Environmental Accounting in Sri Lanka

Randika Dissanayake
(Corresponding Author)
MSc Accounting and Financial Management Programme
University of Hertfordshire Business School
Hatfield AL10 9AB UK
E-Mail: randikad@gmail.com

Ali Malik, PhD
Senior Lecturer and Programme Tutor
University of Hertfordshire Business School
Hatfield AL10 9AB UK
E-Mail: m.a.i.malik@herts.ac.uk

Tariq Mahmood
Financial Analyst
Grant MacEwan University
Edmonton, Alberta, Canada
E-Mail: managerialaccountant@gmail.com

Abstract
This paper investigates how environmental accounting practices are currently applied in Sri Lanka. Using particulars and parameters identified in existing literature, this paper also discusses the extent to which environmental accounting practices in a developing country differ from those practiced in developed countries. The methodology consists of primary and secondary data analysis of UK and Sri Lankan listed companies. Under secondary data analysis, the annual reports for FY 2009-2010 of 10 selected UK companies, listed under FTSE 100 in London Stock Exchange (LSE) and 10 selected Sri Lankan companies, listed under the top 100 companies in the Colombo Stock Exchange (CSE) are examined using content analysis. The primary research component was conducted using a questionnaire as an opinion survey to evaluate management level knowledge of environmental accounting and Corporate Social Responsibility (CSR) in selected Sri Lankan companies. The results demonstrate that both developed and developing countries groups are less standardized in clearly exposing their CSR expenses, yet application and assessment of CSR practices in developed countries are well formalized compared to those in developing countries.

Keywords: Sri Lanka; UK; Corporate social responsibility; Environmental accounting; developed; developing; Measurement

I. Introduction
When considering the current status of application of Environmental Accounting practices in corporate structures, it is clearly seen that the number of companies reporting their CSR achievements are increasing rapidly in developed countries. Comparing this situation with that in the developing countries, the established literature identifies that
CSR practices in developing countries tend to be less formalized or institutionalized (Visser et al., 2007). However, fewer studies exist that address the issue of CSR in a broader context in developing countries. As noted by Visser and Macintosh (1998), the ethical condemnation of various business practices in developing countries with different religious and cultural backgrounds dates back thousands of years. This is further stressed by Ward et al. (2004) that even though national CSR agendas of middle and low-income countries have been less visible internationally, and have often not been labeled as ‘CSR’, though they have been practicing it for a long period of time. This contradicts with believe of many that the concept of CSR is a western invention.

However, it is clear that there have been relatively few notable studies on CSR in developing and less developed countries where the need for CSR is most pressing due to greater poverty, environmental degradation and institutional governance issues (e.g., Africa, Central/Eastern Europe, and the Middle East). Considering this importance, this paper aims to examine existing literature in relation to reporting of environmental accounting practices in developing countries. Also this study further reviews the management knowhow on environmental accounting practices in developing countries by interviewing the executive professionals of chosen companies of Sri Lanka. A comparison with practices in UK is also sought.

II. Background

It is generally believed that the initial discussion on CSR in literature commenced with the publication of “Social Responsibilities of the Businessman” by Howard Rothman Bowen in 1953. Since then, the issue has been regularly researched and debated. Recently, Ralston and Carolyn (2008) used the work of Bowen to prove the fact that the issue of CSR has been discussed in the business literature for decades. Carolyn and Ralston (2008) reviewed International Management Research Journals and identified 321 published articles on the issue of CSR. Further, the study of Carolyn and Ralston (2008) found that ethical issues attracted consistently high level of interest in the international management literature compared to other topics. Lockett et al. (2006) earlier found that most popular CSR research is concerned with both environmental and ethical issues. Both these seminal studies are based on U.S. and Anglo American perspectives.

According to Ward et al. (2004), the CSR practices are largely framed in rich countries and later internationalized and transferred through international trade, investment, and development assistance to the rest of the world. According to them, the business activity that has so far been labeled as ‘CSR’ has been driven by the concerns of investors, companies, and consumers based in world’s richest countries.

