

# A COMPARISON OF CSR DISCLOSURE GUIDELINES AND A SELF-PREPARED CSR DISCLOSURE INDEX- A STUDY OF SELECT AUTOMOTIVE COMPANIES

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**Abstract** *In India, corporate social responsibility and its disclosure got attention during the eighties and have been gaining importance with time in present economic environment, especially after adoption of liberalisation, privatisation, and globalisation (LPG) (Goswami, 2011). Guidelines, principles, and codes are being developed by various regulatory bodies in India and across the globe to increase transparency and accountability about both a company's daily operations and the impact of these operations on society (Tran, 2014)*

*In this paper, the author has studied the CSR guidelines laid down by Global Reporting Initiative G3.1 (GRI-G-3) and The National Voluntary Guidelines by Ministry of Corporate Affairs (NVG-MCA) and has compared them with a self-composed CSR Disclosure Index (CSRDI). The social responsibility initiatives taken by select Indian Automotive Companies have been analysed and the companies have been rated as per the disclosures made by them.*

*The main focus of the research is to compare the CSR Rankings of companies as per CSRDI with the companies' rankings as per GRI-G-3 and NVG-MCA. It was observed that out of 30 sensex companies, Maruti Suzuki and TATA Motors have been the pioneers in contribution towards CSR initiatives. The top five rated companies were TATA Motors, Maruti Suzuki, Mahindra and Mahindra, Hero Motocorp, Bajaj Auto, and Apollo Tyres.*

**Keywords** *Global Reporting Initiative, National Voluntary Guidelines, CSR Disclosure, Triple Bottom Line*

## INTRODUCTION

The custom and context of the capitalist world economy is embryonic and the capital is being increasingly concerted and centralised as the battle of market competition intensifies. One of the factors that critically differentiate amongst the companies is the public perception of the value systems of business that are best revealed by initiatives in discharging its Corporate Social Responsibility (CSR). CSR is defined as functioning of a business in a mode that meets or surpasses the ethical, legal and public expectations that society has from the business. The goal of CSR is to hold responsibility for the actions of the companies and encourage a positive impact through its activities on the environment, customers, employees, society, shareholders and other stakeholders.

Initially, CSR used to be a formality occupation of any organisation for the sake of it without the aim of creating any material difference to the society. Now, however there has been a drastic change in the scenario. More product categories, market competitiveness, and lack of differentiation, companies are assimilating CSR with marketing plan. Companies realise that to gain customer

loyalty, to be competitive and get the edge over others, it is imperious to go with trend and infer a distinct brand/corporate image, which is to be a socially responsible corporate citizen. A corporate's CSR initiative had an effect on the stakeholders' beliefs and attitudes towards the corporate, their intentions to seek employment with the firm, utilise its products and services and invest in its stock. Individuals who were aware of the CSR initiatives had more positive associations and displayed greater organisational identification with the company than respondents who were unaware of the same. CSR is not a novel concept to India. Companies like Tata and Birla have been imbibing social good in their operations long back before it became a business necessity. CSR is the least understood initiative in the Indian development sector. A handful of public companies and a few private companies take it as their responsibility rather than treating it as a part of their business policy. CSR has become progressively prominent in the Indian corporate scenario because organisations have realised that besides growing their businesses it is also essential to enhance trust and sustainability within the community at large. After all community at large is made up of people who have their own views for the companies operating to gain more market

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share and make more profit.

India Inc. too, is paying an augmented attention towards corporate social responsibility (CSR) disclosure and is increasingly warming up to sustainability reports, in line with the reporting guidelines. The corporate houses, big and small, Indian or foreign, are involving themselves in the CSR dimension of their business activity by reporting the activities in their annual reports like sustainability reports for the recognition from various stakeholders (Guha, 2011).

