

CSR AND COMMUNITY DEVELOPMENT A STRATEGY FOR ECONOMIC DEVELOPMENT: A STUDY FROM SRI LANKA

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Abstract

This paper investigated corporate social responsibility (CSR) practices related to community development (CD) conducted by the corporate sector in Sri Lanka. Community development can have a significant impact on the economic development of developing countries. CSR practices related to community development in Sri Lanka was investigated from secondary data in websites, integrated reports and sustainability reports from a sample of 30 companies in the top 50 Companies in the Sri Lanka's LMD 100 for the year 2013. The selected companies also ranked among the most respected companies in Sri Lanka. Community development practices of the top 10 companies were investigated in-depth. Results reported that 90% of the companies reported their CSR activities and they were moving towards integrated reporting. Majority of the CSR related CD practices were conducted to improve the quality of lives of people living in rural areas and they were mainly to provide better education, health facilities and livelihood development. In-depth analysis of this study is limited to top 10 companies in the LMD 100 which are ranked among the most respected companies. This study implies that education is a top most priority among CSR practices in Sri Lanka because it improves the living standards and also contribute to economic development. However, CSR related to community development is an under researched area. This is a useful study for corporate sector and contributes to the development of strategies related to CSR.

Keywords: Corporate Social Responsibility, community development, stakeholder holder theory, Sri Lanka.

INTRODUCTION

Community development can have a strong impact on economic development. Advancement of developing countries depends on economic development. Rural communities form a large part of societies in countries in the emerging markets, and are considered poor. Much of economic development in rural communities in both emerging market countries and developing countries is hampered as a result of internal conflict, ethnic wars and floods. As a result, communities in rural areas are unable to reach quality of life due to lower access to education, medical, social assistance as well as under developed infrastructure (Akresh, Lucchetti, & Thirumurthy, 2012; Dupas & Robinson, 2012; Van Niekerk, 2012). Even though this is the responsibility of the governments of the countries, lack of resources has left this gap to be covered by the private sector

organisations (Kolk & Lenfant, 2010; Valente & Crane, 2010). Development of the rural communities as the corporate social responsibility (CSR) initiative has brought the attention of the private sector (Heenetigala, 2011).

Background

Community Development (CD) is an important aspect of corporate social responsibility (CSR) of developing countries. If developing countries are to advance in economic development and enable social change through economic empowerment and reduce inequality, improvement in health and welfare of the those socially excluded population is critical (Werner, 2009). As stated above, governments play an important role in CD in developing countries (Valente & Crane, 2010). However, profits from businesses do not go to the poor directly through the taxes as government revenue for the development of

public services and infrastructure (Werner, 2009). Leaving the development of communities to NGO's or other development agencies has little impact on the development (Werner, 2009). Public companies must consider paying more attention to their CSR strategies that has an impact on social status of socially excluded populations (Muthuri, Moon, & Idemudia, 2012; Werner, 2009). CD as a CSR component has a strong impact on the economy. It creates more jobs, better educated and healthy rural population who previously did not have access to health, education and training facilities. Accordingly, Muthuri *et al.* (2012) refers to work of Hamann, Woolman., and Sprague (2008) and Idemudia (2007) which states companies in developing countries provide range of social initiatives for the local communities such as health care, education, economic welfare, infrastructure development, communication and environmental protection.

A corporation depends on a number of stakeholders such as consumers, employees, suppliers and the communities who are impacted by the activities of business. Environmental, social and governance (ESG) reporting has come into the mainstream debate by organisations such as International Corporate Governance Network, Global Reporting Initiative. The extent of their engagement is disclosed in the form of voluntary or mandatory disclosures to a wide range of stakeholders who may be impacted by the activities of the firm. Environmental disclosures are related to their impact on the natural environment, environment protection and use of resources, whereas, social disclosures are related to the company's interaction with the community, employees and society (Jenkins & Yakovleva, 2006).

Therefore, a community is an important stakeholder of a company operating in developing country. As a result, development of rural communities has a strong impact on economic development. Aim of this study is to investigate CSR related community development practices conducted by the corporate sector in Sri Lanka. .

