

Evaluating Corporate Social Responsibility Reporting of Top Indian Companies

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Abstract: The concept of corporate social responsibility has gained considerable attention in recent years with the increasing social pressure for the fulfillment of social responsibility. Companies need to act in a socially responsible manner for their long term survival. In a developing country like India, many public and private companies, to connect itself with this emerging concept are voluntarily disclosing this nonfinancial information along with financial activities in their annual reports and corporate websites. This information can be used as an effective tool for the generation of vital monetary as well as non-monetary information which can be used by both the internal and external stakeholders for effective decision making. The present paper tries to identify the extent to which the top Indian companies have adopted voluntary non-financial reporting as a practice. The study highlights significant findings with regard to social disclosure practices of Oil and Natural Gas Corporation Ltd (ONGC), Tata Steel Ltd (TSL), Tata Motors Ltd (TML), Hindustan Petroleum Corporation Ltd (HPCL), Bharat Petroleum Corporation Ltd (BPCL), Reliance Industries Ltd (RIL) and Indian Oil Corporation Ltd (IOCL). The study is based on the annual reports of these companies.

Keywords: Corporate social responsibility reporting, Social disclosure, Indian Public & Private Companies, Annual Reports.

1. INTRODUCTION

Corporate social responsibility implies responsibility of companies to contribute for the well being of society in which it operates. Companies need to interact continuously with society to meet their need of inputs and to sell off their output. Thus, it becomes necessary for the companies to take care of needs of society and minimize the ill effects of their operation on society. The concept of corporate social responsibility has gained momentum in recent years with the increasing social pressure for the fulfillment of social responsibility. The existence of companies is at stake if they do not act in socially responsible manner.

Corporate social disclosure refers to reporting of social activities. It can be defined as provision of financial and non-financial information relating to an organization interaction with its physical and social environment as stated in annual reports or separate special reports (Hackston and Milne, 1996).

CSR in Indian Context:

The origin of corporate responsiveness in India changes with the change in business philosophy. The MNC's and corporations in India do not follow CSR practices on a continuous basis but they adopt as marketing tool for promotion of their name in order to bring excellence over community, culture, environment and society without cultural and emotional association. Among other countries India has one of the oldest patterns of corporate citizenship. Most of the committees and amendments in acts provided provision for compulsory implementation of CSR and reporting in India. Many companies, banking institutions are involved in serving the community like Tata group, SBI, Aditya Birla group, ONGC, etc. Although, by donation, charity events, sponsorship programmes by NGO partners many of the organization have doing their part for the sake of society and environment. Basically, principal objective of corporations is to maximize its company's overall value by indirect expense for promotion of their goodwill, reputation and by increasing its business

competitiveness by influencing positive impact on society and stakeholder, companies set aside a fund from their budget to fulfill the tasks of social contribution. They do not spend in community but make policies for education, health, women welfare, rural development, wild life project, environment protection, etc. Many of the corporations in India like BPCL, MSIL, and NTPC used comprehensive methods for development of pillars of CSR. Donating medical care and sanitation facilities, building school and houses, development of village sector, empowering women and making them more self reliant, provision for vocational education and training etc are the major activities of these corporations directly or with the help of their NGO expertise. CSR has moved from various stages in India. There are four phases of corporate social responsibility in India given in the table:

Phases of CSR in Indian Context:

Phases of CSR	Pillar of trust	Principal strategies
Phase I (till 1914)	Main drivers are charity and philanthropy	It is the oldest phase of corporate responsiveness associated with culture, religion, family values and industrialization. The wealthy merchants in this period shared a part of their profit for welfare of society by building temples, helping at a time of epidemics by providing food and money. CSR approaches changed with the arrival of colonial 19 th century witnessed the main industrial families as Tata, Modi, Bajaj, Birla who strongly inclined towards the social economic activity but they are not only for religious purposes also drives their political objectives.
Phase II (1914-1960)	Social responsibility for common man and society	It is the second stage of corporate citizenship where the independence movement was at a peak and industrialists were on stress how to make social innovation of nation. Notion of trusteeship introduced by the Mahatma Gandhi to provide benefit to common man and ends philosophy of capitalism. The main pillars of operations were to abolish the untouchability, empowering the Indian women, development of schools, training centres, scientific institutions and rural development.
Phase III (1960-1980)	CSR exists on pattern of mixed economy, emergence of public sector undertaking, environmental and labour norms. Period of command and control.	This stage throws light on the formation of PSU and downsizing the private sector. Period of disclosure, reporting, policy of industrial licensing, high taxes, restrictions on private corporations who assembled towards corporate mal-functioning. Public sector undertaking set up by the state to ensure social development to community. CSR workshop conducted in 1965 by the Indian businessmen, industrialists and academicians to ensure CSR in their activity by way of fairness, transparency, sustainability but the attempt to implement CSR in their corporate values failed in spite to catch the streams of fire.
Phase IV (1980 onwards)	Mediator between philanthropic and sustainable business approaches	In the fourth phase the Indian corporations started sustainability in their business by the way of corporate responsiveness. The emergence of LPG were undertaken and removal of licensing system in order to coordinate together in social contribution by each industrial sector. Although those industries take participation in export activities they are ore obliged to pay attention to compliance with the international principals.

