



## AN EMPIRICAL STUDY ON ASSESSMENT OF IMPORTANCE OF CORPORATE SOCIAL REPORTING AND DISCLOSURE IN INDIA

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### ABSTRACT

**Aim:** The aim of this paper is to explore the views and perceptions of different stakeholders for assessing the importance of corporate social reporting and disclosure in India.

**Research Methodology:** The nature of study is empirical and source of data is primarily questionnaire. Content Analysis technique has been used for codifying into different categories of information of CSRD. To test reliability of the questionnaire responses a hypothesis is formulated and which is tested by using Kruskal Wallis test.

**Findings:** The research showed that among the different categories of information stakeholders considered community involvement information as highly important and energy related information as least important category of information disclosed by Indian companies in CSRD.

### 1. INTRODUCTION

In today's contemporary world business organisations are regarded as a social unit which conduct their activities within the society. Therefore, it is professed that they should fulfil their responsibilities towards society. Modern management approaches hold that economic and social progress should go hand in hand which leads to the evolution of Corporate Social Reporting and Disclosure (CSRD) as it provides transparent and better understanding on social activities of a business towards various stakeholders. Unfortunately, despite of increasing attention towards CSRD in developed countries, the development of CSRD is very slow especially in the developing countries like India. Further, it has been observed that there is a little research work regarding assessment of importance of corporate social reporting and disclosure in India. Thus, this paper aims at exploring the views and perceptions amongst different stakeholders for assessing the importance of corporate social reporting and disclosure in India.

### 2. REVIEW OF LITERATURE AND JUSTIFICATION OF RESEARCH

For reviewing the literature related to corporate social reporting and disclosure practices categorization has been done into Pre Economic Liberalization (period before 1990) and Post Economic liberalization (period after 1990).

#### 3.1 Pre –Economic Liberalization Literature: (Period before 1990)

It was the time when subject was originated and studies were not focused. 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."

#### 3.2 Post Economic Liberalization Literature: (Period after 1990)

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. 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 provides more information and higher levels of corporate social responsibility in their annual reports than companies from weaker emphasis countries on social issues. Raghu 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.

**4. RESEARCH METHODOLOGY**

The nature of study is empirical research and source of data is was primarily questionnaire. A total of 400 questionnaires are delivered to four groups of respondents and collected back. The four groups of respondents represent – academicians, investors, government officials and financial managers. For testing reliability of the questionnaire responses a hypothesis is formulated and which is tested by using Kruskal Wallis test. The content analysis technique is used for codifying the different categories of CSRD available in annual reports of Indian corporate as shown in Table 1.

**Hypothesis**

H<sub>0</sub>= There is no significant difference between perceptions of stakeholders regarding importance of corporate social reporting and disclosure.

H<sub>1</sub>= There is a significant difference between perceptions of stakeholders regarding importance of corporate social reporting and disclosure.

**Table 1: Categorization of corporate social reporting and disclosure made by the Indian corporate**

No.	Categories of corporate social reporting and disclosure made by the Indian corporate
1	Community involvement related information
2	Human resource related information
3	Product and services related information
4	Environment related information
5	Fair practices related information
6	Energy related information

**5. RESULTS AND DISCUSSIONS**

The stakeholders have been asked to assess the degree of importance they attach to each of these categories of information (on a 1-5 scale: 1 means not at all important, 5 means very important and 3 is the mid-point of the scale) on the basis of how important they perceive the category is in CSRD. A summary of responses of the respondents is depicted in Table 2, 3 and 4. Table 3 presents the rank of each category with the mean score given by each respondent and Table 4 depicts the result of Kruskal Wallis test

**Table 2: Importance of Corporate social reporting and disclosure made by the Indian corporate: Views of Different groups**

Importance Groups		Categories of Information Disclosed						Mean
		Community Involvement	Human Resource	Product & Services	Environment	Fair Practices	Energy	
Academicians N= 100	Mean	3.98	3.21	1.81	4.02	2.75	2.15	2.98
	Rank	17	13	3	18	10	5	
Investors N=100	Mean	4.42	2.18	2.44	3.77	1.54	2.48	2.80
	Rank	24	6	7	15	1	8	
Govt. Officials N=100	Mean	4.38	3.55	1.71	4.10	3.78	2.95	3.41
	Rank	22	14	2	20	16	11	
Fin.Managers N=100	Mean	4.23	2.58	4.40	3.17	4.09	1.96	3.40
	Rank	21	9	23	12	19	4	
Total N=400	Σ	T <sub>1</sub> =84	T <sub>2</sub> =42	T <sub>3</sub> =35	T <sub>4</sub> =65	T <sub>5</sub> =46	T <sub>6</sub> =28	
	Mean Score	4.25	2.88	2.59	3.76	3.04	2.38	