III. Literature Review

a. CSR and developing countries

In a survey conducted by Chapple and Moon (2005) on CSR reporting in Asia, it is found that nearly 75% of large companies in India present themselves as having CSR policies and practices while 42% Thais and 32% Malaysian companies reported having CSR policies and practices. The existing studies have also revealed interesting features of developing countries practice of CSR. Firstly, CSR in developing countries has high government involvement and Non-Government Organizations (NGO) support. The example of corporate engagement in poverty reduction programmes in developing
countries is influenced by public governance. Secondly, CSR practices in most developing countries are strongly bound with the religious and indigenous cultural traditions. The survey conducted by Vives (2006) involving 1,300 small and medium-sized enterprises in Latin America found that the region’s religious beliefs are one of the major motivations for CSR practice. Similarly, Nelson (2004) noted how Buddhist traditions in Asia are aligned with CSR. In African context, Amaeshi et al. (2006) reported that CSR in Nigeria is framed by socio-cultural influences like communalism, ethnic religious beliefs, and charitable traditions. However, according to Gugler and Shi (2008) there is a conceptual and practical gap between the developed and developing countries in relation to CSR. Interestingly, some developing countries are unenthusiastic and defensive towards western-style CSR and are changing their approaches to make their own CSR activities in accordance with their competitive position in global trade.

In summary, the existing literature identifies a clear gap between developed and developing country groups in relation to application of environmental accounting practices and CSR. When analyzing the intensity of this gap there are some common motives to be concerned which are applicable for any country group.

b. CSR and questionable motives

Even though the existing literature suggests that the majority of developed countries corporations are keen on CSR issues, however, up to what extent their published disclosers relating to CSR provides a fair view of authenticity is a significant issue. When considering the earlier view of profit maximization of shareholders as a sole responsibility of any particular organization, the CSR concept contradict with this. According to Deegan (2006), the financial press always praises companies for increasing profitability and criticizes companies that fail with no regard to any social cost or benefits being generated by their operations. Furthermore, more often the profit is identified as a possible future return (dividends) which pays to one stakeholder group (i.e. shareholders) ignoring all other stakeholders directly and indirectly bound with business operation. As stated by Collision (2003) the financial description of production factors in business media identified profit as an output to be maximized while compensating for labor as a cost to be minimized. This situation directly indicates the satisfaction of one stakeholder group at the cost of another stakeholder group. In this context how corporations balance their profit maximization concept with their corporate social responsibilities is a question. Apart from that, application of CSR leads to several unanswered questions which need intense attention.

Among all issues related to environmental accounting, what is the real need of business entities to satisfy social responsibilities is a question requiring a transparent answer. Are companies engaged in fulfilling CSR as a result of their personal interest or to satisfy other parties such as governments and standard setting authorities or just to build up customer confidence. According to some critics, various high profile business giants in developed countries undertake CSR programmes in order to get commercial benefits or as a tool of controlling public raising ethical questions relating to their harmful business practices.

Apart from that, assessing the actual contribution of a particular CSR activity to the society and how to evaluate it is an important issue. Is there any difference between actual contribution and the reported contribution of CSR? How to identify and measure
these gaps is quite significant. According to Ward et al. (2007) there are three main standards to identify the level of CSR application. Accordingly, a minimum standard for CSR might be identified by businesses fulfilling their legal obligations or ‘do no harm’ in the situation where legal enforcement are lacking. A median approach is much extended than fulfillment and calls for businesses to do their best to contribute positively to sustainable development through social or community investment actions. A maximum standard points towards the active alignment of internal business goals with externally set societal goals. Although how to identify the margin between each level of standards is an unsolved problem.

Moreover to what extent the reported CSR practices are comparable among countries and within sectors in a country is also a vital issue. According to Halme (2009), commitments to corporate responsibility can currently be viewed as a global trend underlined by a growing number of international standards, such as ISO, GRI and the UN Global Compact, or, by the global span of company rating agencies such as the SAM-Dow Jones Sustainability Index etc. Sometimes, having too many standards confuse users and at the same time readers of reports. Moreover, the absence of broadly agreeable standardization criteria on application of CSR provides high freedom for companies to prepare their reports to their preference. Prout (2006) states that due to increase in the number of codes and standards for corporate conduct has proliferated so has the flexibility for companies to pick and choose what responsibility profile best suits their corporate responsibility, specific public image and performance metric.

