



STAKEHOLDERS PERCEPTIONS REGARDING PURPOSE OF CORPORATE SOCIAL REPORTING AND DISCLOSURE IN INDIA

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ABSTRACT

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. Thus, this paper aims at exploring the views and perceptions amongst different stakeholders for evaluating the purpose of corporate social reporting and disclosure for them. The nature of study was empirical research and data source was primarily primary. Based on the research outcomes, some recommendations are suggested in relation to corporate social reporting and disclosure practices in general and within Indian context in particular for future development of corporate social reporting and disclosures in transitional economies like India.

KEYWORDS: Corporate Social Reporting Disclosure, Stakeholders' Perceptions

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 fulfil their responsibilities towards society. Traditional management approaches have regarded the business unit as a robust economic engine which drives shareholders wealth. But modern management approach has hold that transparent economic and social progress should go hand in hand. This belief amplified the focus of stakeholders towards Corporate Social responsibility Disclosure (CSR)

at world level. But despite of enhancement in attention of stakeholders at the world level, the development if CSR is very slow in developed countries like India. It has been observed that most of the studies in this subject have been related to developed countries and are sector specific. Furthermore, very few studies have been conducted for exploring the stakeholders' perception regarding CSR in developing countries. Therefore, in order to fill this gap the current study has been conducted to explore the views and perceptions of different stakeholders relating



to purpose of CSRD. The paper is organized 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. The next section refers to results and discussion. The last section deals with suggestions and conclusion.

2. OBJECTIVES OF THE STUDY

This empirical study is concerned predominantly with an attempt to explore the views and perceptions of different stakeholders relating to location of Corporate Social Reporting Disclosure.

3. REVIEW OF LITERATURE AND JUSTIFICATION OF RESEARCH

This section deals with the review of literature related to corporate social reporting disclosure. 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. 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 social accounting: 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.

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. 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 provides 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.

Sharma (2011) conducted a research study on the initiatives taken by Indian companies to determine their responsibilities towards different stakeholders and found that most companies spent little towards social responsibility. Sheham & Jahfer (2011) made a study between financial performance and CSR. They took 235 companies registered in Colombo stock exchange (CSE) as the data sources and conducted regression and correlation analysis to find out relationship between CSR and financial performance. Kadrolkar (2011) discussed

in detail about CSR and how it is linked with sustainable development. In addition to these he illustrated the CSR practices in developing countries. He conducted an analysis of performance of several Indian companies in CSR front and concluded that CSR is becoming a leading principle of top management and of entrepreneurs. Organizations can re-examine their pattern of behaviours in the TBL framework and begin their journey toward a sustainable approach that is integrated into their business strategy. Oza (2012) discussed how the sustainability reporting frameworks helps the top management to report strategic management for sustainable development of business enterprise taking sample of four Indian companies.

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

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. With the aim of exploring the views and perceptions of different stakeholders relating to purpose of Corporate Social Reporting Disclosure a list of different possible locations are constructed which is shown in Table 1.

Table 1: Purpose of Corporate Social Reporting and disclosure

No.	Purpose
1	To assist the internal management of the company.
2	To facilitate the financial institutions in doing negotiations.
3	To society in large for judging the action and policies of the company
4	To assist potential stakeholders in making their investment decision

5. RESULTS AND DISCUSSIONS

A list of possible location of corporate social reporting and disclosure was presented to the four respondents groups. They were asked to choose which location they think is the best for Corporate social reporting and disclosure.

