

Corporate Social Reporting and Disclosure Practice in India: An Empirical Investigation

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Abstract

In this contemporary world because of economic development the concept of “Corporate Social Reporting Disclosures” has become a point of hot discussion at many international and national forums.. The people believe that business houses do their business within the environment therefore they are responsible towards the environment where they live. But unfortunately the development of CSRD in developing countries like India is still an issue to be thought about. It was observed that amount of literature available on CSRD in respect of India is very scanty and most of the studies on CSRD are related to developed countries. Thus, the present study aims at reviewing the literature available on CSRD and undertaking an empirical investigation to determine the extent of Environmental disclosure aspect of CSRD. For the purpose of analyzing environmental disclosure of Indian companies the qualitative sections of annual report specifically the Directors Reports has been analysed. The content analysis technique which includes thematic analysis and statement analysis has been used in the study. The sample unit taken for the analysis is 30 companies and these companies have been randomly selected from 100 companies of the S&P BSE 100 Index of Bombay Stock Exchange for the period of two years (2012-13).

Keywords:

Corporate Social Reporting Disclosure, Content Analysis, Statement Analysis

1. Introduction

The era of globalization has shown an amplified intention towards CSR. As business organization is considered a social unit and its activities are accountable towards the society therefore the objective of a business has shifted from profit maximizing approach to social responsibility approach. Many initiatives at international level regarding Corporate Social Reporting Disclosure are being taken such as triple bottom line reporting, global reporting initiatives. But despite of enhancement in attention towards CSR at world level, the development of CSR is very slow especially in the developing countries like India. It has been observed that most of the studies found in existing literature on this context are related to developed countries and have been done before economic liberalization focusing on specific sector. The amount of literature on CSR found in respect of India is scanty. Thus, the present study aims at reviewing the literature available on CSR and undertaking empirical investigation to determine the extent and type of Environmental aspect of Corporate Social Responsibility disclosures done by companies in India for this researcher has deployed the content analysis technique which includes thematic analysis and statement analysis.

2. Objectives of the Study

- 2.1. This empirical study is concerned predominantly with an attempt to determine extent and type of Environmental aspect of CSR made by Indian Corporate by deploying the technique of content analysis.
- 2.2. To investigate the relationship between Environmental Disclosures and different sectors.

3. Review of Literature and Justification of Research

This section deals with the review of literature related to corporate social reporting disclosure. It was the time when subject was originated and studies were not focused. The attempts were made to develop the theoretical models. Linowes, [1968] first created the term 'socio-economic accounting' in order to emphasize the sociological, political and economic aspects of accounting that had a considerably broaden the scope than conventional accounting paradigm. In 1973 Marlin found relationship of social accounting with pollution accounting. Rabun and Williams (1974) instituted the relationship of social accounting with role of accountant. The term phantasmagoria accounting, has emerged as the result of research conducted by Jensen (1976) where phantasmagorical signifies "a constantly shifting, complex succession of things seen or

imagined.” In 1976 Ramanathan emphasized the concepts essential for accounting. A social transaction, a social overhead, social income, social constituents, social equity, and net social asset. The main researchers of during 1980-1990 were –Diekers and Antal 1985, Glatzer 1981, Guthrie and Parker 1989, Heard & Burchell 1980 and Meyer 1986. In 1990, Guthrie and Parker proposed political economy theories which asserts that corporations respond in a better way when government or public put pressure on them for producing information about their social impact. Panda (1991) propounded that the challenge to bring in practicability in social accounting still remains unaccomplished job before the academics and practising accountant. Tilt 1994, discussed corporate environmental and social disclosure practices within the theoretical framework of legitimacy. Lavers (1995) asserted economy theory believed that the economic takes place within political, social and institutional framework. Hegde (1997) conducted a micro level study on Corporate Social Disclosures in India on SAIL found that company has disclosed social balance sheet and social income statement. Deegan (2002) added that if the companies are part of a broader system, the perspectives provided by legitimacy theory indicate that companies are not considered to have any inherent right to resources to exist.

Douglas (2004) concluded that a company functioning in a more developed country is likely to report more comprehensively in the developed country than in the lesser developed countries in which it functions. Smith, Adhikari, & Tondkar (2005) found that companies from stronger emphasis country in social issues had a stakeholder orientation which provide more information and higher levels of corporate social responsibility in their annual reports than companies from weaker emphasis countries on social issues. Raman in 2006 by analysing annual reports of top 50 companies in India found that the nature and extent of disclosure was varied, and companies give large emphasises on products and services and community involvement. Ghazali (2007) found that there are influences of ownership structure on corporate social responsibility disclosure practices on the Malaysia stock market. Silberhorn & Warren (2007) instituted that corporate social responsibility is now presented as a comprehensive business strategy, erasing mainly from performance considerations and stakeholder pressure. In another study sector specific study was conducted by Vijaya Murthy (2008) on 16 top software firms in India concluded that in annual reports human resource category was most commonly reported attributes followed by community development activities but environmental activities were least reported.

