

Business Responsibility Report-A mirror of Corporate Social Responsibility- A study of top 10 companies in India

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Abstract—CSR stands for Corporate Social Responsibility which means giving back to the society. As the corporations exist in Society, they are obligated to give back to the society (Friedman). The study focuses to study whether the corporations are following the 9 principles prescribed by the NVG 2011. For this purpose, the researcher proposes to collect the Annual reports and Business Responsibility Reports of the companies for the year 2017-18. The top 10 companies listed by BSE India based on Market capitalization was chosen for the study. The reports were analysed thoroughly and conclusions were drawn on the compliance of companies with respect to the Business responsibility reporting followed by these companies. It could be concluded that these top ten companies duly comply with the National Voluntary guidelines issued by Ministry of Corporate Affairs in the year 2011.

Keywords: Corporate Social Responsibility(CSR), Business Responsibility Reporting(BRR), compliance, NVG 2011

I. INTRODUCTION

CSR has been made mandatory for companies having a Networth of Rs 500 crores or more, having a turnover of Rs 1000 crores or more and having a net profit of Rs 5 crores or more as per Companies Act (Amended) 2013. Companies falling under this purview are required to mandatorily contribute 2% of their average profits for the past three financial years to CSR activities.

In this millennium era, CSR has been considered as a pertinent principle of top management as successful CSR strategies are associated with substantial financial performance (Abd-Mutalib, Jamil & Wan Hussin, 2014).Corporate Social responsibility can make a huge impact on the performance of a company and it has been found that Corporate social responsibility when implemented as a constructive plan, can make a positive impact when considering the long term achievements of a company (Korka, 2005). It can be demonstrated that CSR and (corporate financial performance) CFP have two way relationship which can be explained by the following diagram.

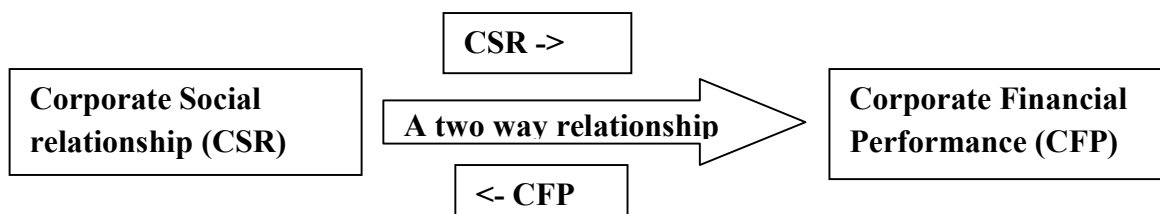


Fig:1Adapted from Jiao and Xie (2013), (Vani 2018)

The above diagram illustrates that CSR can lead to improvement in the CFP and vice versa.

II. SUSTAINABILITY REPORTING GUIDELINES

At international level, main three organisations that have tried to develop a policy framework for incorporating three-dimensional sustainable development in financial reporting are Global Reporting Initiative (GRI), Organization for Economic Co-operation and Development (OECD) and United Nations Commission on Sustainable Development (UNCSD) (Madhavi K 2016). In India the guidelines have been formulated by SEBI and Ministry of Corporate Affairs, Government of India.

A BR Report contains a standardized format for companies to report the actions undertaken by them towards adoption of responsible business practices, to provide basic information about the company, information related to its performance and processes, and information on principles and core elements. It also provides a set of generic reasons which the company can use for explaining their inability to adopt the business responsibility policy (Kumar Alok 2016). The business responsibility report is the means of communicating the obligations and performance of the company to all its internal and external stakeholders.

National Voluntary Guidelines 2011 (NVG) was refinement over the Corporate Social Responsibility Voluntary Guidelines 2009, released by the Ministry of Corporate Affairs in December 2009. These Guidelines have been developed through an extensive consultative process by a Guidelines Drafting Committee (GDC) comprising competent and experienced professionals representing different stakeholder groups and it is applicable for all companies irrespective of size, sector or location. The suggested framework of Business responsibility report can be illustrated with the help of the following diagram