CSR in the Context of Sri Lanka

This study is conducted in the context of Sri Lanka, which is a developing country that has come out of 30 years of civil war. During this period large percentage

of the budget was allocated to war expenses which deprived the economic development. According to the World Bank (2014) around 80% of the population in Sri Lanka lives in rural areas and 90% are considered poor (World Bank, 2010). Even though raising the standard of living is the responsibility of the governments in developing countries, they do not have the capacity to reach the poor due to the income deficit in their budget. As a result, World Bank, NGO's and voluntary organisations are providing support for community development.

In 2013, revision to the 2008 code of best practice on corporate governance was issued. Principle G of the code refers to sustainability reporting. Principle G1.4 states "society governance encompasses support for and building a relationship with the community and striving for sustainable development including responsible public policy participation, fair competition and responsible community involvement" (SECSL & ICASL., 2013).

However, in Sri Lanka, basic compliance and enforcement of laws is weak. Therefore, CSR as a corporate strategy that goes beyond legal compliance can have significant positive effects on the poor and minimize negative externalities (Werner, 2009).

CSR and Community Development in the Sri Lanka

Voluntary and Non-Government Organisation Involvement

In Sri Lanka, voluntary organisations play an important role to provide the basic human needs such as day care centres, nursery schools, health clinics, homes for destitute children and homes for the elderly; they also provide vocational training, non-formal education and sports and recreation programs. They operate rural development projects and community self-help programs providing social overhead capital such as roads, water tanks, irrigation canals, sanitation facilities and wells (Perera, 2001).

Many community development projects are being carried out by Non-Government Organisations (NGO). Sarvodaya Shramadana Movement is the largest people's organization in Sri Lanka. It has reached the poor rural communities through rural community development programs throughout the

island. They are currently involved in resettlement, reconstruction and reconciliation activities in the war affected North and East of Sri Lanka. Among the many community development programs they carryout are community capacity building, education, health, empowerment of women, entrepreneur development (Sarvodaya, 2014). Among other projects were Gemi Diriya project which enabled poor to improve their livelihood and quality of life through their various programs for skills development and employment (World Bank, 2010), Sevalanka, provides micro- finance to community organisations and rural entrepreneurs (Sevalanka Foundation) and Community Development Centre work to improve the livelihood of rural population through conservation of indigenous tuber varieties using seed banks managed by women-led self- help groups (UNDP, 2012).

Government organisations such as Economic Development Ministry has launched a special program and have trained over 1825 people under their community Development and Livelihood improvement project (Ministry of Economic Development).

Corporate sector involvement in Community development

Sri Lanka has a long history of corporate philanthropy. Charitable activities performed by the business communities to support various needs of the society are not a new concept in Sri Lanka (Ariyabandu & Hulangamuwa, 2002). Even though the responsibility for developing the disadvantaged sector of the community lies with the government, this role has been taken over by private institutions in Sri Lanka, due to weak and corrupt government structures and the diversion of public funds to fight the ethnic war (Heenetigala, 2011).

Private sector initiatives on corporate social responsibility help economic development to some extent. The impact CSR has on economic development has resulted in Sri Lanka's corporate sector organisations to include CSR in their strategy. Many companies are engaged in CSR activities related to community development, due to the fact that CSR related activities provide competitive advantage and corporate reputation leading to better performing share prices (Husted & Allen, 2007).

Firms surveyed by International International-Alert (2005) stated that "concentrating on improving living conditions of the local community would facilitate expansion of company activities". Ariyabandu and Hulangamuwa (2002) categorize the main forms of CSR activities observed in Sri Lanka as philanthropic and charitable activities, environmental conservation, public awareness and corporate sponsorships (Ariyabandu & Hulangamuwa, 2002). The majority of organisations in Sri Lanka are engaged in CSR activities relating to education, health, unemployment, entrepreneur development, employee welfare and provision of infrastructure facilities. There are others who concentrate on environmental issues such as reducing the pollution associated with poverty, reduction of greenhouse gas emissions and cleaning beaches. In Sri Lanka, the activities that relate to rebuilding the communities are supporting educational needs, health and environmental issues, housing, providing entrepreneurship programmed and vocational training to youths to reduce unemployment. Improvement of local living conditions by providing water and sanitation are also included (Heenetigala, 2011).

