

## IMPACT OF CSR PERFORMANCE ON ITS REPORTING/DISCLOSURE PRACTICES: A STUDY ON BSE 100 COMPANIES

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### ABSTRACT

Disclosures on corporate social responsibility policies, practices and performances made by the Companies may not knock off their CSR behaviours. Over the past years business entities across the world have brought up a number of reports on policies, practices, and performance of their involvement in social and environmental issues, these disclosures may be little more than an imperative approach. The Literature on CSR still remains unplumbed as regards to the extent to which CSR disclosures are representational or for real. CSR is being looked as a multidimensional concept in academic research. An attempt of its first kind has been made in this study to evaluate the association between amount spent on corporate social responsibilities and the level of its reporting and disclosure. Among BSE 100 companies selected for the study it is found that there exists positive relationship between the CSR Disclosure in Chairmans statement and CSR Amount Spent.

**Keywords:** CSR Disclosure, Multidimensional Concept, BSE 100 Companies, CSR Performance

### INTRODUCTION

Primarily, corporate social responsibility is a perception whereby the business entities settle on freely to have a say to improve society and a cleaner surrounding. CSR Springs up the relationship between a business entity and the surrounding societies within which it exists and operates, and also responsibilities owned by business entities towards society to emancipate actions by them in quest of earning the money in the form of profit. Corporate social responsibility is being looked as the assistance shouldered by the entities to society through its activities and its social venture.

CSR has been also viewed as the group of good citizenship actions undertaken by the business entities. It has been also used as a technique of operating the business activities ensuing a significant impact on community and enduring sustainability as the business entities have focused on the strategic CSR initiatives to uplift the economic growth in the areas of Health, Livelihoods, Education, and management of natural resources.

With enactment of the Companies Act-2013, Indian Economy becomes the first country in the world to make corporate social responsibility mandatory for the companies which do fall under certain threshold as per the section 135 of the said act. By this it can be understood that the significance of the corporate social responsibilities being imposed by the regulatory authorities is much higher so as to the business entities must re-emphasise the significance of social responsibilities. As a result, the concept of corporate social responsibility reporting and disclosure seeks closer attention by the business entities beings operated in such environment. Presently, the concept of corporate social responsibility reporting and disclosure remains at a premature developmental stage. It is inevitable responsibility of the business entities to disclose the information about its social and environmental activities on account of the impact of activities of an organization on the society Reporting is being used as means that provides

access for standardized information to the stakeholders of an entity and the society at large. Reporting of an Entity's performance in socially responsible activities is a means to provide stakeholders an account of an entities influence's on society.

## LITERATURE REVIEW

In recent studies undertaken on CSR Disclosure reveals that Information being reported has low amount of reliability and increased absence of completeness.

(Carroll, 1979) Proposed a conceptual model that broadly describes essential elements of corporate social performance. His model is popularly known as Carroll's A Conceptual Model of Corporate Performance with 3 dimensions.

(Raman, 2006) in his study intended to highlight perception and reporting of CSR by the top management. The chairperson message section among top 50 companies' Annual Reports in India were studied by employing the content analysis technique to pinpoint the scope and essence of social reporting. "Product and service and development of 'human resource' are most acknowledged aspects" [12] of CSR as concluded in the study.

(Murthy, 2008) in his study looked into the corporate social responsibility disclosures of 16 Indian software firms during the year 2003-04. He applied a content analysis tool to evaluate the dimensions of CSR disclosure regarding human resources, community development, products and services, and environmental issues. The study pointed out that the human resources dimension of corporate social responsibility followed by the community development were most frequently disclosed. Environmental issues disclosure stood at the bottom position. Further, the study reported that the firms involved in CSR practices without expectation of changes in their economic performance.

(Tuli, 2013) in his study made a comparison on the sustainable development reports by the companies in the USA being a developed economy and India being a developing economy. Content analysis was applied on the sustainability reports during the period 2008-2011 of 20 companies in USA and 30 SENSEX companies in India. The study reported that Among 20 companies in the USA, 14 companies disclosed separate sustainability reports while in India among 30 SENSEX companies only 16 companies presented the sustainability reports. However, the study found an interesting result that the sustainability report of Indian Companies contained more quantitative information as required in GRI's G3 guidelines than compared with USA companies.

(Pahuja & Juneja, 2013) made a study on 30 BSE listed companies which focuses on corporate social responsibility (CSR) disclosures these companies. The motive of the study was to examine the degree of CSR disclosures for which the Content analysis methodology were applied. The annual reports of the companies for the year 2011-12 were studied. Further, Standalone CSR reports, Directors' report, Chairman's report and Sustainability reports were analysed for providing in depth results. Most of the companies in India disclosed their corporate social responsibility information in the Directors report section of their annual report.

