



## An Empirical Study on Assessment of Community Involvement Disclosure in India

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ABSTRACT

**Aim:** To know the extent of community involvement disclosure done by Indian companies in their annual reports.

**Research Methodology:** 500 annual reports of 100 companies listed under S&P BSE 100 index over 5 years (2009-10 to 2013-14) have been taken as sample. The study has used content analysis technique to gather and codify the information related to community involvement disclosure

**Findings:** The results of analysis depicts that all companies taken as sample disclose some amount of disclosure regarding community involvement information. Further it has been found that companies show a constant trend in financial disclosure and increasing trend in non financial disclosure.

**KEYWORDS**

Community involvement, Content Analysis

### 1. INTRODUCTION

Traditional management approaches have regarded the business unit as a robust economic engine which drives shareholders wealth. But modern management approach has hold that transparent economic and social progress should go hand in hand. This concept has led to the emergence of Corporate Social Reporting and Disclosure (CSR). Many endeavours are being done at international level regarding Corporate Social Reporting and Disclosure such as triple bottom line reporting, global reporting initiatives. Unfortunately, despite of increasing attention towards CSR, the development of CSR is very slow especially in the developing countries like India. However, due to the lack of research in developing countries, especially in the India which is undergoing transition from developing to developed economy, it is believed India to be an interesting case study.

### 2. OBJECTIVE OF THE STUDY

To know the extent of community involvement disclosure done by Indian companies in their annual reports.

### 3. REVIEW OF LITERATURE AND JUSTIFICATION OF RESEARCH

For reviewing the literature related to corporate social reporting and disclosure practices categorization has been done into Pre Economic Liberalization (period before 1990) and Post Economic liberalization (period after 1990).

#### 3.1 Pre –Economic Liberalization Literature: (Period before 1990)

It was the time 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 a 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."

#### 3.2 Post Economic Liberalization Literature: (Period after 1990)

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. Deegan (2002) added that if the companies are part of a broader system, the perspectives provided by legitimacy theory indicate that companies are not consider red to have any inherent right to resources to exist. 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 emphasis country in social issues had a stakeholder orientation which provides more information and higher levels of corporate social responsibility in their annual reports than companies from weaker emphasis countries on social issues. Raghu 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 emphases on products and services and community involvement. Ghazali (2007) found that there are influences 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, erasing 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.

**4. RESEARCH METHODOLOGY:**

The empirical research design has been employed to investigate the extent of community involvement disclosure done by Indian companies in their annual reports. The data has been collected through secondary source mainly annual reports. The study covers the period of 5 years from the year 2009-10 to 2013-14 for measuring the extent of community involvement disclosure in India. For measuring the extent of community involvement disclosure done by Indian companies in their annual reports content analysis has been used.

**5. RESULTS AND DISCUSSIONS**

The disclosure of community involvement is required to locate every dimensions of corporate activity in respect to the wider community in which the companies are studied. This kind of disclosure is categorized into 6 categories viz; Eradicating poverty, hunger and malnutrition, Rehabilitation programs, Parks and gardens, Medical establishment, Establishment of educational institution and Canteen ,transportation and crèches . Results have been described by the amount of community involvement disclosure is related to the importance placed on a particular subject or issue. Greater the amount of disclosure, the greater importance perceived.