Furthermore, the survey conducted by International International-Alert (2005) states that most respondents from the business community felt that they have a strong role to play in meeting society's needs. According to the survey, the reasons for engaging in CSR activities in Sri Lanka were reported as image building, long-term benefits to current investment and a transparent relationship with society in dealing with controversial products. Large local companies practice CSR in an organized basis. In 2007, 75% of the top fifty listed companies in Sri Lanka disclosed their CSR initiatives in their annual reports (Heenetigala, 2011). Fernando (2007) states that according to a survey conducted by International Alert in 2004, 73.2% companies had a CSR policy, and 17% of those, had a formal written policy with 84.1% of the companies engaged in CSR because they genuinely contributed to the betterment of society. Transnational corporations operating in Sri Lanka are guided by the policies of the parent company. However, they carry out their CSR policies to suit the local context. According to a study conducted by International Alert (2005) in Sri Lanka, respondents mentioned social responsibility extended

beyond shareholders to those affected by the operation of the company. Some thought CSR contributed to the well-being of society, whereas others stated that it was a benefit to the business itself.

Today, corporate sector in Sri Lanka and around the world is engaged in corporate social responsibility activities as a part of their corporate strategy, because CSR is considered “an important tool to maximize the positive development impact of corporations and community development activity in the developing world” (Werner, 2009). Private sector participation in sustainable community development enhances their social status and competitive edge which is important to their existence (Moon, 2007).

LITERATURE REVIEW OF CSR RELATED COMMUNITY DEVELOPMENT

In order to understand the CSR related to community development practices by private sector companies, a literature review of community development practices is fundamental to this study.

Among the various stakeholders in a community, which have complementing roles, corporate sector play an important role in the development of the communities they may impact strongly. However, adverse impact of business activities are increasingly becoming evident on the lives of community members and their future generation (Adewuyi & Olowookere, 2010). Therefore, corporate sector can impact the communities through their corporate social responsibility strategies that are geared towards sustainable community development, which enhance their social status and competitive edge (Moon, 2007). Sustainable community development is defined as “development which meets the needs of present without compromising the ability of future generation to meet their own needs” (Bruntland, 1987). A community that is developed on a sustainable basis impacts social, economic and environmental wellbeing, as such it will be economically productive, socially just and environmentally sound (Swisher, Rezola, & Sterms, 2006). Accordingly, CSR activities of firms, particularly those that have a negative impact as a result of their production and consumption on the environment has negative effects on both human and

non-human agents (Adewuyi & Olowookere, 2010; Iyawe, Ebomoyi, Chiwuzie, & Alakija, 2000).

Two different approaches to community development was reported by Ite (2007). Community assistance approach to development emphasis on corporate philanthropy, which is the basic level of CSR, essentially about giving things such as water, sanitation, health care and roads etc. Ite (2007) further stated that a study conducted by shell reports that this approach focused on what communities lacked or the perception of poverty within the communities by Shell. This resulted in a dependency culture by the communities and the communities saw the development infrastructure not as charity but as rent for use of their environment and resources. This top down approach was considered an ineffective approach for poverty alleviation. Accordingly, Ite (2007) states Community Development approach is a significant departure from Community Assistance approach, which emphasis on empowerment of communities in the development process and reduce the dependency for their socio-economic development. Community Development approach rather identifies the social capital within the communities such as traditional knowledge, skills and adopt strategies to bring about the necessary change.

Community Development and CSR

CSR has been referred to as “how companies mitigate any negative impacts, while at the same time maximizing the positive influences that their businesses has on society, the environment and the financial well-being within their communities of influence” (Fisher, Greenen, Jurcevic, McClintock, & Davis, 2009).

According to Kapelus (2002) CSR programs can have two functions. From the perspective of business ethics, CSR can help corporations to fulfill their obligations to stakeholder groups and from the perspective of business strategy, CSR programs is viewed as a method of minimizing costs. CSR programs may be undertaken for either of the following two forms of motivation, either because they have a strong moral commitment or because they have a pragmatic interest in doing so. If a firm is morally motivated, they will employ CSR as a tool of moral discernment and will live up to their

obligations to stakeholders even if it has an impact on the shareholder value. If the firms are guided by profit motivation, CSR will be considered a business tool rather than an approach to moral responsibility. Those firms will be interested in the appearance of socially responsible than actually being socially responsible (Kapelus, 2002).