(Bhatia & Chander, 2014) in studied 25 BSE SENSEX Companies in India during the year 2009-10 to examine the CSR disclosure by selected companies. CSR Index was prepared by using content analysis technique. Company-wise and industry-wise scores have been evaluated by using the CSR Index. The study concludes that the CSR disclosures by these selected companies is poor with average disclosure at 31 % by company wise and 40.50% by industrywide.

(Rajput, Chopra, & Aggarwal, 2014) studied 120 Annual reports, 70 sustainability reports and websites to examine the sustainability performance considering GRI guidelines on environmental, governance,

social, and economic parameters. The study reports that the sustainability reporting trends among Indian companies is gaining importance among Indian companies gradually. The external assurance of sustainability reporting as GRI guidelines has improved significantly from 35% in 2006 to 75% in 2013.

(Kansal , Joshi , & Batra, 2014)Conducted the study to establish the association among a number of financial and non-financial individualities of the business entitiesand degree of CSR disclosures among the companies in the fast emerging and well represented Indian economy. The study reports that a company's affiliation and profitability have significant influence on the CSR disclosure. There exists the positive correlation between profitability and CSR disclosure.

(Michelon, 2015)in his study made an attempt to explore stand-alone CSR reports, commitment towards CSR reporting and reporting guidance as the application of CSR reporting practices. They argued that the above practices likely to be the result of a fundamental approach to CSR accepted to carry out duties of being accountable to concerned stakeholders, or on the contrary they could represent symbolic actions intended to represent by companies as assuredly committed to CSR. The study was concluded with findings that companies that make use of these practices do not make available information with finest, which made the authors to infer as evidence of a symbolic application of these practices.

(Charumathi B & Latha R, 2015)in their study explored the determinants of the voluntary disclosures by NSE Listed non-financial companies. Content analysis technique was employed for 176 non-financial firms for the period 2009-10 to 2012-13 to measure voluntary disclosures levels. For the purpose they developed a voluntary disclosure index including 81 items belonging to financial and non-financial aspects of the firm's affairs.

(Agudelo, Jóhannsdóttir, & Davídsdóttir, 2019)in their study made an attempt to bring out a distinct historic outlook over the progression of CSR concept being theoretical model by analyzing the relevant factors that have made its thoughtful and definition. The study found that the knowledge of the corporate responsibility concept has grown from undertaking a set of compressive activities out of the profits earned to the modern optimism that creation of shared value should be the key obligation on the part of companies.

(Maqbool & Zamir, 2019)studied association between the mandatory spendings on CSR activities and its disclosure Indian business organizations. The annual reports of companies (SENSEX) for year 2016–2017 were examined to identify the foremost area of CSR reporting. The study was concluded with findings that “fair business practices, community development and ‘environmental activities’ obtained most alertness”[7]. Further, the outcomes of the study depicted that ‘mining and mineral’ companies prominently communicated the CSR disclosure followed by ‘energy sector’ companies.

(Aspal & Singh , 2020)studied the essence and level of CSR Disclosures among Indian corporates over a period from 2014-2016. Content analysis tool was applied by categorizing the CSR disclosure into four dimensions. Over the study period, it is observed that among top 200 BSE Listed companies the percentage of corporate entities disclosing CSR information has been improved. “Regarding dimension of CSR disclosure, Customer issues and products gained most attention followed by community development and welfare, environment, employee relations. Further, the reports of the study indicate that Oil and Gas industry has gained top most position with regard to CSR disclosure while chemicals and Leather industry stood at bottom position”[2].

## OBJECTIVES

- a) To study the CSR performance (Amount Spent on CSR) by the selected companies.
- b) To know the level of CSR reporting and disclosure made by selected companies.
- c) To examine the association between the CSR performance (Amount spent on CSR) and the extent of its reporting and disclosure in the annual reports.

## RESEARCH METHODOLOGY

BSE 100 Companies are selected as sample for the purpose of the study. The Study focuses basically upon the amount spent towards CSR Activities and the extent of its disclosure in the Chairperson Statement, CSR Policy and annual reports of the selected companies. The data for which had been extracted from the annual reports and websites of the respective sampled companies.

