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Corporate Social Reporting Practices Of Selected Public Sector Companies of India

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Abstract: This study examines the extent of disclosure in annual reports for social reporting by Indian corporate. Data were collected from the annual reports of the companies for the year 2014 and the level of disclosure is measured using social disclosure index. The study identifies the extent of corporate social reporting practices of 16 selected public sector companies of Dollex-200. Social Disclosure Index (SDI) has been calculated to measure the type and extent of social disclosure on sample of 16 Indian companies. The result of the study indicates that Community Involvement Disclosure are significant and it has a positive impact on the market price of the share but Human Resource Disclosure, Product & Consumer Disclosure and Environmental Disclosure have a negative impact on the market price of share.

Keywords: Social Disclosure Index, Market price of Share, Annual reports, India

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I. Introduction

CSR refers to the internal and external reporting of social, environmental and financial information. Disclosures are voluntary and mainly done through corporate annual reports, primarily in the chairman's report (Imam, 2000). Reason for non- disclosure are absence of legal requirement, lack of stakeholder's demand, high costs than benefits, attitude, non consideration in performance measurement, poor performance and fear of bad publicity (Belal, 2007).

Corporate Social Reporting is particularly a new concept in the accounting profession. In today scenario, companies have become more sensitive of their roles and responsibilities towards the society and environment. Corporate Social Reporting is the process of communicating the social and environmental effects of organizations' economic actions to particular interest group within society and society at large (Gray et al. 1987). Parker and Guthrie (1989) explained the phenomenon of CSR in his legitimacy theory that corporate disclosures are made as reactions to environmental factors and in order to legitimize corporate actions. This theory suggests that if the legitimacy of an industry sector is threatened, then organization within that industrial sector will respond by reporting more positive information on its activities.

Now-a-days, companies perform a number of socially desirable goals and report about this to the society through their reporting system. Disclosure of this information is a means to communicate to society that the firm is performing social activities also (Gray et al. 1996) noted that CSR practices varies across the world and it is being influenced by the domicile of the company. Singh and Tandon (2011) examined that after the introduction of Global Reporting Initiative (GRI) guidelines in the last one decade or so, many companies have started bringing out sustainability reporting in standardized formed for the benefit of the stockholders. They also concluded that many banks not yet integrated social and environmental activities of their operations and no bank has addressed human rights. Corporate Social Reporting has become a hallmark for organisations operating on global basis. As the companies, have been increasing, involved in international trade and investment, corporate social reporting has gained momentum as a tool of dialogue with stakeholders. CSR is essential for the satisfaction of stakeholders' expectations, needs and interests. The system of providing information may vary from company to company, country to country (Azim et al. 2011) but the common media of providing information is financial statement. However, there does not exist a universally accepted theoretical framework for corporate social and environmental reporting.

II. Corporate Social Reporting In India

The requirement will be applicable to any company involved in India, whether it is a subsidiary of a domestic or foreign company. Companies are subject to CSR requirements for any financial year:

• Net worth of rupees 500 crores or more or
• Business worth of rupees 1000 crores or more or

• Net profit of rupees 5 crores or more

Companies (Corporate Social Responsibility Policy) Rules, 2014 define the net profit of a company, which means the net profit according to the financial statements prepared according to the 2013 Act, but is not included in it:

- A benefit resulting from a foreign branch or branches of the company, whether it be operated as a separate company or not;
- To receive from other companies in India dividends, as applicable, comply with CSR provisions.

Net benefit for segment 135 and CSR decides implies that the advantages emerging out of net benefit and branches outside India won't be incorporated into understanding with the books of records. On account of outside organizations, net benefit implies that net benefit as per the benefit and misfortune account arranged under applicable arrangements of the 2013 Act.

III. Review Of Lierature

A number of empirical studies have been undertaken to investigate the extent and nature of Corporate Social disclosure (CSD) practices in developed countries (Gray et al. 1995a, Guthrie and Parker, 1989)

Joshi and Gao (2009) investigated multinational corporations (MNG) voluntary practice of including corporate social and environmental disclosure (CSED) on their web sites and characteristics that inspire MNC, to be more accountable in this regard. Data from a sample of 49 MNS were analyzed with STATSTICA. This study shows that companies with a strong equity bare and in a good financial condition have a propensity to voluntarily disclosure more environmental information.

Zaman Khan *et al.* (2009) investigated the social reporting practices by some banking companies in Bangladesh. In addition the study examined users perception relating to there CSR disclosure. This study collected data from the annual reports 20 like selected listed banking companies of Dhaka stock exchange (DSE). A questionnaire was also conducted. The study concluded that the selected banking companies did some CSR reporting on a voluntary basis and the user groups are in favor of CSR reporting, and would like to see more disclosure.