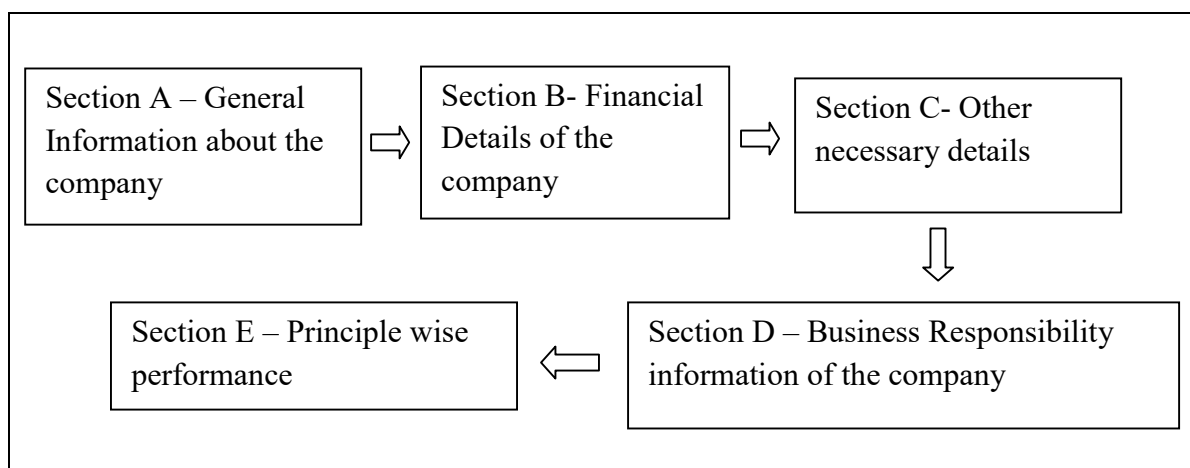


Fig:2 Suggested Framework of Business Responsibility Report

The guidelines have been prescribed in the form of 9 principles with core elements for each principle which is as follows

- Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
- Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
- Businesses should promote the wellbeing of all employees
- Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized

- Businesses should respect and promote human rights
- Business should respect, protect, and make efforts to restore the environment
- Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
- Businesses should support inclusive growth and equitable development
- Businesses should engage with and provide value to their customers and consumers in a responsible manner

The basic aim of these business responsibility Guidelines is bi-fold, one to help businesses to use their entrepreneurship to effectively contribute to the economic and social betterment of communities and other to make their operations sustainable in a manner that enables them to meet their current needs without compromising the needs of the future generation. The objective of incorporating this framework in these Guidelines is to help businesses to reach out to their stakeholders with necessary information and data demonstrating the adoption of these Guidelines (Source: National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business Report 2011 given by MCA, Government of India)

III. REVIEW OF LITERATURE

Reporting on the environmental, social and economic responsibilities of business has multiple benefits in terms of enhanced revenue growth and market access, cost savings, increased access to capital, better risk management and improved brand value and reputation. Such responsible reporting also reduces the possibility of wrongdoing and with due course of time build strong bond with the stakeholders (KumarAlok 2016)

the paper is to investigate the corporate social responsibility (CSR) reporting information of Bangladeshi listed commercial banks and explores the potential effects of corporate governance (CG) elements on CSR disclosures. The results of the study demonstrate that though voluntary, overall CSR reporting by Bangladeshi PCB are rather moderate, however, the varieties of CSR items are really impressive. The results also displayed no significant relationship between the women representation in the board and CSR reporting. Conversely, non-executive directors and existence of foreign nationalities have been found the significant impact on the CSR reporting (Md Habib 2010)

The article concludes that CSR does vary considerably among Asian countries but that this variation is not explained by development but by factors in the respective national business systems. It also concludes that multinational companies are more likely to adopt CSR than those operating solely in their home country but that the profile of their CSR tends to reflect the profile of the country of operation rather than the country of origin (Wendy et al 2005)

The review of literature reveals a gap in terms of study finding whether the companies are following the provisions prescribed by the NVG guidelines 2011. Hence the researcher has undertaken the study to fill the gap.

IV. OBJECTIVES

The objective of the study is to analyse whether the corporate are following the Business Responsibility Reporting principles prescribed by National Voluntary Guidelines 2011 and also highlight the important areas of spending by the companies.

V. SCOPE

The researcher Proposes to study the compliance of NVG Guidelines of top 10 companies in India as per BSE listing on the basis of Market Capitalization.

VI. METHODOLOGY

The research is basically a descriptive study and is qualitative analysis of data collected from BRRs published by the top 10 companies for the year 2017-18. The researcher proposes to collect the data from Annual Reports and Business Responsibility Reports (BRRs) of top 10 companies in India as per BSE Listing given as on July 2019 based on Market Capitalization from the official website of the companies. The following companies are listed in BSE India as top 10 companies based on Market Capitalization as on July 2019.