Table 2 represents views of different groups regarding importance they attach to each of these categories of information on the basis the importance provided by these categories of Corporate social reporting and disclosure done by the Indian corporate to them . The highest mean scorer are government officials (3.41) followed by financial managers (3.40). Academicians groups (2.98) are second lowest mean scorer and investor groups (2.80) are lowest mean scorer.

**Table 3: The importance of respondent groups' attached to the CSR information disclosed by Indian Corporate.**

Rank	Categories of corporate social reporting information disclosed by the Indian corporate	Mean Score	Degree of Importance
1	Community involvement related information	4.25	Very Important
2	Environment related information	3.76	Important
3	Information related fair practices	3.04	
4	Information related human resource	2.88	Moderately Important
5	Information related product and services	2.59	
6	Energy related information	2.38	Least Important

The picture coming from Table 3 shows that the mean score of all respondent groups has been between 2.38 and 4.25 in general. All of them attached the highest importance to the community involvement and this category has been able to achieve highest mean score of 4.25 among all categories. Therefore, this information category has been considered by the study participant as a very important category. The participants have given the second highest rank of importance to environment related information with a mean score of 3.76 except academicians attached high importance with mean score of 4.02. Also the respondents attached a reasonably high importance mean score of 3.04 to the information that signalled fair practices but investor group on an average treated this category as least important, they have provided (1.54) mean score to this category. Information related to Human resource and Product and services have received almost a mid-point score (2.88) and (2.59) with a fourth rank and fifth rank respectively. Moreover, the information related to energy has been considered as least important with mean score of (2.38).

**Results of Kruskal-Wallis Test:**

$$K = \frac{12}{n(n+1)} \left[ \sum_{j=1}^k \frac{(T_j)^2}{n_j} \right] - 3(n+1)$$

$$K = \frac{12}{24(24+1)} \left[ \frac{(84)^2}{4} + \frac{(42)^2}{4} + \frac{(35)^2}{4} + \frac{(65)^2}{4} + \frac{(46)^2}{4} + \frac{(28)^2}{4} \right] - 3(24+1) = 10.85$$

**Table 4: Test Statistics**

K calculated Value	10.85
df	3
p-value	0.05
Table value	7.8147

Table 4 shows that by applying the Kruskal-Wallis Test on the data representing views of different groups regarding importance they attach to each of these categories of information on the basis the importance of these categories of Corporate social reporting and disclosure done by the Indian corporate to them. It has been found that calculated K value is more than critical value at 0.05 level of significance therefore null hypotheses is rejected, hence it can be said that there is significant difference between perceptions of stakeholders regarding importance of corporate social reporting and disclosure.

**6. CONCLUSION AND SUGGESTIONS:**

The analysis has uncovered the fact that CSRD seems to have received modest attention from the different stakeholders of India and they are inclined to accept the importance of the corporate social reporting and disclosure though significant difference between the means of perceptions of different stakeholders regarding importance of corporate social reporting and disclosure has been found. From the different categories of information stakeholders considered community involvement information as highly important and energy related information as least important category of information disclosed by Indian companies in CSRD. Therefore, on the basis of above findings it is suggested that in order to improve the awareness and importance of corporate social reporting and disclosure, Indian companies should be encouraged to publish their annual reports by giving considerable importance to community involvement information in CSRD.

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**QUESTIONNAIRE**

NAME:

AGE:

PROFESSION:

PLACE OF WORKING:

NO. OF YEARS EXPERINCE;

IN THE FIELD OF FINANCING/ ACCOUNTING

The following is a list of items relating to corporate social reporting. Please indicate your assessment of the importance and usefulness of Indian companies disclosing the following information in their annual reports.

- 1= Not at all important
- 2= Not important
- 3= moderately important
- 4= Important
- 5=Very important

a. Community involvement related information

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b. Information related human resource

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c. Environment related information

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d. Energy related information

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e. Information related product and services

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f. Information related fair practices

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