CHAPTER 1

CORPORATE SOCIAL RESPONSIBILITY – A CONCEPTUAL FRAMEWORK

1.1 CORPORATE SOCIAL RESPONSIBILITY- AN INTRODUCTION

The purpose of this research work is mapping corporate social reporting (CSR) vis à vis Indian companies and set the scene for CSR reporting by undertaking an extensive study of the form and content of the non-traditional, voluntary disclosures of social and environmental information in annual reports in its current form and provide some normative perspectives based on perceptions of two groups of stakeholders i.e. investors and stock brokers. To start with, it is important to shed some light on the term, “corporate social responsibility”, hereafter referred as CSR.

1.1.1 CSR- SOME OBSERVATIONS AND DEFINITIONS:

The term, “corporate social responsibility” is used to envelop both social and environment issues. Business and society are interdependent. The wellbeing of one depends on the wellbeing of the other (http://www.societyandbusiness.gov.uk/html). Especially in big companies and corporations, it's seen as a vital tool to promote and improve the public image. CSR may present a win-win situation for society and business. Understanding of the potential benefits of CSR for the competitiveness of individual companies and for national economies can help encourage the spread of CSR practice.

The origin of the CSR construct has been traced back to the works of Bowen, particularly his book Social Responsibilities of Businessmen published in 1953 (Valor, 2005). Another book by Davis and Blomstrom (1966) defined social responsibility as

“Social responsibility, therefore, refers to a person’s obligation to consider the effects of his decisions and actions on the whole social system. Businessmen apply social responsibility when they consider the needs and interest of others who may be affected by business actions. In so doing, they look beyond their firm’s narrow economic and technical interests (p. 12)”.

In a book series by Walton (1967), a foremost thinker on this subject, entitled Corporate Social Responsibilities, many aspects of CSR with regard to the role of the business firm and the business persons in modern society have been addressed. This served as a formal attempt to define CSR as “The intimacy of the relationships between the corporation and society” and it was realized that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals” (As cited in Carroll, 1999).

Backman (1975) has described CSR in forms of some examples: Employment of minority groups, reduction in pollution, greater participation in programs to improve the community, improved medical care, improved industrial health and safety—these and other programs designed to improve the quality of life are covered by the broad umbrella of social responsibility (As cited in Carroll, 1999).
CSR can be discerned in these three words that CSR is maximizing returns to shareholders (Zenisek, 1979).

Frederick (1986) identified corporate social responsibility as “an examination of corporations’ obligation to work for social betterment and referred this to as CSR1”. Frederick et al. (1992, p. 30) stated that CSR means that a corporation should be held accountable for any of its actions that affect people, communities and the environment because the social responsibilities of business also arise from two significant features of modern organizations: (a) the essential functions it performs for society; and (b) the immense influence it has on people’s lives. According to Frederick (1994), the move to ‘corporate social responsiveness’ started from 1970, which he called CSR2 and has been defined as corporate social responsiveness “as the capacity of a corporation to respond to social pressures and argue that the impact of the move from CSR1 to CSR2 is reflected from a philosophical approach to one that focuses on managerial action (As cited in Samy et al, 2010).

In 1965, the then Prime Minister of India presided over a national meeting that issued the following declaration on the Social Responsibilities of Business:

“…[Business has] responsibility to itself, to its customers, workers, shareholders and the community ... every enterprise, no matter how large or small, must, if it is to enjoy confidence and respect, seek actively to discharge its responsibilities in all directions ...and not to one or two groups, such as shareholders or workers, at the expense of community and consumer. Business must be just and humane, as well as it has to be efficient and dynamic” (As quoted in Mohan, 2001).

The World Business Council for Sustainable Development (1999) defined corporate social responsibility as: “The ethical behavior of an organization towards society – management acting responsibly in its relationship with other stakeholders who have legitimate interest in the business”.

These are the acts done by business houses and companies showing their sensitiveness to the needs of the society and are referred with various names i.e. including sustainability, responsibility, environmental, and accountability reports, social accounting or more recent terminology Enterprise Social Responsibility (ESR) or corporate citizenship (Parker, 1986 as quoted in Guthrie and Parker, 1989).