Sr. No.	Scrip Code	Name of Company
1	500325	Reliance Industries Ltd
2	532540	TCS LTD.
3	500180	HDFC Bank Ltd.
4	500696	Hindustan Unilever Ltd.,
5	500010	Housing Development Finance Corp.Ltd
6	500875	ITC Ltd
7	500209	Infosys Ltd
8	500112	State Bank Of India,
9	500247	Kotak Mahindra Bank Ltd.
10	532174	ICICI Bank Ltd.

Source: <https://www.bseindia.com> › downloads1 › eligible

The analysis proposes to ascertain the disclosure quality of BRRs based on various criterion suggested by the framework alone and does not consider the performance of the selected companies. The criteria for analysis chosen are Materiality, stakeholder engagement, completeness, clarity and comparability (Madhavi K 2016) and the researcher has added the area of CSR as another criteria under comparability.

- Materiality – accurate projection of information
- Stakeholder engagement – inform and engage stakeholders
- Completeness – complete information
- Clarity – usage of graphs for better understanding
- Comparability – based on selected areas of spending

VII. LIMITATIONS

- The researcher has considered only top 10 companies listed as per BSE India.
- The results of the study cannot be generalized as it comprises only top 10 companies.

VIII. DISCUSSION-REVIEW OF BUSINESS RESPONSIBILITY REPORTS OF SELECTED 10 COMPANIES

It can be found from the BRR reports of these companies that all the companies have CSR policy and the same has been communicated to all stakeholders and also displayed on the company website. Also all these companies have a CSR and Governance committee comprising of Executive and Independent directors and have proper laid down policies for CSR and also being published on the website.

The analysis of the Annual Reports and Business responsibility report revealed the following details.

Sl. No.	Name of the Company	% spent
1	Reliance Industries Ltd	2.12%
2	TCS LTD.	1.97%
3	HDFC Bank Ltd.	2.04%
4	Hindustan Unilever Ltd.,	2.07%
5	Housing Development Finance Corp.Ltd	2.2%
6	ITC Ltd	2.59%
7	Infosys Ltd	2%
8	State Bank Of India,	1.04%
9	Kotak Mahindra Bank Ltd.	2.02%
10	ICICI Bank Ltd.	2%

Source: Self Compiled from the Annual Reports of Companies 2017-18

Table No 1: Table showing the amount spent by companies on CSR

From the above table, 80% of the top 10 companies have complied with the Sec 135 of the Company Act 2013 in terms percentage of profits to be spent on CSR activities. And also it's worth mentioning that 60% of the companies are actually spending more than the prescribed percentage and top pick among them being ITC Ltd. CSR has neither the heroic nor the panacea role of adding more than 2% as prescribed by Companies Act 2013 (D Das et al 2016)

Particulars	Number	%
NVG 2011	8	80
GRI	2	20
Total	10	100

Source: Self-Compiled

Table No 2: Table showing companies following NVG Guidelines/Other Guidelines

It can be inferred from the above table that 80% of the top 10 companies as listed by BSE are following and drafting their Business Responsibility report as per NVG 2011. As the name itself suggests, it is just voluntary disclosure and not compulsory one. The rest of 20% companies are complying with GRI – Global Reporting Initiative for the purpose of sustainability reporting.

S.No	Question	Reliance Industri	TCS Ltd	HDFC Bank Ltd.	Hindustan Unileve	HDFC Ltd	ITC Ltd	Infosys Ltd	State Bank Of	Kotak Mahi ndra	ICICI Bank Ltd

		ies Ltd			r Ltd.				India,	Bank Ltd.	
1	Does the company have a committee for CSR & Governance	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
2	Has the policy been formulated in consultation with relevant stakeholders	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
3	Are the Policies approved by board	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
4	Does the company have a committee for implementing the policies	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
5	Is it linked to the official website	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
6	is it communicated to all internal and external Stake Holders	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
7	Does the company have the necessary structure to implement the policies	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
8	Does the Company have a grievance redressal mechanism related to the policy	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES
9	Has the company carried out Internal audit or evaluation of policies	YES	YES	YES	YES	YES	YES	YES	YES	YES	YES

Source: Self-Compiled

Table No 3: Table showing Details of compliance relating to CSR top 10 companies

It can be inferred from the above table that all the top 10 companies taken for the study are duly complying with the provisions laid down by the NVG or the GRI which is a good sign showing commitment of companies towards the society in general

