

Is There any Relationship Between Corporate Attributes and Corporate Social Reporting Disclosure ?

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Abstract

Aim: The aim of this paper is to examine the extent and type of the Corporate Social Responsibility Disclosure (CSR) practices of the Indian companies over the 5 years 2009-10 to 2013-14 and to investigate the relationship between level of CSR and corporate attributes (company size)

Research Methodology: The sample unit taken for the analysis - 100 companies and these companies are listed in the S&P BSE 100 Index of Bombay Stock Exchange for the period of five year (2009-14). Unweighted disclosure index approach has been used to construct Corporate Social Reporting Disclosure Index. This CSRDI is used for measuring the extent of disclosure made by Indian corporate along with content analysis technique through which content of annual reports of 100 companies was classified according to six themes- Environment, Human, Community Involvement, Energy, Product and Fair Practices.

Findings: The research showed that the most disclosed theme is community involvement and least disclosed theme is fair practices covering only 0% breadth of sampled companies disclosures. No significant relationship is found between the extent of Corporate Social Reporting Disclosures and corporate attributes.

Keywords: Corporate social responsibility Disclosure, Content Analysis

Introduction

A business enterprise is considered as a social unit which conducts its activities within the society therefore it is perceived that business houses should fulfill its responsibilities towards society. Traditional management approaches regarded the business unit as a robust economic engine which drives shareholders wealth. But modern management approach holds that transparent economic and social progress should go hand in hand. This concept led to the emergence of Corporate Social Reporting Disclosure (CSR). The disclosure of social responsibility becomes significant because it provides the clear picture about the role of business towards societal development aspects. Over the time, corporate social reporting and disclosure (CSR) have become a hot topic of discussion and investigation among academic accounting researchers (Gray, 2001; Mathews, 1997). Many initiatives at international level regarding Corporate

Social Reporting are being taken such as triple bottom line reporting, global reporting initiatives. In the developed countries like U.S.A, Germany, Britain, France, Netherland the social accounting concept has been made as mandatory requirement. (P. Manmohan rao, 1999). A large number of studies have examined the nature and frequency of corporate social responsibility disclosures, their patterns and trends, and their general relationships to corporate size and profitability in developed countries. But scanty of literature is found in respect of the developing countries. In order to fill this gap the current study has been conducted to know the extent of CSR done in developing countries especially by Indian corporate and secondly this study aims at finding the relationship between level of CSR and corporate attributes. For the purpose of studying the relationship between CSRDI (dependent variable) and Corporate attributes, Size of company (independent variables) is taken as representative of Corporate attributes. The paper is organised as follows: first section of the paper deals with introduction, the next section deals with synthesis of results of various researchers in form of review of literature. Further, the paper explains the research methodology which includes the sample, research techniques and research hypothesis. The next section refers to findings of content analysis and hypothesis testing. The last section deals with limitations, suggestions and conclusion.

Objectives of the Study

- This empirical study is concerned predominantly with an attempt to determine extent of CSR made by Indian Corporate by deploying the technique of content analysis.
- The study aims to investigate the relationship between level of CSR and corporate attributes (company size)

Review of Literature

This section deals with the review of literature related to corporate social reporting disclosure. Initially, 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 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 such as social transaction, a social overhead, social income, social constituents, social equity, and net social asset. The main researchers 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 and 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 existing resources. 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 country on 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 is influence 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, arising 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. Therefore present study will provide better understanding on various aspects like –Environment Human Resource, Community Involvement, Energy usage, Product and Fair Practices.

Methodology

Sample and sources of data

The sample unit taken for the analysis is 100 companies and these companies are listed in the S&P BSE 100 Index of Bombay Stock Exchange for the period of five year (2009-14). As annual reports are considered as the channel of communication of messages within the independent systems (Gray et.al 1995a). For the purpose of analysing the corporate social responsibility 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.

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. The number of words and 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).The sampled companies were categorised into 4 sectors as shown in Table 1.

Table I-Distribution of Companies

Company grouping	Financial Co.	Infrastructure Co.	Services Co.	Manufacturing Co.	Total
No. of companies included in sample	24	28	18	30	100

For the purpose of examining the extent of CSR the written material in director's report is codified into 6 themes depicting the different aspects of CSR as shown in Table - II. This categorization was done after in-depth study of the

literature available on CSR. Specifically the researcher has interpreted the results of content analysis in form of Thematic analysis and Statement analysis as shown in Table III.

Table II -Codification of CSR Information

1	Environment
2	Human
3	Community Involvement
4	Energy
5	Product
6	Fair Practices

Unweighted disclosure index approach has been used to construct Corporate Social Reporting Disclosure Index for measuring the extent of disclosure made by Indian corporate. Unweighted Index No. is the ratio of the value of the number of items a company is disclosing divided by total number of items that could be disclosed. In this all the items under consideration are considered equally important by the user. In the Unweighted Corporate Social Reporting Disclosure Index, disclosure of individual items is treated as a dichotomous variable. The only consideration in this index is that whether company falling under any one of a sector (i.e. manufacturing, services financial and infrastructure)

has disclosed an item which has been codified into different themes in their annual reports or not. If a company has disclosed item of respective theme in its annual reports it has been awarded "1" and if not it has been awarded '0". In the end the total CSRDI score has been calculated by using the following formula:

$$\text{Corporate social reporting disclosure Index} = \frac{\sum \text{items disclosed by a company}}{\sum \text{items that could be disclosed}}$$

Research Hypothesis

H₀ = Corporate Social reporting disclosure information is not associated with size of the company.

