

Corporate Social Responsibility in Municipal Councils of Sri Lanka

(With Special Reference to Solid Waste Functions)

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Abstract

There has been a growing knowledge about the corporate social responsibility (CSR) in the modern communities. The CSR includes the feeling or ethics of the good relationship between organizational activities and civil society. There are two kinds of stakeholders in CSR such as internal and external. Three major administration structures can be seen in Sri Lanka; the Central government, Provincial councils and Municipal council (MC). Structure of the MC is the third and lowest level of administration in Sri Lanka. There are 23 MCs in Sri Lanka in 2011. Municipal solid waste is creating a lot of issues in urban areas. The objectives of the study on CSR in MCs of Sri Lanka; to identify stakeholder satisfaction, to recognise priority factors of CSR and to recognise similar groups of the CSR. Sample size is 200. Percentage analysis, multiple regression analysis and factor analysis

were used as statistical tools. Aspect of external stakeholders, CSR has failed in MCs in Sri Lanka. Therefore the study recommended that, CSR program can be prepared as a system and mechanism between external stakeholders (employees) and internal stakeholders for getting the maximum benefit for both parties. Due to the cleaning of environment is an important factor for each person for the purpose of reducing or eliminating diseases from society.

Keywords: Corporate social responsibility, Municipal councils, Stakeholders, Resources and assets satisfaction

1. Introduction

The significance of the “corporate social responsibility” (CSR) is that it conveys sturdy message of the value of human responsibilities and CSR, a prominent idea that has been around for well over 50 years (Ray Broomhill, 2007). The organizations of the modern world have considered about managing the processes to make a positive impact on society (stakeholders). The organization can be explained that as a group of people. According to the World Business Council for Sustainable Development (WBCSD) explained that CSR includes the feeling or ethics of the good relationship between organizational activities and civil society (2000). A stakeholder means that any group (society) or individual who can affect or is affected by the success of the firm’s objectives. Under the CSR, an organization needs to control

and continue two relations; 1. to maintain internal stakeholders, and 2. to maintain external stakeholders (Freeman, 1984). Further WBCSD pointed out, it's one of the main objectives is environment and its sustainable development (good hygienic condition of the environment) for stakeholders.

According to the WBCSD (2000), CSR 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.

Employees and employers of the organization are consisted as internal stakeholders. Outside of the organization stakeholders are expecting their interest in the activity of the organization. The majority look at the external circle - what the society is benefitted, good or bad products and services, in terms of its impact on the communities. External stakeholders include customers, students, banks and management analysts etc. The idea of CSR is to maintain higher standards of living, while providing service of the organization, for employees and people who outside the organization (Fernando, 2012).

CSR is mentioned responsibilities; organizations' activities, social and environmental concerns in business operations and in interactions with stakeholders. Organizations are being examined to apply sustainability principles to the ways in which they conduct their business

(Alessia et al 2009). In addition Brown and Dacin (1997) described, organizations are also being to take responsibility for the ways their operations impact societies and the natural environment. CSR is generally associated with positive corporate and reflects an organization's status and activities with respect to its perceived societal obligations, corporate CSR messages have also proven to attract critical attention.

According to Aaronson (2003), CSR can be defined as business decision making linked to ethical values, compliance with legal requirements, and respect for people, communities, and the environment around the world. And there are some arguments related CSR. Even though the WBCSD explained that, common standard cannot be seen in the CSR activities, there are some concepts and definitions associated with the term CSR responsibility, but no regular agreement of the term.

2. Background of the study

Sri Lankan history has a good explanation of local government. According to the Mahavansa, villages were independently administered and the village based administration (Gam sabha system) continued for centuries in one form or the other. The village community was used by the Sinhalese kings as a unit of administration, and each village was independently administered.

Municipal council (MC) structure is the third and lowest level of administration in Sri Lanka – after the central government and provincial councils. MCs are one of the Local governments in Sri Lanka. The Local governments of Sri Lanka are divided into three different institutions such as divisional councils (pradeshiyasabha), urban councils and municipal councils. In year 2011 there were 335 councils related local governments (271 divisional councils, 41 urban councils and 23 municipal councils). The municipal council institutions are collectively known as local authorities. They are providing a number of local public services; drains, roads, sanitation and health, housing, libraries, recreational facilities and maintained of public parks. And also legally they have the responsibility for the particularize service.