The studies referred above are mostly made during pre-economic liberalization period because of which they are losing importance in the current environment. Moreover most of the studies are done in developed countries and are sector specific. The findings of the study will enrich a valuable resource in existing literature in context of India. Moreover present study will provide better understanding on environmental activities of a corporate related to various aspects like - Air emission information, Water discharge information, Solid waste disposal information, Environmental policies or company concern for the environment resources, Installation of effluent treatment plant and Research on new methods of production to reduce environmental pollution.

4. Methodology

4.1 Sample and sources of data

The sample unit taken for the analysis was 30 companies and these companies were randomly selected from 100 companies of the S&P BSE 100 Index of Bombay Stock Exchange for the period of two year (2011-13). As annual reports are considered as the channel of communication of messages within the independent systems (Gray et.al 1995a). The analysis of such channels is an endeavour to capture all social disclosures presents a major practical problem (Zeghal and Ahmed, 1990). For the purpose of analysing the Environmental aspect of corporate social disclosure of Indian companies the qualitative sections of annual report specifically the Directors Report has been analysed and the annual reports of these companies are attained from BSE & NSE Stock Exchanges website and Companies home page .

4.2 Content Analysis

Content Analysis is defined as a research technique for the objective , systematic and qualitative description of the manifest content of communication (O' Dwyer, 2005). This method was selected due to its capacity to analyse different types of communication tools and moreover the study focused on one document i.e. annual report.

4.3 Unit of Measurement

The number of sentences have been taken as unit of measuring the disclosed content as they can be easily counted and expresses the definite meaning on particular theme (Zeghal and Ahmed 1990; Hackston and Milne 1996; Gray et al. 1995; Milne and Adler 1999; Unerman 2000).

4.4 Distribution of Companies

Table I-Distribution of Companies

| Company grouping | Power Generation Companies | Construction Companies | Manufacturing Companies | Pharmaceuticals | Total |
|-------------------------------------|----------------------------|------------------------|-------------------------|-----------------|-------|
| No. of companies included in sample | 8 | 7 | 9 | 6 | 30 |

4.5 Codification

For the purpose of thematic analysis researcher codified the written material in director's report into 6 categories depicting the different aspects of Environmental information which are Air emission information, Water discharge information, Solid waste disposal information, Environmental policies or company concern for the environment resources, Installation of effluent treatment plant and Research on new methods of production to reduce environmental pollution as shown in Table -II. This categorization was done after in-depth study of the literature available on corporate social reporting.

Table II -Codification of Environmental Information

| | |
|---|---|
| 1 | Air emission |
| 2 | Water discharge |
| 3 | Solid waste disposal |
| 4 | Installation of effluent treatment plant |
| 5 | Research on new methods of production to reduce environmental pollution |

| | |
|---|---|
| 6 | Environmental policies or company concern for the environment resources |
|---|---|

4.6 Classification of Statements

For the purpose of statement analysis the measured contents have been classified into Qualitative statements, Quantitative statements and Descriptive Statements as shown in Table –III.

Table III- Classifications of statements

| Type of statement | Description | Example |
|----------------------------|---|---|
| 1. Qualitative statement | The statements which include words to communicate the events along with certain adjectives | Research and development department establishes the free training centres for employees |
| 2. Quantitative statements | The statements which expresses the objective of the sentence by using words along with some numerical expressions | Profit Ratios, Investment and Sales turnover |
| 3. Declarative Statements | The statements which expresses the achievements and advanced plans, policies and strategies to attain certain goals | Company will invest 3000 cr. for environmental protection |

5. Results and Discussions

The results are based on the level of disclosure and type of environmental information disclosed by disclosure made by Indian corporate. The results are categorised into following categories:-

