

Environmental and Socially Related CSR practices in Sri Lanka: Insights from Annual Report Disclosures

Abstract

Purpose- *The purpose of the research is to examine the nature and extent of environmental and social practices of public companies in Sri Lanka in terms of Corporate Social Responsibility (CSR). The study also aims to identify and evaluate trends and the features of CSR reporting by companies listed on Colombo Stock Exchange (CSE).*

Design/methodology/approach- *The study was carried out under three phases. The first phase related to the year 2016 and involved an analysis of annual reports all 292 companies registered on the CSE for the year 2016. The second phase analysed the annual reports or sustainability reports of 156 companies which have been identified in phase 1 as CSR reporting companies in Sri Lanka. The contents of annual reports of 16 companies were fully analysed to determine the trend in CSR practices for the 5 years from 2012 to 2016.*

Findings- *Findings revealed that environmental developments are disappointing and many businesses in Sri Lanka have still not properly engaged in CSR practices in relation to environmental matters. Overall, business engagement in socially-related CSR practices is at a reasonable level, but not environmental CSR practices.*

Originality/Value- *This paper offers initial insights on environmental and socially related CSR disclosure practices in Sri Lanka.*

Keywords- *CSR, Content analysis, Colombo Stock Exchange, GRI Sustainability database*

Paper type- *Research paper*

1. Introduction

This research examines the nature and extent of environmental and social practices of public companies in Sri Lanka in terms of Corporate Social Responsibility (CSR). Data on CSR practices were gathered from annual reports. Term CSR was used by the companies in the past to mean philanthropic activities such as charitable donations and community-related activities.

Over time, CSR engagement has been broadening by gradually moving towards a full engagement with stakeholders and integrating CSR engagement activities into the core strategies of firms (APEC, 2005). The purpose of corporations has extended towards the society and environment. Hence corporations have to strike a balance between the tasks of maximizing profits and discharging responsibilities towards the society and environment despite the fact that it is challenging and the CSR engagement would determine the shape of corporate image to a greater extent.

Sri Lanka was ruled by the Portuguese, Dutch, and British respectively (Senanayake, 2009). Under British rule, the plantation sector was expanded and crops such as coffee, tea, rubber, and spices were introduced (De Silva, 2005). The British brought people from South India to work in the plantation sector (Jayewardene, 2001). It is evident that Sri Lankan culture, traditions, and religion have been influenced by the ethnic mix and that Kingship, with three key elements namely an agricultural economy, feudalistic polity and a Sinhalese Buddhist ideology has also greatly influenced social practices of the country state (Wickramasighe and Hopper, 2005).

Sri Lanka is a multi-ethnic, multi-religious, and multicultural country and people follow four religions; Buddhism (70.2 percent), Hinduism (12.6 percent), Islam (9.7 percent), and Christianity (7.4 percent) (CBSL, 2015). Owing to this specific culture and tradition, there is a natural tendency of donating and engaging in charitable activities (Simpson, 2004; Fernando & Pandey, 2012; Thilakasiri et al., 2014; Fernando et al., 2015). Sri Lanka is ranked number one among developing countries and number eight in the world in terms of philanthropies (CAF, 2011). Hence, giving away mainly for religious and social reasons is embedded (Fernando and Almeida, 2011) in business practices even without having any ruling or legislative provisions. Hence, CSR was seen in business operations as a voluntary practice in Sri Lanka. However, both environmental issues such as air pollution, deforestation, and degradation of natural resources and social issues have been growing.

World Bank (2008) identified Sri Lanka as having issues of aging populations needs serious attention. Even though the official poverty headcount decreased from 15.2 percent in 2006 to 6.4 percent in 2015 the inequality in income distribution has been increasing where more than 40% of the population lives with an income of less Rs. 225 per day. The United Nations Development Programme (2010) showed that land degradation, waste disposal, pollution of inland water, loss of biodiversity, and depletion of coastal resources as major issues. Corporate sector is also criticized for paying adequate attention on social and environmental issues (Fernando & Lawrence, 2011).

Use of annual reports to examine CSR practices has recognised in several studies (Fernando & Pandey, 2012; Thilakasiri et al., 2014; Dharmaratne, 2009; Ratanajongkol, Davey, Low, 2006). The annual report is the major form of corporate communication especially by listed companies. KPMG International's (2015) report identifies trends in using annual reports to include CSR within two major reasons. One is due shareholders perceive CSR as relevant for assessing risks and opportunities whereas the other is due to directives issued by stock exchanges and governments for companies to report on CSR.

2. Literature Review

2.1 CSR and its relevance to developing countries

Developing countries experience unique social, political, and environmental issues (United National, 2007). Level of economic development also plays a significant factor of influencing CSR practices (Tilt, 2016; Thilakasiri et al., 2014; Tsang, 1998) as it could determine the amount of resources that can be used to engage in CSR.

CSR practices in developed countries are different from those of developing countries for various reasons such as diversity of development agendas, challenges faced by developing countries, differences in culture, value, and socio-economic conditions (Shareef et al., 2014). However, Blowfield and Frynas (2005) argues that the origin of the current CSR may relate to Anglo-Saxon but the meaning of CSR may differ from one society to another. Hence it is more likely that history, culture, and traditions could influence corporate sector perceive CSR differently (Shareef et al., 2014; Visser, 2008; White, 2008). This study focuses on CSR in a developing country, Visser et al. (2007) defines the term CSR from the perspective of developing countries as:

“The formal and informal ways in which business makes a contribution to improving the governance, social, ethical, labour and environmental conditions of the developing countries in which they operate, while remaining sensitive to prevailing religious, historical and cultural contexts”. (p. 149)

The above definition highlights the fact that CSR practices are not unique and should be applied in connection with different sociocultural factors and doing CSR activities using CSR framework of developed countries cause reputational damage to developing countries (Shareef et al., 2014).