Law of CSR applicable in India:

Companies Act, 2013 provided that the companies having net worth of rupees 500 crores or more, turnover of rupees 1000 crores or more and net profit of rupees 5 crores or mandatory to spend 2% of last 3 years average profit on the corporate social responsibility activities as specified in schedule VII of the companies act 2013 and as amended time to time. These rules came into effect from 1 April 2014. SEBI has implemented mandatory provision for companies to prepare the Business Responsibility Reports as a part of the annual reports and disclosed it on their official websites.

2. REVIEW OF LITERATURE

There is a plethora of CSR research studies worldwide. However, some of the existing literature on the relevant topic in India is enumerated below:

Rao & Gupta (2004) analyzed annual reports of 30 public sector enterprises of India for the year 1999-2000 to examine the corporate social disclosure practices. The study found that IOC Ltd showed highest disclosures followed by SAIL. Least disclosures were found in case of BHEL.

Murthy (2008) analyzed the annual reports of top 16 software companies listed on Mumbai stock exchange to examine corporate social disclosure practices for the year 2003-04. The study found that human resource was most frequently reported followed by community development while environmental issues were least reported.

Rechanna and Mahadevappa (2010) evaluated the corporate social accounting disclosures of 10 listed Indian companies for the year 2009. The researchers found that public sector companies made better disclosures than private sector companies. SAIL in public sector and Infosys in private sector had maximum disclosures.

Sen et al. (2011) examined environmental disclosure practices of 22 core sector Indian companies for the year 2007-08. The researcher found that steel industry showed highest disclosures followed by oil and petrochemicals industry. The highest disclosures were found in case of SAIL. Conservation of natural resources was highest reported item by all the selected companies.

Kaur & Arora (2012) examined the social disclosure practices of 19 public and 23 private sector companies of BSE 500 index based on annual reports from 2003-04 to 2010-11. The study found that public sector companies made more disclosures as compared to private sector companies.

The review of literature highlights that corporate social responsibility has gained attention of researchers in last few decades. The studies which have been carried relates to voluntary disclosures of CSR activities. Further, few studies relate to social disclosure practices of public sector companies. However, these studies have been undertaken before the implementation of new Companies Act. The present study attempts to examine the social disclosure practices of public sector enterprises in light of new companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014 which provide for mandatory disclosure of CSR activities and list out of the specified CSR activities to be undertaken by companies.

OBJECTIVES OF THE STUDY:

In this study, attempt has been made to understand the non-financial reporting practices of the top Indian companies. However, the main objectives of the study are:

- ❖ To explore the current status and degree to which the companies are disclosing the CSR activities in their corporate website, annual report, CSR report.
- ❖ To understand the linkage between non-financial reporting and organizational performance.

3. METHODOLOGY OF THE STUDY

The study is based on comprehensive review of the existing literature on corporate reporting practices and information on CSR from secondary sources. Various research articles have been obtained from the electronic journal databases like EBSCO, JSTOR, Sage Online, etc. The information relating to the CSR reporting has been obtained from the annual reports of the selected companies. The relevant secondary data have been collected from corporate websites, annual reports, and CSR reports/business responsibility reports/sustainability reports of the selected companies for the financial year 2012-13. The study have been resorted to the annual reports of the selected companies since annual report is likely to be considered as most effective written form of communication for disclosing CSR. Seven Indian companies have been selected for the study. The information available on corporate websites and annual reports of the selected companies has been scrutinized to understand the present practices relating to CSR. The CSR practices have been studied in the light of the recent amendments in the Companies Act, 2013.