According to Ojala (1994), social responsibility involves two major participants which are business and society, who are the stakeholders. Social responsibilities encompass three major responsibilities. They are legal, moral and ethical, and philanthropic action that has a positive impact on the welfare of business and society. However, the term social responsibility is ambiguous as communities use different constraints at different times and different places. Therefore, CSR related community development studied in this research is in the context of developing countries in South East-Asia which is Sri Lanka.

The definition for CSR developed by the WBCSD was based on the CSR dialogue with eight countries from developed and developing countries. Developed countries base their definition on corporate strategy and future generation, whereas developing countries emphasize CSR is related to community which has an impact on the economic development. As a result the following definition was developed at the CSR dialogue in the Netherlands in 1998:

“Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” (WBCSD, 1998).

In order to understand the role CSR plays in community development, it is important to define community. According to Ismail (2009) a community is “a group of people sharing a common purpose, who are interdependent for the fulfillment of certain needs, who live in close proximity and interact on a regular basis”. However, in the current society, identifying a community is a complex and contested task, due to the shared traits such as geographical territory, religion, culture, history, kinship etc. as well as people may have multiple and overlapping identities

which can change overtime. As a result, definition of a community is a construct (Kapelus, 2002).

Ajayi (1995) considers community development is a process by which human being can become more competent to live with and gain some control over local conditions and the changing world. Therefore, community development is a process by which the efforts of the people themselves are linked with those of the government to improve the socio-economic and cultural conditions of the community, thus enabling them to contribute more fully to national progress (Obibuaku, 1983). Accordingly, Ismail (2009) refers to Community development as the “initiatives undertaken by community with partnership with external organisations or corporations to empower individuals and groups of people by providing these groups with the skills they need to effect change in their own communities”.

The key purpose of CSR in community is to “work with communities experiencing disadvantages, to enable them to collectively identify the needs and rights, clarify objectives and take action to meet these within a democratic framework which respect the needs and rights of others” (Ismail, 2009).

Community development related CSR has implications for the communities. According to a report by Perrin (2009) the third most important driver of employee engagement is CSR and in US the second most important driver of employee engagement is the organization status in the community, which shows that organisations status in the community has an impact on the company’s reputation for CSR, which reputation is the among the top 10 drivers.

Chambers, Chapple, Moon, and Sullivan (2003) states that, according to literature Asian businesses are different to the western businesses, because they restless on the concept of private property and individualism, which might lead to be more responsive to community factors than share prices. In the West, civil societies stimulates CSR through their expectation for businesses responsibility.

As a result of globalization investment in developing countries has brought much attention to corporations responsibility to the local communities in which they

operate. Few studies have been conducted in relation to mining companies operating in developing countries (Ite, 2007; Kapelus, 2002). These studies show that corporations are recognizing their responsibilities towards local communities in relation to their rights, values and customs and are incorporating them in their decision-making. Mining operations can adversely affect the local communities as a result of degrading environment, diminishing livelihood prospects as well as displacing them from their homes (Kapelus, 2002). However, introducing community development programs can benefit the local communities to reduce the negative impact of mining operations to some extent. In the case of Ok Tedi Mine in Papua New Guinea, mining contributed to about 20% of the export income, provided employment for thousands of people, investment of \$ 300 million in infrastructure such as roads, power, water, communications, schools and medical facilities, education and training for over 1500 people, infant mortality rate declined from 33% to 3%, improved health increased the life span from 30 to 50 years. It also expanded the educational opportunities for children, established school building and provided small business assistance. Therefore, closing the mine for its negative externalities was not a solution as it was important to economic and social welfare resulting in community development for Papua New Guinea (Australian Graduate School of Management).

In exploring the issue of CSR, World Business Council for Sustainable Development (WBCSD) discussed the importance of company involvement and investment in the local community. This also highlights a company's responsibility towards skills training and ensuring that proper health and safety systems were in place to protect the community was considered important (Holme & Watts, 2000).