2.2 Classification of CSR Literature Related to Developing Countries

Ramasamy and Ting (2004) suggest that the awareness of CSR in the developing world is less compared to developed countries and much of CSR related works are seen in developed. On the other hand, research in developing countries is interpreted as still in primary stages (Thilakasiri et al., 2014). Hence, there is a dearth of research on CSR in the developing world. Understanding philanthropy in developing countries needs to be taken into consideration as it is different from that of developed countries (Tilt, 2016). Visser (2008) states that literature on CSR in top management journals focused on ethical and environmental themes whereas CSR research in developing countries focused on social themes. Lockett, Moon, and Visser (2006) mentioned that need for non-normative research papers in developing countries has not filled even though the current literature has a little significance on normative researches and they highlighted that that only very few studies have been conducted on

the nature and extent of CSR in developing countries. This research, therefore, fills that gap in the literature by examining and explaining the current nature of CSR practices in Sri Lanka.

3. Background, Research Gap and Contribution to the Literature

CSR engagement and reporting, play an important role in developing social justice, accountability, and transparency of business activities, which, in turn, address extant social and environmental issues. Jamali and Mirshak (2007) also noted that only very little about CSR practices in ex-colonial, developing countries whereas Muthuri and Gilbert (2007) highlighted the importance of focussed CSR research in developing economies.

CSR reporting, compared to traditional financial accounting, is largely unregulated in Sri Lanka and CSR disclosures are often provided on a voluntary basis (Dharmaratne, 2009) with an intention of build corporate image. CSR disclosure in Sri Lanka is at a low level (Fernando & Pandey, 2012; Hettiarachchi & Gunewardene, 2012; Thilakasiri et al., 2014). Fernando and Pandey (2012) found that CSR reporting by Sri Lankan companies was still relatively primitive stage and needs improvement. On the other hand, International Alert¹ (2005) concluded main reason for Sri Lankan companies is to engage in CSR activities is to communicate their business image without having a clear understanding of the role they wish to play in society.

This study first focuses on identifying the current state of CSR reporting by Sri Lankan companies. Secondly, it attempts to focus on unique features of Sri Lankan CSR practices, in particular, the sociocultural aspects of CSR practices in Sri Lanka, a developing country. Thirdly, it examines the trends of recent CSR practices, from 2012 to 2016 with prominent features of CSR practices in Sri Lanka. This study extends the content analysis carried out by Fernando and Pandey (2012) for the year 2009 (a study of only 1 year) in Sri Lanka by examining the progress of CSR over 5 years. Finally, the research uses a combination of quantitative and qualitative research designs. The current research addresses the significant gaps in the CSR literature highlighted above and contributes to the extant literature related to CSR practices in Sri Lanka.

4. Research Objectives and Research Methodology

Primary objective of this study is to examine CSR reporting practices in Sri Lanka. The study also aims to identify and evaluate trends and the features of CSR reporting by companies listed on CSE. Furthermore, a theoretical framework derived from the extant literature has been used as a basis of

¹ International Alert is an international non-governmental organisation (NGO). It has conducted a comprehensive survey on the CSR perceptions and attitudes of the Sri Lankan public and business organisations in 2004.

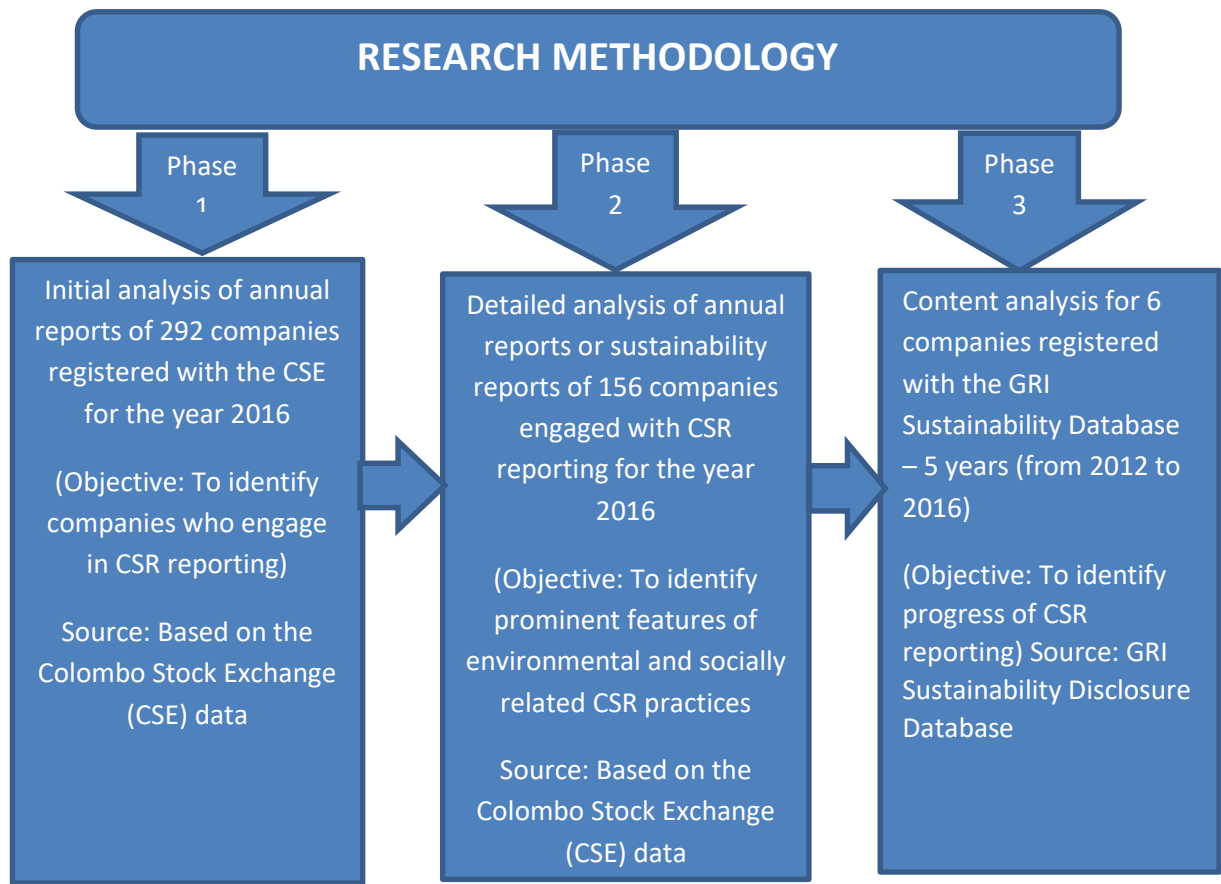
evaluation. Objectives of the study are achieved in three phases. The first phase scanned annual reports of all 292 companies listed on the CSE at the end of year 2016 to identify the number of companies engaged in CSR reporting, areas of CSR reporting, and industrial analysis for CSR reporting. Firms were grouped into two categories for data analysis purposes as 'reporters' and 'non-reporters' of the CSR reporting. Reporters are the companies reported CSR either in the annual report (as a separate chapter or as an integrated sustainability report) or in a separate sustainability reports whereas organisations that have not disclosed CSR separately in any above-mentioned reports were treated as non-reporters. Companies are treated as reporters if they disclose even a single statement in an annual report or standalone sustainability report.

