



A Study of Corporate Social Responsibility Reporting of Top 5 Personal Care Companies on The Basis of Their Market Capitalization

Prof. Krishna J Desai

Assistant Professor, Shree S. V. Patel College of CS & BM, Surat

Dr. Mehul P. Desai

Assistant Professor, Udhana Citizen Commerce College & SPB CBA & UACC AIT, Surat

ABSTRACT

In today's time Profit Maximization is not the only goal of business enterprises. Along with economic performance, social performance is also given equal importance. Company uses the resources from the society and in return society expects something back in the form of community development or protection of environment, which can be termed as social responsibility. This research paper probes into the analysis and study of corporate social responsibility undertaken by the selected enterprises and tries to recognize if there exist any relationship between the age, turnover, capital employed and return on investment and the extent of corporate social responsibility activities undertaken by them. On the basis of their reported CSR activities, Social Reporting Index is calculated. Ranks are allotted to understand the relationship of this SRI with the various company characteristics. Attempts are made to find out the pattern of disclosure of CSR activities and its incorporation into the annual reports of the enterprises.

KEYWORDS

corporate social responsibility, socially responsible activities

Introduction:

A business enterprise is a social unit. It uses the resources of the society to produce the goods and services. Society consumes these goods and services and provides for the infrastructure and other facilities without which the enterprise cannot function. In a way, we can say that a business enterprise owes its very existence and survival to the society. Now, the main emphasis for the evaluation of the business is its profitability and the social aspect is totally ignored. In today's times business enterprises cannot strictly stick to only the objective of profit maximization. They should also work towards securing the interest of society by producing quality products, keeping environment safe, providing welfare and security to its human resources.

In India, Section 165 of the Companies Act, 1956 deals with the statutory reporting of a company's affair but it does not mention about social reporting. However, various conferences and research works were presented leading to creation of awareness about social responsibilities among business enterprises. Some serious attempts were also made to make disclosures on social responsibilities mandatory. Saachar Committee was appointed by the government in 1978 to accelerate the process in respect of social accounting. National Voluntary Guidelines on Corporate Social Responsibility are issued by the Government. (Affairs, 2011) The National Voluntary Guidelines are not prescriptive in nature, but are based on practices and precepts that take into account the realities of Indian business and society as well as global trends and best practices adapted to the Indian context. Clause 135 of Schedule VII of the Companies Act and SEBI circular on business responsibility report are few of the foundations in the field of social accounting in India. From the year 2012 it was required for the top 100 listed companies in the basis of their market capitalization to compulsorily prepare and attach Business Responsibility Report in which the detail of all the social activities undertaken by the enterprises during the year were supposed to be disclosed. In August, 2013 the parliament had proposed to make CSR to be mandatory. The statements advocates that those companies with net worth above Rs. 500 Crore or an annual turnover of Rs. 1000 crore of net profits of Rs. 5 Crore shall earmark 2% of average net profits of the three years towards CSR. However, the format or model in which the reporting should be done is not laid out yet.

Literature Review

(Abrol, 1993) "Social Accounting refers to reporting the cost and benefits relating to socially responsible actions by business enterprises." This may be carried out in number of ways.

(Ramanathan, 1976) "Social Accounting is the process of selecting firm level social performance variable, measures and measurement procedures systematically developing information useful for evaluating firm's social performance and communicating such information to concerned social groups both within and outside the firm."

(Dutt, 2014) Corporate Social Reporting is a gesture to demonstrate organization's commitment towards sustainability.

(Kiran, 2012) The study was undertaken to understand the status of progress and initiatives undertaken by the selected enterprises as regards CSR activities in the areas of health, education and environmental protection.

(Spicer, 1978) He carried out a study of 18 firms from the pulp and the paper industry to investigate if there was any association between the size, profitability, risk, price/earnings ratio of a company and its social performance.

(Zulch, 2014) This study reinvestigated the association between corporate social responsibility and earnings quality.

(Dutta, 2011) He pointed out the necessity of considering the three parameters – people, planet and profit and highlighted about how it can be implemented in India with special reference to Global Reporting Initiatives and Karmayog.

(Baxi, 2013) The said study was an attempt to examine the reporting of Corporate Social Responsibility by the Automobile sector of India.

Personal care companies generally touch the lives of millions of people. Since they use resources from the society at large it becomes a moral duty for them to return something back to the community. It is also worth finding out the disclosure practices of these enterprises for social accounting. While studying about their social accounting practices one may also

be interested in finding out the linkage if any between the experience, turnover, capital base and profitability of the enterprise and the extent of social expenditure. This research paper tries to find out the same.

