

Chapter III

Research Methodology

RESEARCH METHODOLOGY

3.1 Introduction

The research methodology followed for carrying of the study is explained in this chapter. Method of data collection, sampling procedure and statistical tools used are explained.

3.2 Data and Sources of Data

The study is based on primary and secondary data. Questionnaire method has been used to ascertain how do the investors perceive about corporate social reporting. The instrument has been pre-tested through a pilot study conducted with fifty investors. In addition, discussions have been held with auditors and experts regarding the content of the questionnaire. Suggestions have been incorporated and the modified questionnaire has been used for the final survey. Questions relating to personal profile, investment experience, motive of investment, and investors' opinion on corporate social reporting practice have been included in the questionnaire.

Secondary data were collected from the annual reports of selected companies published during the years 2007-08 to 2011-2012. Annual report is generally the primary vehicle that companies use to communicate with their investors and is the most commonly used measure of corporate social reporting.

3.3 Sample

The implementation of Corporate Governance was made applicable to all companies in the BSE200 and S&P CNX Nifty index and all the newly listed companies as of March 31, 2001. The accounting standards issued by the Institute of Chartered Accountants of India (ICAI), which were applicable to all companies under sub-section 3A of section 211 of the then Companies Act, 1956, were specifically made applicable to all listed companies for the financial year ended March 31, 2002, under the listing agreement (Report of the SEBI Committee on Corporate Governance, 2003). Therefore, companies from BSE200 have been chosen. The average market capitalization has been calculated for BSE200 companies from 2007-08 to 2011-2012. Based on the average market capitalization, top 100 companies have been included in the sample. The choice of such sample is due to the fact large companies spend more on social responsibility

activities and therefore have more information to report contrasted to small firms with a little surplus to spare for spending for the benefit of the society and hence have a little information to share. Also, large companies can be considered as industry leaders. Hence, only the top 100 companies are included in the sample.

There are many users of corporate social reporting. They include investors, employees, government, auditors, bankers, financial institutions, financial analysts, community interest groups and the public. Of these stakeholders, investors are the main users of the annual reports. Therefore, they were contacted to elicit their perception on corporate social reporting. Questionnaires were issued to 500 investors of whom 130 did not respond. Seventy questionnaires were partially filled hence had to be rejected. Hence, three hundred questionnaires could only be taken up for the study.

3.4 Framework of Analysis

Data collected have been analysed using statistical tools which include (i) Correlation, (ii) Multiple Regression, (iii) Step-wise Regression, (iv) Friedman Rank Test, (v) ANOVA, (vi) Chi-square test, (vii) Mean, (viii) Median, (ix) Standard deviation (x) Quartile deviation and (xi) Content Analysis. Growth rate has also been used in this study. Tools used and their purpose, chapter wise, are explained in the following paragraphs.

i. Tools used - Chapter IV

Content Analysis has been undertaken to measure the level of corporate social reporting among the selected companies. It is defined as a method of codifying the text (or content) of a piece of writing into various groups depending upon selected criteria (Weber, 1988). Content analysis is an established research technique in corporate social reporting. This analysis has been widely employed in the social reporting literature (for example, Ernst and Ernst 1978; Guthrie and Mathews 1985; Gray et al. 1987; Nafez Abu-Baker 2000; Aatur Rahman Belal 2001; Sunee Ratanajongkol et al. 2006; Rania Kamla and Hussain Rammal 2010). Therefore, it has been considered fit to employ the technique for the present study.

Varieties of approaches exist in content analysis to quantify disclosures. They include number of words, sentences, pages and proportion of pages used. Word is the smallest

element or unit used in content analysis. Compared to sentences, words seem to have the advantage of being “the smallest unit of measurement for analysis that can be expected to provide the maximum robustness in assessing the quantity of disclosure” (Wilmshurst and Frost 2000). Krippendorff (2004) similarly argues that “to ensure agreement among different analysts in describing the coding units of a content analysis, it is desirable to define these units of description as the smallest units that bear all the information needed in the analysis”. Words are perhaps the smallest meaningful units of text and the safest recording unit for written document. Further, words as a recording unit, may also assist by allowing the inclusion of tables in the analysis. Therefore, word count has been used in the present study to examine the level of corporate social reporting.

ii. Tools used - Chapter V

In order to examine the variables that may influence the level of corporate social reporting, Correlation, Multiple Regression and Step-wise Regression have been used. Eleven variables have been tested. They are i. Size ii. Age iii. Nationality iv. Industry Type v. Ownership vi. Leverage vii. Liquidity viii. Profit, ix. Dividend x. Reserve, and xi. Gross Fixed Assets. Net sales, Profit, Dividend, Reserve and Gross Fixed Assets have been converted into per share data of Rs. 10 face value by dividing each item with equity capital and multiplying it by Rs.10 to maintain uniformity of data. Nationality, Industry Type and Ownership are introduced as dummy variables.

iii. Tools used - Chapter VI

Friedman’s Rank Test has been used to ascertain the investor perception on corporate social reporting. Chi-square test has been used to find out the variables that may be associated with perception on corporate social reporting. Fourteen variables have been tested. They are i. Area of Residence, ii. Age iii. Gender iv. Education v. Occupation vi. Monthly Income vii. Investment Experience viii. Motive of Investment ix. Social Commitment of a company before investment, x. Size of Portfolio, xi. Social responsibility before buying products, xii. Opinion on the Role of NGOs xiii. Opinion on adoption of International Standards and xiv. Importance attached to items of CSR. The variables which are significantly associated with perception on corporate social reporting are taken for further analysis using correlation and multiple regression.