Table 01- Distribution of local authorities by province in 2011:

Province	Municipal Councils	Urban Councils	Divisional Councils (pradeshiasabha)	Total
Central	4	6	33	43
Eastern	3	5	37	45
North Central	1	0	25	26
North Western	1	3	29	33
Northern	1	5	28	34
Sabaragamuwa	1	3	25	29
Southern	3	4	42	49
Uva	2	1	25	28
Western	7	14	27	48
Total	23	41	271	335

Sources: www.pclg.gov.lk

3. Solid waste collection

Solid waste is a burning problem in the world. Especially, municipal solid waste is creating a lot of issues in urban areas. MCs have the responsibility to collect and dispose of solid wastes put out by residents in areas in their authority. Under solid waste collection of the

Municipal Councils (MCs), they are obliged by law to collect solid, semisolid, non-soluble material, gases, liquids in containers, agricultural refuse, demolition waste, industrial waste, mining residues, municipal garbage and sewage sludge. Municipal solid waste is defined to include refuse from households, non-hazardous solid waste from industrial, commercial and institutional establishments (including hospitals), market waste, yard waste and street sweepings (Schubeler Peter, 1996). According to the European Environment Agency (2013, pp7), 'municipal waste' is defined as: 'Municipal waste is mainly produced by households, though similar wastes from sources such as commerce, offices and public institutions are included. The amount of municipal waste generated consists of waste collected by or on behalf of municipal authorities and disposed of through the waste management system.'

Levien van Zon and Nalaka Siriwardena, (2000) express that solid waste collection is the act of picking up domestic waste (exclusive of sewage and hazardous waste at homes), market waste- businesses, commercial and industrial plants waste, institutional wastes (schools, hospitals- non-clinical, public offices, etc.), street sweeping and beach cleansing waste, garden waste, and wastes collected from drains and water courses in urban areas. Solid waste collection operation, it is important functions insisting; types of waste collection systems, type of equipment to be used, associated labour requirements, collection of transport routes and cost of waste handover or maintaining of garbage

store etc. Solid waste is a rigorous problem in the world. Amangabara et al., (2007), explained this problem has become more cruel over the last decades due to increasing populations and waste generation rates resulting from increased consumption of a range of products.

4. Research Problem

One of the Sri Lankan newspapers (Niranjani Ratnayake, Daily News, 16 July 2012) explained that, improving urban infrastructure service facilities of urban solid waste management was not balance in Sri Lanka. Due to lack of storage space, urban people of Sri Lanka like to throw away things regardless of the possibility of recycling. The problem comes with fast urbanization of the Sri Lankan society.

Solid waste is currently a rigorous problem for the Sri Lankan urbanism. Now rural areas also started to suffer from this rapidly rising difficulties, which are causing so many problems to the society. The collection of solid wastes is moving in an acceptable manner. Facilities for solid waste collection are limited in most of places of the country, so uncontrolled dumping of garbage is widespread. Ordinary community is improperly dumped can impede water-flow in drainage canals, and provides breeding places for mosquitoes and diseases. Local government institutes have the responsibility to collect and use proper transport of solid wastes put out from residents areas and their jurisdiction. The collection of solid wastes and transport of them are

carried out by the local government Institutes with limited levels of service and little facility for meeting minimum accepted health or environmental values. Massiveness of solid waste is openly dumped in near city area or other places. As consequences (a) this is being help for environment pollution, (b) Impure city and unhealthy of biological lives, (c) Health issues due to the breeding of mosquitoes, air pollutants with Methane, Ammonia, Hydrogen gulper and other gases, (d) Surface and ground water pollution and (e) Increase in Global Warming.

The present study is challenged to examine the CSR of municipal councils as local government's activities related to solid waste in Sri Lanka.

4.1 Research Questions

What is the relationship between CSR and MCs?

What are the responsibilities of people as stakeholders to maintain hygienic environment?

What are the responsibilities of workers who have employed in MCs?

5. Objectives

The objectives of the study are;

To identify stakeholders satisfaction on MCs activities in CSR of Sri Lanka.

To understand priority factors to success on CSR of MCs to develop Corporate Social Investment of Sri Lanka.

