)	12 (12.9%)
5	Recycling waste	0 (0.0%)	13 (13.9%)	31 (33.3%)	40 (43.0%)	9 (9.7%)
6	Energy saving measures	0 (0.0%)	4 (4.3%)	20 (21.5%)	41 (44.1%)	28 (30.1%)

7	Employee equal opportunities and non-discrimination	0 (0.0%)	15 (16.1%)	40 (43.0%)	23 (27.7%)	15 (16.1%)
8	Employment of disabled people	0 (0.0%)	6 (6.5%)	38 (40.8%)	34 (36.5%)	15 (16.1%)
9	Philanthropic initiatives	4 (4.3%)	7 (7.5%)	32 (34.4%)	41 (44.1%)	9 (9.7%)
10	Infrastructure development projects for local communities	0 (0.0%)	15 (16.1%)	27 (19.0%)	29 (31.2%)	22 (23.6%)
11	Purchasing from small farmers / industrialists	4 (4.3%)	10 (10.8%)	24 (25.8%)	44 (47.3%)	11 (11.8%)
12	Developing small farmers / industrialists who are your suppliers	0 (0.0%)	15 (16.1%)	44 (47.3%)	25 (26.9%)	7 (7.5%)
13	Ensuring quality that does not directly affect profits	4 (4.3%)	8 (8.6%)	34 (36.5%)	32 (34.4%)	15 (16.1%)

Source: Research data

Another important aspect of CSR activities is the attitude on the importance of different aspects of CSR activities. The general attitude is moderate to high for all the aspects that were tested. The banks have favorable attitudes on the importance of training and development opportunities for employees, recycling waste, energy saving measures, philanthropic initiatives, infrastructure development projects for local communities and purchasing from small farmers / industrialists.

Since this is only their attitude, it is important to compare the actual practice of some of these aspects. Only training and development has a significant correlation ($r=0.21$, $p<0.05$) between the attitude on importance and actual spending. Philanthropic and local community development projects have only a correlation of $r=0.10$ and research and development has a correlation of $r=0.13$ with the actual spending.

5. Reflections and conclusions

The overall levels of environmental practices are disappointing, as the sample companies are the largest in the corporate sector and the results imply that many companies in Sri Lanka have still not engaged extensively in practices related to the environment. Comparatively, large companies are more likely to engage in environmental activities. The large companies are significantly more engaged in marketing or image based on environmental claims, than the medium and small companies. Also, the large and medium

companies keep more measurable targets for reducing energy than the small companies do. The survey results suggest that the foreign-owned companies are more likely to adopt environmental practices than the Sri Lankan-owned companies. All the companies that indicated that they had not adopted any environmental practices are Sri Lankan-owned companies. The issue of “why the small companies and the Sri Lankan-owned companies are not engaged in environmental activities to any considerable extent?” is worthy of further research. However, surprisingly, the Sri Lankan-owned companies have engaged in significantly more marketing, or image building, based on environmental claims than the foreign-owned companies have. The geographical scale of business operations seems to be the main predictor of the uptake of environmental practices in the Sri Lankan context, as the companies engaged in international scale operations take the lead in the uptake of every single environmental activity over local scale operators. It seems that companies in the international market increasingly demand more and more sustainability credentials from their suppliers, including the Sri Lankan suppliers. Statistically significant differences in the geographical scale of business operations relating to environmental practices were found in six situations. The government, and the environmental authority in Sri Lanka, need to be aware of this.

Business engagement in socially related activities can be considered pleasing when compared with the corporate sector environmental practices. The survey results reveal that there are four common social practices:

1. involving in local community projects;
2. providing job training;
3. contributing to charity; and
4. helping employees to obtain tertiary education.

Three of these four practices are common to more than 70 per cent of the respondents, and all four practices are considerably ahead of the other social activities. It is interesting to note that all the companies have indicated that they practise some kind of business engagement in socially related activities. Notwithstanding the general expectation, the Sri Lankan companies do engage in more social activities than the foreign-owned companies do, especially in the situations of ethical purchasing, providing job training, involving in local community projects and social innovations. Overall, social issues such as unemployment and poverty, the typical issues in developing countries, often override environmental (material resources) issues. Interestingly, this is more prominent in both Sri Lankan-owned and local scale companies than in the companies with global links. Generally, corporate managers in Sri Lanka are primarily concerned with social issues.

6. Summary

This paper has investigated the features of CSR practices in Sri Lanka. The respondents were classified into three categories – size, ownership and geographical scale of business operations – with the intention of revealing categorical differences through statistical analysis. The relative usages of CSR practices were identified by statistically testing significant differences amongst the categories of respondents. The study differentiated between environmental and social practices. Overall, the uptake of environmental practices is disappointing, but business engagement in socially related activities is more pleasing. The predominance of social activity is quite evident throughout the analysis of responses. Interestingly, Sri Lankan-owned companies and local scale companies are much more linked with their society than the

companies with international connections are. This may be because of contextual influences such as cultural, religious, political, employees' wishes and the personal values of management (Akinyomi, 2012; Bayoud *et al.*, 2012; Blowfield and Frynas, 2005; Frynas, 2006; Jamali and Mirshak, 2007; Kamla, 2007; Raman, 2006; Visser, 2008; Weyzig, 2006). Foreign-owned companies, and international scale companies, could be influenced by their foreign owners, or foreign buyers (Belal, 2008; Belal and Owen, 2007).

The findings of this paper may be useful in promoting and improving CSR practices in Sri Lanka. The findings indicate that environmental practices are not widespread in the Sri Lankan corporate sector. It appears that environmental consequences are not taken into account in formulating business strategies, especially by local companies. This finding may be of interest to the corporate sector, the Sri Lankan environmental authority, non-governmental organisations, the Sri Lankan Government and academics.

This study examined only the largest companies listed on the CSE. It could be extended to include smaller companies. Although this paper explains the features of CSR practices in a developing country, Sri Lanka, the analysis section limits its discussion to the answers from a questionnaire survey. Further detailed research would be necessary to properly address such questions as follows:

RQ1. How are CSR practices perceived by Sri Lankan corporate managers?

RQ2. Why do Sri Lankan companies adopt CSR initiatives, and why do these companies choose to disclose, or conceal, voluntary CSR information?

RQ3. Why has CSR practice developed in the way it has in Sri Lanka?

These questions cannot be properly answered without organising interactive discussions with corporate managers. They will be investigated in the second phase of this research project when in-depth interviews with corporate managers will take place.

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