By considering all above particulars, the designed content analysis of secondary data of published annual reports is classified under seven key titles; 1) Definition for involvement in CSR, 2) CSR Policies and their effectiveness, 3) Studies, progress reviews and material status, 4) Usage of measurements/standards, 5) Sector priorities, 6) Recovery status, 7) Contribution to low carbon economy. The same seven titles are further compacted into five headings for primary data analysis as 1) General Understanding and Personal Opinion on CSR, 2) Current Status -Implementing and Reporting, 3) History and Future, 4) Measurement and Evaluation, 5) Sector specification –Environmental aspects for.

IV. The Study Design

The study design mainly consists of two stages. Initially, the secondary data analysis carried out based on selected companies of UK and Sri Lanka. UK represented the developed country group while Sri Lanka represented developing country group. A total of 10 companies were randomly selected from top 100 listed companies at London Stock Exchange and Colombian Stock Exchange. The financial year for which the annual report was collected and analyzed was 2009-10. The data analysis of secondary research will assist to obtain a better understanding of the sample background and primary research is aimed to collect more specific and in-depth data of selected developing country companies. Accordingly, executives representing senior levels in organizations who are responsible for planning and implementing CSR initiatives were interviewed. The study design adopted is mainly descriptive.

Mainly the sample survey method has been considered as an appropriate methodology for primary research and multiple methods were used for both data collection and analysis combining several different methods together. Since one aspect of
the study is to testify various pre-existing judgment on application of CSR in developing countries and on the other aspect it aims to uncover the new issues related to application of CSR practices in developing countries. This study therefore bears both inductive and deductive research features. A structured questionnaire is used as a key instrument for primary data collection.

Three main qualitative factors are identified when selecting the sample for study which are 1) applicability, 2) relevancy and 3) comparability. Firstly the companies represented in the selected sample need to have high involvement in CSR activities and secondly the companies need to represent the sectors which have high relevance to CSR issues. Thirdly, the selected companies of two countries need to show similar characteristics or need to represent similar type of business involvement in order to qualify for comparability. After considering above explanations, the purposive sampling method which enables the selection of cases depending on the type of research question and research objectives was adopted as the most applicable sampling method for this study.

Stemmed in the existing literature, the designed content analysis of secondary data of published annual reports is classified under seven key titles; 1) Definition for involvement in CSR, 2) CSR Policies and their effectiveness, 3) Studies, progress reviews and material status, 4) Usage of measurements/standards, 5) Sector priorities, 6) Recovery status, 7) Contribution to low carbon economy. The same seven titles are further compacted into five headings for primary data analysis as 1) General Understanding and Personal Opinion on CSR, 2) Current Status -Implementing and Reporting, 3) History and Future, 4) Measurement and Evaluation, 5) Sector specification –Environmental aspects for.