The stakeholders were 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 the usefulness provided by these categories of information to them. 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: Purposes of the corporate social reporting and disclosures by the Indian corporate: Views of Different groups

Purpose	Purposes of the corporate social reporting and disclosures by the Indian corporate						
		To assist the internal mgt. of the company	To facilitate the fin. Institutions in doing negotiations	To society at large for judging the action and policies of the company	To assist potential stakeholders in making their investment decision	To assist the government for legal purpose	Mean
Academician N=100	Mean	4.56	4.02	3.98	3.65	3.88	4.038
	Rank	20	15	13	4	8	
Investors N=100	Mean	3.54	3.78	4.09	4.00	3.92	3.866
	Rank	2	6	16	14	11	
Govt. Officials N=100	Mean	3.67	3.90	3.84	3.83	4.37	3.922
	Tank	5	10	9	7	19	
Fin. Managers N=100	Mean	3.37	4.29	4.13	3.95	3.58	3.864
	Rank	1	18	17	12	3	
Total N=400	Σ	T ₁ =28	T ₂ =49	T ₃ =55	T ₄ =37	T ₅ =41	
	Mean	3.785	3.977	4.01	3.85	3.93	

(Source: Opinion Survey/Field work 2014)

The picture coming from Table 6.12 indicates that there is a significant difference in the mean perceptions amongst the groups involved in the survey at the 0.05 level of significance regarding purpose behind the CSR. The financial managers and investors give relatively low scores with 3.864 and 3.866 respectively. The result of Kruskal Wallis test also shows that there is a general agreement amongst the respondents concerning the purpose of CSR for assisting the society in large for judging the action and policies of company, since this purpose appears socially and morally desirable in India.

The purpose regarding assisting potential stakeholders in making their investment decision receives the highest score from investors (4.00) followed by government officials (3.83) and financial managers (3.95). But the academicians provided the lowest mean scores (3.65). To assist the internal management of the company received the lowest score from all the groups of the respondents expect the academician group has given the highest mean score of the 4.56.

Table 3: The importance of respondent groups' attached to the purposes of corporate social reporting and disclosure by the Indian corporate

Rank	Purposes of corporate social reporting and disclosure by the Indian corporate	Mean Score	
1	To society in large for judging the action and policies of the company	4.01	Very Important
2	To facilitates the financial. Institutions in doing negotiations.	3.977	Very Important
3	To assist the government for legal purpose.	3.93	Important
4	To assist potential stakeholders in making their investment decision	3.85	Moderately Important
5	To assist the internal management .of the company	3.785	Least Important

The picture coming from the table 3 indicates that the mean score of all respondent groups ranges 3.785 - 4.01 in general. All of these attached the highest importance to the purpose relating to society in large for judging the action and policies of the company with mean score of 4.01. The second rank with mean score 3.977 was given to purpose depicting facilitating the financial institutions in doing negotiations. Also the respondents attached a reasonably high important mean score of 3.93 to the purpose of assisting the government for legal

purpose. The purpose assisting potential stakeholders in making their investment received almost midpoint score of 3.85 with fourth rank. Moreover, the purpose related to assist the internal management of the company received lowest mean score of 3.785.

Results of Kruskal-Wallis Test :-

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

Table 4: Test Statistics

K calculated Value	3.14
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 respondent groups regarding reasons of partial corporate social reporting and disclosure, it is found that calculated K value is less than critical value at 0.05 level of significance therefore null hypothesis (H_{03}) is accepted which says that there is no significant difference between perceptions of stakeholders regarding purpose of corporate social reporting and disclosure

5. CONCLUSION AND SUGGESTIONS:

CSRD seems to have received modest attention from the different stakeholders of Indian. The analysis has uncovered the fact that all respondent groups perceived that the purpose relating to society in large for judging the action and policies of the company is most

important since this purpose appears socially and morally desirable in India.

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 for the wider set of stakeholders including consumers, employees, local communities and even society at large not only for them who are associated with company for their financial interest.

6. REFERENCES

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QUESTIONNAIRE

NAME:
 AGE:
 PROFESSION:
 PLACE OF WORKING:
 NO. OF YEARS EXPERINCE;
 IN THE FIELD OF FINANCING/ ACCOUNTING

Please indicate your assessment of importance which you personally feel are purpose behind the CSRD by Indian companies.

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

a. To assist the internal management of the company.

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b. To assist the government for legal purpose

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c. To society in large for judging the action and policies of the company

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d. To assist potential stakeholders in making their investment decision

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e. To facilitate the financial institutions in doing negotiations.

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