## RESEARCH OBJECTIVE

- To understand the CSR guidelines laid down by Global Reporting Initiative (GRI) and Ministry of Corporate Affairs (MCA)
- To examine the social responsibility assumed by select Indian automotive companies
- To study the ratings derived through CSR guidelines of GRI and MCA and CSR Disclosure Index
- To compare and analyse the two ratings

## LITERATURE REVIEW

CSR has become progressively prominent in the Indian corporate scenario because organisations have realised that besides growing their businesses it is also essential to enhance trust and sustainability within the community at large. This is one of the crucial drivers of CSR programs. CSR is coming out of the purview of 'doing social good' and is widely becoming a 'business necessity'.

Gamerschlag Ram *et al.* (2010) showed that CSR disclosure has a positive association with higher company visibility and a dispersed shareholder ownership structure. CSR disclosure is affected by the company's profitability, industry membership and firm size. Companies from "polluting industries" have a higher level of environmental disclosures. The study also examined that big companies disclose more than small companies.

Taide Anjali (2010) studied that Indian stock market is not rewarding investments in stocks of corporations with a high intensity of environmental and social activities compared with other firms within the industry. Investors who apply a buy-and-hold strategy should not favor the companies that have high CSR rating as they will not upsurge their portfolio value by investing in such stocks. Regarding the management of a firm, these results imply that such measures could be increased but they obviously do not lead to any improvement in financial performance.

Khan Saeed (2010) researched that CSR initiatives in India are now taken by many companies. The FMCG companies face major challenges like reduction of packaging materials

etc. and hence are doing work in the field of environment protection, education, healthcare, community welfare, and empowerment of women. Companies like Hindustan Unilever started work on CO<sub>2</sub> reduction also. The websites of these companies are providing information about their CSR initiatives but are not updating it regularly.

Goswami (2010) studied that social responsibility and its disclosure still remain voluntary in nature, as a result there is a wide variation in nature and extent of its reporting and most of the disclosures are indescriptive form rather than in quantitative term. Therefore, it is felt that government should put forward some guidelines on corporate social responsibility and its disclosure specifying areas and minimum spending of pre-tax profit on it, by the corporate entities to have a better result in future.

Vijaya Murthy (2008) concluded in his study on 16 top software firms in India that human resource category was most frequently reported attributes followed by community development activities and environmental activities was least reported.

Ducassy and Jeannicot (2008) studied the impact of CSR information on investors' behaviour. The study was conducted for a period of three years where a sample of fifty companies was analysed and to represent the CSR part, the social reporting rankings generated by an independent body were used. The result revealed a market response to this rankings and a significant impact was observed for those companies that have risen or regressed the most in rank since the previous year.

## RESEARCH METHODOLOGY

### Hypothesis

There is no difference between the rankings of companies with respect to disclosure of CSR initiatives as per guidelines of GRI G3.1 and MCA-NVG and a self-prepared CSRDI

### Data Collection

The data related to the CSR initiatives disclosure have been collected from the annual reports of Indian automotive companies, journals, research papers, various business magazines. Companies' websites have also been referred for data collection. Thirty automotive companies of India have been considered for this study

### Selection of Sample for Study

The companies satisfying the following criteria were considered for the purpose of study. The criteria are based

on the latest clause in the Companies Bill 2013, which states, as a mandatory requirement, that to invest in CSR activities the companies should

- have net profit of five crores rupees or more; or
- have net worth of five hundred crores rupees or more; or
- have turnover of thousand crores rupees or more; and
- have maintained Corporate Sustainability Reports, Business Responsibility Reports, Corporate Social Responsibility Reports or disclosed their CSR initiatives in annual reports in last three years.

## CONCEPTUAL FRAMEWORK

### Corporate Social Responsibility Disclosures

Business houses execute their business within the society; therefore, they should bear some responsibility towards the society. Traditional management thoughts and practices hold that a business is essentially a robust economic engine to drive shareholders' wealth.