Theoretical Perspective

Based on the impact that the community development has on organisations, this study considers the importance of corporate social responsibility activities related to community development. Therefore, theoretical perspective of this research is based on the stakeholder theory. According to the view of stakeholder theory "corporation is a social entity and affects the welfare of many people" who

are considered to have a stake in the organisation (Donaldson & Preston, 1995; Freeman, 1984). They can be instrumental in the success of the corporation and have a moral and a legal right (Donaldson & Preston, 1995), therefore, the claims of the stakeholders should be considered in their decision-making, because it enhances efficiency (Turnbull, 1994). Accordingly, those companies that are proactive establish necessary governance structures and integrate stakeholders concerns in their decision-making process (De Wit, Wade, & Schouten, 2006). These firms go beyond their financial responsibility and consider the impact of environmental and social aspects of their operations on the society (Spitzeck, 2009).

Stakeholder theory perspective redefines the purpose of business and its method of responding to non-economic factors. Under this perspective there are number of stakeholders and community is also an important stakeholder which makes significant firm specific investment. Therefore, proponents of stakeholder theory argue that it is appropriate to sacrifice excess profits in the public interest (Rahim, 2011).

In considering CSR related to CD activities, community is a major stakeholder who can substantially affect or be affected by the activities of others (Jensen, 2001). According to Clarkson (1995) there are two categories of stakeholders, primary and secondary stakeholders. Primary stakeholders are those that are essential to survival of the firm, whereas the secondary stakeholders are those that influence or are being influenced by the firm. Therefore, according to Adewuyi and Olowookere (2010) community is a stakeholder in both categories.

Stakeholder model introduced by (Heenetigala, 2011) states that directors' accountability extends to all stakeholders who are directly or indirectly affected by the actions of the firm. Key feature of the model in the study is that CSR of the firms that operate in Sri Lanka should focus on developing the communities in which they operate. As stated above, 80% of the population that lives in rural areas are considered poor. They lack basic infrastructure and facilities to improve their living standards.

Therefore, firms and communities can benefit through the development of these communities. The firms are able to gain new markets, increase financial performance and obtain higher market value for the shares, and communities can benefit from economic development.

Therefore, the stakeholder versus shareholder model (Heenetigala, 2011) suggests that CSR initiatives focused on lower income communities can improve the living standards resulting in increased performance of companies in the long term. As a result, the corporate strategy of board needs to incorporate CSR strategies directed at the rural disadvantage communities to create jobs and improve income for socio-economic development.

METHODOLOGY

As discussed in the literature, corporate sector involvement in community development practices as a CSR strategy can have a strong impact on improving the living standards and performance in the long term. To investigate the CSR practices related to community development in Sri Lanka, this study explored a sample of 30 companies from top 50 Companies in the Sri Lanka's LMD 100 for the year 2013. The companies selected were at the top rank based on their annual turnover. The companies also ranked among the most respected companies in Sri Lanka. The ranking of the most respected companies were based on the opinions expressed by respondents through a survey conducted by Nielsen to find out why they perceived them as being the 'most respected' by their peers in the commercial capital.

The study was conducted from secondary data in websites of companies. Websites of the 30 companies were examined for CSR reporting, whether they had a sustainability report, integrated report or if they reported their CSR in their website as well as their community development practices related to CSR. The top 10 companies were examined in-depth to understand the CSR related community development practices. Information related to CD practices was reported under the themes of education, health, employment, community/livelihood development, disaster relief and corporate philanthropy. This is a qualitative study using content analysis to analyse the CSR information reported in websites as well as

sustainability reports and integrated reports. Content analysis is a "set of procedures for collecting and organizing information in a standardized format that allows analysts to make inferences about the characteristics and meaning of written and other recorded material" (United States General Accounting Office, 1989). This methodology also helps to summarize the material by listing or counting the issues or statements, which has been addressed in the next section.

ANALYSIS

Investigation of websites of companies in the sample revealed that 87% of the companies reported CSR activities through their websites, integrated reports and sustainability reports. CSR practices were reported in their websites by 40% of the companies, 66.67% had an integrated report, 10% had a separate sustainability report and 3.3% reported on the website as well as in the integrated report or sustainability report. This shows that the current trend is moving toward integrated reporting. Over 73% of companies reported that they conducted CSR related to community development. CD practices of companies in the sample revealed CSR related community development practices varied from education, health, sanitation, clean water, infrastructure, entrepreneurial development, disaster management and employment..