The second phase analysed the annual reports or sustainability reports of 156 companies identified in phase 1 as CSR reporting companies to examine prominent features of CSR practices. The content analysis was carried out on CSR reporting of all 16 companies registered with GRI sustainability database for the year 2016. This free database allows the public to access thousands of sustainability/CSR reports. Progress of CSR was analysed over 5 years through main CSR themes of economic, social, and environmental. Content analysis focused on five dimensions; number of words used, number of pages allocated, number of images shown, and number of tables number of charts used for CSR reporting over a 5-year period from 2012 to 2016.

Eleven Criteria for each environmental and socially-related CSR practices were selected from the literature (Carroll, 1979, 1991, and 1999; Visser, 2008; Fernando et al., 2015; Shareef et al., 2014).

Companies were fully analysed according to the above criteria and their results were recorded on an individual sheet. The number of companies which recorded each element in the above categories was separately calculated and percentage values were taken for interpretation.

Figure 1. Phases Research methodology



5. Data Analysis and Presentation

5.1 Phase 1: Discussion on findings of 292 companies registered with the CSE

It was revealed that only 156 (53%, “reporters”) companies out of 292 had adopted the CSR reporting in the year 2016. Therefore, 156 reporting companies were selected as the sample of phase 2. Sustainability/ annual reports of those reporters were fully analysed. 150 companies out of 156 reporters allocated separate chapter in their annual reports or disclosed by using a separate standalone sustainability report. Six companies reported very few CSR activities under management discussion & analysis or under CEO statement with maximum of one page length.

None of the companies in “Information technology” and “Stores & Supplies” engaged in CSR reporting. The highest rate of reporting (84.21%) was found in “plantation sector followed by “Construction & Engineering” sector (80%). CSR actions were highly centred on employees in plantation sector but the quality of their life is extremely poor. Citing from one disclosure by one of the plantation companies in Sri Lanka as follows:

“Our focus is on enhancing the livelihood of our employees whilst inspiring them to overcome challenges and assisting them to work towards a better tomorrow. In addressing the needs of

the community, the Company pursues upliftment projects with people at their core and conducts campaigns that have been highly effective and a significant contributory factor in boosting sustainable lifestyles. Community health and sanitation are also key areas on which much attention has been focused. The company has provided number of welfare facilities towards the estate community to make sure the best living conditions” (Aitken Spence Plantation Management PLC, Annual report 2016, P. 19).

Construction & engineering sector was found to have created negative impact on the environment through air, water, and land pollution. Therefore, most organisations need to show that they are working on behalf of the company not to achieve their personal targets. Therefore, many companies in the construction sector engage in CSR disclosure practices. Even though, rate of reporting in “Bank, Finance and Insurance sector” is 66.14%, which lead in the CSR disclosures in GRI G4 guidelines as it comprised 41 companies out of 62 companies for the year 2016. Table 1 below gives a summary of CSR reporters and non-Reporters.