BREIF PROFILE OF CSR ATIVITIES OF SELECTED INDIAN COMPANIES:

- **Oil and Natural Gas Corporation Limited** (ONGC) is an Indian multinational oil and gas company headquartered in Dehradun, India. ONGC is the leader exploration & production activities in India having 72 percent contribution to India's total production of crude oil and 48 percent of natural gas. It is India's second largest publicly traded company and largest profit making PSU in India. ONGC's CSR activities are essentially guided by project based approach in line with the guidelines issued by the Department of Public Enterprises and Ministry of Corporate Affairs, Government of India. The CSR focus areas of ONGC are – education including vocational courses, health care, entrepreneurship (self-help and livelihood generation) schemes, infrastructure support near local operational areas, environment protection, ecological conservation, promotion, protection of heritage sites, women empowerment, girl child development, gender sensitive projects, sponsorship of educational events and promoting sports.
- **Tata Steel limited** (TSL) is a subsidiary of Tata group. It was established in 1907 as Asia's first integrated private sector steel company and presently as Indian multinational steel manufacturer operating in 26 countries, including Australia, China, Netherlands, Thailand and United Kingdom, etc. The company is generating employment of 80,000 across five continents. Tata Steel spends 5-7% of its profit after tax on CS initiatives. The CSR policy focuses on sustainability, and inclusive growth.
- **Tata Motors Limited** (TML) is India's largest automobile company. It manufactures commercial vehicles, midsize car and utility vehicles. TML is listed in the New York stock exchange since 2004 and operating in other countries like UK, South Korea, Thailand, South Africa and Indonesia. TML is involved in community and social initiatives of labour and environment standards in compliance with the principles of the United Nations Global Compact. TML is very concerned about the reduction of environmental pollution and restoration of ecological balance. Their community initiative includes education, healthcare, environment conservation and employability. TML strongly believes that the sustainability of the organization emphases on creating value in the long term, monitoring economic, social, environmental and intangible performances and paying attention to stakeholder satisfaction.
- **Hindustan Petroleum Corporation Limited** (HPCL) is a state owned Indian oil and gas company with 'Navratna' status annual turnover of Rs 1,90,048 crores (FY- 2012-13). HPCL's CSR model is based on "Creating Shared Value". The shared value model is based on the concept that corporate success and social welfare are interdependent. HPCL has adopted the Triple Bottom Line- "People, Planet and Profit", approach for showing more concern for the stakeholders than shareholders. During the FY 2012-13, the company has spent Rs 21.76 crores for different CSR activities relating to child care, education, healthcare, and skill development.
- **Bharat Petroleum Corporation Limited** (BPCL) is an Indian state-controlled oil and gas company. The CSR activities of Bharat Petroleum are with a vision of building of powerful partnership with society for 'Sustainable Development'. It uses three way execution model foe Community Projects.
- **Reliance Industries Limited** (RIL) is an Indian conglomerate holding company headquartered in Mumbai. This company is operating since 1960. Reliance's core CSR philosophy is social welfare and community development. Reliance contributes in the areas of health, safety, education, infrastructure development (drinking water, improving village infrastructure, heritage conservation, construction of schools, village roads and drainages, etc.), environment (effluent treatment, tree plantation, treatment of hazardous waste, etc.), relief and assistance in the event of a natural disaster, livelihood support, promoting sports and sportsmen and to other social development organizations. The major CSR activities of RIL are as follows- to promote education it has 9 schools throughout the country, it has set up many hospitals and nursing homes near all manufacturing units, initiatives like 'Drishti' for the treatment of blinds, health care programmes to combat TB, AIDS, etc; under safety initiatives it has provided training to truck/tanker driver; and for women empowerment it provides training through various SHGs help to the rural women.
- **Indian Oil Corporation Limited** (IOCL) is India's state owned oil and gas company. During the period of 2012-13, it has earned net profit of Rs 5,005.17 crores and it has spent Rs 78.97 crores on various CSR activities. The major programmes under CSR activities of Indian Oil are- 'Indian oil Sachal Swastheya Seva' which provides medical facilities in 681 villages in Andhra Pradesh and Uttar Pradesh and conduct health awareness camps on Family Planning, Health & Hygiene, HIV/AIDS, etc; Industrial Training Centre; Education Scholarship Scheme for 2600 candidates; 150 sports scholarship; contribution for the relief of the victims of natural calamities. The company has allocated 20 percent of total CSR spending towards release of one-time grant to Below Poverty Line (BPL) families under Rajiv Gandhi Gramin LPG Vitarak Yojana. It has contributed Rs 10 crores to protect, preserve and promote national heritage monuments.