Sl.no	Particulars	Frequency	%
1	Annual	4	40
2	Half-yearly	1	10
3	Quarterly	3	30
4	6 times in a year	1	10
5	Not Known	1	10
	Total	10	100

Table No 4: Table showing Frequency of Assessing BRR performance

It can also be inferred from the BRR that the frequency of publishing BRR report or sustainability report is Annual in case of the 40% of the selected companies, Quarterly in case of 30% of companies and 10% of them assess it on Half yearly basis and 1 company (TCS Ltd) assesses it once in every 2 months and the assessment frequency in case of one company could not be found clearly from the report. It shows that companies are taking the assessment of Business responsibility on a serious note.

It can also be found from the BRR report that all companies diligently report their business responsibility on an annual

Areas / Companies	Eradicating hunger & poverty	Education	Gender equality and women empowerment	child mortality, maternal health	Combating diseases	Environmental sustainability	Employment	Social business projects	Contribution to Relief Fund	Others
Reliance Industries	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	*	Sports, Arts Culture and Heritage
TCS	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	*	
HDFC Bank Ltd	yes	yes	*	*	*	yes	yes	yes	*	Financial Literacy and inclusion
HUL	*	*	Yes	*	*	Yes	Yes	yes	*	Energy from waste
HDFC Ltd	*	yes	yes	*	*	yes	yes	yes	*	Arts and Sports
ITC Ltd	yes	yes	yes	*	*	yes	yes	yes	*	Arts Culture and Heritage
Infosys	yes	yes	*	*	*	yes	yes	yes	*	
SBI	*	yes	*	yes	*	yes	yes	yes	*	Culture , Sports
Mahindra Bank	*	yes	Yes	*	*	yes	yes	yes	*	
ICICI bank Ltd	*	yes	Yes	*	*		yes	yes	*	forces welfare

Yes – denotes clear incidence of activities *-denotes no clear incidence of activities.

Source: Self-Compiled by analysing Annual Reports and BRRs of the companies -2017-18

Table No 5: Table showing range of Activities on which the companies spend Activities considered as per Schedule VII, Sec 135 of Companies Act 2013:

It can also be inferred that all companies are contributing towards hygiene and sanitation which can have impact on child mortality, maternal health and combating diseases. Also, most of the companies are working towards rehabilitation cause though not contributing directly to the relief fund.

Criteria / Companies	Materiality	Stakeholder Engagement	Completeness	Clarity	Comparability
Reliance Industries	yes	yes	yes	yes	yes
TCS	yes	yes	yes	yes	yes
HDFC Bank Ltd	yes	yes	*	*	*
HUL	yes	yes	*	*	*
HDFC Ltd	yes	yes	*	*	*
ITC Ltd	yes	yes	*	*	*
Infosys	yes	yes	*	*	*
SBI	yes	yes	*	*	*
Kotak Mahindra Bank	yes	yes	*	*	*
ICICI bank Ltd	yes	yes	*	*	*

Yes – denotes that the criteria has been met and * denotes that it is vague and not adequate for analysis.

Source: Self-compiled after analyzing the BR Reports

Table No 6: Comparative analysis of companies based on criteria

It can be found that the materiality and stakeholder engagement criterions are accurately fulfilled by the companies but there is still ambiguity on completeness, clarity and comparability as there is no standard set of formats to be followed and it's to the flexibility of the company to report on the same. Also, except few companies, the presentation of information in the form of graphs and figures is not available.

IX. CONCLUSION

It has been found from the study that almost all the companies considered for the study are complying with the National voluntary guidelines 2011 and preparing their BRRs in the prescribed format and reporting as per suggested guidelines and framework. Also all the companies have CSR committees and policies in place that's been prepared and published on the website after due deliberations with the stakeholders. Also all the companies assess their BRRs and report on annual basis and it's a public document made available to public through Annual reports and Business Responsibility Reports (BRRs).

As it's a voluntary framework, the detailed information differs, making it difficult for the purpose of comparison. Though the reports look similar, apparently, they lack comparability. Companies that are also following Sustainability reporting as per GRI have pictorial representation of the information, which is very appealing and attractive, but BRRs fail in grabbing that attention. Though BRRs are, to an extent successful in engaging stakeholders but not completely as there is a need for more transparency and presentability of information according to Schedule VII, Sec 135 of the Companies Act 2013.

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