The term can also be understood in the realm of sprawling literature on meaning of corporate social responsibility and business ethics. Business ethics can be defined as “a set of principles that guides business practices to reflect a concern for society as a whole while pursuing profits” (Nisberg, 1988). Companies are called “corporate citizens”. Corporations when enjoy these rights of citizenship also need to bear some responsibility towards the society.

It has been found that the definitions of CSR vary in different cultural and national settings. In the United States and India, for example, CSR has traditionally been defined in more of a philanthropic
way. Under the American model companies make profits and donate a certain share of these profits to charitable causes. Gaining organizational benefit from such donations is seen as tainting the act of giving. (www.mallenbaker.net/csr/CSRfiles/definition). In India also the philanthropic model of CSR has been followed since the times when the term CSR was not even coined. By comparison the European model is much more focused on operating the core business in a way that is regarded as socially responsible and which is complemented by investing in communities in ways that simultaneously yield business benefits like sustainability in the long run or just the better image. This kind of commercialization of CSR has found some criticism. For example the words of religious leader Dalai Lama in 1999 expressed his feeling like this in context of giving by corporate for social purposes. ‘‘If we give with the underlying motive of inflating the image others have of us…we defile the act. In this instance, what we are practicing is not generosity but self aggrandizement.’’ (as quoted in White and Peloza, 2009). CSR is now, seen as a concept in which companies voluntarily integrate social and environmental concerns into their business operations and into the interaction with their stakeholders.

CSR is also defined as “The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large (World Business Council for Sustainable Development, 1998).

CSR (as distinct from business ethics): “As an organization’s obligation to maximize its positive impact on stakeholders and to minimize its negative impact, whereas business ethics comprises principles and standards that guide behavior in the world of business” (Ferrell et al., 2002)

Recently CSR has been defined as “The adoption by a business of a strategic focus for fulfilling the economic, legal, ethical and philanthropic responsibilities expected by its stakeholders” (Thorne et al., 2008).

"It is important to get the business of businesses right. The primary responsibility of business is social improvement” (Ambani, Chairman of Reliance Industries, 2011)

1.1. 2 Global CSR- A Religious Perspective: Most of the people of this planet Earth are religious people. All religions preach philanthropic attitude, the sacred giving, sharing and sacrificing one personal earnings for eternal gain of salvation. In all religions, the people have been motivated to contribute for example Daswandh (1/10 of the earnings) in Sikh religion and Zakat (2.5 % of the earnings) in Muslim religion. In Christianity as well, the humankind is induced towards giving in the following words “At the end of every three years, bring all the tithes of that year's produce and store it in your towns, so that the Levites (who have no allotment or inheritance of their own) and the aliens, the fatherless and the widows who live in your towns may come and eat and be satisfied, and so that the LORD your God may bless you in all the work of your hands” The Deuteronomy 14:28-29. The
Deuteronomy 15:7 also preaches “If there is a poor man among your brothers in any of the towns of the land, whatever, The LORD your God is giving you, do not be hardhearted or tightfisted towards your poor brother” (http://www.bukisa.com/articles/189267_bible-verses-about-charity_ixzz1GUZP912O accessed on 14-3-2011).

The holy books of different religions, The Holy Bible, The Holy Guru Granth Sahib, The Holy Gita and The Holy Quran preach welfare of human beings and certainly not the inhabitants of a particular national boundary. In the past there has been plethora of instances when the entire world expressed solidarity and deep concern towards the sufferings of the mankind in natural catastrophic events. If there is concern and willingness to sacrifice and help during unfavorable conditions, then the researcher is of the opinion that people need to be sensitive to the pangs of the society in normal course of life as well.