H_1 = Corporate Social reporting disclosure information is associated with size of the company

Results and Discussions

Extent of corporate social reporting disclosure

The extent of corporate social reporting disclosure is measured with the Corporate social reporting disclosure Index (CSRDI) and expressed in two ways : Theme wise and Sector wise as depicted in Table III.

Table III- Thematic Corporate Social reporting Disclosure Score Card of all Sectors

Themes	Manu facturi ng Sector	Financi al Sector	Service Sector	Infra structur e Sector	Aggregate Score	Average Score	Rankin g
Environment	.55	.50	.38	.72	2.15	.5375	IV
Human Resource	.61	.77	.83	.66	2.87	.7175	II
Community Involvement	.90	.80	.70	.70	3.1	.775	I
Energy	.66	.33	.33	.66	1.98	.49	V
Product	.66	.83	.60	.50	2.59	.6475	III
Fair Practices	0	0	0	0	0	0	VI
Aggregrate Score	3.38	3.23	2.84	3.24	CSR D S C O R E C A R D		
Average Score	.56	0.53	0.47	.54			
Ranking	I	IV	III	II			

Table.III depicts that most disclosed theme is Community involvement with CSRDI score of .775 and second most disclosed theme is Human Resource with CSRDI score of .7175 followed by Product & Services theme with CSRDI score of .6475 and Environmental theme receives the IV rank with CSRDI score of .5375 and least disclosed theme is Fair practices with CSRDI score of 0. Manufacturing Sector is at I rank with highest amount of average disclosure of .56 followed by Infrastructure sector with average disclosure of .54 and Financial sector of average disclosure of .53 and Service sector is last sector with lowest amount of average disclosure of .48.

Relationship between Corporate Attributes and Corporate Social reporting Disclosure Index

There are several studies in corporate social and environmental literature which had found that size of

company is positively associated with the level of corporate social disclosure of companies in developed and developing countries (Hossain, et al., 2006).

Watson et al (2002) and Wong (2001) found that larger companies provide more CSR information. Other researchers like (Roberts 1992; Davey, 1982) reported that size of the company does not affect the level of CSRDI. There are several measures of size of company like number of employees, net assets, net sales etc.

In this research for studying the relationship between CSRDI and Size of Company, average values of net assets related to last 5 years (2009-10 to 2013-14) have been taken. These measures were expressed in terms of rupees. Further, this data has been categorized as high, low and medium categories on the basis of average related to net sales and net assets of last 5 years. Then the number of companies which

fall under the high , low, medium, along with CSRDI index ranging from 0-90 are tabulated under the Table IV. The chi square test has been conducted in order to test hypothesis

which is formulated to find the relationship between CSRDI and size of company.

Table IV - Relationship between Net Assets and Corporate Social reporting Disclosure

CSRDI Index	No of Companies				
	HIGH	MEDIUM	LOW		
0-30	10	12	6		28
30-60	17	11	9		37
60-90	16	13	6		35
	43	36	21		100

Table V : Results of χ^2 Test

Observed	Expected	O-E	(O-E)	(O-E) ²
10	12.04	2.04	4.16	0.34
17	15.91	1.09	1.18	0.07
16	0.95	0.95	0.9025	0.05
12	1.92	1.92	3.6864	0.36
11	2.32	2.32	5.38	0.40
13	0.4	0.4	0.16	0.012
6	0.12	0.12	0.014	0.002
9	1.23	1.23	1.5129	0.194
6	7.35	1.35	1.8225	0.247

Table VI: Test Statistics

χ^2 calculated Value	1.675
df	4
p-value	0.05

By applying the χ^2 test on the data of Table V representing net assets. It is found that calculated χ^2 value is less than tabulated value at 0.05 level of significance therefore null hypothesis is accepted which says that there is no relationship between CSRDI and Size of company.

Conclusion and Suggestions

CSRDI literature available is dominated by research studies conducted in the developed countries and the amount of literature on CSRDI found in respect of developing countries is scanty and has narrowed their scope to one or two aspect

of CSRDI .The present study tries to fill gap in the literature by reviewing the literature available on CSRDI and undertaking empirical investigation to examine the extent and type of CSRDI done by Indian companies in four sectors (Manufacturing, Financial, Services and Infrastructure) over the period of 5 years 2009-14.

The study examined annual reports of 100 companies listed in S&P BSE 100 index for the period of 2009-14. In examining the extent and type of CSRDI it was found that manufacturing sector has disclosed the highest amount of disclosure where as service sector has disclosed the least

amount of CSRD. The Community Involvement is the most common theme disclosed and fair practices are the least disclosed theme which is disclosed by different sectors. The results of chi-square test express that there is no significant relationship between Corporate Social Reporting Disclosures and corporate attributes namely size of firm. The results of our study are very useful for companies that intend to design corporate social reporting disclosure format and to acknowledge their social responsibility. The main limitation of our research is that the research technique applied for finding the extent of CSRD may be subject of a pro and cons debate. Therefore on the basis of above findings following suggestions have been given to improve the CSRD 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 corporate social reporting disclosures as their moral duty.
3. The Government should encourage the CSRD by providing special spurs to those companies who are performing full disclosure of their corporate social responsibility activities

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