Samy *et. al* (2010) invested that corporate social responsibility (CSR) gave maximize profits while satisfying the demands from multiple stake holders. This paper adopted a quantitative analyses and exploratory approach. It studied the CSR parches of 20 selected companies. This study concluded that out of 20 companies, only four achieved all six guidelines as per the GRI.

Salch *et al* (2010) examined about corporate social responsibility (CSR) disclosure and its relations to institutional ownership (PO) of Malaysian public listed companies (PlCS) Testing of hypotheses have conducted by applying multivariable regression technique utilizing longitudinal data analysis of companies annual reports. This study concluded that there are positive and significance relationship between CSR disclosure (CSRD) and IO. The result suggested that Malaysian PLCs have able to attract and maintain their institutional invest while they engaged in social activities.

Fauzi and Idris (2010) described how variable such as business environment, business strategy, organizational structure, and central system can affect the relationship between CSR and CFP. This study concluded that there is a need for further study an the impact of contextual variables of corporate performance on CSR as a base to develop TBL based CSR reporting in Indonesia.

Rahman (2010) examined the themes, locations, extent, and also trends of corporate social responsibility (CSR) disclosure of Bank Islam Malaysia Berhad (BIMB) from 1992 to 2005. This study concluded that the volume of CSR disclosures of BIMB has increased from year to year. The result of this study show that BIMB preferred to disclosure themes associated with employees, products and service contributions and community involvement.

Aluchna (2010) examined CSR policies in Poland using the care of the ten largest (in terms of market capitalization) companies listed on the Warsaw stock exchange. The analysis covered the CSR (programs), reporting (website) and the business strategy with reference to CSR. The collected evidence suggested that the ten largest polish companies present a passive approach to CSR activities.

Haider (2010) described to complement the literature reviews on corporate social and environmental reporting (CSER) with special focus on the developing countries. This study concluded back rare that a wide varying of factors related with the socio-economic and political context in which the corporation exist influence the corporate decision to engaged in CSER. This article provided a foundation for future research and development in the area of CSER.

Mohammed *et al.* (2010) investigated of sustainability disclosure by focusing on information disclosed in the companies website rather than through annual reports. This study suggested that the sustainability disclosure by Malaysian listed companies fall significantly on corporate governance index themes followed by social / environmental index themes. However, Malaysian listed companies did not clearly disclose the items under Shari'ah compliance index.

Siregar and Bachtiar (2010) examined the factor affecting CSR Limited to board size, firm size, profitability, foreign owner's and leverage. This study, found little evidence of positive impact of CSR on future performance. This suggested that longer firms have more resource to devoted to social activities and a larger asset bare over which to spread the cost of social responsibility. Larger firms also face more pressure to disclose their social activities from various groups in society. The conclusion of this study encouraged firms to disclose their CSR activities because there seemed to be a positive effects on future performance.

Zaman Khan (2010) investigated the corporate social responsibility (SR) reporting information of Bangladeshi listed commercial banks and explored the potential effects of corporate governance (CU) elements on CSR disclosures. The annual reports of all private commercial banks (PCB) for the year 2007-2008 was examined to analyze the banks CSR reporting practice using content analysis. This study concluded that directors and existence of foreign nationalities have been found the significant impact on the CSR reporting.

Herzig and Gadomann (2010) examined the data from three studies in 2004, 2005 and 2007 of German DAX JD companies. The analysis showed an overall increase in the use of internet specific approach as sustainability websites between 2004 and 2007. The findings also indicates a shortfall in communicating trade – offs and complicit between environmental, social and economic impacts of businesses.

Khan (2010) discussed India's top three major of FMCG companies overall CSR initiatives. This study concluded that the website of these companies provided information about their CSR initiatives but found not updated regularly. For checked their CSR performance, Karmayog Rating is taken. The rating gave good insight an CSR ratings of major FMCA companies at India.

Hinson *et al* (2010) discussed on how banks operated in Ghana communicate their CSR programmes and intentions via their corporate websites. There was used as the basis of a content analysis of 16 banks in Ghana. This study focused on online CSR communications in emerging market contexts are almost none existed and this study made an important contribution in not only addressed this imbalance but more importantly in improved bank marketing prentices in Ghana.

Crawford and Williams (2010) investigated that how country contexts pressure firms for greasy reporting activity and to explored the impact of these pressure an disclosure quality. In summary, the paper attempts to introduce a new pedagogic voice or dimension which has resonance with both the social, environmental and the critical accounting 'projects'. The evidence was found in the results, indicating that French firms exhibit higher quality disclosure than US firms an average.

Paul (2010) examined corporate social reporting in Mexico as it has evolved in recent years, expanding and updating a previous study. Two sets of Mexican companies were identified, each of whom had expressed a commitment to corporate social responsibility (CSR) through social responsibility reports and practices on their websites.