1.1.3. Atypical gap between the Haves and Have - not’s: United Nations Development Program, in its Human Development Report 2010, entitled as “The Real Wealth of Nations: Pathways to Human Development” measured the number of deprived and the intensity of their deprivation through a newly designed index called MPI (Multidimensional Poverty Index). MPI is a combination of serious deprivations in the dimensions of health, education and living standards. The study revealed a nerve-racking figure that 1.75 billion people in the 104 countries covered by the MPI live in acute deprivation in health, education and standard of living. This exceeded the estimated 1.44 billion people in those countries who live on $1.25 a day or less. The study also puts on record the prevalence of extreme multidimensional poverty in South Asia and sub-Saharan Africa. Another study covering 145 countries highlighted that 50% to 86% of the population lives below poverty line in 27 countries specifically Zambia at 86%; Chad, Gaza Strip, Haiti, Liberia at 80% each; Sierra Leone, Sierra Leone 70.2%; and in other 21 countries people living below poverty line range from 50% to 70%. India targeting 9 % growth rate in GDP and claiming to be at second position in reporting growth rate also bears the stigma of having 25% of the population below poverty line (indexmundi.com). There are 1210 billionaires in the world having a net worth of 4.5 trillion dollars as on 11 March, 2011 (www.forbes.com). This valley wide gap between haves and have- Not’s warrants urgent action of these billionaires to ameliorate the sufferings of the human fraternity, more urgently than ever.

1.1.4 CSR- A Strategic Focus

As early as 1978, Mintzberg opined that “the strategic decisions of large organizations inevitably involve social as well as economic consequences, inextricably intertwined; there is no such thing as a purely economic strategic decision”. In recent research work (Hazlett et al., 2007) it has been felt that in examining CSR from a strategic point-of-view, the use of CSR must be “genuine as an Impact - management strategy at the core of the business”. Proponents of CSR claim that it is in the enlightened self-interest of business to undertake various forms of CSR (as cited in Baker, 2006). A
report by the World Business Council for Sustainable Development stated in its introductory section on corporate social responsibility that “Business benefits accrue from the adoption of a broader world view, which enables business to monitor shifts in social expectations and helps control risks and identify market opportunities. Such a strategy also helps to align corporate and societal values, thus improving reputation and maintaining public support”, (World Business Council for Sustainable Development, 1999). Strategic philanthropy was later described as “synergistic use of a firm’s resources to achieve both organizational and social benefits” (Thorne et al, 2003).

1.1.5 CSR and Stakeholders Expectations: United Nations Conference on Environment and Development (UNCED) and World Summit on Sustainable Development (WSSD) in Johannesburg seem to have harbingered the multi stake holder’s concept. CSR can be narrowly defined as maximizing returns to shareholders (Zenisek, 1979). Carroll (1979) gave popular framework which envisaged CSR as embodying four primary expectations of business: economic, legal, ethical, and philanthropic. GMR infra annual Report, 2008-09 commented that “Shareholder value is unidimensional; community value is true”. Ferrell et al. (2002) define CSR (as distinct from business ethics): “As an organization’s obligation to maximize its positive impact on stakeholders and to minimize its negative impact, whereas business ethics comprises principles and standards that guide behavior in the world of business” (as cited in Rolland and Bazzoni, 2009). Larsen (2004) defines responsibility as: including elements of fulfilling duties and obligations, of being accountable to other individuals and groups, of being accountable as evaluated by agreed upon standards, and of being accountable to one’s own conscience. It covers “the relationship between corporations and the societies with which they interact. It includes the responsibilities that are inherent on both sides of these relationships (Chandler and Werther, 2006). Thorne et al. (2008) defined SR “as the adoption by a business of a strategic focus for fulfilling the economic, legal, ethical and philanthropic responsibilities expected by its stakeholders”. So, CSR has ranged from a narrow economic view (Zenisek, 1979), to a comprehensive societal view of CSR as “the company’s status and activities with respect to its perceived societal or, at least, stakeholder obligations” (Brown and Dacin, 1997, p. 68) and then to one’s own consciousness (Larsen, 2004).

1.1.6 Corporate Social Responsibility – An Esoteric Word

As one endeavors to lunge deeper into the literature on CSR, greater seems to be the confusion regarding the exact content, location; measurement technique intended uses and perceived benefits emerging out of such disclosures. Although there is no single, authoritative definition, CSR is broadly understood as “the type and scope of social obligations that corporations must consider in the course of their routine business practices” (Sharma & Talwar, 2005).