Table 1: Summary of reporters and non-reporters of the CSR reporting- year 2016

Business Sector	Total No:	CSR reporting		Non-reporters 2016
		Reporters	As a %	
Telecommunications	2	1	50.00%	1
Diversified Holdings	20	13	65.00%	7
Plantations	19	16	84.21%	3
Bank, Finance & Insurance	62	41	66.13%	21
Power & Energy	8	4	50.00%	4
Manufacturing	38	19	50.00%	19
Chemicals & Pharmaceuticals	10	6	60.00%	4
Healthcare	5	3	60.00%	2
Motors	5	3	60.00%	2
Footwear and Textiles	3	2	66.67%	1
Food, Beverages & Tobacco	21	10	47.62%	11
Trading	7	4	57.14%	3
Hotels & Travels	38	19	50.00%	19
Investment Trust	11	4	36.36%	7
Land & Property	19	3	15.79%	16
Services	8	3	37.50%	5
Oil Palms	5	1	20.00%	4
Stores & Supplies	4	0	0.00%	4
Construction & Engineering	5	4	80.00%	1
Information Technology	2	0	0.00%	2
Total	292	156		136

5.2 Phase 2: Discussion on findings of 156 companies engage in CSR reporting

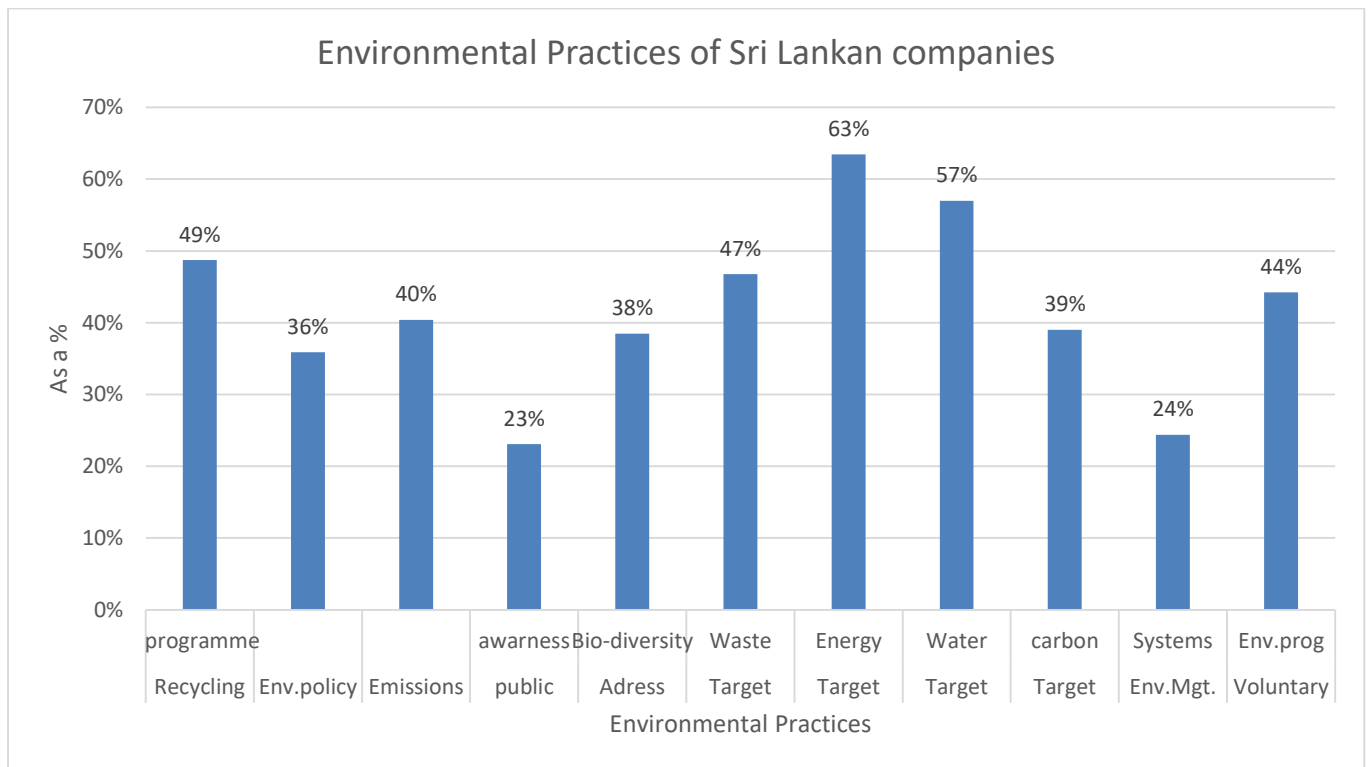
Only 156 companies engaged with CSR reporting for the year 2016. The analysis was carried out based on two what the prominent features of environmental and socially related CSR practices of companies in Sri Lanka and What the CSR practices adopted by Sri Lankan companies.

5.2.1 Business engagement in environment practices

Figure 2 represents surveyed environmental practices with percentages of involvement. Results depict that 36 per cent of CSR reported companies (156 companies) have an environmental policy for their organisations. A considerable amount of companies has measurable targets for reducing energy and water conservations (63 percent and 57 percent respectively). 47 percent of companies has waste management system and 49 percent of companies had programmes to recycle paper, plastics, metal, and glasses. The interesting point here is that most of measurable targets of these companies were cost oriented. Thus, these short-term cost savings strategies directly affect to the financial bottom-line of a company. Therefore, organisations tend to move in to projects with high financial benefits such as savings on energy and water, recycling, and waste management projects. Companies have close supervision systems to reduce energy consumption and water consumption. In Sri Lanka, recyclable waste such as, paper, cardboards, plastic, and metal can be sold for a small amount that will at least to recover the cost of collection. When companies engage in these types of projects they have at least something to disclose under CSR theme. Within this context, it is difficult to expect from Sri Lankan companies to invest in long term CSR projects which give uncertain financial benefits.

Thus, it is understandable that, Sri Lankan companies give more priority for the activities which give monetary/financial benefit for their organisations rather than genuinely engaging in environmental practices.