Philosophically and in practice, though drive for shareholders, wealth may be regarded as a key but it should not be the lone objective. The integrity and transparency about its functioning to society can make business possible to co-exist with success. This supports the emergence of corporate social responsibility and its disclosures in corporate reporting.

During the recent years, social responsibility of business has received attention from all sections of the society to a great extent. As yet no standards or requirement have been proposed for measurement and disclosures of social responsibility to be assumed by any individual firm in most of the countries. By assuming social responsibility and its proper disclosures, a firm can increase goodwill and create favourable impact among the external users of information. While social reporting is voluntarily disclosed by some companies in other parts of the world, others are mandatory regulated by their governments to comply with a standardised minimum level of reporting CSR activities. As many of society groups and other environmental communities force companies to run their business ethically, there is a moral obligation for companies to include social reporting as part of their financial reporting practices. As a result, profitable companies are bound to explain that they operate within the norms of society, as breaching the society's expectations would be very costly for them (Islam & Deegan, 2010). Differences in the CSR environment are likely to affect voluntary CSR disclosures (Matten & Moon, 2008). India Inc. too, has been paying an ever-increasing attention towards CSR disclosure and is increasingly warming up to sustainability reports, in line with the reporting guidelines.

The corporate houses, big and small, Indian or foreign, are involving themselves in the CSR dimension of their business activity by reporting the activities in their annual reports like sustainability reports for the recognition from various stakeholders (Guha, 2011). The introduction of GRI (Global Reporting Initiative) in 2000 provided the base to sustainability reporting by laying guidelines to report social, environmental, and financial disclosures of many companies. Indian corporate are now increasingly adopting the GRI framework of reporting although the number is limited (Singh, 2010). UN Global Compact announced in the World Economic Forum on January 31, 1999, with its ten principles, specifically about human rights, labour standards, environment, and anti-corruption that these have aimed at the business community to request them to align their operations and strategies accordingly. A similar initiative by ISEA (Owen, 2003) is the introduction of the standard called Accountability AA1000 Assurance Standard. Several other international standards and guidelines have been introduced like OECD guidelines, ISO-26000 framework for implementing socially responsible practices (Hasan, 2010). Even the latest Companies Bill 2013 has been amended to impose compulsory corporate social responsibility (CSR) obligations upon Indian companies and foreign companies operating in India. The National Voluntary CSR guidelines by Ministry of Corporate Affairs create a common standard for how companies can improve their CSR efforts, especially with regard to sustainability. Such initiatives have made CSR disclosure gain momentum in India also. For this study, one global guideline i.e. Global Reporting Initiative-G-3 and one Indian guideline i.e. National Voluntary Guidelines by Ministry of Corporate Affairs have been considered.

### Global Reporting Initiative G-3 Framework (GRI-G-3)

These guidelines were founded in 1997 by the CERES ([www.ceres.org](http://www.ceres.org)) and the United Nations Environment Program, with headquarters and Secretariat in Amsterdam, The Netherlands. GRI became an independent non-profit organisation in 2002 with the attempt "to develop and disseminate globally applicable sustainability reporting guidelines" (GRI, 2002). The GRI guidelines are one of the world's most prevalent standards for sustainability reporting—also known as ecological footprint reporting, environmental social governance (ESG) reporting, triple bottom line (TBL) reporting, and corporate social responsibility (CSR) reporting. GRI seeks to make sustainability reporting by all organisations as routine as, and comparable to, financial reporting. This reporting framework allows the companies and organisations to be transparent with their stakeholders on performance and accountability, beyond the financial bottom line. Initially released in 2000 called G-1, followed