For 't' test, 'F' test and Chi-square test, the levels of significance chosen are one, five and ten per cent.

3.5 Definition of Terms

a. Corporate Social Reporting Index

Corporate Social Reporting Index has been developed using the information reported in the annual report under four major sections, such as, Environment, Community involvement, Product and Employee details. Twenty one items reported under four sections have been considered. The content of these items are examined and if an item is disclosed, then a score of 1 is given and if an item is not present then a score of 0 is assigned. Each annual report has been scrutinized carefully before giving 1 or 0. The scores for each company have been then aggregated. The index has been computed by totalling the score of each section and dividing it by 21(maximum number of items) and multiplying by hundred.

b. Perception Index

Investors have been asked to assign scores to 27 questions relating to their perception on corporate social reporting. The answers have been rated on a five-point Likert Scale. Each investor has been assigned scores. The 'Perception Index' has been computed by totaling the scores and dividing by the maximum score and multiplying by hundred. The average perception index of the 300 investors is 64.88. Of them, 159(53.00%) are with index above this average and 141(47.00%) are with index below this average. The index of the whole sample ranges between 48.15 and 82.96.

3.6 Conclusion

Materials and methods used in the present study are explained in this chapter. Efforts have been taken to employ the most relevant tools for analyzing the data. The next chapter that follows deals with the corporate social reporting practices of the selected companies.

References

- Ataur Rahman Belal (2001), A study of Corporate Social Disclosures in Bangladesh, *Managerial Auditing Journal*, 16(5), 274-290
- Ernst and Ernst (1978), Social Responsibility Disclosure: Survey of Fortune 500 Annual Reports, cited by Sunee Ratanajongkol, Howard Davey and Mary Low (2006), *Corporate Social Reporting in Thailand: The News is all good and increasing*, *Qualitative Research in Accounting and Management*, 3(1), 67-78
- Gray. R. Owen. D and Maunders. K. (1987), *Corporate Social Reporting*, Prentice-Hall, Englewood Cliffs, NJ cited by Eric W.K. Tsang (1998), A Longitudinal Study of Corporate social Reporting in Singapore - The Case of the Banking, Food and Beverages and Hotel Industries, *Accounting, Auditing and Accountability Journal*, 11(5), 624-635.
- Guthrie.J and Mathews. M.R. (1985), *Corporate Social Accounting in Australia*, *Research in Corporate Social Performance and Policy*, 7, 251-277
- Eric W.K.Tsang (1998), A Longitudinal Study of Corporate social Reporting in Singapore-The Case of the Banking, Food and Beverages and Hotel Industries, *Accounting, Auditing and Accountability Journal*, 11(5), 624-635.
- Krippendorff. K. (2004), *Content Analysis: An Introduction to its Methodology*, 2nd Ed-Stage, cited by Petros Vourvachis (2007), On the use of Content Analysis in Corporate Social Reporting (CSR): Revisiting the debate on the units of analysis and the ways to definethem,file:///C:/Documents%20and%20Settings/Adi/My%20Documents/Downloads/90438.pdf
- Nafez Abu-Baker (2000), *Corporate Social Reporting and Disclosure Practice in Jordan: An Empirical Investigation*, *Administrative Sciences*, 27(1), 249-260
- Pallant.J. (2001), *SPSS Survival Manual, A Step by Step Guide to Data Analysis Using SPSS for Windows (Version 10)*, Australia: Allen and Unwin cited by Azlan Amran and Susela Devi, S. (2007), *Corporate Social Reporting in Malaysia: A Political Theory Perspective*, *Malaysian Accounting Review*, 6(1), 19-44.

Rosnia, M., Nurazalia, Z. and Norhazlina, I., (2010), Value Relevance of Accounting Numbers: Determinants of Corporate Social Responsibilities (CSR) Disclosures of Islamic Banks in Malaysia, presented at the Arab-Malaysia Global Business Entrepreneurship (AMGBE), Jordan-Syria,<http://www.stir.ac.uk/management/staff-directory/accounting-and-finance/rosniabintimasruki/>

Report of the SEBI Committee on Corporate Governance (2003), www.sebi.gov.in/commreport.corpgov.pdf

Sunee Ratanajongkol, Howard Davey and Mary Low (2006), Op.cit

Weber. R.P. (1988), Basic Content Analysis, Sage University paper series on Quantitative Applications in the Social Sciences Series, No. 07-049, Sage, Beverly Hills, CA and London cited by Ali Mohammad Yaftian (2011), An Empirical Investigation of Corporate Social Reporting in Iran: Practices, Needs and Perceptions, Unpublished Ph.D. Thesis, (Submitted to University of Wollongong).

Wilmshurst. T.D and Frost. G.R. (2000), Corporate Environmental Reporting: A Test of Legitimacy Theory, Accounting, Auditing and Accountability Journal, 13(1), 10-26