Corporate Social Reporting: A Theoretical Perspective in Current Scenario in India

Corporate social responsibility has become an increasingly popular and controversial area since the 1970s. Corporate Social Reporting is part of CSR, a new concept especially in the accounting profession. The result of a study analysis on 106 companies as on March 31, 2014 is worth taking note of here. The result of this study found that social information was disclosed mostly in company's annual reports, Chairman's report, Directors' reports, notes to accounts, schedule to accounts and auditors' report. This study also suggested that the corporate social reporting should be the part of curriculum not only for commerce and management but also the part of curriculum of Chartered Accountants. This article focuses on the provisions of the Companies Act, 2013 and the Institutional Social Principles activities on mandatory expenditure and disclosure. Read on...

Introduction

In recent years, corporate social reporting has become an issue of interest for researchers. During the decade of the 1970s and 1980s, corporate social disclosure was focused on reporting social and environmental related information, and this trend continued in the 1990s as well. Corporate social reporting is a reporting section that is entirely related to the functioning of the social system. Annual reports can be measured as a report for the community. An annual report of an entity typically includes a Directors' Report, Management Report, Financial Statements, Auditors Report, and Notes to Accounts. The company's social programme report should always be in the form of a social report in the activity report. The area covered by social reporting includes environmental, community relations, consumer complaints, quality, product safety and human resources. Historical events such as the Exxon Valdez oil spill in Alaska (Patten, 1992) and Union Carbide Gas Leak (Blackoconiere & Pattern, 1994) in India show a company's activities. For this reason,

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investors, government officials and public are very important for social and environmental disclosures provided by companies. Stakeholders should identify companies that control pollution and follow procedures for environmental protection. Corporate social disclosure is the expansion of the financial disclosure system, which reflects a wider perspective of a society related to the role of the business world in the economy. Social and environmental is called corporate social responsibility reporting (Deegan, 2007). The concept of corporate social and environmental responsibility was introduced for the first time in the 1990s by multinational companies (Juhman, 2014). Environmental disasters and global warming increased corporate environmental responsibility awareness.

One of the social responsibilities that a corporate entity is expected to discharge towards society is the effective and efficient use of social and environmental resources. Various social and environmental rules, regulations and laws have been enacted all over the world to make business discharge this responsibility in the right earnest. The performance of any business is not only on its economic performance, but also on how efficiently it discharges its responsibilities towards the environment and social (human) sizes. Increased awareness of social responsibilities of business and accountability of directors to shareholders and the wide public interest has led to the development of need for improvement in corporate reporting practices. But because of the poor implementation of these rules, much result could not be achieved. We can achieve this purpose through a new topic, corporate social reporting in India in the current scenario. Indian corporate can improve their performance by reporting social and environmental disclosure. Corporate social reporting refers to the internal and external reporting of social, environmental and financial information, mainly through annual reports of companies.

Global Corporate Social Reporting

Corporate Social and Environmental Reporting is very little, common and expressive in nature in the developing countries (Imam, 2000). However, growing trend is observed in many countries (Ratanajongkol et. al. 2006). Said et al. (2009) analysed that Government possession and audit committees are positively and significantly simultaneous with the level of CSR disclosure, but the most significant variable that influences the level of CSR disclosure was in government ownership. Siregar and Bachtiar (2010) examined that size has a positive effect on Corporate Social Reporting. The study also found that larger firms in size disclose more social information than small firms. Lungu et al. (2011) found that characteristics measured by assets and revenues cannot be related to the scope of CSR reports issued by companies; however, there is a significant negative relationship between social and environmental disclosures for the companies that are modeled by the shift and equity return. Pahuja and Juneja (2013) analysed that 53% of companies disclose their social accounting information in monetary and non-monetary formats. The report found that directors' report is the most popular place for CSR information disclosed by companies in India. Kilian and Hennigs (2014) examined that quantitative results take the hypothesis that companies in controversial industries are more energetic in CSR communication than firms in undisputed sectors. Elmogla et al. (2015) analysed that Libyan companies generally disclose some information about social responsibility, but only at a low level compared to developed countries and only in certain areas. This has changed little over the five years studied. Talha et al. (2016) show that Indian companies of size, nationality, industrial type, ownership and leverage set the level of corporate social reporting. Botshabelo et al. (2017) found that a significant number of banks in Botswana were involved in CSR activities and reported these reports in annual reports. The findings of the study reveal that the majority of the banks have participated extensively and reported their involvement in community participation and human resources activities. The results show that about two thirds of the changes in CSR reporting levels can be explained by a combination of size, age and listing status. However, only the size was found to have a significant positive relationship with CSR reporting levels.