V. Results and Findings

a. Analysis of secondary data

Initially, the outline of the annual report and the importance given to CSR was taken into consideration prior to examining the content of the reports identified under the defined seven titles for secondary research. Accordingly, the Table 1 demonstrates the space allocated for CSR reporting by each company in FY 2009-2010(or 2008-2009) annual reports.
Table 1 Portion of space allocated for CSR reporting in both country groups.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>No of pages as a portion of total pages</th>
<th>space as %</th>
<th>Company Name</th>
<th>No of pages as a portion of total pages</th>
<th>space as %</th>
</tr>
</thead>
<tbody>
<tr>
<td>BT Group</td>
<td>2/174</td>
<td>1%</td>
<td>Sri Lanka Telecom PLC</td>
<td>23/153</td>
<td>15%</td>
</tr>
<tr>
<td>Barclays Bank</td>
<td>2/186</td>
<td>1%</td>
<td>DFCC Bank</td>
<td>11/156</td>
<td>7%</td>
</tr>
<tr>
<td>Tesco</td>
<td>8/136</td>
<td>9%</td>
<td>Cargills (Ceylon) PLC</td>
<td>12/58</td>
<td>20%</td>
</tr>
<tr>
<td>Mark &amp; Spencer</td>
<td>5/126</td>
<td>4%</td>
<td>Richard Pieris and CompanyPLC</td>
<td>2/124</td>
<td>2%</td>
</tr>
<tr>
<td>Aviva</td>
<td>2/330</td>
<td>1%</td>
<td>Ceylon Hotel Corporation PLC</td>
<td>0/52</td>
<td>0%</td>
</tr>
<tr>
<td>British Airways</td>
<td>8/132</td>
<td>6%</td>
<td>United Motors Lanka PLC</td>
<td>4/123</td>
<td>3%</td>
</tr>
<tr>
<td>BG Group</td>
<td>4/144</td>
<td>3%</td>
<td>Lanka Tiles PLC</td>
<td>3/60</td>
<td>4%</td>
</tr>
<tr>
<td>BP Oil</td>
<td>7/212</td>
<td>3%</td>
<td>Ceylon Cold Stores PLC</td>
<td>8/63</td>
<td>10%</td>
</tr>
<tr>
<td>Cable &amp; VWW</td>
<td>Not Available</td>
<td>-</td>
<td>Aitken Spence Hotel Holdings PLC</td>
<td>25/150</td>
<td>16%</td>
</tr>
<tr>
<td>SCOT &amp; STH Energy</td>
<td>2/143</td>
<td>1%</td>
<td>Wagawala Plantation PLC</td>
<td>0/10</td>
<td>0%</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td>3%</td>
<td>Average</td>
<td></td>
<td>6%</td>
</tr>
</tbody>
</table>

Tabulated data provided a fascinating outcome by showing 3% average space allocation for CSR reporting for developed country group and more than double 8% average space allocation for developing country group. This is quite unusual to existing knowledge of literature which presents developed countries as the leaders of application of CSR practices. Yet it is important to remember that most of UK companies maintain separate annual publications for CSR reporting in addition to published annual reports. As an example, out of 10 selected UK companies 7 had separate annual publications for CSR, yet none of the Sri Lankan companies published a separate CSR report.

Analyzing the importance given to CSR practices in both groups, financial allocation for CSR as a portion of revenue is a prominent factor. However, except British Telecommunication whose expenditure on total CSR activities of FY 2009-2010 was £26.4 Million (1% of their annual income) the other 19 companies were unable to report their total CSR expenditure clearly as a portion of income. Some companies only listed the cost of some CSR initiatives and the amount of money collected under charity, yet the majority does not clearly report the worth of their entire CSR activities. This is a major
issue when analyzing the application of CSR in whatever the country group. Hence, 85% of selected sample (17/20 companies) has very attractive CSR reports, only 5% (1/20 companies) is able to calculate their CSR expenditure clearly. Further, majority of companies engage in several different CSR activities (environment, Work force Development, etc) and how these different activities are addressed in the cash flow statement and balance sheet is a significant issue. Further examination of CSR reporting in company annual reports clearly show that some companies show doubt and confusion when identifying activities belonging to CSR category.

b. Analysis of annual reports

**Definition for involvement in CSR**

The real need for organizations to engage in CSR activities is an important matter to consider for any study relating to CSR practices. As per Ward’s standardization (Ward et al. 2007) which consisted of 3 levels, the study reviews the definitions given by both UK and Sri Lankan companies for their engagement in CSR applications comparing the overall idea with Ward’s identified levels. The results are depicted in Table 2.