To recognize similar groups of factors of CSR in MCs of Sri Lanka.

6. Hypotheses

H₁ = “Stakeholder’s satisfaction is an important factor for the CSR in MCs of Sri Lanka”

H₂ = “There are identical groups of factors of CSR in MCs of Sri Lanka”

H₃ = “Workers have the responsibility to success of CSR in MCs of Sri Lanka”

7. Literature Survey

Egun Nkonyeasua Kingsley (2013) revealed that the practice of CSR has been a highly contemporary and contextual issue for all stakeholders including the government, the corporate organization itself, and the general public in Nigeria. The study discussed the interdependence between the environment, organisation and

sustainable development and the need for a shift from CSR to Corporate Social Investment (CSI) for environmental sustainability with a focus on waste management. The study concluded that as an organization must not simply produce a commodity and a service to satisfy their consumers, they must also produce actions that will ensure the protection of the environment. It is also estimated to add to the knowledge of CSI especially as it relates to effective solid waste decrease and environmental sustainability.

Manuel Balza & Davor Radojicic (2004) have shown on the ethical aspects of CSR in business organization in order to successfully balance between the profitability and social responsibility. The researchers have focused that the media significantly contributes to give an explanation for the promotion of human rights issues. And it is investigated that the high-quality cooperation between nongovernmental organizations and media is the cornerstone of global wariness of human rights respect.

The report which is published by European Environment Agency (2013). It was presented the outcomes of analyses of municipal solid waste management in 32 European countries. The study focused on Sustainable Consumption and Production in collaboration with the Environment protection. Prevention, disposal, energy recovery, recycling and preparing for re-use were applied as factors.

Koh Augustine (2007), one of the results that is achieved through the implementation of these initiatives is the vast reduction in the mass and volume of waste. This alone represents a major break through in reducing transportation and traditional landfill-disposal costs. In addition, several development activities such as processing, energy generation, and farming will be created, creating new employment opportunities for the local population and leading to income generation and poverty reduction.

Schubeler Peter (1996), has explained under his Working Paper to budgeting and cost accounting for CSR in municipal solid waste management, which yield transparency with regard to the real costs of waste management and provide a basis for planning and improving operational efficiency.

The paper was written by Schmidheiny (2006), Investigated that CSR is the favored to describe the role of business in some developing countries, as opposed to, say, business ethics, corporate citizenship, corporate sustainability and stakeholder management. Social background is generally given more economic, political and media emphasis in developing countries than environmental, ethical, or stakeholder roles.

Viacheslav Mutavchi (2012), efficient waste management enables the protection of human health, reducing environmental pollution, saving

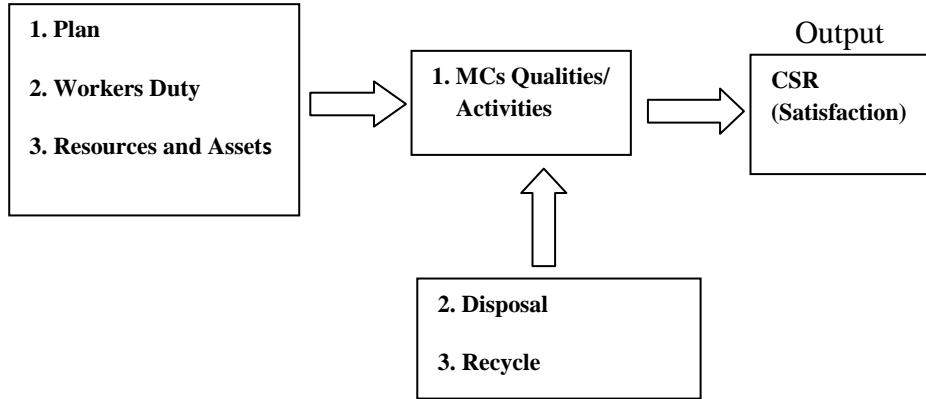
of natural resources, and achieving sustainable and profitable management of energy. In many countries, the general guidelines for waste management are set by national or local waste management plans.

According to the literature survey, the study found some variables. The variables are seen with conceptual framework.