Kaur and Kansal (2010) opined that “It still seems to be an attempt to define an abstract but extremely relevant concept in vague format with ambiguous measurement techniques, churning out mercilessly
varied output for any body or nobody or everybody”. A previous study (Parker, 2005) has also described the scholarly literature concerned with corporate social disclosure (CSD) as “voluminous, disparate, eclectic”, and as existing “without commonly agreed philosophies or standpoints”. Almost the similar kind of observation is made by Votaw (1973) when he noted that “The term is a brilliant one; it means something, but not always the same thing, to everybody”. To some it conveys the idea of legal responsibility or liability; to others it means socially responsible behavior in an ethical sense; to still others the meaning transmitted is that of being responsible for, in a causal mode; many simply equate it with a charitable contribution. These kinds of differing interpretations have been one of the reasons for the lack of a clear and well-accepted definition (Clarkson, 1995; Valor, 2005).

In the preceding section it was noted that corporate social disclosure is still trying to find a concrete foundation for itself. At the same time, corporate social disclosure practices have always grabbed hold of the attention of various researchers, business houses, academicians, NGO’S, environmentalists, accounting professionals.

Broadly and in most popular terms, CSR is how companies manage their business processes to produce an overall positive impact on society. Having said this, it is also plausible that the constituents of CSR vary from company to company, as there have always been conflicting expectations of the nature of companies’ responsibility to society. So, corporate social responsibility can be understood from different angles like internal and external, individual and collective. In internal CSR focus of company’s activities is on shareholders, workers and investors where external corporate social responsibility the beneficiaries are civil society groups, community at large, other companies and suppliers etc. The concept of corporate social responsibility has slowly matured from philanthropy to sustainability business strategy on one level and from self regulation to multi stakeholder concept at another level. As the faith begets faith and non-communication, partial, selective or foul communication breeds suspicion and contempt, it is becoming increasing important to appraise all the stakeholders with relevant information. The disclosures of social, environmental, health and safety (H&S) have been a matter of active consistent research across countries for more than 60 years, the review of literature in the next chapter focuses upon the social disclosure studies already conducted. Broadly it has been found that most of these disclosures have been revealed in the company’s annual and standalone reports although there are other sources as well (for example, web based information, specific information documents, product information, and advertising campaigns and financial media). Though the quality of these reports have improved greatly over the last several years (Stratos, 2008), there is still much debate on the issues related with content (regarding the information that should be included), how it should be structured, and how it is used in practice and its location.
All the developing and developed nations have succumbed before the forces of globalization and they all have to adapt themselves to the practices prevailing throughout the world and work for the harmonization of these practices. Corporate social responsibility is seen as an advanced tool for addressing the challenges posed by changes related to globalization (Chahoud, 2007).

As relatively lesser prior work can be found in India which deals with CSD in a comprehensive way so the issues below, point to the need for the current study.

1. The review of literature suggests that a lot of research has been made in western corporate world, but the work in south Asian countries in general and specifically in India is scattered and scanty.

2. Many studies document that the Indian corporate attitude was positively inclined towards social and environmental issues even before the word corporate social responsibility was formally coined. The concept has slowly metamorphosed itself through various phases of corporate social responsibility. An insight into the present status of CSR practices is warranted.

3. Given this situation, it becomes a paramount research question to understand what information is actually disseminated to various stakeholders, in what form and also what importance these stakeholders attach to these reports. Which companies go in for more rigorous and systematic disclosures is also an interesting area to unravel?

4. A look at the present corporate social disclosures can help us to discern the patterns, variables/determinants involved. It can also guide the way concerted efforts can be made towards the harmonization of accounting practices with respect to the current field. Since 1997 when the Kyoto agreement was passed, a wind fall opportunity has fallen in the way of corporate enterprises throughout the world which may bring them huge fortunes for adopting greener/environment friendly technologies for production.

5. How far the carbon trading plans, carbon emissions control and carbon emissions cuts or plans of creation of carbon sinks are communicated to the stakeholders and in what form is an overarching research issue that not been addressed so far.