Education, health and community and livelihood development activities were among the top community development practices conducted by the companies in Sri Lanka. As reported earlier, Sri Lanka is a developing country and 80% of the people live in rural areas and 90% of them are considered poor. However, according to UNICEF (2013) Sri Lanka reports a literacy rate of 91%, which is considered high for a developing country. As reported by Matten and Crane (2005) education is a major activity conducted by Toyota to be considered a good corporate citizen. Therefore, CSR related to community development in Sri Lanka is also geared towards education which is also the reason for high literacy rate.

Eight out of ten companies investigated reported on CSR initiatives in education. Education is considered important even among the poor people living in rural areas in Sri Lanka. Analysis shows that English

education and IT is considered the top most priority among the companies. IT skills and English literacy is considered important for employability in the private sector as well as the public sector. Among other initiatives to promote education are infrastructure facilities for schools such as building class rooms, IT labs, sporting facilities, toilets, water filtration system and library facilities. Study conducted by Anthonisz (2008) reported companies in Sri Lanka provided scholarships, educational infrastructure and English language training for rural students.

Many companies also provided scholarships for outstanding under privilege university students and for those studying for Ordinary level and Advanced level exams. Impact of education uplift the socio-economic prospects in life, with trickle down effects to the entire society (Expolanka, 2013). According to the study conducted by Jamali (2008) CSR in a developing country context, education and learning programs were reported in their community investment related to CSR.

Nine of the ten companies that were examined in the sample carried out community/livelihood development projects. These CSR projects varied in their context. Different types of livelihood projects were carried out by the companies. They included cashew farming, milk collection, promoting home growing and gardening, provide support for farmers to increase productivity. Use of local supplies and local services, provide support for farmers to increase productivity, training farmers on best practices in crop and animal agriculture. Some companies provided empowerment programs for women and employment of women as well as micro-finance for villagers and entrepreneurship programs. Among others were, building water tanks, providing electricity, donation of houses and sporting activities.

Five out of ten companies reported on the health initiatives by companies. Among the health programs, they conducted were, HIV and AIDs awareness, eye testing, dental clinics, immunization for children campaigns, hospital refurbishment and free health clinics for people in rural areas.

Community development efforts by the companies are geared towards supporting the rural communities to improve and maintain their capabilities and to sustain their socio-economic progress and quality of life of the people living in the poor rural communities.

To a lesser degree companies were carrying out supporting art and fostering aesthetic talent among children in village schools. They were also providing relief for internally displaced people from North and East. These include food, clothing, water and sanitation. They also provided flood relief programs for effected flood victims and also created blood donor SMS and flood disaster SMS service.

It can be seen from this research that the key areas of CSR related community development are economic empowerment, human capital development, healthy living and provision of basic services by the companies in Sri Lanka. The following table shows the CD activities related to CSR that has been carried out by the private sector in Sri Lanka.

Table 1:

CSR Related Activities Conducted by Companies in Sri Lanka

Themes	Type of activity
Education	<ul style="list-style-type: none"> • English Language education • Scholarship programs • Soft skills to enhance employability of local graduates • IT training • IT facilities and infrastructure - Laboratories • Educational facilities • Infrastructure for schools- Buildings, library, Toilets, canteens, renovation of classrooms, water filtration units, furniture • Donation of books to students • Providing opportunities for rural children to demonstrate their talents in art, speech, essay writing, singing and drama through competitions • Financial assistance for uniforms and books
Health	<ul style="list-style-type: none"> • HIV and AIDs campaign • Vision projects • Donation of medical equipment to rural hospitals • Refurbishment of rural hospitals • Healthcare centres • Free consultation and medicine • Health Camps (general health, diabetes, cancer, AIDs, dengue, oral hygiene, checkup for children and free prescription medicine) • Dengue eradication programs • Blood donation campaigns • Eye testing camps and donation of spectacles • Dental clinics • Immunisation programs
Employment	<ul style="list-style-type: none"> • Employing locally senior management and team members for their operations in the local areas senior management.
Community/ Livelihood Development	<ul style="list-style-type: none"> • Programs for empowerment of women • Employment for women • Building of rainwater harvesting tanks • Providing drinking water • Sanitation facilities • Mobile water treatment plant • Renovate water tank • Water solutions to various schools around the island • Water, sanitation and other health related services • Hot water showers and water dispensers to ayurvedic hospital • Livelihood development and capacity building programs • Microfinance self-employment projects • Milk collection projects • Entrepreneur training programs • Promoting home growing/gardening • Donating seeds and fertilizer and agri equipment • Help increase productivity of farmers • Training farmers on best practices in crops and animal agriculture • Providing credit for farmers • Providing infrastructure and transport for farmers • Integrate business to community supply chain