**Table 1: Trends in Community Involvement Disclosure**

Com. Invol	Infor categories	Type	Years																			
			2009-10				2010-11				2011-12				2012-13				2013-14			
			N	%	W	S	N	%	W	S	N	%	W	S	N	%	W	S	N	%	W	S
Eradicating poverty, hunger and malnutrition	F	100	100	6.1	1.6	100	100	6.1	1.6	100	100	6.1	1.6	100	100	6.1	1.6	100	100	6.1	1.6	
	NF	100	100	78	8.5	100	100	77.8	8.4	100	100	78.4	8.5	100	100	79	9	100	100	79.7	9	
Rehabilitation Programmes	F	100	100	4.1	1	100	100	4.1	1	100	100	4.1	1	100	100	4.1	1	100	100	4.1	1	
	NF	100	100	68.5	6.85	100	100	69.1	6.9	100	100	69.8	7.0	100	100	70.1	7.1	100	100	71.1	7.1	
Parks & Gardens	F	100	100	6.1	1.2	100	100	6.1	1.2	100	100	6.1	1.2	100	100	6.1	1.2	100	100	6.1	1.2	
	NF	100	100	25	2	100	100	24	2	100	100	26	2	100	100	22	2	100	100	25.5	2.1	
Medical Establishment	F	100	100	3.4	1	100	100	3.4	1	100	100	3.4	1	100	100	3.4	1	100	100	3.4	1	
	NF	100	100	29.5	3.0	100	100	33	3.3	100	100	31.4	3.1	100	100	31	3.1	100	100	31.6	3.1	
Establishment of Educational Institution	F	100	100	4	1	100	100	4	1	100	100	4	1	100	100	4	1	100	100	4	1	
	NF	100	100	197	18	100	100	197	18	100	100	197	18	100	100	197	18	100	100	197	18	
Canteen, Transportation and crèches	F	100	100	3.5	1	100	100	3.5	1	100	100	3.5	1	100	100	3.5	1	100	100	3.5	1	
	NF	100	100	115	11.5	100	100	115.1	11.52	100	100	115.2	11.52	100	100	115.2	11.52	100	100	115.2	11.52	

**N:** Number of companies disclosing **%** Percentage of companies disclosing **F:** Financial **NF:** Non Financial **W:** Average number of words **S:** Average number of sentences

The picture coming from table 1 depicts that financial disclosure of 'Eradicating poverty, hunger and malnutrition' category shows a constant trend throughout the period of study (2009-10 to 2013-14) with an average 6.1 words in an average 1.6 sentences. Non financial disclosure of has increased from an average 78 words in an average 8.5 sentences in 2009-10 to an average 79.7 words in an average 9 sentences in 2013-14. The financial disclosure of 'Rehabilitation Programmers' shows a constant trend from 2009-10 to 2013-14 with an average 4.1 words in an average 1 sentence. Non Financial Disclosure has increased from an average 68.5 words in an average 6.85 sentences in 2009-10 to an average 71.1 words in an average 7.1 sentences in 2013-14. 'Parks and garden' in Financial disclosure depicts a constant trend with an average 6.1 words in an average 1.2 sentences throughout the study period. Non Financial Disclosure has increased from an average 25 words in an average 2 sentences in 2009-10 to an average 25.5 words in an average 2.1 sentences in 2013-14. Financial disclosure in 'Medical establishment' shows a constant trend with an average 3.4 words in an average 1

sentence from 2009-10 to 2013-14. Non Financial Disclosure has slightly increased from an average of 29.5 words in an average 3 sentences in 2009-10 and an average of 31.6 words in an average 3.1 sentences in 2013-14.

'Establishment of Educational institution' has shown a constant trend in both Financial Disclosure (with an average 4 words in an average 1 sentence) and Non Financial Disclosure (with an average 197 words in average 18 sentences) throughout the study period. Financial Disclosure in 'Canteen, Transportation and Crèches' category shows a constant trend throughout the study with an average 3.5 words in an average 1 sentence. Non Financial Disclosure of has increased from an average 115 words in 11.5 sentences in 2009-10 to an average 115.2 words in 11.52 sentences in 2013-14.

**6. CONCLUSION AND SUGGESTIONS:**

The analysis has uncovered the fact that Community Involvement Disclosure seems to have received modest attention from the different companies of India. This provides that 100

% of sampled companies disclose the Community Involvement related information this perhaps because of the stakeholder pressure. The community involvement disclosure shows an increasing trend from 2009-10 to 2013-14. This suggests that the Indian companies are continuously putting their efforts into improving the status of corporate social reporting and disclosure. Therefore, on the basis of above findings it is suggested that in order to improve the status of corporate social reporting and disclosure in India, companies should be encouraged to publish their annual reports by giving considerable importance to community involvement information in CSR.

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