1.2 NEED FOR CORPORATE SOCIAL RESPONSIBILITY

The prime minister of India, Dr. Manmohan Singh expressed the challenges to budding mangers of India, in his speech as “we should recognize that our high growth is not sustainable unless it is made more inclusive, in a manner that helps to reduce social tensions and disparities. The innovation- in management, in systems, in communication should not only be helping a firm or it’s bottom-line but it should address pressing economic and social challenges” Singh (2011). Primarily the basics of the CSR itself support the rationale of the corporate social disclosure. Thus, it shall not be out of the place to look at the rationales dictating CSR by the companies. First of all, the pressures of
globalization have forced the companies to decentralize production/marketing facilities. So, integration between the global approach and local orientation is a recent phenomenon called basically glocalisation of production facilities. This process has raised the sensitivity of the corporate world to the needs of the local communities. Secondly, the growing awareness of the world to environmental issues, global warming, climatic changes (though already matured but it has bounced back with more vigor than ever before. The worsening global climatic conditions and emergence of carbon trading markets and Kyoto agreement with ‘Cap and Trade systems’ has also forced the companies to sit up and respond to the environmental and societal needs. Next, the burns inflicted upon by the markets upon the companies taking CSR irresponsibly have been quite serious and vindictive. This reduces the risk appetite of other companies to ignore the issue. This is in reference to what happened to Nike (Labor related issues), Monsanto (who tried genetically modified foods perceived as unethical by the masses) and closer to home example like Reliance (all round protests from the public against its entry into food chains), Nandigarm’s black chapter and Tata’s Nano moving out of Singur (Bengal) on consistent opposition by farmers. The formulation of legislation like Right to Information Act has also favored the corporate social disclosure though in a reticent manner. The CSR works as an image booster and these days ad busting (using the mainstream media itself to strike at dominant marketing messages and send alternative messages), is increasingly being used as a perfect marketing tool, making the world listen to firms’s brand messages which otherwise do not serve their purpose of enhancing sustainability.

A report published by Center for Social Markets (CSM) in 2001 in a survey based report titled “Corporate social responsibility – perceptions of Indian business” found the ranking of reasons for Corporate social responsibility and reported that ‘Increasing awareness’ and ‘Reputation’ topped the list, with ‘Community group pressure’ and ‘Public opinion’ quoted as the least important.

Concluding the discussion till now, certainly CSR has got a social, economic rationale and if the company is doing good why not to disclose it to everybody in the world, specifically when it is proved that the corporate social disclosure brings economic benefits, reduces reputational risks, acts as a goodwill cushion to fall back upon in case of erosion of reputational capital in grey areas, acts a image booster, (these days the CSR has emerged as a great brand messaging phenomenon with much more reliability in comparison to traditional methods of advertising). Wolf (2002) Chief economic correspondent of ‘The Financial Times’ commented that “corporate social responsibility is an idea whose time has come now.” Clive (2005) the Deputy Editor of ‘The Economist’ commented that “Corporate social responsibility has blossomed as an idea”. Given this background, this study is an effort towards discerning patterns of CSD from various angles and interpreting the carbon footprints of the companies. The review of sprawling literature on the subject has directed the efforts of the researcher in a meaningful and relevant direction.
1.3 NECESSITY OF CSR REPORTING – A JUSTIFICATION

The definition given by Guthrie and Parker (1989) has CSRD defined as “Reporting on the social impacts of its activities; effectiveness of its social programmes; discharge of its social responsibilities; stewardship of its own social resources”. Different researchers have presented different viewpoints on the need of corporate social disclosure. Some connect the need with globalization (Birch, 2003; Owen, 2003), some with alleviation of the negative perceptions of business insensitive to the social issues (Jacoby, 1973), position themselves as responsible citizens, leaders, and contributing members of society (Manheim & Pratt, 1986), communication remains the “missing link” in the practice of corporate social responsibility (Rowe, 2006; Dawkins, 2004), building corporate reputation and creating value (Dawkins, 2004; Rowe, 2006), platform for constructive dialogue with relevant stakeholders to foster mutual trust, collaborative action, and shared value (Chowdhary & Wang, 2007).