4. FINDINGS OF THE STUDY

Based on the information collected on the CSR activities of the seven companies- Oil and Natural Gas Corporation Ltd (ONGC), Tata Steel Ltd (TSL), Tata Motors Ltd (TML), Hindustan Petroleum Corporation Ltd (HPCL), Bharat Petroleum Corporation Ltd (BPCL), Reliance Industries Ltd (RIL) and Indian Oil Corporation Ltd (IOCL), following table have been constructed:

Table 1 CSR Activities of the Selected Companies

CSR Activities	Number of companies	As percentage
Eradicating extreme hunger and poverty	2	25
Promotion of Education	7	87.5
Promoting gender equality and women empowerment	6	75
Reducing child mortality and improving maternal health	4	50
Fighting for AIDS, malaria and other diseases	7	87.5
Ensuring environmental sustainability	8	100
Employment enhancing vocational skills	8	100
Social business projects	4	50
Contribution to the Prime Minister's National Relief Fund and welfare fund for SC, ST, backward classes, minorities and women	6	75
Minimum spending on CSR @ 2 of net profit	4	50

In the above table the CSR practices of the selected companies have been judged in the context of CSR areas mentioned in Schedule VII. This has been done in order to understand our present position in relation to the CSR requirements as per the Companies Act, 2013. We will be able to know the journey we need to traverse to make sure the CSR is being practiced in its true sense. Considering the socio-economic profile of our country, CSR should not be used as the strategic business tool and our experiences validate this.

In Schedule VII of the Companies Act, 2013, it has been mentioned that CSR activities should include- eradicating extreme hunger and poverty; promotion of education; promoting gender equality and empowering women; reducing child mortality and improving maternal health; combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases; ensuring environmental sustainability; employment enhancing vocational skills; social business projects; contribution to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Governments for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women; and such other matters as may be prescribed.

Table 2 Global Rank, NPAT, CSR Reporting Rank, and HR Disclosure Rank of the Select Companies

Name of the company	Rank in global Fortune 500 list in 2013	Net Profit after tax in 2012-13 (Rs in crore)	CSR reporting rank	HR disclosure rank
Indian Oil Corporation	88	5005.17	4.5	3.5
Reliance Industries Limited	107	21003	4.5	3.5
Bharat Petroleum	229	2642.9	1	7.5
Hindustan Petroleum	260	904.71	8	3.5
State Bank of India	298	14104.98	4.5	3.5
Tata Motors	316	9892.61	7	7.5
Oil & Natural Gas Corporation	369	20925.7	2	1
Tata Steel	471	5062.97	4.5	6

In the above table the company has been ranked on the basis of the CSR reporting rank and HR disclosure rank. The table includes Global Rank and the NPAT.

The statistical analysis of the data in Table 2 reveals that there is no significant relationship among the variables. From this we can infer that the way corporate reporting practices carried out in India are not properly aligned with the corporate goal. The approach adopted is piecemeal in nature and very much need-based. The corporate reporting practices, focusing both on the financial and non-financial information needs to be properly webbed with the corporate strategy.

While studying the CSR reports, it has been observed that the selected companies are spending moderately high on environment, education, skill development of local youths, etc, but hard any concerted efforts for eradicating hunger and poverty and improving child mortality and maternal health. The companies need to carry out social outreach programmes which are need based and cater to the needs on the societal members. The amount spent on the CSR widely varies and it ranges from 1 percent to 6.36 percent of the net profit. Only four of the selected companies are spending 2 % and above for their CSR activities. In spite of the recommendations of the Ministry of Corporate affairs for 2 percent CSR spending, the companies have hardly paid heed to that. May be these indifferent, ignoring and avoiding attitudes of the corporate houses is one of the main reasons which have brought in legalized CSR. The data provided on the CSR activities and HR by the companies is inadequate and largely qualitative in nature. Many of the items are hard to quantify in monetary terms, but at the same time we must agree that there is dearth of effort for quantification. CSR accounting is emerging as a major concern area. An obvious fact has been noticed that the public sector units are more engaged in CSR activities than private organizations.

5. CONCLUSION

The present corporate reporting practices relating to CSR and HR widely varies among the selected companies. Companies are not very much interested to disclose information about their CSR and HR on voluntary basis. In this study we have observed that there are no such structured or uniform patterns of disclosure. Majority of the companies have disclosed CSR and HR information (except information mandated by the SEBI) in narrative form and it is entirely qualitative in nature.

From the poor reporting practices, we can infer that the CSR practices are not properly carried out Many of the companies lack proper people management policies and practices. The companies have a very indifferent attitude towards the non-financial reporting practices since it has not been mandated through legislation. The Companies Act, 2013, which focuses on improvised governance, will surely change the way corporate houses in India have been functioning. With the proper implementation of the Act, we can expect that the companies are going to adopt a better pattern for disclosing their non-financial information along with the financial information.

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