<table>
<thead>
<tr>
<th>COMPANY - Developing Group</th>
<th>Definition</th>
<th>COMPANY - Developed Group</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka Telecom PLC</td>
<td>Promoting a society where harmony, ethics and values are paramount and creating avenues for the appreciation of the natural and manmade resources of the country. (2)</td>
<td>British Airways</td>
<td>To become the World’s Most Responsible Airline. To do this we have created a wide-ranging initiative that brings together every element of our CSR activity under one banner. (2)</td>
</tr>
<tr>
<td>CIFCC Bank</td>
<td>Nurturing enterprises and creating value for all stakeholders - implies the discharge of a social responsibility and is committed to being a prime mover of national economic and social development. (3)</td>
<td>Barclays</td>
<td>Focused on offering a strong, safe and responsible service that contributes to the economic progress of Society as a whole. As well as supporting our customers and clients, and the communities in which we operate. (2)</td>
</tr>
<tr>
<td>Cargills (Ceylon) PLC</td>
<td>Cargills believes that its responsibilities as a corporate citizen extend not only to its own operations but to the wider communities it impacts. (3)</td>
<td>Mark &amp; Spencer</td>
<td>We know that environmental and social issues remain important to our customers. We believe sustainability is a key ingredient of business success and that our Plan “A” and extended Plan A will continue to make us more efficient and helps to build our customer loyalty. (2)</td>
</tr>
<tr>
<td>Ceylon Cold Stores PLC</td>
<td>Adopting sustainable practices in every sphere of our work and touching the life of every stakeholder who shares an interest in what we believe in (2)</td>
<td>Tesco</td>
<td>We are committed to being a responsible neighbor within our local communities and taking a leadership role on the environment. (3)</td>
</tr>
<tr>
<td>Ceylon Hotel Corporation PLC</td>
<td>Not Available</td>
<td>Aviva</td>
<td>We are very conscious of the impact of our activities on the people we deal with, the environment we operate within and society as a whole. (2)</td>
</tr>
</tbody>
</table>
When analyzed, the majority of UK and Sri Lankan companies belonged to the median group which addresses their involvement of CSR as “fulfillment and call for businesses to do their best to contribute positively to sustainable social or community development”. None of the companies address their CSR involvement as fulfilling legal obligation in business environment. However it is important to remember that the aforementioned definitions were broad and consisted of assortment of wordings making it sometimes difficult to classify them entirely into one specific level. The above categorization was done considering relative applicability of each definition with Ward’s standardization.

**CSR Policies and their effectiveness**

The availability of CSR policy is significant to implement formalizing of CSR initiatives. When examining the annual company reports of both country groups, it is clearly seen that majority of companies has their own internally developed CSR policies and principles, though few companies refrained from mentioning their CSR policies but only described broadly the implemented CSR activities. Apart from that, CSR activities of some companies were influenced by policies of government and other national/international organizations. Also, some companies only have CSR policies for certain specific CSR elements.
Figure 1 Availability of CSR policies both country groups.

Figure 1 shows that 8 companies out of 10 in the developing country group have some kind of policy for implementing CSR activities including companies implementing external and government specific policies. Also, 3 companies mention that they have internal CSR policy while 4 companies mentioned that they have internal policies for specific components such as environment, HR and policies to evaluate social impact. Compared with developed country group 7 companies has some kind of CSR policy, plan or principles for application of CSR and that 4 companies has different policies for distinct CSR components such as speak up policy for employees and whistle blowing policy.

Same as availability of CSR policies, having an appropriate committee to plan, implement and evaluate CSR initiatives is important for robustness of CSR practices of any country. Out of 10 UK companies, 7 mentioned that they have well established CSR committee. Although, comparing with developing country group, only 3 companies out of 10 mentioned that they have CSR committee.

Studies, progress reviews and material status

When comparing the availability of studies, reviews and process to identify material CSR, only 3 companies out of 10 in the developing country group conducts studies (including feasibility studies and brainstorming sessions) and reviews although 5/10 (50%) has some type of process to identify material status including periodic customer, supplier or employee surveys. Contrary to this, 5/10 (50%) companies of the developed country group show execution of studies, 6/10 (60%) reviews and only 2/10 show process availability to identify material CSR. More commonly, the majority of UK companies implements CSR activities based on an initially defined plan and extends the same annually, rather than revising based on material CSR assessments.

Usage of measurements and standards

In order to evaluate the contribution generated through distinct CSR activities, the use of appropriate measurements and standards are extremely vital. When evaluating the use of measurement and standard, commonly seen state is that considered companies tend
to use their sector specific, industry specific and sometimes the particular activity specific measurement individually while using internationally accepted measurements in general to value their CSR contribution. Accordingly, GRI guidelines, Dow Jones sustainability index, ISO 14001, total recordable cases frequency (TRCF), total recordable incident rate (TRIR), CSR Index 2008-2009, ILO Guidelines are the most frequently used measurements and standards.