Environment	<ul style="list-style-type: none"> • Support micro and sole industry producing recycled paper products with low cost raw material • Provide a ready market for the products • Provide electricity • Donation of tricycles for small scale vendors • Donation of houses for poor • Sourcing of vegetables, fruits, fish and meat within the community. • Use of local suppliers for vehicles for safari • Providing hearing aids for less fortunate children • Housing for plantation workers • Commitment to improve sports activities such as volley ball, football and cricket • Providing refreshments for pilgrims • SMS service for blood donor service
Arts	<ul style="list-style-type: none"> • Programs to raise the awareness on the need to protect the environment and biodiversity, eco-friendly practices and the importance of co-existing in harmony with the environment for school children and other interested groups • Paper conservation projects – waste paper collection, shredding and recycling: Aim is to save trees and reduce waste paper ending in landfills • Reduce using polythene bags in supermarkets and replace with reusable bags • Collection of plastic bottles for recycling • Providing solar power for selected number of villages: sustainable energy initiatives
Disaster Relief	<ul style="list-style-type: none"> • Support the annual fair to display and sale of art by artists around the island • Launched the first digital art gallery for Sri Lankan artists to show case their work at Sri Lankan art gallery • Support Sunera Foundation, a program aimed at fostering aesthetic talents of school children in national schools and also recognizing and rewarding for their skills
Corporate Philanthropy	<ul style="list-style-type: none"> • Flood relief initiatives ** • Initiatives to assist internally displaced people 2009-2010 • Tsunami Relief * * • SMS service for flood disaster • Provide drinking water, sanitation facilities, food and clothing for internally displaced • Mobile water treatment plant • Holding medical camps • Blood donations campaigns • Donations of medical items to Habarana Hospital • Donation of school supplies such as school bags, bottles • Donation of bed sheets to Kandy blood bank and dept of Uology in Kandy • Visit to cancer hospital children's section with gifts, sweets, entertainment and medication • Lending a hand to elders, time with children in orphanages, donation to Kandy Kidney protection society, help differently able persons, donation of bicycles to school children in Halmillawa, support education of rural schools through contribution of stationery • Identify young sports talent and support them

DISCUSSION

Sustainability reports and websites mainly disclose what companies do and how much they spend on their CD rather than the processes they use to facilitate CD, outcomes achieved, challenges faced or contradictions in practice (Kemp, 2010). This study shows that majority of the companies in the sample had some form of CSR reporting whether they

reported on their websites, separate sustainability report or integrated report.

CSR related to community development is a common practice among developing countries and in Asia. Among the CD practices education is a priority for the Asian countries, which was also considered

important in a study conducted in Malaysia (Ismail, Alias, & Rasdi, 2015). In Sri Lanka, education is a high priority of the government. Education is provided free and compulsory and as a result, Sri Lanka has a high literacy rate as reported above. However, there is regional disparity in the quality of education, especially English language, educational infrastructure and teaching equipment in rural areas. Therefore, companies in Sri Lanka are providing a facilitative role to improve the quality of education to reduce the regional disparity as well as reduce unemployment (Anthonisz, 2008). As stated by Ismail (2009) this study also shows that education and community livelihood activities are a means to provide skills to make use of the local resources.

About half the companies investigated in this study reports that they provide various health initiatives for disadvantaged rural communities. Even though the government provides free health care in the public hospitals in Sri Lanka, the quality of health care and facilities are limited to people in rural communities. Research shows that support for health care for disadvantaged and underserved communities is an important CSR activity related to community development (Eweje, 2006). Many studies have discussed the health and environmental impact on the operation of firms (Adewuyi & Olowookere, 2010; Kemp, 2010; Whellams, 2007). Health effects reported includes lung and respiratory, heart, skin, liver and kidney diseases and various forms of cancers, which require firms to ensure their CSR activities include health and safety and environmental management (Adewuyi & Olowookere, 2010). Provision of health facilities by the private sector for the rural communities can have a strong impact on the health and wellbeing of the people in the communities they operate, resulting in stronger economic development. Therefore, health related activities are also considered important by the corporate sector in Sri Lanka.