8. Research Gaps

The previous CSR researchers recommend that new efforts should be focused towards how firms create mutual value with their stakeholders, e.g. Corporate Social Investment (CSI). (Egun Nkonyeasua Kingsley, 2013). Other researchers also indicated: balance between the profitability and social responsibility, Environment protection and several economic development activities. All the studies and the situation can be seen in overseas. The present study tried to explain in Sri Lankan scenario.

Conceptual Framework



9. Methodology

The population for the study consists of all employees (approximately 20000) in the MCs and normal population who are living in Sri Lanka. A sample of 200 was chosen as follows.

Internal stakeholders (Employees)		100
External stakeholders (Customers)		<u>100</u>
Total		200

The primary data collection was done through a questionnaire and questions were scaled using the five point Likert scale. The statistical tools were adapted to test the study such as percentage analysis, multiple regression analysis and factor analysis. All the tests were calculated at the 5% level of significance and all the analyses were

carried out using SPSS - 17.0 version. The present study was conducted covering a period of one year from January 2013.

10. Analysis and Results

10.1 Total Degree of CSR

Total Degree of Internal CSR – employees

Table -1 describes the level of CSR analysis of the internal respondents in municipal councils of Sri Lanka in terms of rate and percentages.

Table -1 Total Degree of Internal CSR - Percentage Analysis

Levels of CSR	Rate	Percentage
High CSR	02	02%
Significance	20	20%
Fair	40	40%
Low CSR	38	38%
Total	100	100

Source: Primary Data

There are four levels of CSR, high CSR activities were 02% in the municipal councils, significance level activities were displayed 20%. Some of the employees have involved some CSR activities in fair as 40%. Low level CSR is 38%. It is inferred that the majority of employees has obtained as beneficial as CSR activities in internal. Further, employees were satisfied with their benefit as CSR.

10.2 Total Degree of External CSR activities

Table -2 Describes the level of CSR analysis of the external respondents in municipal councils of Sri Lanka in terms of rate and percentages.

Table 2: The total degree of external CSR

Table -2 Total Degree of External CSR - Percentage Analysis

Levels of CSR	Rate	Percentage
High CSR	00	00%
Significance	00	00%
Fair	20	20%
Low CSR	80	80%
Total	100	100

Source: Primary Data

It is understood that among the four levels of CSR, low level activities were displayed 80% in the municipal council. According to the figure, the majority of external stakeholders have dissatisfied with CSR activities. Some people have the satisfied with some CSR activities in fair level as 20%. It is revealed that the common people of the country were not satisfied with the activities in municipal council of Sri Lanka. Within the tables, employees as internal stakeholders are satisfied with their benefit and their service regarding CSR. But external stakeholders were not satisfied with CSR which is provided by municipal council.

10.3 Result of Multiple Regression Analysis

Table -3 Describes the results of multiple regression analysis of the stakeholders in municipal councils of Sri Lanka in terms of R (Multiple Correlation Coefficient), R² (coefficient determination) and the incremental value of R².

Table - 3 Result of Multiple Regression Analysis

Variables	R	R ²	Incremental value R ²
Plan	0.452	0.204	0.204
Workers Duty	0.616	0.379	0.175
Resources and Assets	0.706	0.498	0.119
MCs Qualities/ Activities	0.781	0.609	0.111
Disposal	0.854	0.629	0.020
Recycle	0.866	0.649	0.020
Satisfaction	1.000	1.000	0.351

Source: Primary Data

It is found from the above Table that among the seven factors, Stakeholders' Satisfaction is higher, compare with other factors as 35% of CSR. The plan is 20%, it has taken second contribution. In other case, Workers Duty was 17.9%, Resources and Assets were 11.9%, MCs Qualities/ Activities were 11.1%. And contribution values of Disposal and Recycle were similar to each other as 2%. According to the table, stakeholder's satisfaction is very important factor for CSR.

10.4 Result of Factor Analysis

Table -4 reveals the results of Factor Analysis in terms of factor loading by using the principle of component analysis under the varimax rotation with Kiser Normalization method for the respondents. It explains the results of factor analysis of the stakeholders in municipal councils of Sri Lanka in four groups.