In the study, the size of the companies as measured by sales and assets and the risk measured by Tobin’s Q Ratio were employed as control variables. These factors have been considered as most suitable to establish the linkage between the financial performances with that of CSR performance. The Annual reports of the respective companies for the FY2022 were used to extract the data with regard to control variables

Table 1 is used explain all the variables and their measurement (independent as well as dependent)

**Table 1:** Definitions of the Variables’ and their Sources of Data Collection

Sl. No	Variable	Abbreviation	Description	Source
1	CSR Amount Spent	CSR_Amt	Amount spent towards CSR activities	Annual Reports of selected Companies
2	CSR Policy Disclosure	CSR_PD	Contents of CSR Policy as per Compliance by the law and Beyond Compliance have been listed and evaluated their disclosure for individual companies under the study.	
3	CSR Disclosure in Chairman’s Statement	CSR_CSD	Chairman’s Statements for the selected companies were analysed and examined for disclosure in their statement with regard to CSR Activities, Quantification of CSR Activities, CSR Amount Prescribed, CSR Amount Spent Benefits and Area of CSR Activities undertaken.	
4	CSR Disclosure score in annual report.	CSR_ARD	Annual Report of the selected companies were examined for overall disclosure for CSR in their Annual Reports.	
5	Total Assets	TA	Total Sum of Current and Non-Current Assets being used as control variable to express the size of the business entity.	
6	Total Sales	TS	Total Sales is also considered as one of the essential variables to know the size of the company.	
7	Ratio of Tobin’s Q	TB_Q	“The market value of equity + total borrowings divided by total assets.”	

Panel regression analysis is being utilised in the study to study the association between the CSR performance (Amount of CSR Spent) and the level of its disclosure in the annual Further, ANOVA tool is applied to compare the mean values of different variables with regard to CSR Disclosures, Since the study examines the CSR Disclosure on 3 different parameters, following hypotheses were formed.

**Disclosure in Chairman’s Statement.**

H<sub>1</sub>: There is significant impact of CSR Amount Spent on CSR Disclosure in Chairman’s Statement

**CSR Policy Disclosure**

H<sub>1</sub>: There is significant impact of CSR Amount Spent on CSR Policy Disclosure.

**CSR Disclosure score in annual report.**

H<sub>1</sub>: There is significant impact of CSR Amount on CSR Disclosure score in annual report.

**Regression Model**

Panel Data Linear regression model is being applied to examine the relationship between the amount spent on CSR and the extent of its disclosure in the annual reports and public domain of the respective companies.

$$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Model 1

CSR Disclosure in Chairman Statement =  $\alpha + \beta_1$ CSR Amount Spent +  $\beta_2$ Total Assets +  $\beta_3$ Total Sales +  $\beta_3$ Tobin’s Q +  $\varepsilon$

Model 2

CSR Policy Disclosure =  $\alpha + \beta_1$ CSR Amount Spent +  $\beta_2$ Total Assets +  $\beta_3$ Total Sales + Tobin’s Q +  $\varepsilon$

Model 3

CSR Disclosure score in annual report =  $\alpha + \beta_1$ CSR Amount Spent +  $\beta_2$ Total Assets +  $\beta_3$ Total Sales +  $\beta_3$ Tobin’s Q +  $\varepsilon$

**DATA ANALYSIS AND DISCUSSION**

**A. Descriptive Statistics**

**5.1: SUMMARY OF DESCRIPTIVE STATISTICS**

Sl. No.	Variable	Mean	Std. Dev	Range	Minimum	Maximum	Sum	Count
1	CSR Amount Spent (Rs. In Lakhs)	7805.951	13487.8	61419.99	44.01	161464	780595.1	100
2	CSR_PD	0.617117	0.147588	0.833333	0	0.833333	61.7117	100
3	CSRD_CSD	0.274775	0.233122	0.666667	0	0.666667	27.4775	100
4	CSRD_ARD	0.705405	0.13529	0.5	0.4	0.9	70.5405	100
5	Total Assets (Rs. In Lakhs)	437133.2	755316.7	3439519	2464.56	13441984	43713320	100
6	Total Sales (Rs. In Lakhs)	296626.1	512536.3	2333960	1672.38	32335632	29662610	100
7	Tobin's Q	6.43	6.93	39.65	0.25	39.9	643	100

**B. Regression Analysis:**

**Model 1 (Dependent Variable - CSR Disclosure in Chairman’s Statement)**

To test the impact of CSR Amount Spent on CSR Disclosure in Chairman’s Statement regression analysis were applied.