Figure 2: Environmental practices in Sri Lanka



(Source: Authors' Survey)

44 percent of reported companies engaged in voluntary environmental programmes and most companies engaged in tree planting programmes as voluntary environmental programmes. For the energy conservation companies engage in various activities such as use of solar energy; use of energy efficient bulbs; procurement of energy efficient machines; utilisation of natural ventilation instead of air conditioners; educate employees on efficient use of energy making budgeted targets; carrying out of energy audits which will identify main areas of electricity consumption; fixing LED Bulbs; replacing obsolete computer monitors; replace old machines with new energy saving machines; use of paddy husks (which are a waste product) as an energy source to fuel boilers instead of using furnace oil or diesel; close monitoring by the head office, installation of wind power plant, create targets, e. g: consumption per employee, electricity saved in kilowatts.

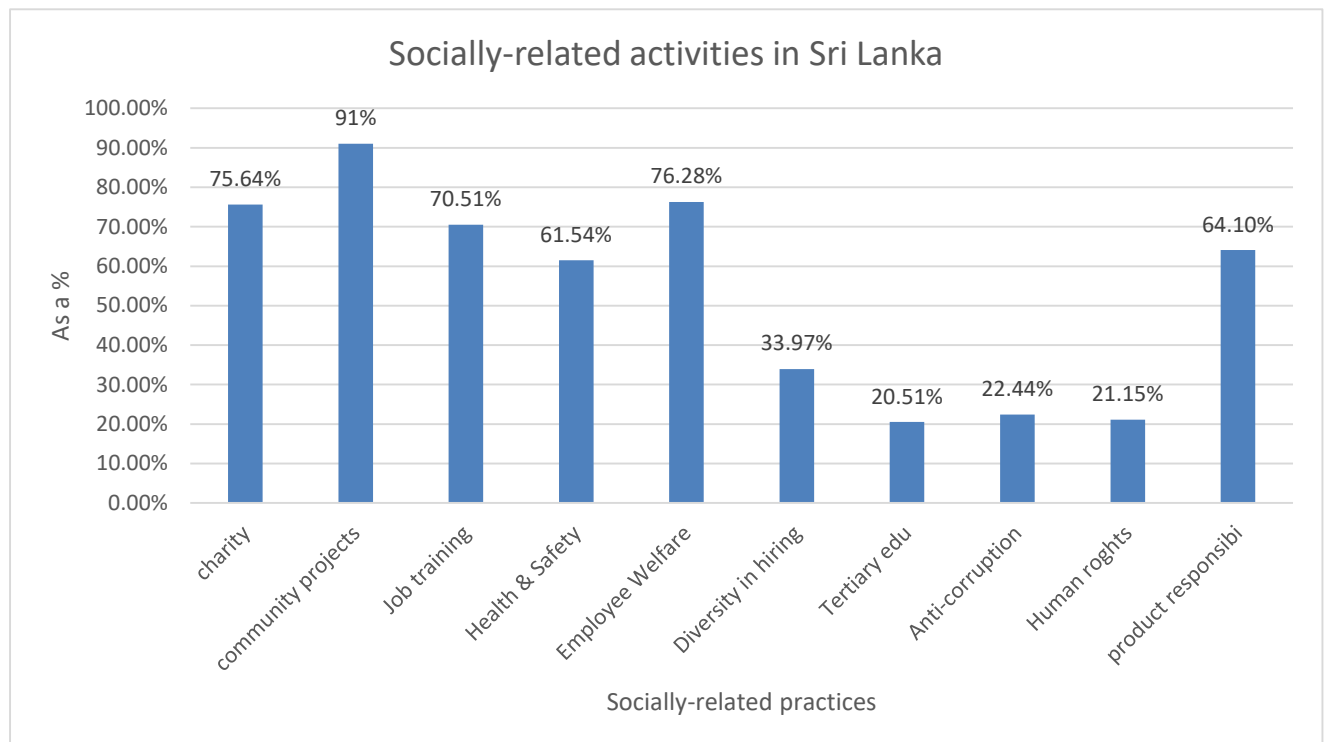
For water conservation following activities were carried out: Treating waste water and reuse, monthly supervision by head office, educate employees on efficient use of water, steps taken to use rain water (grey water) for the production, harvesting of rain water, create targets, e. g: consumption per employee, percentage of water reuse and recycled, water saved in liters. Waste management was done through some common activities, such as, formulating and implementing waste management plans; waste collected are segregated (E.g. glass, iron, steel, paper, polythene, etc.); implement

recycling programmes; create measurable targets (wastepaper recycled in kilo grams, full-grown trees saved in numbers), E-waste recycling project to dispose electronic waste in a safe manner, etc. Companies conduct seminars, workshops & awareness programmes to educate on environmental concerns and public awareness.

5.2.2 Business engagement in socially related practices

Results socially related activities have been summarised in figure 3.

Figure 3: Socially related practices in Sri Lanka



(Source: Authors' Survey)

The survey results find that Sri Lankan companies give priorities for four socially related activities, such as; community project (91 percent), charities (75.64 percent), employee welfare (76.28 percent), and job training (70.51 percent). These are common to more than 70 percent of companies and least attention is given for CSR reporting on areas such as, human rights (21.15 percent), anti-corruption (22.44 percent). To promote anti-corruption within an organisation, most companies conducted anti-corruption awareness programmes for their employees. The findings give an impression that; Sri Lankan companies are more likely to engage in socially-related activities than environmentally related CSR practices. As expected, most of businesses engage in charitable activities because of Sri Lankan culture and history, in Sri Lanka. Even nowadays, the long lasting philanthropic giving and religious background are integral part of the local culture (Simpson, 2004). Charitable purposes are inherent in businessmen in Sri Lanka (Jayewardene, 2001).