Table - 4 Result of Factor Analysis

Factors	Group 01	Group 02	Group 03	Group 04
Satisfaction	0.905			
Plan	0.871			
Workers Duty		0.794		
Resources and Assets		0.622		
MCs Qualities/ Activities			0.850	
Disposal			0.223	
Recycle				0.112

Source: Primary Data

The number of components extracted stakeholders was four with eigen values of 4.367, 2.534, 1.371 and 1.047. According to the table, four groups could be seen. It revealed that all the factors can categorise under four groups. Some two variables are included as a single group: Satisfaction and plan as a group. (group 01), Workers duty and

Resources and Assets, MCs Qualities/ Activities and Disposal also same. But variable of recycle as a single group can be seen. It is displayed about stakeholder's attitudes.

11. Testing – Hypothesis

H₁ = “Stakeholders’ satisfaction is an important factor for the CSR in MCs of Sri Lanka”

Table - 3 examined the correlation of the variables with CSR. The analysis of the table revealed that, satisfaction of the stakeholders is an important factor in CSR. Stakeholders’ Satisfaction is higher, compared with other factors as 35% of CSR. It is clear from the Table 3 that the hypothesis “Stakeholders’ satisfaction is an important factor for the CSR in MCs of Sri Lanka” is accepted.

H₂ = “There are identical groups of factors of CSR in MCs of Sri Lanka”

Table - 4 analysed the variables and found four groups. It is clear from the Table that the hypothesis “There are identical groups of factors of CSR in MCs of Sri Lanka” is accepted.

H₃ = “Workers have responsibility to success of CSR in MCs of Sri Lanka”

Table - 3 observed the contribution of priority to success of CSR. The analysis of the table shown that, worker’s duty of the stakeholders is

an important factor in CSR. It was **17% of CSR**. It is clear from the Table 3 that the hypothesis “Workers have responsibility to success of CSR in MCs of Sri Lanka” is accepted.

12. Finding and Discussion

The study was examined the CSR in MCs of Sri Lanka and the data obtained from stakeholders in MCs. According to the study there are findings as followers.

1. MCs in Sri Lanka have done their duties for the society.
2. Employees of MCs have done their duties and responsibilities for the success of CSR in MCs of Sri Lanka.
3. The study found that, the variable of satisfaction was highly contributed for CSR in MCs in Sri Lanka
4. It was revealed that other variables; workers duty, Resources and Assets and MCs Qualities/ Activities were contributed in respectively for CSR in MCs in Sri Lanka.
5. The Remaining variables of the study Disposal and Recycle have contributed as equal basis.
6. Employees as internal stakeholders were satisfied with their CSR: benefit which is related job; salary, allowances as well as some tips from out of MCs.
7. Based on attitudes, all the stakeholders were classified under four groups such as group 01, group 02, group 03 and group 04.
8. Internal stakeholders were separated under four levels of percentage; high CSR, Significance, Fair and Low CSR.

9. External of stakeholders were divided under two levels of percentage namely Fair and Low CSR.
10. External stakeholders were low level of CSR (80% - percentage analysis) implied that low level of satisfaction and according to the factors weight, satisfaction has taken a high amount of ability (according to value of multiple regression 35%). That was understood inconvenience for succession of CSR.
11. Stakeholder's satisfaction can be understood as good environment of the country.

13. Recommendation of the Study

The following recommendations are provided to success of CSR among stakeholders of Sri Lanka.

1. CSR program can be prepared as a system and a mechanism between external stakeholders (employees) and internal stakeholders for getting maximum benefit for both parties. Due to cleaning of the environment is an important factor for each person for the purpose of reducing or eliminating diseases from the society.
2. Government has a responsibility to increase Resources and Assets, because it is controlled variable of for the CSR in MCs.
3. External stakeholders can contribute to clean their environment as own capacity. It also will help to make good CSR with MCs.

14. Conclusion

The CSR includes the feeling or ethics of the good relationship between organizational activities and civil society. The study noted that, satisfaction is highly contributed for CSR of MCs in Sri Lanka and resources and assets of MCs are controlling the environment in related CSR. Employees as internal stakeholders are playing key role of CSR in MCs of Sri Lanka. But aspect of external stakeholders, CSR has failed in MCs in Sri Lanka. As a solution Government can prepare a system and mechanism for society for getting the maximum benefit for the entire stakeholders and cleaning of the environment is an important factor for each person for the purpose of reducing or eliminating diseases from the society. It will help build a good morality about MCs among the communities of Sri Lanka.

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