1. Thematic Analysis
2. Statement Analysis

Table IV: Thematic analysis

| Themes | Power Generation Companies | Construction Companies | Manufacturing Companies | Pharmaceuticals | No. of companies | % of companies |
|---|----------------------------|------------------------|-------------------------|-----------------|------------------|----------------|
| Water discharge | 5 | 7 | 8 | 6 | 26 | 86.6 |
| Air emission | 6 | 8 | 9 | 6 | 29 | 96.6 |
| Solid waste disposal | 7 | 9 | 8 | 3 | 27 | 90 |
| Installation of effluent treatment plant | 5 | 7 | 7 | 6 | 25 | 83.3 |
| Research on new methods of production to reduce environmental pollution | 3 | 3 | 5 | 4 | 15 | 50 |
| Environmental policies or company concern for the | 6 | 7 | 8 | 5 | 26 | 86.6 |

| | | | | | | |
|-------------|--|--|--|--|--|--|
| environment | | | | | | |
|-------------|--|--|--|--|--|--|

5.1 Thematic Analysis

Table IV of thematic analysis reveals that theme Air emission covers 96.6 % of sampled companies’ disclosure. The second most popular theme being disclosed by 90% of the disclosure is found to be solid waste disposal theme. The third position has been observed in favour of the theme both Water discharge and Environmental policies or company concern for the environment resources themes as they have mentioned at a breadth by 86.6% of the sample companies. The fourth most popular theme of reporting has been Installation of effluent treatment plant theme with a breadth of 83.3% the sample companies. It is depressing to observe that only 50% of the companies under study has depicted the theme Research on new methods of production to reduce environmental pollution in their annual reports.

Table V: Statement analysis

| Themes | Qualitative | Quantitative | Declarative | Total |
|---|------------------------|------------------------|----------------------|-------------|
| Water discharge | 49 (53.26) (18.84) | 34 (31.75) (20.85) | 9(9.78) (15.00) | 92 (10.67) |
| Air emission | 62 (57.40) (23.84) | 30(17.64) (25.76) | 16(3.70) (6.66) | 108 (22.36) |
| Solid waste disposal | 28(53.84) (10.76) | 14(26.92) (8.58) | 10(19.23) (23.33) | 52(10.76) |
| Installation of effluent treatment plant | 48(50.52) (18.46) | 29(30.52) (17.79) | 18(18.94) (30.00) | 95(19.66) |
| Research on new methods of production to reduce environmental pollution | 52(55.91) (20.00) | 31(33.33) (19.07) | 10(10.75) (16.66) | 93(19.25) |
| Environmental policies or company concern for the environment resources | 21(48.83) (8.07) | 13(68.11) (7.97) | 9(30.23) (15) | 43(8.90) |

| | | | | |
|-------|-------------|-------------|------------|-----|
| Total | 707 (53.83) | 151 (33.74) | 72 (12.42) | 483 |
|-------|-------------|-------------|------------|-----|

5.2. Statement Analysis

In Table V statement analysis reveals that Qualitative statement disclosures are generally accepted method for disclosing environmental aspect of the corporate social disclosure adopted by Indian corporate with 260 statements out of 483 statements followed by Quantitative statement disclosures with 151 statements and Declarative statements are least choice of the corporate with only 72 statements. It has been observed that air emission related information takes the major chunk of the qualitative statements with 62 statements. The water discharge theme has been majorly disclosed by using quantitative statements with 34 statements and when it comes to declarative statements a major chunk of them are taken up by installation of effluent treatment plant related disclosure statements (18 statements).

6. Conclusion and Suggestions:

CSR in India seems to have received modest attention from most companies in terms of the space devoted to and subjects covered by such disclosures in annual reports. The study examined annual reports of 30 companies listed in S&P BSE 100 index for the period of 2013-14. A comparative industry grouping analysis yields several inferences nearly all companies from various industry grouping adopted a common ranking for importance of disclosures. The most disclosed theme is air emission (96.6%) followed by solid waste disposal (90 %).The least disclosed theme is Research on new methods of production to reduce environmental pollution covering only 50% breadth of sampled companies disclosures. The statement analysis reveals that Qualitative statement disclosures are generally accepted method of corporate social disclosure adopted by Indian corporate with 260 statements out of 483 statements and Declarative statements are least choice of the corporate with only 72 statements. Therefore on the basis of above findings following suggestions have been given to improve the CSR practices in India:

1. Professional institutes like ICAI, Ministry of commerce and other legislative bodies should provide proper format for disclosing their environmental responsibilities to companies.

2. Companies should consider environmental protection and their disclosures as their moral duty and they should invest some portion of their profits on research of new methods of production to reduce environmental pollution as the existing technologies do not suffice the needs of an hour..
3. The Government should encourage the CSRD by providing special spurs to those companies who are performing full disclosure of their environmental responsibility activities

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