It seems that, Sri Lankan companies are highly engaging in employee related activities (Job training 70.51 percent, Employee welfare 76.28 percent, and Health & safety 61.54 percent). A considerable number of companies engage in employee related CSR activities. Every Company disclose their responsibility towards to create an ethical and safe working environment for their employees. This includes their compliance with occupational health and safety standards and deals with ethical behaviour in their HR practices and service delivery. Human capital is the most important capital of an organization and which drive all other parts of an organisation. If they develop their employees through training programmes and they are well suitably fit with the growing economy, all the benefits would pass to the company. Therefore, businesses spend huge amount of money for employees training & development programmes, employee welfare activities (motivation is an important factor to retain most qualified employees within the company), and health & safety programmes. Throughout the survey of annual reports, common employee related CSR practices were identified: Conducting of Internal & on-the job trainings include workshops, seminars, Training and awareness on hazard identification, English language improving training programs, organising of sport activities, introducing medical schemes for employees, organizing of foreign trips for employees, and providing scholarships for children of employees.

As mentioned above, most (91 percent of reported companies) engage in any form of community project. Most of these campaigns are addressing some social issues of the country and most are targeted to rural areas. For instance, giving scholarships for students in rural areas, distribution of necessities for people in rural areas, organising seminars or workshops for improving English Language skills of students from rural schools, etc. Some projects targeted to satisfy basic needs of people, such as supplying drinking water; supply of sanitary facilities; construction of houses for poor people, etc. some other activities fulfil government role by developing infrastructures of the country, such as, renovation of rural religious institutions; construction & renovation of roads, bridges, hospitals, and railway stations; rehabilitation of tanks for irrigation facilities, etc. Other community activities are targeted to uplift education of the country. For example, conducting of mentoring programs for university students; donation of books, school supplies, and sport equipment to schools in rural areas; conducting programmes to improve English language skills for students in rural areas; offering scholarships for students in low income families; providing soft skills & industrial training for university undergraduates, etc. Final target of community projects is upliftment of health of the country. For that many companies donated medical equipment to government hospitals; organised blood donation campaigns; conducted various health awareness programmes; conducted lots of dental clinics for school children, etc. The most highlighted point is that, all CSR reporters (156 companies) have disclosed that they have engaged in some kind of socially-related CSR practices.

5.3 Content Analysis for the companies registered with the GRI Sustainability database

5.3.1 Trends in CSR reporting over five years

Minimum pages allocated for the CSR reporting by a firm has increased by 66.67% from 2012 (6 pages) to 2016 (15 pages) whereas the highest number of pages allocated was 70 (233.3% increment from 2012). The average number of pages for CSR reporting for the year 2016 was twenty-eight whereas this figure was nearly increased by 133.33% from 2012. It was further revealed that the total number of words used for the CSR reporting by a firm ranged from as low as 3547 (1765 words in 2012 and 100.96% increment) to as high as 19055 words (9021 words in 2012 and 111.23% of increment) with an average of 8393 words (3910 words in 2012 and 114.65% of increment) when all the reporters were considered. It was further revealed that there was an increasing tendency of using images (photographs and pictures), to make CSR disclosures more attractive. All the reporters used images in every year to show their CSR activities. The average number of images used was increased from 5 in 2012 to 11 in 2016 (120% of increment).

It was observed that, the firms involve in more CSR activities and committed in more social responsibility activities towards their all stakeholders and pay more attention on preparing attractive, meaningful CSR reports for CSR reporting. GRI compliant companies are using more spaces to disclose their CSR activities in annual reports. All companies follow Integrated reporting approach and GRI G4 guidelines for their CSR reporting. Based on the following data, it can expect high level of disclosure in future and it was observed positive trend of CSR disclosures over the five years. The following table shows the increasing trend in CSR reporting by the companies registered with the GRI sustainability database for the year 2016. A summary of content analysis is given in table 2.

Table 2: Trend in CSR reporting over five years (16 companies)

Description	2012	2013	2014	2015	2016
Total number of pages allocated	191	221	324	394	453
Average pages	11.94	13.81	20.25	24.63	28.31
Maximum pages	21	26	50	56	70
Minimum pages	6	5	10	12	15
Total number of words used	59,466	74,099	95,982	115,650	128,855
Average words	3909.63	4706.19	6153.56	7467.19	8393.06
Maximum words	9021	10895	13066	15244	19055
Minimum words	1765	1200	2475	2695	3547
Total number of Images Used	86	83	120	157	182
Average Images	5.38	5.19	7.50	9.81	11.38
Total number of tables used	103	135	241	250	292
Average tables	11.50	8.44	15.06	15.63	18.25
Total number of charts used	89	73	175	221	344
Average charts	5.56	4.56	10.94	13.81	20.69

(Source: Authors' survey)

5.3.2 Qualitative progress in CSR reporting

Most of the images, charts and tables presented for CSR reporting were not referring to corresponding CSR activity carried out for a particular period and which used more pages and words in annual reports. Lot of images were taken with politicians who took part in company activities. Therefore, importance of using those images for CSR reporting is questionable and relevance is limited. These unnecessary images as source of CSR reporting have increased the space allocation for CSR reporting and just ignore the substance of information content. Other images were related to community activities such as sport competitions, religious activities, tree planting programmes, blood donation programmes, company visits to rural areas, distribution of school items to children in rural areas, offering scholarships to children, etc. In relation to environmental activities, lack of images was included and most are related to tree planting programmes. In addition to that, human resources disclosures dominate CSR reporting by allocating lot of pages related to employee related activities, such as employees' training & development programmes, welfare activities, etc. Many charts and tables are also related to employee activities. These are covered low engagement of CSR. These companies had used lot of charts/ graphs and tables due to compliance with GRI guidelines. Therefore,

it is apparent that, qualitative progress in CSR reporting is at a lower level when compared with quantitative progress in CSR reporting.