When comparing both country groups, it is clearly seen that developed country group is ahead in application of standards and measurements. From the developed country group 7/10 countries use some kind of measurement to value their CSR activities while this figure decreased down to 3/10 in developing country group. Similarly, 5/10 companies use different standards for their CSR reporting in developed country group while only 3/10 companies in developing country group show the use of an internationally accepted standard. The Figure 2 depicts the efficiency of using measurement and standard in selected companies of developed and developing country group.

**Figure 2  Efficiency of using measurement and standard**

![Figure 2](image)

However, by further considering the content of reports in both country groups, developed country group is seen to perfect their presentation of evaluations using appropriate measurement, calculations and enriched text. However, presentation of calculations and figures are extremely poor in developing countries who pretended as they are using measurements and standards for evaluating their CSR practices.

**Sector priorities**

This study is mainly conducted based on the view that environmental aspects of CSR are more prominent than any other elements today. Therefore, exploring sector priorities of each company and country on application of CSR is quite significant. Further, this also facilitates to identify weather there is any distinction between both country groups in relation to prominent elements of CSR. The Figure 3 indicates the prominent sectors of selected companies in relation to CSR in both country groups.
Figure 3 Prominent sectors of selected companies in relation to CSR

Above figure indicate the similar pattern in prominent elements of CSR in both country groups. Accordingly, environmental sector is most prominent for both country groups and second and third importance is given respectively to social and community element and internal workforce.

**Recovery Status**

Under the recovery status, the study aimed to explore how the business entities value the environmental or other social harm generated through their business process and how they could rate their capability of reducing the harm. Unfortunately, both country groups were unable to compute the real adverse impact generated through their business process and the portion of recovery status. More commonly, majority of the countries mentioned recycling and reusing of waste water, energy, plastic and other wastes. However, waste recycling and reuse principally shows the ability of reducing future harm which could occur through business process, but does not provide a clear idea of the recovery status.

**Contribution to low carbon economy**

Climate changes and contribution to low carbon economy is an extremely demanding topic in global political agendas and current environmental sustainability discussions. The contribution for low carbon economy of selected companies could be identified under three main levels as follows;

1. Companies with precise plan and targets on CO$_2$ emissions who maintain records, update and measured their day to day progress
2. Companies implementing activities related to CO$_2$ emissions without proper plan, targets or well maintained records.
3. Companies not maintaining any activities related to CO$_2$ emissions

When comparing the developing and developed country group with the above identified levels, it is clearly seen that the majority of companies representing developing country group belonged to level 2 and 3 while majority of companies of developed
country group belonged to level-1. The Figure 4 indicates the level which the selected company belonged to considering the above listed rating criteria.

**Figure 4 The level of CO\textsubscript{2} emissions –selected country groups**

![Pie charts showing CO\textsubscript{2} emissions levels for UK and Sri Lankan companies]

This situation expresses that the companies representing developed country group possess more formal, logical and systematic approaches for contributing to low carbon economy rather than developing country group.

**c. Analysis of Primary Data**

The primary research has been carried out using structured questionnaire split into 5 components considering the prominent issues identified in existing literature. The five components are; 1) General Understanding and Personal Opinion on CSR, 2) Current Status -Implementing and Reporting, 3) History and Future, 4) Measurement and Evaluation, 5) Sector specification –Environmental Aspects.

The first eight questions of the questionnaire is designed to explore the respondent’s background. Accordingly, the data gathered express that majority of respondents from higher and middle management levels fall into 40-50 age group. Majority possessed more than 10 years working experience in their specialized fields such as Accounts, HR and Social Welfare. Most had degree level qualification and professional qualifications.