Objectives

1. To study the CSR activities, if any, undertaken by the selected enterprises.
2. To study the form of disclosure of the said CSR activities in the books of accounts.
3. To study the relation between the age of the enterprise, turnover of the enterprise, capital employed by the enterprise and the return on investment earned by the enterprise and the extent of CSR activities undertaken by the enterprise.
4. To assign rank between the enterprises and judge the best company on the basis of CSR activities.

Research design:

Descriptive and diagnostic research design is followed.

Population of the study:

All personal care companies listed on BSE. There are 18 companies that fall under this classification.

Sample size:

Top 5 personal care companies are selected on the basis of their market capitalization namely, Hindustan Unilever, Dabur, Marico, Godrej and Colgate.

Collection of data:

Secondary data is collected from the annual reports of the selected enterprises for financial years 2011-12, 2012-13 and 2013-14.

Tools and techniques for analysis:

The type of model used in disclosing the social accounting is studied.

Social Reporting Index is computed using the formula:

$SRI = \frac{\text{Total score of individual enterprise}}{\text{maximum possible obtainable score by the enterprise}}$

The basis of social accounting is set up and the calculation is done as:

Reporting on the base = 1

Not reporting on the base = 0

NOTE: Reporting Index is a widely used measure to calculate the reporting extent of the enterprises on several grounds. In this study, the model is applied it to know the broad heads under which the social reporting is undertaken by the enterprises on the basis of their CSR activities. Following basis of social accounting are identified:

1. Health care & Sanitation
2. Promoting Education
3. Gender equality & Women Empowerment
4. Environmental Sustainability & Conservation of Energy
5. Protection of National Heritage, Arts, Culture & Community Development
6. Benefits to armed forces
7. Promotion of Sports

8. Contributions to Prime Minister's Relief Fund
9. Rural development
10. Eradication of Hunger, Poverty & Child Welfare
11. Sustainability of Urban Development & Public Transportation
12. HRD & Staff Welfare
13. Sustainability & Development of Agriculture
14. Youth Welfare
15. R&D & Innovation
16. Others

The enterprises are tested on the basis of certain characteristics to find out the correlation between SRI and these characteristics. The characteristics identified are:

1. Age of the enterprise
2. Capital employed by the enterprise
3. Turnover of the enterprise
4. Return on investment
5. Karl Pearson's correlation coefficient is calculated.

Data Analysis & Interpretation:

(For further information on calculation of SRI and Correlation coefficient author may be contacted through email: ca_krishnadesai@yahoo.com)

ANALYSIS OF COMPAY CHARACTERISTICS AND SRI AGE AND SRI

COMPANY	HUL	DABUR	MARICO	GODREJ	COLGATE
AGE (YEARS)	82	131	44	118	78
RANK	3	1	5	2	4
SRI	0.50	0.54	0.60	0.63	0.31
RANK	4	3	2	1	5

Interpretation:-

The rational of comparing age and social reporting index is that it can be conveniently assumed that as the enterprise grows old its reserves base also strengthens and in order to return the favor back to the society for their support the companies would be resorting to more and more CSR activities. Apart from Marico being an exception, the trail follows that as age increases the company's inclination towards CSR also increases.

TURNOVER AND SRI

COMPANY	HUL	DABUR	MARICO	GODREJ	COLGATE
TURNOVER IN CRORE Rs.	28019.93	4856.80	2237.63	4079.84	3578.81
RANK	1	2	5	3	4
SRI	0.50	0.54	0.60	0.63	0.31
RANK	4	3	2	1	5

Interpretation:-

Generally it is assumed that a company having good turnover would in turn be doing more CSR activities. But it is evident that there exists only a partial correlation between the two.

It can be said that it depends a lot on the philosophy of management of the companies on the extent to which CSR is resorted.

CAPITAL EMPLOYED AND SRI

COMPANY	HUL	DABUR	MARICO	GODREJ	COL-GATE
CAPITAL EMPLOYED (AMOUNT IN CRORE RS.)	4394.56	1985.12	3682.49	3034.04	625.48
RANK	1	4	2	3	5
SRI	0.50	0.54	0.60	0.63	0.31
RANK	4	3	2	1	5

Interpretation:-

Capital Employed represents the total resources invested by the enterprise. It is quite ethical to realize that higher the resources of society we use, higher is our responsibility towards it. It follows that higher the capital utilized, higher is its SRI ranking too. But again a lot depends upon the management philosophy.

RETURN ON INVESTMENT AND SRI

COMPANY	HUL	DABUR	MARICO	GODREJ	COL-GATE
RETURN ON INVESTMENT IN %	29.75	21.53	18.36	12.59	36.26
RANK	2	3	4	5	1
SRI	0.50	0.54	0.60	0.63	0.31
RANK	4	3	2	1	5

Interpretation:-

Return on Investment measures the earnings of the enterprises. Higher profitability indicates the stability of the company and the companies more stable can easily adhere to CSR activities so should be having higher social accounting practices. It is clearly evident that it is not necessarily true that the companies with high profitability are going to undertake more CSR activities.