Though there is almost unanimity among the researchers regarding the need for disclosing corporate social responsibility information, but due to lack of standardized formats and regulatory provisions credibility of information, use of social reporting to compensate for mediocre performance (Coope, 2004) remains a challenge. So, corporate social responsibility communication reflects the action on social responsibility actions is questionable. Fukukawa and Moon (2004) contended that CSR communication and action are interrelated functions rather than mutually exclusive. They also acknowledged the challenge in measuring the extent of corporate social responsibility communication. In other words, although CSR communication may or may not be an accurate presentation of CSR action, there is “reason to expect increasing congruence between communication and action”. In their study of CSR reporting in seven Asian countries, Chambers et al. (2003) reiterated the general assumption that “the greater the extent of the reporting, the more engaged the company is with CSR and the more seriously it is taken therein”.

1.4 REGULATORY REGIME IN INDIA

1.4.1 A Bird’s Eye View: Regulatory Framework Governing CSR Disclosures in India

Disclosure system in essence is communication of information, generally through financial statements, to the users. Earlier research establishes that disclosure is an explanation, exhibit, attached to financial statements, or there embodied in a report containing a fact, opinion, or detail required or helpful in the interpretation of the statements or report (Cooper & Yuji, 1984), movement of information from private domain to public domain (American Accounting Association, 1977), process of communication with outside world (Chander, 1992), by the reporting entity to outside users for the purposes of decision making. This disclosure has been getting a lot of attention in recent times due to the factors like expansion of growing form of company as a type of organization, shift in shareholder to stakeholders concept, increase in shareholders base, increase in informational needs of various
stakeholders, the amendments in disclosure laws in various countries, growing interest and responsibility of various professional accounting bodies in India and abroad (Chander, 1992). This disclosure cannot be avoided by the company for the reasons like attracting and keeping resources (Turley & Taylor, 1986), helping investors to select best portfolios, to discourage ignorance and uncertainty, for decision regarding favourable behavioural changes vis-à-vis the enterprise.

The American Accounting Association (1975), in the report of the Committee on Social Costs, suggested that three levels of measurement may be involved in the development of social accounting. These are:

Level I where the activity is identified and described. Examples might be the identification of polluting materials, which are being discharged into the environment.

Level II where the activity is measured using non-monetary units. The polluting materials are measured in terms of rate of discharge, the timing of flows, and compliance with existing standards formulated in physical terms such as parts per million.

Level III where attempts are made to value the effects of discharges. The measurements are converted to financial estimates of costs and benefits to all stakeholders, ranging from shareholders to the general public (as cited in Imam, 2000).

Social accounting is not much popular in India as there as no legal binding on the business industries to report the social activities in their financial accounts. Although social reporting is much significant from the point of view of many parties unfortunately it is not mandatory in any country still it is optional and not even recommendatory many conflicting terms have been used. The disclosure of social information is considered as additional and voluntary information (not required by law).

1.4.2 Sachar Committee Report: In 1978, the Sachar Committee laid the emphasis that the companies should not ignore their social responsibility and publish social accounts in annual accounts. The acceptance of concept of “social responsibility” must be reflected in the information and disclosure that the companies make available for the benefit of the shareholders, creditors, workers and community. It was suggested that as far as possible social report must be cast both in quantity and monetary terms. The committee also felt the need that the board should also report on the future plans of the company it has made, to discharge its social responsibility and duties.

1.4.3 Companies Act, 1956: The 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1998 regarding the following matters

A. Conservation of energy
   (a) Energy conservation measures taken
(b) Additional investments and proposals, if any, being implemented for reduction of energy consumption
(c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods
(d) Total energy consumption per unit of production in prescribed Performa in respect of industries specified in schedule thereto.