**General Understanding and Personal Opinion on CSR**

From total respondents 70% first came to know about CSR within past ten year period and the rest within or lesser than five years. Among them 33% first came to know about CSR through their education while another 33% came to know about CSR through carrier experience. The balance 33%’s knowledge on CSR was obtained through national/international media. Only one out of 16 respondents mentioned that Sri Lanka has clearly defined policies for CSR even if the practical efficiency on application and monitoring is very low. The rest mentioned either there are no CSR policies or they do not have proper idea of it. From the total respondents 75% believe that there are adequate studies/research/discussions related to CSR in Sri Lankan context while rest of the 25% state that the availability of studies are considerably low.

**Current status – implementing and reporting of CSR**

Questioning the real need for companies to implement CSR activities, 80% of respondents stated their involvement in CSR is a result of the need of contributing for sustainable development of the society, environment and improve quality of life of people. Rest 20% stated that they implement CSR activities in order to attract more customers and investors. 40% of respondents state that their general annual finance allocation for CSR as a portion of their net income is less than 2%, and another 40%
Randika Dissanayake, Ali Malik, Tariq Mahmood

expected it between 5% to 10%. These figures are quite abnormal compared to secondary data analysis since none of the companies were able to provide proper valuations for CSR expenditure. When considering the availability of process to identify material CSR for stakeholders, 40% of the respondents rated that they have very good systematic processes, while 40% stated that they have a process, yet not very systematic while 20% stated that they have a vague process, yet not systematic at all. However, this indicates that the majority of developing country organizations has some kind of process to identify material CSR, but is not systematic in general. Moreover, 60% respondents stated that they have a committee for CSR and they conducted periodic surveys whenever necessary. 20% stated that they have plans for forming a committee in future and rest 20% was nonresponsive. Similarly, around 60% stated that they are conducting CSR reviews annually or biannually and the rest states that they review the progress of their CSR activities when ever needed.

When exploring the policy level of CSR, only one respondent stated that they have unique / formal policy for their organization’s CSR activities. Most of the rest agreed to the fact that they have a mixture of policies referring to associate businesses or developed policy which is more common to the industry. Few indicate that they do not have any formal policies and are yet implementing CSR activities informally. 3 out of 16 state that their CSR policies are 10-20 years old although the rest explain that their CSR policies were established during the last decade. Apart from that, 13 respondents express that sometimes there could be differences between application and reporting of CSR and only 2 mentioned that they cannot exactly tell whether there is any difference or not.

**History and future**

When respondents were asked whether they think that the tsunami 2004 influenced CSR activities in their country, six out of 16 respondents rated that they do not have a clear idea while 4 mentioned that there could be minimum influence. Apart from that, periodic floods and long term war was identified as influential factors which increased private sector CSR practices. None of the respondents agree with the fact which describes CSR as a western invention. From the total respondents 80% agree with the option which articulate that, “CSR type activities had been implemented for a long period, even though the term “CSR” is new in Sri Lankan context”. While majority consider (80%) religious beliefs could have some influence on implementing CSR in some sectors, 20% identified religious belief as one of the major influential factors. 11 respondents out of 16 stated that their organizations do not have any relationship with multinational organizations and 3 identified that their relationship with MNC has influenced their CSR activities up to some extent.

**Measurements and evaluation**

Majority stated that they are referring to Global Reporting Initiative (GRI) when reporting. 6 out of 16 respondents mentioned that they normally allocate 5% of space for CSR reporting in annual publications (% compared to total number of pages), 4 stated that their space allocation is 10% and 3 stated 15%. The balance state that the space they allocated is less than 2% in their annual reports. By comparing these figures with the outcome of secondary data analysis, which indicate that the space given for CSR reporting by Sri Lankan companies vary from 2% to 20%, hence, a similar variance can be seen. The figure 5.5 compares the outcome of primary and secondary data analysis with regard to space allocated for CSR reporting.
Sector Specifications –environmental aspects

The very first question addressed under “sector specification” requested respondents to rate their priorities for different CSR elements in their organizational context. Respondents were given the range 1 through 5 to list the importance where 1 being lowest priority and 5 being highest. Considerable number of respondents did not understand the question properly and provided equal importance for all multiple choices. Only 6 respondents out of 16 were able to rate the importance clearly as follows;

Figure 5 Comparison of space allocation for CSR reporting by primary and Secondary Research