5.3.3 Use of Financial Resources for CSR activities

Only Aitken Spence PLC has disclosed the total investment made on sustainability processes and actions for the year 2016 as Rs. 77.3 million for the year 2016 (Rs.100 million for the year 2015). Many companies had provided some adhoc disclosures on donations given on charitable purposes, value of scholarships given, and investment on community development. A few organisations had disclosed investment made on environmental activities. Access engineering, a construction company (making a huge impact on environment due to their construction activities) had provided monetary disclosures on environmental protection activities due to pressure from the public. Even though, disclosures on money spent on CSR projects have grown over the years, many had related to human capital of an organisations. For instance, almost all the companies recorded money spent on employee training & development activities, employee welfare activities, etc. Presently, most of organisations try to provide more CSR disclosures in monetary terms but none of the companies had provided adequate information which will enable the researcher to calculate total amount of money spent on CSR activities and administration of a firm. There is no any information provided to access the outcome of CSR projects against the actual cost incurred.

5.3.4 CSR categories

Initially, CSR activities were categorised as “social”, “environmental”, “community” and “economy”. Some firms use two categories, namely, “environmental” and “community”. Currently, companies use three main categories, namely, “Social”, “environmental”, and “economic”. Employee related activities, community activities, activities related to product responsibility are recorded under social category. Activities related to water conservation, energy conservation, waste management, bio diversity, climate change were recorded under “environmental” category. Table 3 gives a summary of the progress of CSR reporting over five years under major CSR themes.

Table 3: Number of words disclosed by companies registered with the GRI sustainability Database under the main themes of CSR

Year	2012	2013	2014	2015	2016	
					Words	Progress %
Economic	32855	44814	53562	63322	64075	95.02%
Social	19436	22554	34931	39088	42622	119.29%
Environmental	7175	6731	7489	13240	22158	208.82%
Total	59466	74099	95982	115650	128855	116.69%

(Source: Authors' Survey)

The highest progress (208.82%) was seen in the environmental category, and then in social dimension (119.29%). These progresses are due to compliance with GRI guidelines (especially GRI G4) and integrated reporting framework.

6. Reflections of the Study

In terms of research objectives, this study not only concentrated on examining the state of CSR practices, but also evaluated the trend in CSR reporting. Hence, the analysis of annual reports was conducted to examine and reveal the current status quo of CSR practices in Sri Lanka; in-depth content analysis was carried out for the companies registered with the GRI sustainability database to understand how GRI has influenced CSR reporting.

Findings revealed that environmental developments are disappointing. The results reveal that many businesses in Sri Lanka have still not properly engaged in CSR practices in relation to environmental matters. Overall, business engagement in socially-related CSR practices is at a reasonable level, but not environmental CSR practices. The survey revealed that there were four common social practices: involvement in community projects, contributions to charities, employee training, and making employee welfare facilities available. The findings of the study support some conclusions previously drawn by scholars. For example, Visser (2008) and Schmidhey (2006) describe the predominance of addressing social issues in developing countries. Visser (2008) commented that "most scholarly work on CSR in developing countries focuses on social themes" (P.475). Schmidhey (2006), stated that, CSR has always been more focused on social issues than on environmental issues. This study also finds the same trend in Sri Lanka with high focus on historical, religious and cultural aspects.

Blowfield and Frynas (2005) explain the necessity for developing countries to identify what CSR should involve for them, “continental European, Asian or African societies may not have the term CSR in their vocabularies, yet some of these societies may have had a longstanding social, contract whereby business has social obligations to employees or wider society” (p. 501). This argument is supported by the results of the study which found that philanthropy was deeply rooted in Sri Lankan CSR practices, due to longstanding cultural, historical, and customary traditions in Sri Lanka; what was labelled as “philanthropy” in earlier days has now been refashioned as “corporate social responsibility”.

A considerable amount of companies’ CSR activities is centered on human capital development. In most cases, employees’ welfare and training & development are the main focus in their CSR activities. Historically, the plantation sector consisted with labourers from South India, and they were treated as slaves in earlier days. Therefore, the plantation sector is bound to take care of the employees and their families. Thus, because of longstanding tradition and custom of the industry, the companies in the plantation sector mainly focus on their human resources. Furthermore, most of companies are labour intensive in developing countries rather than in developed countries. Therefore, organisations are much dependent on their employees. In most of cases, companies exploit their labour by expecting high targets from them and breaches existing labour laws of the country. Because of these high targets, employees do not have much time to spend with their family members. As a solution to this problem, companies organise frequent get-togethers to make employees’ family members happy. The most interesting point is that, companies categorise these employee facilities under the label of CSR. It seems that companies use the term CSR for exploitation of their employees.

This research discovered that most community projects were focused on satisfying the basic needs of poor people (such as, providing of drinking water, housing facilities, education, etc.) and the development of infrastructure in rural areas. Thus, it seems that, Sri Lankan government involve at a minimum level to solve social and economic issues of the country. Insufficient existing government policies encourage companies’ malpractices towards the society.

The most common environmental activities were: tree planting programmes, waste management, energy conservation, and water conservation. These projects were often related to cost reduction strategies, many firms try to achieve economic benefit while engaging in CSR activities. Thus, CSR activities are linked to companies’ financial bottom lines. Companies tend to move into projects with high financial benefits, such as energy & water conservation, waste management projects, etc. In Sri Lanka, recyclable waste can be sold for a small amount that will at least cover the cost of collection.