Khan *et al* (2011) examined the tendencies of sustainability reporting by major commercial banks in Bangladesh. The 2008 / 2009 annual reports of 12 major commercial banks listed on Dhaka exchanged were analyzed and coded using a content – based technique. The result showed that information an society was addressed most extensively with regard to extent of reporting on the subject of FSS-specific disclosures, only seven items out of 16 are disclosed by all sample banks.

Vyar (2011) investigated the utilization of the internet by the Turkish companies listed on the Istanbul stock exchange (ISE) for corporate reporting; and to investigated whether there was a significant the corporate Governance index of the JSE and those that are not, in terms of level of disclosure on the corporate website. This study concluded that firms which are listed in the ISE corporate governance index (XCORP) disclose significantly more information an corporate web sites compared to the firms that were not listed in the XCORP.

Islam and Dellaportas (2011) discussed accountants perceptions regarding corporate social and environmental accounting and reporting practices in a developing country such as Bangladesh. This study concluded that accountants have positive attitudes toward corporate social and environmental accounting; progress is limited, with the absence of IACB in making any noticeable effort to develop such practices.

Vurro and Perrini (2011) examined a three year disclosure experience of a sample of fortune 100 global companies, the paper aims to proposed and test a model that relates the structure of C & R disclosure to corporate social performance. This study, concluded that the level of disclosure does not improve firm ability to manage stakeholders.

Othman *et al* (2011) examined whether coercive isomorphism as imposed by regulatory authorities has an effective mechanism to promote a company's reputation in a developing country. In total 117 companies the "three sensitive industries" for the year 2007 were selected. This study concluded that based on regression analysis, the study found that regulatory efforts have significant mechanisms in promoting CSR reputation.

Simonsen and Wenstop (2011) has investigated the 2005 reports of 80 companies which very substation with regards to location, sector and size. The results of this study revealed that very different rhetoric has applied. The most prevalent pattern ethical reasoning has to link agency and benefit perspectives, claiming that benefit is done for the sale of agency. These findings constituted a new approach in CSR research.

Singh and Tandon (2011) described an attempt to comment and reflect on the current practices of CSR reporting and disclosures. In this study, secondary data from NSE Bank notify consisting of 13 banks has been taken. This paper analysed the current practice accurse diverse patterns of ownership and structures to draw out the different in reporting and disclosures and afford a few suggestion in the Indian banking sector. The paper in place of conclusions identifies gray area for future research in the Indian banking context.

IV. Need Of The Study

A lot of written literature states that many studies have been conducted on CSR activities in developed countries but a very few studies are conducted in developing countries. In the current scenario, companies have become more sensitized of their roles and responsibilities towards society. There is a need to study the Corporate Social Reporting Practices of Indian Companies. So this paper titled, "CORPORATE SOCIAL REPORTING PRACTICES: A STUDY OF SELECTED PUBLIC COMPANIES OF INDIA" is an attempt to study all this.

V. Objectives Of The Study

The objectives of the study includes :

1. To examine the Corporate Social Reporting Practices of some selected PUBLIC SECTOR COMPANIES; and
2. To give suggestions on the basis of findings for improvement in Corporate Social Reporting.

VI. Research Methodology

The prepared study will adopt the following methodology.

Research Design: The proposed study is both descriptive and exploratory in nature.

Selection of Sample: (The sample size) 16 Public Sector companies are selected from Dollex- 200 companies for the year 2013-14.

Sampling Technique- Random Sampling, Convenience Sampling.

Data Collection: The source of data is secondary in nature which includes both qualitative and quantitative data which is collected by using company annual reports, financial data base from websites, newspapers etc.

Limitations Of The Study

- The present study is based only on the annual reports of 16 PUBLIC SECTOR companies of Dollex-200 index, so the findings regarding the disclosure may not be applicable to all the companies operating in India.
- Although every effort has been made to include the items in the worksheet, yet some of the items may be left out.

Scoring of Items: The review of literature helps us to study different scoring of items. However in this study, the score are assigned according to the presentation of the information. Score 2 is given if the information provided is in quantitative, score 1 is assigned if the information given is in qualitative terms and score 0 is assigned if the item is not disclosed.

<u>Statistical Tool</u>: To analyse the data regression have been used.

$Y=a+\Sigma X^{n}{}_{1}b^{n}{}_{1}+e$

Where Y is a dependent variable i.e. Market Price of Shares

And X_1 are independent variables.

Where , X_1 = Human Resources Disclosure

X_2 = Products & Consumers Disclosure

X_3 = Environmental and Energy Disclosure

X_4 = Community Involvement Disclosure

VII. Analysis Of Data

For analyzing the Corporate Social Reporting Practices of selected Indian Companies a worksheet carrying different aspects on the subject was prepared. The items included in the worksheet were based upon:

- The Scanning of Annual Reports
- Review of literature
- The companies Act 1956.