**Table 1: GRI G-3 Guidelines**

SN	Performance Indicators	No.	Performance Aspects
1	Economic	T:09 C:07 A:02	Economic performance, Market presence and Indirect economic impacts
2	Environmental	T:30 C:17 A:13	Materials, Energy, Water, Biodiversity,TransportEmissions, Effluents, Compliance
3	Social (42)		
A	Labour practices	T:14 C:09 A:05	Employment,Occupational Health and Safety, Labour/Management Relation-sandTraining and Education, Diversity and Equal Opportunity, Equal remuneration for women and men.
B	Human rights	T:11 C:02 A:09	Investment and Procurement Practices, Non-discrimination, Child Labour,Freedom of Association and Collective Bargaining Prevention of Forced and Compulsory Labour, Security Practices, Indigenous Rights, Assessment and Remediation
C	Society	T:08 C:06 A:02	Local Communities, Corruption, Public Policy, Anti-Competitive Behaviour and Compliance
D	Product responsibility	T:09 C:05 A:04	Key successes and shortcomings, Major organisational risks and opportunities, Key strategies and procedures for implementing policies or achieving goals.

Source: [www.globalreporting.org](http://www.globalreporting.org)

by G-2 in 2002, G-3 is the “Third Generation” of the GRI’s Sustainability Reporting Guidelines launched in October 2006. The G-3 consists of principles and disclosure items including the performance indicators as shown in Table 1.

### National Voluntary Guidelines by Ministry of Corporate Affairs (MCA-NVG)

The National Voluntary Guidelines on social, environmental, and economic responsibilities of business by the Ministry of Corporate Affairs (Revised-2011) have been established through an all-encompassing consultative process by a Guidelines Drafting Committee (GDC), which comprised competent and experienced professionals representing diverse stakeholder groups. The Indian Institute of Corporate Affairs (IICA) appoints GDC with a distinctively ‘Indian’ approach to create a common standard for how companies can improve their CSR efforts, especially with regard to sustainability. Applicable to all businesses irrespective of size, sector or location, the guidelines were designed with the intent of assisting enterprises to become responsible entities whereby they formulate their financial/business objectives while considering the impact on various diverse stakeholders including society and environment at large. The reporting framework is designed on the ‘Apply-or-Explain’ principle which is also the fundamental basis of these guidelines.

The nine principles of National Voluntary Guidelines are:

- Principle 1:** Businesses should conduct and govern themselves with ethics, transparency and accountability.
- Principle 2:** Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle.
- Principle 3:** Businesses should promote the wellbeing of all employees.
- Principle 4:** Businesses should respect the interests of, and be responsive toward all stakeholders, especially those who are disadvantaged, vulnerable and marginalised.
- Principle 5:** Businesses should respect and promote human rights.
- Principle 6:** Business should respect, protect, and make efforts to restore the environment.
- Principle 7:** Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner.
- Principle 8:** Businesses should support inclusive growth and equitable development.

**Principle 9:** Businesses should engage with and provide value to their customers and consumers in a responsible manner.

Source: www.mca.gov.in

## Self-Composed CSR Disclosure Index

A Corporate Social Disclosure Index was formulated after analyzing the annual reports, sustainability reports, company websites, CSR Newsletter taking into account various aspects like

Community Development, Environment Protection and Development, Human Resource, Other Contributions. After going through the existing available literature on corporate social responsibility the following items have been considered for constructing the Corporate Social Responsibility Disclosure Index (CSRDI).

1. **Community Development**
  - a. Healthcare
  - b. Educational development
  - c. Development of social infrastructure
  - d. Income generation and rural empowerment
  - e. Gender equality
  - f. Donation and Activity for national census
2. **Environment Protection and Development**
  - a. Reduction of emission
  - b. Afforestation
  - c. Policy of reduce, recycle and reuse of resources
  - d. Use of renewable source of energy
  - e. Waste generation and management
  - f. Disaster Relief
3. **Human Resource**
  - a. Employment
  - b. Employee training
  - c. Employment of disadvantaged group like SC/ST/ Women/ physically handicapped
  - d. Employees' safety
  - e. Employees' health
4. **Other Contributions Analysis and Interpretation**
  - a. Product development
  - b. Implementation of official language
  - c. Vigilance
  - d. Employees' participation in management

## ANALYSIS AND INTERPRETATION

Content Analysis used to assign ranks to thirty automotive companies on the basis of CSR guidelines given by GRIG3.1, MCA-NVG and self-prepared CSRDI

The composite score of individual companies has been calculated by assigning score 1(one) to each item reported anywhere in the annual report or website and 0 (zero) if not reported. A composite CSR disclosure score has been calculated and compared with the ratings obtained through GRI and MCA CSR guidelines.