Table:5.1 Summary of Regression

Multiple R	R <sup>2</sup>	Adj_R <sup>2</sup>	Standard-Error	Observations
0.35393629	0.45484	0.368327694	0.236401163	100
Dependent Variable : CSR_CSD				

Table: 5.2 ANOVA

	SS	df	MS	F	Significance F
Regression	0.000464	1	0.000464	0.008296	0.003948
Residual	1.955993	99	0.055886		
Total	1.956456	100			

CSR Disclosure in Chairman’s Statement (dependent variable) and CSR Amount Spent (independent variable), with size and risk (measured total sales, total assets and Tobin’s Q) are control variables. A low degree of correlation between the variables is observed as the linear correlation coefficient is 0.35393. “R-Squared (R<sup>2</sup> or the coefficient of determination) is a statistical measure in a regression model that determines the proportion of variance in the dependent variable that can be explained by the independent variable” i.e., the variations in the CSR Disclosure in Chairman’s Statement can be explained by the independent variable i.e., CSR amount Spent. The model states that only about 45.48% (R<sup>2</sup>= 0.45484) of the variation on CSR Disclosure in Chairman’s Statement is being explained by Amount Spent on CSR.

The statistical significance of the regression model on CSR Policy Disclosure Score is explained by ANOVA. The regression model is statistically significant as the P-value is less than 0.05

**Model 2 (Dependent Variable - CSR Policy Disclosure Score)**

To test the impact of CSR Amount Spent on CSR Policy Disclosure Score regression analysis was applied.

Table: 5.3 Summary of Regression

Multiple R	R <sup>2</sup>	Adj_R <sup>2</sup>	Standard-Error	Observations
.38773851	0.1503412	-0.027025062	0.149568928	100
Dependent Variable : CSR Policy Disclosure Score				

Table: 5.4 ANOVA

	SS	df	MS	F	Significance F
Regression	0.001179	1	0.001179	0.052699	0.819769
Residual	0.78298	99	0.022371		
Total	0.784159	100			

CSR Policy Disclosure Score (Dependent Var) and CSR Amount Spent (Independent Var), with size and risk (measured total sales, total assets and Tobin’s Q) are control variables. A moderate degree of correlation between the variables is observed as the linear correlation coefficient is 0.3877 for the above explained variables. The model states that only about 15.03% ( $R^2= 0.1503$ ) of the variation on CSR Disclosure in CSR Policy Disclosure Score is being explained by Amount Spent on CSR. The statistical significance of the regression model on CSR Policy Disclosure Score is explained by ANOVA. The regression model is statistically insignificant as the P-value is more than 0.05

**Model 3 (Dependent Variable - CSR Disclosure score in annual report)**

To test the impact of CSR Amount Spent on CSR Disclosure score in annual report regression analysis was applied.

**Table: 5.5 Regression Statistics**

Multiple R	R <sup>2</sup>	Adj_R <sup>2</sup>	Standard-Error	Observations
0.4072	0.1658	-0.0270	0.1371	100
Dependent Variable : CSR_ARD				

**Table: 5.6 ANOVA**

	SS	df	MS	F	Significance F
Regression	0.000986	1	0.000986	0.052466	0.82016
Residual	0.657933	99	0.018798		
Total	0.658919	100			

CSR Disclosure score in annual report (dependent Var) and CSR Amount Spent (Independent Var) as the independent variable, with size and risk (measured total sales, total assets and Tobin’s Q) are control variables.

A moderate degree of correlation between the variables is observed as the linear correlation coefficient is 0.4072 for the above explained variables. The model states that only about 16.58% ( $R^2= 0.1658$ ) of the variation on CSR Disclosure in Chairman’s Statement is being explained by Amount Spent on CSR. The statistical significance of the regression model on CSR Policy Disclosure Score is explained by ANOVA. The regression model is statistically insignificant as the P-value is more than 0.05

**KEY FINDINGS**

The Study integrated the different dimensions to assess the relationship between CSR Performance and the quality of CSR Reporting. CSR Disclosure in Chairman Statement of the selected companies is between low to medium with CSR Disclosure Score of 45%; CSR Policy Disclosure score of the selected companies is moderate with mean score of 67%; and CSR Disclosure score in Annual Report of the selected companies is also moderate with mean score of 70%. Further, The Three Models of Regression as shown at the Data Analysis section reveals that There exists no significant impact of CSR Amount Spent CSR Policy Disclosure and CSR Disclosure score in annual report. However, a positive relationship has been identified between CSR Amount Spent and its disclosure in Chairpersons Statement.

**CONCLUSION**

The positive significant relationship between the CSR Amount Spent and its disclosure in Chairpersons Statement can be interfered as chairperson speaks about CSR activities only when the good amount of money spent towards CSR Activities. The discussion and findings part of the study reveals that the selected companies are reporting and disclosing in their annual reports but with the limited content and information. The companies are spending a good amount on CSR activities; however, it does have moderate impact on the extent of its reporting and disclosure. With legitimization of CSR in India and growth in the of sustainability recognition, the corporate sector is expected to be more dynamic not only on CSR Spending's but also on the extent of its reporting and disclosing relevant information on the various platforms available with them. Further, it is the matter of hope that the companies bring up an independent CSR Report in the days to come.

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