Table 1 Scoring of Variables and Profit After Tax of 16 companies (Rs. in Lakhs)

Company	Human Resource Disclosure	Product & Consumer Disclosure	Environmental Disclosure	Community Involvement Disclosure	Profit After Tax	Share Price
Bharat Electronics Ltd.	5	3	8	3	9223.10	1144.65
Bharat Heavy Electricals Ltd.	6	6	10	4	34607.80	196.80
Bharat Petroleum Corpn. Ltd	7	3	9	4	40600.10	460.30
Engineers India Ltd.	7	3	13	4	4797.60	225.00
Coal India Ltd.	5	5	3	1	150085.4	287.90
Gail Gas Ltd.	6	1	6	0	43751.50	375.75
Hindustan Copper Ltd.	8	3	6	4	2864.10	68.60
Hindustan Petroleum Corporation. Ltd	5	3	13	6	17337.70	309.75
Indian Oil Corporation. Ltd.	5	4	14	6	70168.3	279.00
NHPC Ltd.	12	2	5	4	9839.00	19.10
NMDC Ltd.,	6	1	4	0	64200.80	139.45
NTPC Ltd.	5	2	12	6	109747.4	119.95
Oil India Ltd.	7	4	12	7	29813.00	482.00
Power Grid Corporation of India Ltd.	6	3	14	2	44916.30	105.05
Sail Ltd.	7	5	14	5	26164.80	71.40
Shipping Corporation of India Ltd	5	3	3	3	-2217.50	41.60

Table 2 Regression Statistics	
Multiple R	0.322
R Square	0.104
Adjusted R Square	-0.222
Standard Error	303.23235
Observations	16

Table 2 shows that adjusted R square is -0.22 which means that market price of shares of these 16 companies are very less dependent on different disclosures taken ie. Human Resource Disclosure, Product & Consumer Disclosure, Environmental Disclosure and Community Involvement Disclosure which is 63% and 37% is affected by other factors. So, Disclosures have be to considered less important factor as it affects the market price of share.

Table 3 (Where Variable 1 Human Resource Disclosure, Variable 2 is Product & Consumer Disclosure, Variable 3 is Environmental Disclosure and Variable 4 is Community Involvement Disclosure)

	Coefficients	*t Stat*	*P-value*
Intercept	630.144	1.512	0.159
Human Resource Disclosure	-52.110	-1.112	0.290
Product & Consumer Disclosure	-10.693	-0.171	0.867
Environmental Disclosure	-3.334	-0.129	0.900
Community Involvement Disclosure	10.022	0.192	0.851

Table 3 shows that Human Resource disclosure and Product & Consumer Disclosure and Environmental Disclosure are insignificant and it has a negative impact on the market price of the share also t value of both these two variables are less than 1.96 which means that that market price of the share will not rise with more disclosures of these three variables. But table 3 shows that Community Involvement Disclosure have a Positive impact on the market price of the share.

VIII. Findings Of The Study

- Employees training are being focused by almost all the companies in their annual reports which is a good sign for the companies.
- Human Resource disclosure and Product & Consumer Disclosure are significant and most reliable.
- Environment Disclosure and Community Involvement Disclosure have a negative impact on the market price of share.
- Companies feel hesitate in disclosing information because the companies thought that the negative information can affect the company’s competitive position.
- Companies do not disclose the information both quantitatively and qualitatively.

IX. Conclusion

- Community Involvement Disclosure are significant and most reliable.
- Human Resource Disclosure, Environmental Disclosure and Product & Consumer Disclosure have a negative impact on profit after tax.
- Companies feel hesitate in disclosing information because the companies thought that the negative information can affect the company's competitive position.
- Companies are less disclose the information both quantitatively and qualitatively.

Based upon all the analysis & discussion the following are the important recommendations.

- It is important for the companies to set up separate distribution for CSR practices and appropriate staff should be employed in the same.
- The study indicates that there is no exact place permanent for the disclosure in the annual reports of the Indian Companies. It is not easy to reach the place in the annual reports. So, a permanent place should be allotted in the annual reports so that one can easily access it.
- The companies must extra disclose information both quantitatively and qualitatively.
- The whole information must be audited by Chartered Accountant and made public.
- The benefits of the information are more than its costs, so in business terms also, it will give profit to the organization.
- Although there are many acts that can authority the companies to do environment reporting. Still the result is very poor. The government must force the companies according to those acts to do the said activity.
- The poor result is due to voluntary in nature. It must be made compulsory to get productive results.
- The method of any country does the same as demanded by the public on the whole. So, the public must come out to force the corporate sector to do reporting.

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