**Table 2: GRIG-3 Guidelines and CSRDI**

RANK	GRI-G-3	CSRDI
1	TATA Motors	Mahindra and Mahindra
2	Maruti Suzuki	Maruti Suzuki
3	TVS Motors	Hero Motocorp
4	Mahindra and Mahindra	TATA Motors
5	FORD Motors Ltd.	Bajaj Auto

**Table 3: MCA-NVG and CSRDI**

RANK	MCA-NVG	CSRDI
1	Mahindra and Mahindra	Mahindra and Mahindra
2	Maruti Suzuki	Maruti Suzuki
3	TATA Motors	Hero Motocorp
4	Hyundai	TATA Motors
5	Apollo Tyres Ltd.	Bajaj Auto

The analysis of Tables 2 and 3 shows that the hypothesis is not accepted as there is a difference in the rankings of the companies with respect to their CSR disclosure as per the guidelines given by the regulatory bodies Global Reporting Initiative and Ministry of Corporate Affairs and the Self Composed Disclosure Index. Mahindra and Mahindra, Maruti Suzuki, Hero Motocorp, TATA Motors, and Bajaj Auto are the top five companies rated as per the CSRDI which is different from the rankings given by the GRI which included TVS Motors and FORD Motors in the top five other than Bajaj Auto and Hero Motocorp. Also the rankings given by MCA were different when compared with CSRDI rankings. Hyundai and Apollo Tyres were in the list of top five companies other than Hero Motocorp and Bajaj Auto. The three companies Mahindra and Mahindra, Maruti Suzuki, and TATA Motors were common in the list of top five companies who made disclosure of the CSR initiatives as per both the global and Indian guidelines and the CSRDI.

It has also been observed that not all companies have been reporting about their CSR initiatives in their annual reports or websites. TATA Motors has been the pioneers in CSR contribution and has been reporting their activities following the GRI-G-3 Guidelines, since 2006. Maruti Suzuki, and Mahindra and Mahindra have been reporting the initiatives through Corporate Sustainability Reports which include reporting both as per GRI-G-3 and MCA-NVG guidelines. Out of the four parameters of the CSR Disclosure Index, it has been observed that Hyundai Motors and Bajaj Auto Ltd have taken more CSR initiatives in the field of community development, unlike Ashok Leyland and Mahindra and Mahindra whose major focus has been environment. The social factors, particularly the human resource, have been of utmost importance to companies like Maruti Suzuki and Tata Motors. These companies have set an example for other companies in the automotive sector and their initiatives towards the development of the society along with the business have been noteworthy.

## CONCLUSION

The concept of CSR can't be ignored by the corporate firms. Business firms have to change their work culture as per the market demands. Corporate Social Responsibility (CSR) leads to triple bottom-line: profits, planet, and people. Success of CSR lies in practicing it as a core part of a company's development strategy. It has been utmost necessary to watch the future of CSR in India and take time-bound steps to mainstream it. The findings of the analysis are firm indications of the existing state of affairs in the CSR disclosure by the automotive companies. The significant automotive industry's contribution to overall industrial growth in the country has made CSR an increasingly important construct for corporate strategies in the automotive industry. Consumers in emerging markets expect automotive companies to take a dynamic role in the economic and social development of their country. This necessitates understanding the automotive industry in regards to compliance and contribution towards philanthropic activities. All the more important is the reporting of the activities by these companies as per some stipulated guidelines to enhance comparability of the firms in the field of CSR.

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