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Corporate Social Reporting in India

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- Net worth of ₹500 crore or more or
- Annual turnover of ₹1000 crore or more or
- Net profit of ₹5 crore or more

Companies (Corporate Social Responsibility Policy) Rules, 2014 define the net profit of a company, which means the net profit according to the financial statements prepared according to the 2013 Act, but is not included in it:

- A benefit resulting from a foreign branch or branches of the company, whether it be operated as a separate company or not;
- To receive from other companies in India dividends, as applicable, comply with CSR provisions.

Activities under Schedule seven are as per the following:

The Schedule VII of the Companies Act, 2013 gives a rundown of exercises which can be joined by the organisations in their Corporate Social Responsibility (CSR) strategies: Activities identified with:

- To dispose of unnecessary craving and neediness
- Promotion of education
- Empowering Promote sexual orientation correspondence
- To enhance to lessen tyke mortality and maternal wellbeing
- Ensuring environmental sustainability
- Employment to upgrade business skills
- Social business ventures

To decide CSR exercises, need ought to be given to neighbourhoods encompassing zones where the organisation works. Schedule VII expresses that some new exercises can be sorted as CSR exercises - preservation of national legacy, craftsmanship and culture, recorded significance and the reclamation of structures for the show-stoppers, the foundation of open libraries, the advancement of conventional expressions and improvement and handiworks, veterans of military, war dowagers and their wards, rustic improvement ventures, sports Promoting preparing, innovation measures for the advantage of the measures for the hatchery and so forth. The extent of some current exercises has been expanded the extent of advancement of training additionally incorporates custom curriculum, what's more, the program stretches out on a few exercises. For instance: natural sustainability, which incorporates keeping up adjustment of air, water and soil quality, protecting national assets, and so on. CSR exercises ought not to be taken in the general course of business and ought to be identified with any movement specified in that. Schedule of the Companies Act, 2013 contribution to any political gathering is not viewed as a CSR movement and just exercises in India will be considered for estimation of CSR expenditure.

CSR Committee: Each qualifying organisation needs to make a CSR committee, which will set up the organisation's CSR approach and adequately screen the organisation's CSR exercises. Section 135 of the Act says that a CSR panel is required to meet no less than three directors, including an autonomous director. In any case, the non-recorded open organisations and privately-owned businesses are not required to designate a free executive of their CSR advisory group autonomous chief and demand that for a privately-owned business and an outside organisation member.

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Duties of the CSR Committee:

- Bearing in mind the ultimate goal of preparing and preparing the Executive Board, a Corporate Social Responsibility Policy to be undertaken by the organisation in Schedule 7.
- Prescribe expended use for CSR activities
- Monitoring the company's CSR strategy

Responsibility of the Board:

The leader group of each ranking organisation should arrange the following tasks:

- The board council is responsible for assessing and approving the organisation's CSR activities.
- Recommend spending on the above related activities
- Less than 2% of the net benefit of the past 3 years is not spent on CSR exercises every year
- Monitoring the CSR approach from time to time
- Accepting and revealing the CSR strategy in the annual manager's report and site
- Ensuring the use of CSR exercises per regulation
- Before the annual meeting, the Board should submit a report containing data on the CSR activity taken during the year related to past money.
- Specify the purpose behind the execution report, if the predetermined amount is not consumed.

Ways for Enterprise CSR Activities:

CSR exercises should be possible through:

- An enrolled trust, or
- An enrolled society, or
- An organisation set up by the organisation or its holding or auxiliary organisation or stakeholder organisation, regardless of whether for an advantageous organisation or something else.

Business Responsibility Report: Other practices prerequisites commanded by the Indian government including CSR are by SEBI, which issued a top on August 13, 2012, in which the main 100 listed companies were made obligatory to report their Environmental, Social and Governance (ESG) activity. They are accounted for as a piece of the yearly report as a Business Responsibility Report (BRR). SEBI has given a layout to recording a BRR in consistence with the National Voluntary Guideline (NVG) distributed by the Ministry of Corporate Affairs in July 2011. The provisions have additionally been made in the listing agreement for the accommodation of the BRR by the respective companies. The listing agreement also provides the format of the BRR. Organisations need to report their execution on nine NVG standards for BRR. SEBI has urged other recorded organisations to intentionally unveil data on their ESG execution in the BSR format.