The Companies often engaged in CSR activities to gain attention from the community; many organisations do not take on projects which involve large amounts of money. They fear the costs involved with CSR projects may adversely affect their financial bottom-lines. Obtaining approval from top management for a socially or environmentally related project is not an easy task, especially in the Sri Lankan context. CSR practices are mainly driven by the people inside the organisation rather than in response to demands from outside parties. Because of non-inclusive of CSR activities to companies' business strategy, cost of CSR projects would be treated as a high barrier in Sri Lanka. Some CSR practices generate short-term benefits, some produce long-term benefits, but some do not provide any tangible benefits to the organisation. Overall, Sri Lankan companies engage in the lowest cost CSR activities, and wish for the highest financial returns. In this environment, Sri Lankan companies do not invest in long term CSR projects, which promise uncertain financial benefits.

According to the legitimacy theory, the survival of a company depends on bounds and norms of the society, in which it operates. Companies legitimise their businesses by satisfying expectations of the society. For instance, most of companies carry out philanthropic activities and engage in CSR disclosure as they are motivated by legitimacy reasoning. However, in most cases, legitimacy motive of employees is questionable. CSR disclosure is also very focused on shareholders not on all stakeholders and ignores stakeholder accountability. Thus, legitimacy of business organisations does not play an important role in the survival of organisations in Sri Lanka, a developing country. Overall, mainstream CSR theories, such as legitimacy, stakeholder theory are challenged by CSR motives related to cultural and religious factors. Furthermore, these mainstream theories seem to be important when motives of Sri Lankan companies related to international context.

7. Conclusions and Suggestions for Future Research

Many quoted public companies do not engage in extensive CSR reporting and GRI compliant companies engage CSR reporting at a certain satisfactory level. In addition to that, industry difference is very high in CSR reporting among these companies. Lot of companies in the "Bank, Finance and Insurance sector", "construction" sector and "plantation sector" engage in CSR reporting at a higher level when compared with other sectors. Many CSR activities in the plantation sector had focused on their employees due to lower level of standard of living of labourers. Many projects of construction sector related to environment aspect, because these companies do many pollution activities to the environment. None of the companies in the "stores & supply" and "Information technology" provide any CSR disclosures in their annual reports. By considering all these facts, it concluded that, CSR reporting is at a lower level and level of compliance with GRI guidelines is also at a lower level in Sri

Lanka. Overall, these companies try to address social and environmental issues in Sri Lanka, a developing country.

CSR projects are related to current, social and environmental issues of the country. Hence, CSR practices conducted under main three CSR themes: economic, social, and environment. It was also found that, environmental-related CSR practices conducted by Sri Lankan companies are at an unsatisfactory level compared to socially-related activities. It is highlighted that, Sri Lanka's sociocultural, historical, religious, and economic background have a significant influence on CSR practices. Because of longstanding historical, religious, and cultural tradition, CSR projects are highly related to philanthropy. The most interesting point is that, what was labelled as "philanthropy" in earlier days has now been refashioned as "corporate social responsibility". In addition to that, CSR practices in Sri Lanka tend to be centred on employees of an organisation. Many Sri Lankan companies engage in routine CSR projects related to special occasions of the country (e.g. religious, cultural festivals) without adding new projects to their CSR agenda. These projects are interconnected and interdependent. Finally, a few companies had a monitoring process for their CSR projects.

Sri Lankan companies engage in more socially-related activities compared to environmental-related activities. Socially-related activities are dominated by employee related CSR projects and community projects. Employee related CSR projects are focused on providing of training & development and welfare facilities for employees. Most of community projects were focused on satisfying basic needs of poor people (such as, providing of drinking water, housing, education, etc.) and development of infrastructure facilities in rural areas. Thus, it seems that, Sri Lankan government involve at a minimum level to solve social and economic issues of the country.

Most of environmental related activities related to tree planting programmes, waste management, energy conservation, and water conservation. These projects were related cost reduction strategy of an organisation and firms try to achieve economic benefit while engaging in CSR activities.

It was found that, Sri Lankan companies had allocated more spaces in the form of number of pages, words, charts, tables, and images. All these areas have grown over five years to represent a quantitative progress in CSR reporting. Even though, there is a quantitative progress in CSR reporting, it was found that irrelevant images, tables, charts were used more spaces in annual reports of reported companies. Lot of images were taken with politicians who participated to company activities. Organisations had used lot of unnecessary words and allocated more pages to explain those. Thus, it seems that, qualitative progress in CSR reporting is at a lower level when compared with quantitative progress in CSR reporting.

There is a progress in economic, social and environmental dimensions over five years. Still, all organisation give the highest priority for the economic dimension. Carroll's model gives the highest priority to the economic dimension and the least priority to the philanthropic dimension. Sri Lankan companies reject Carroll's pyramid of CSR and focus on Visser's (2008) pyramid of CSR which gives the highest priority to the economic dimension and which is followed by the philanthropic dimension.

8. Limitations and Suggestions for future research

The sample were limited only to quoted public companies listed on the CSE. But, this study could be further extended to other private companies and government owned companies in Sri Lanka. Therefore, it is recommended for future studies to look at these aspects. The scope of the third stage (the content analysis) was limited to the companies registered with sustainability database for the year 2016. It is highlighted for future studies to extend the content analysis for non-GRI compliant companies in Sri Lanka and could be extended by conducting longitudinal analysis over longer period of time.

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