FIGURE 5

Figure 6 Sector priorities in relation to implementation of CSR

Figure 6 Sector priorities in relation to implementation of CSR

Majority of respondents were reluctant to answer the open ended question seeking explanation on how CSR activities are prioritized, but few explained that the priority is environment, customers and ethics in their CSR agendas. More surprisingly, around 70% (11/16) respondents stated that they think they could recover the 90% of environmental harm generated through their business process through their CSR initiatives. Comparing
with secondary data analysis, this is quite an unusual figure though only one out of 10 selected Sri Lankan companies mentioned the recovery rate of their CSR activities. When analyzing the real contribution to low carbon economy 94% respondents mentioned that they do not known their contribution, while one mentioned that they trying to reduce 20% -30% CO₂ Annually.

By comparing the gist of primary and secondary data analysis with literature review, there are some similarities and dissimilarities that can be clearly identified. However, by comparing the outcome of both studies the following tabulate the overall outcome.

VI. Conclusion

a) Though existing literature express that CSR is clearly defined in developed countries and that less records are available for developing countries implementing CSR activities, the study found that developing countries too have its CSR activities clearly defined.

b) By allocating a separate chapter to record CSR activities in their annual reports, corporate entities of both country groups show equal interest in CSR. However, the study found that more space has been allocated for CSR activities by developing countries while the developed countries issued special publications on CSR, which was not present within developing countries.

c) As there is no specific accounting standard to report CSR expenses, both country groups did not clearly state or had trouble in indentifying and reporting the CSR expenditure and contributions. Further, developing countries have a problem of identifying what activities should be addressed under CSR. Also, both country groups require awareness on reporting the contribution made through CSR and the expenses done for CSR. Hence both country groups require the attention of accounting standard setting bodies and guideline setters with regards to reporting CSR expenses.

d) No difference found between the two country groups in relation to the objective of implementing CSR activities. The obligation of majority was to contribute positively to sustainable development through social or community investment rather than fulfilling legal requirements or achieving business benefits.

e) It is agreed that the application of CSR practices in developed countries are formalized compared to developing countries. The study found that developed countries have organizational committees for CSR, expertise in conducting studies and reviews on CSR and are prominent in use of measurements and standards compared to developing country group. However, a process to identify material status of required CSR practices are comparatively less in developed country group.
Both countries have relatively similar CSR policies. Majority of the corporate entities developed policies internally with some sector specific CSR policies. Some had a limited government or NGO influence on their CSR policies.

Though the literature review suggested that ethical issues had a higher priority in CSR, the study revealed that the environmental factor is most prominent in current CSR agendas within both country groups while social & community and employees are at second and third priority levels.

Both country groups do not evaluate accurately the social and environmental harm generated via their business processes and the recovery status of their CSR activities.

When analyzing the contribution to low carbon economy, majority of developed country companies has a precise plan and targets on CO₂ emissions and maintain and update regular progress records. The developing country group is lacking this systematic method.

The knowledge level of CSR within the management staff is inadequate with regards to developing country group. Further in general, there is a gap between management level knowhow of internal CSR practices and reported CSR initiatives in annual reports.

There is a clear gap between application and reporting of CSR in the context of developing countries.

Even though the term CSR is quite new for developing countries, similar activities had been implemented for a considerable period of time.

According to the survey, CSR activities being influenced by a disaster was low.

Religious beliefs are identified as noticeably influential factors for CSR implementation in developing countries with regard to specific sectors.

Influence of MNCs on national companies in establishing and implementation CSR is very minimal in the context of developing countries.

Majority of developing country respondents suggested more public awareness and establishment of rational policies in CSR relating to environmental issues as extremely important for future.
References


Aviva PLC. (2009), Annual report and accounts 2009, London, Aviva PLC


British Airways PLC (2009). Permanent Structural Change Bringing Sustainable Results..., Annual Reports and accounts 2009-2010, British Airways PLC.


Cargills (Ceylon) PLC (2009). 2009 Annual Report, Colombo 1, Cargills Ceylon PLC.


Hetch, J.E (1999). Environmental Accounting, Where we are now, where we are heading. Resource for the future, 135, 14-17.