Corporate Social Reporting of Selected listed Indian Companies of Dollex-200

The Social Disclosure Index (SDI) score of 106 Indian companies has been collected through annual reports of 31st march, 2014.

Table I: Distribution of Companies According to Social Disclosure Index

Social Disclosure Index (in percentage)	No. of Public Sector Companies	No. of Private Sector Companies	All Companies
Less than 20	1 (6.25)	9 (10.00)	10 (9.43)
20-30	2 (12.25)	22 (24.45)	24 (22.64)
30-40	2 (12.25)	29 (32.22)	31 (29.25)
40-50	7 (43.75)	19 (21.11)	26 (24.53)
50-60	3 (18.75)	10 (11.11)	13 (12.26)
60 and above	1 (6.25)	1 (1.11)	2 (1.89)
Total	**16**	**90**	**106**

Note: Figures in bracket represents percentages

Table I shows the classification of companies on the basis of Social Disclosure Index (SDI), 43.75 percent of the public sector companies are between 40-50 percent and 18.75 percent of the SDI is between 50 and 60 percent. Only 6.25 percent disclosed the company's disclosure score at less than 20 percent and over 70 percent. Companies with an SDI score between 20 and 40 percent and between 30 and 40 percent are 12.25 percent respectively. In the private sector, 32.22 percent of companies have SDI scores of 30-40 percent and 24.45 percent of the company finds 20-30 percent of the SDI score. 21.11 percent

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of private sector companies have between 40 percent and 50 percent SDI. Only 1.11 percent of companies account for more than 60 percent of the SDI.

Based on the above observations, it can be concluded that 29.25 percent of companies fall within the category of 30 to 40 percent disclosure. 24.53 percent of companies included in the category of 40 to 50 percent SDI. Only 1.89 percent of companies have SDI above 60 percent. 9.43 percent of companies have SDI scores below 20 percent and 22.64 percent of companies have a disclosure index of between 20 to 30 percent. This shows that on average 76 percent of companies have a Social Disclosure Index of between 20 and 50 percent, which indicates that the annual report of the majority of Indian companies is relatively better in terms of content, quality, social and environmental aspects.

Conclusion

India is the first country to implement minimum spending on CSR spending by large firms. These funds have the potential to complement the efforts of the government to protect social and economic development and the environment. The purpose of this article was to provide an assessment of the Indian companies' response to the law. It can be determined that the Corporate Social Disclosure (CSD) is as yet searching down an all-around acknowledged characterisation and a uniform technique for measurement of the CSR exposures. It gives the idea that the requirement for the disclosure of CSD information is common place. The above dialogue also audits the administrative summon in India with respect to social duty. It can be chosen that the regulatory condition driving a few issues of CSR has been disjoint and non-required. Along these lines, the CSD disclosures still fall in the classification of willful exposures. In the light of the examination issue exhibited in the past segment of this part and frail, non-incorporated enactment, it winds up plainly essential to comprehend blueprints of the CSD exposures made by the organisations.

On the basis of findings and the conclusions drawn from the analysis, the following recommendations can be made.

- The review of corporate social reporting practices in India revealed that the status of social disclosure found to be very poor. It lacked uniformity and self-explanation. So, the social disclosure should be mandatory for all types of companies. The Institute of Chartered Accountants of India should be given the responsibility to issue the guidelines/standard for corporate environmental disclosure to ensure the uniformity.
- The Government should amend the Companies Act, 2013 and the environmental Laws to ensure adequate, fair and uniform social disclosure. The department of Company Affairs can play a major role in this regard.
- More taxation benefits should be given to industry for the expenditure incurred on the corporate social responsibility. For this purpose Income tax Act, 1961 should be suitably amended.
- This study also suggested that the corporate social reporting should be the part of curriculum not only for commerce and management students but also the part of curriculum of Chartered Accountants/Company Secretary/Management Accountant.
- The 2013 Companies Act is a great opportunity for companies to reclaim their stakeholders. However, the new counterpart of the movement is creating more confusion. That's why there will be a greater burden on companies. For this reason, it is better to create a voluntary guideline according to SEBI to apply CSR on a regular basis. The provisions of CSR, the Companies Act in India, are a good step in 2013. For companies, doing something positive and prosperous for society will give them an opportunity to prove themselves. In the future, it may be to investigate whether the provisions of the CSR are included in the 2013 Corporate Law and to investigate whether they have a positive effect on the welfare of the community. ■