

Stakeholders perceptions regarding partial disclosure of Corporate Social Responsibility Disclosure in India: An Empirical Study

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Abstract

Aim

The aim of this research paper is to explore the views and perceptions of different stakeholder regarding reason behind the partial disclosure of Corporate Social Responsibility Disclosure (CSR) performed by Indian Corporate.

Research Methodology

The present study was an empirical study based on primary data. The data collection tool used for the study was structured questionnaire. The sample consisted of 400 respondents which were categorized into 4 groups –Academicians, Investors, Government and financial managers. To test the reliability of the questionnaire responses one hypothesis was made and which was tested by using Kruskal wallis test.

Findings

The research showed that lack of measurement techniques available for measuring the corporate social responsibility activities and emphasis of companies on the economic profit rather than social profit as the main reasons for partial CSR performed by Indian corporate.

Keywords: Corporate Social Responsibility, Stakeholders, India.

Introduction

In modern era of globalization, stakeholders regard business organizations as a social unit whose activities are accountable towards the society. This approach has shifted the objective of business organization from profit maximization to social responsibility. This belief has shown an amplified intention towards CSR. Unfortunately, despite of enhancement in attention towards CSR at world level, the development of CSR is very slow in developing countries like India. Moreover, it has been observed that most of the studies which already exist in literature on CSR are related to developed countries and have been done before economic liberalization focusing on specific sector. In order to fill this gap the current research has been conducted to explore the views and perceptions of different stakeholders regarding reason behind the partial disclosure of CSR performed by Indian corporate. 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 which includes the sample, research techniques and research hypothesis. The next section refers to findings of Kruskal Wallis and hypothesis testing. The last section deals with suggestions and conclusion.

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.

Objective of The Study

To explore the views and perceptions of different stakeholder regarding reasons behind the partial disclosure of Corporate Social Responsibility Disclosure (CSR) performed by Indian Corporate.

Research Methodology

The empirical research design has been applied in this study to explore the views and perceptions of different stakeholder regarding reasons behind the partial disclosure of Corporate Social Responsibility Disclosure (CSR) performed by Indian Corporate.

Sample Size: Data was collected from 400 respondents which have been categorized into 4 groups –Academicians, Investors, Government officials and Financial Managers.

Sampling Method: Convenience Sampling was used to identify and sample the respondents where in researcher sent questionnaires to familiar people who were known to researcher.

Data collection tool: Structured Questionnaire

Design of study: A list of possible reasons behind partial disclosure done by Indian corporate was constructed. This list of reasons was amalgamated into four categories as shown in Table 1. The stakeholders were asked to assess the degree of importance they would attach to each of these reasons.

Research Hypothesis

H0 = There is no significant difference between perceptions of stakeholders regarding reason behind partial disclosure done by Indian corporate.

H1= There is significant difference between perceptions of stakeholders regarding reason behind partial disclosure done by Indian corporate.

Table 1: Reasons behind partial corporate social reporting and disclosure by the Indian corporate

No.	Reasons behind partial corporate social reporting and disclosure by the Indian corporate
1	Insufficient demand of CSRD from stakeholders
2	Lack of measurement techniques are available for measuring the CSR activities
3	Companies emphasis on the economic profit rather than social profit
4	Information related to CSR is sensitive

Findings and Results

A summary of the responses of the study participants is depicted in Tables 2, 3 and 4. Table 4 shows the result of Kruskal-Wallis Test and further shows if there is any significant difference between the means of perceptions of

different stakeholders regarding reasons of partial corporate social reporting and disclosure. Table 3 presents the rank of each reason with the mean of scores given by each respondent (on a 1-5 scale: 1 means not at all important, 5 means very important and 3 is the mid-point of the scale) regarding each possible reason.

Table 2: Reasons Behind Partial Corporate Social Reporting and Disclosure by the Indian Corporate: Views of Different groups

Usefulness/ Importance	Groups	Reasons behind partial CSRD				Mean
		Companies emphasis on economic profit rather than social profit	Lack of measurement techniques available	Insufficient demand of CSRD	Information related to CSR is sensitive	
Academician N= 100	mean	4.56	4.31	3.98	3.65	4.112
	rank	16	13	7	3	
Investors N=100	mean	3.54	4.23	4.09	3.98	3.96
	rank	1	12	10	9	
Govt. Officials N=100	mean	4.53	3.87	3.92	3.84	4.03
	rank	15	5	6	4	
Fin.Managers N=100	mean	3.58	4.36	4.13	3.95	4.00
	rank	2	14	11	8	
Total N=400		T ₁ = 34	T ₂ =44	T ₃ =34	T ₄ =24	
	mean	4.05	4.19	4.017	3.85	

Table 2 shows that all the respondent groups except government officials considered lack of measurement techniques available for measuring the CSR activities and emphasis of companies on the economic profit rather than social profit as the main reasons for partial corporate social reporting and disclosure done by Indian companies.

They considered it as the third important reason. The other reason stating information related to CSR is sensitive also received a relatively high mean score but financial managers considered as least important.

Moreover there is a general agreement between the different stakeholders' perceptions on the fourth reason stating insufficient demand of CSR from stakeholders as all respondent groups deemed it to be a least important reason for supporting partial dissemination of corporate social reporting information by Indian companies. Investor groups (3.96) were low mean scorer and academicians were the highest mean score (4.112).

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

Rank	Reasons behind partial corporate social reporting and disclosure by the Indian corporate	Mean Score	
1	Lack of measurement techniques are available for measuring the CSR activities	4.19	Very Important
2	Companies emphasis on the economic profit rather than social profit	4.05	Important
3	Information related to CSR is sensitive	4.01	Moderately Important
4	Insufficient demand of CSR from stakeholders	3.85	Least Important

The picture coming from Table 4 shows that the mean score of all respondent groups was between 3.85 and 4.19 in general. All of the respondents, however, tend to believe that the main reasons for partial CSR by Indian companies were lack of measurement techniques available for measuring the CSR activities reason received the highest mean score (4.19) followed by the reason stating emphasis of companies on the economic profit rather than on social profit with mean score of 4.05. Therefore, these reasons have been considered by the study participant as a high importance category. Also the respondents attached a

reasonably high importance mean score of 4.01 to the reason that signaled information related to CSR is sensitive. Reason related to Insufficient demand of CSR from stakeholders considered to be relatively least important with lowest mean score (3.85).

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	2.2
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 (H0) is accepted which says that there is no significant difference between perceptions of stakeholders regarding reasons of partial CSR disclosure.

Conclusion And Suggestions

CSRD in India seems to have received modest attention from most of companies in terms of the space devoted to and subjects covered by such disclosures in annual reports but majority of the respondent groups considered lack of measurement techniques available for measuring the CSR activities and emphasis of companies on the economic profit rather than on social profit as the main reasons for partial corporate social reporting and disclosure done by Indian companies which reflects the desire of all stakeholders to see more CSR information. Therefore on the basis of above findings following suggestions have been given to improve the CSRD practices in India:

1. To improve the corporate social reporting and disclosure status and to provide the guidance for companies in disclosing such information, the accounting associations in India should develop and adopt the standard universal accepted format and measurement technique for accounting and auditing corporate social reporting and disclosure which should cater the needs of all groups of stakeholders. This standard format and measurement technique should be incorporated in the Indian Companies Act or other legislations that organizes and regulate businesses in India.
2. To improve the awareness of the 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.

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