Various community development initiatives were conducted by the companies in the sample. Majority of the activities were related to livelihood development activities. They also took initiatives that would empower women. According to a report by IMF, Women make up a little over half the world's population. However their contribution to measured economic activity, growth, and well-being is far

below its potential (Elborgh-Woytek et al., 2013). Therefore, greater inclusion of women in the work force is important for economic development. Depriving them of participation has negative effects for the social and economic development with serious macroeconomic consequences. It can be seen that the community development activities carried out by the companies are mainly geared towards economic development, which is an important initiative by the local companies.

Raising awareness about the importance of environment to the communities is an important community development initiative, which was also reported in this study. They reported on increasing the awareness of environment among young children and interested groups as well as sustainability initiatives under community development initiatives.

Among other community development initiatives to promote Arts was done by only one company and disaster relief programs under their CD was mainly related to flood initiatives. Chambers et.al (2003) argues that CSR is a function of economic wealth. Those businesses that are able to generate surplus funds are able to carry out CSR activities directly through donations and sponsorships or indirectly through deployment of the resources for activities not related to making profits. In this study, corporate philanthropy was mainly related to medical related activities, which are not related to increasing the value of the company, which is a community support activity and has a trickle-down effect on the economic development. This shows that majority of CD activities conducted by the corporate sector related to CSR is geared towards increasing economic development of the country, which also has an impact on value creation in the long run.

This study took the stakeholder theory approach and support the argument by Nasi, Nasi, Phillips, and Zyglidopoulos (1997) that community is a powerful stakeholder, as a result the *"environment in which the firm operate may affect the ability of the firm to create a particular level of trust with the key stakeholder groups"* (Wicks & Berman, 2004). Community is a major stakeholder especially in developing countries such as Sri Lanka. Rural community is a major part of the community in Sri Lanka is considered poor due to lack of facilities such

as infrastructure, education, healthcare and training to improve their level of income. Therefore, corporations' responsibility to consider these stakeholders in their business strategy is important as it can have a significant impact on the rural communities, increase in the demand for their products and services and on the corporate performance.

Therefore the companies that operate in Sri Lanka must listen to the needs of the communities they operate, because rural communities make a large part of Sri Lanka's population and their ability to participate in the democratic political process is also influenced by not only their level of literacy but also their level of general education and their economic empowerment.

CONCLUSION

The findings of this study showed that the companies in Sri Lanka are moving towards integrated reporting and majority of the companies conducted CSR related to community development. Community development practices related to education, health and livelihood development activities were among the most important CSR practices that were conducted by the corporate sector. Therefore, companies that provide community related CSR in developing countries are considered good corporate citizens. In this context good corporate citizen not only must meet the legal, ethical and economic responsibilities placed on them, they must aim to create a high standard of living and quality of life in the communities they operate. It is only through this, that companies can create value for shareholders. Inclusion of CD in the business strategies can have a strong impact on the performance of private sector companies. This study also shows that education is a high priority in Sri Lanka. As a result CSR strategies of corporate sector concentrate on education as well as providing infrastructure for educational institutes in the rural areas. Companies that provide education, health facilities, employment and training and support community/livelihood development projects will be able to increase the share of the market for their products from the communities they develop as well have a positive impact on economic development of the country. In Sri Lanka, rural communities face many challenges due to lack of well-developed

infrastructure that negatively affect the quality of lives of people which needs to be addressed by the governments. However, this study shows that the corporate sector is impacting the economic development to some extent through their CSR programs especially the community development component.

It can be concluded that corporate social responsibility policies such as education, health and community livelihood activities are adopted by companies not only because they are socially desirable, they also have a strong impact on the business. Therefore, in the context of Sri Lanka, companies need to identify the social demands of the communities and address those in their CSR strategies for development of the rural communities.

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