ANALYSIS OF CORRELATION COEFFICIENTS BETWEEN SRI AND COMPANY CHARACTERISTICS

Correlation between	Karl Pearson's correlation coefficient (r)	Interpretation of correlation
SRI & Age	0.167	Weak positive
SRI & Turnover	-0.076	Weak negative
SRI & Capital Employed	0.677	Partial positive
SRI & Return on Investment	-0.944	Strong negative

Limitations

1. Only the top five personal care companies are selected for the studies.
2. Only the heads of activities under which the social responsibilities are recorded are considered in calculating social reporting index.
3. Since all the companies have only resorted to disclosure of the CSR activities the amount actually expended by them is not known.

Conclusion

From the above observation, analysis and interpretations the following conclusions can be drawn:

1. All the selected enterprises have resorted to corporate social responsibility activities.
2. All the selected enterprises have disclosed their social accounting activities in Annual Report. List of activities undertaken by them is included in Director's Report.
3. None of the selected enterprises have quantified their social expenditures.

4. Godrej, Colgate and Dabur have given their Business Responsibility Report as a separate annexure to annual report
5. There exists some relationship between SRI and Age, Turnover, Capital Employed & Return on Investment. But the relationship is not that strong. Ultimately undertaking CSR activities is more dependent on the philosophy of management than on the performance of the enterprise.
6. On the basis of SRI we can conclude that Godrej has the best portfolio of social activities and Colgate bags the bottom position. The efforts of Marico are worth appraising. Its performance shows a strong promise by the management on doing social good.

It is clearly evident that most of the business enterprises have understood the importance of recognizing their social responsibility. However, due to lack of proper legislation and proper format of reporting, the enterprises disclose their CSR activities in a descriptive manner. Merely, theoretical reference of the same is not adequate, they need to quantify the amount and disclose it in the Annual Report. As discussed earlier, the government is taking keen interest to make the social responsibility mandatory for the corporate and in order to ensure that the same is properly undertaken, some format in which the same can be presented should be adopted.

At this point, it is also understood and agreed upon fact that charity or moral responsibility is actually a matter of personal character and the same cannot be imposed upon but this cannot be an excuse to ignore the social responsibility aspects of the businesses. The enterprises adhering to CSR activities are more easily accepted and loved in society. Moreover, they even stand high on public opinion and have more goodwill and prestige. It is clear that profit maximization is not the only objective of the business enterprises.

References & Bibliography

1. (n.d.). Retrieved July 15, 2015, from http://www.mca.gov.in/Ministry/latest-news/National_Voluntary_Guidelines_2011_12jul2011.pdf.
2. Abrol, P. N. (1993). *Dictionary of Accounting*. Anmol Publication .
3. Affairs, M. o. (2011, June). *www.mca.gov.in*. Retrieved July 15, 2015
4. Baxi, B. O. (2013). A Comparative Study of the Corporate Social Responsibility Reporting by Auto Sector in India. *Social Science Research Network* .
5. Dutt, O. (2014). Social Accounting Practices in India. *International Research Journal of Commerce, Arts and Science* , 147-71.
6. Dutta, S. (n.d.).
7. Dutta, S. (2011). Tripple Bottom Line Reporting: An Innovative Accounting Initiative. *Internaltional Journal of Business, Strategy and Management* .
8. Kiran, A. S. (2012). Corporate Social Responsibility Initiatives of Major Companies of India with Focus on Health, Education & Environment . *African Journal of Basic and Applied Science* , 95-105.
9. Ramanathan, K. V. (1976). Towards a Theory of Corporate Social Accounting. *Accounting Review* , 516-28.
10. Spicer, B. (1978). Corporate Social Performance amd Onformation Disclosure: An Empirical Study. *Accounting Review Volume I, III* , 97-111.
11. Tripple Bottom Line Reporting: An Innovative Accounting Reporting. (2011). *International Journal for Business, Strategy and Management* .
12. Verma, S. B. (2002). *Corporate Social Accounting & Disclosure Practices in Public Undertakings*. Jaipur: RBSA Publishers.
13. Zulch, M. S. (2014). The Association between Corporate Social Responsibility and Earnings Quality . *Social Science Research Network* .
14. Websites
15. <http://www.hul.co.in>
16. <http://www.dabur.com>
17. <http://marico.com>
18. <http://www.colgate.co.in>
19. <http://www.godrej.co.in>
20. <http://www.moneycontrol.com/stocks/marketinfo/marketcap/bse/personal-care.html>