B. Technology absorption
   Efforts made in technology absorption in the prescribed Performa

C. Foreign exchange earnings and outgo requires
   (a) activities relating to exports; initiatives taken to increase export; development of new export markets for products and services and plan
   (b) total foreign exchange used and earned

1.4.4 Securities and Exchange Board of India:
   a) Employee Stock Option Plans (ESOP): The information is required to be provided in compliance with Clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme) and (Employee Stock Purchase Scheme) Guidelines, 1999, as amended.

   b) Particulars of Employees: In terms of the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees are required to be set out in the Annexure to the Directors’ report. However, having regard to the provisions of Section 219 (1) (b) (IV) of the Companies Act, 1956, the annual Report is required to be sent to all members of the Company, excluding the aforesaid information. Any member interested in obtaining such particulars may write to the Company Secretary at the registered office of the respective Company.

1.4.5 Bureau of Public Enterprises: The Bureau of Public Enterprises which regulates Central Public Enterprises puts some additional disclosure requirements in their annual reports. For example, BPE vide its letter no. BPE-1(17)/ADV/F/69 has made it obligatory for this enterprise to disclose the expenditure incurred by them on
   (a) Social overheads
   (b) Welfare work towards weaker section of society
   (c) Employment to SC/BC
   (d) Capital expenditure on townships in their annual reports.

In addition, Criminal Procedure Code (CPC) in 1898 under sec 133 empowers the District Magistrate to abandon industries which cause water pollution. Information under section 217(2A) of the
Companies Act, 1956 read with Company (Particulars of employees) Rules, also requires some information to be disclosed regarding the employees. Factories Act, 1948 makes provisions for minimum facilities for the workers and cleanliness of the factory premises. The Act also levies various penalties for non-compliance. The Prevention and Control of pollution Act, 1981 makes rules for controlling air pollution. Laws at Central Government level include Prevention and Control of Pollution Act, 1974 to control water pollution by the industries. These Acts have been supplemented by parallel state Governmental level like Municipality Act, 1951 of Calcutta.

Here, the role of industry associations deserves a mention for example; CII has various committees for social development activities and also developed a voluntary code for its members. Chambers like FICCI, PHDCL and Bharat Chamber of Commerce and such others have set up foundations for this purpose. So, it seems established that although legal framework for environmental exposures has been developed in much part of the world, the frameworks requiring social impact have been relatively undeveloped.

ICAI role although is appreciative encouraging and regulating the corporate disclosure practices in India still it has not been able to bring out more concrete and innovative proposals for corporate social disclosures.

The companies have the tendency of complying with only mandatory requirements regarding disclosures. The fact that almost in all the countries, the companies disclosed the information which is compulsorily required by law has logic. Epstein et al (1976) made a similar observation when they attributed the increase in corporate social disclosure due to pressures from government regulatory bodies like Securities Exchange Commission.

1.4.6 Presidential Directives and Guidelines: Presidential Directives and guidelines issued by the Government of India from time to time regarding reservation for Schedule Castes, Schedule Tribes and Other Backward Classes in letter and spirit. Liaison Officers are appointed at various Units/Offices all over the Country to ensure implementation of the Government Directives. Government Directives need public companies to disclose information on reservation for Persons with Disabilities and Ex-Servicemen and their representation.

1.4.7 CSR expenditures being made mandatory as a part of the proposed Companies Bill- An unfinished effort: According to the Draft Bill, proposed by the Parliamentary Standing Committee on Finance, the companies were expected to earmark two per cent of their net profits towards CSR activities every year. The law was meant to be applicable for

a) All companies with a net worth of Rs. 500 crore or more, or

b) A turnover of Rs. 1,000 crore or more or
c) A net profit of Rs. 5 crore or more.

It was also contemplated that Public sector enterprises (PSEs) may lose their Mini-ratna, Navratna and Maharatna status, if they fail to spend the stipulated amount on corporate social responsibility (CSR) in a time-bound manner [http://www.business-standard.com/india/news/pse-may-lose-status-for-csr-shortfall-patel/429338/]. India Inc opposed the proposed move to fix a threshold for CSR spending in the legislation. For example, Wipro Chairman Azim Premji strongly commented against the idea of formulating laws on mandatory spending by industry on CSR in these words, "I don't think you generate CSR by putting statutory requirements. I think there is enough social consciousness among the larger companies to drive it on the basis of what they consider their responsibility" [http://www.business-standard.com/india/news/premji-against-law-mandatory-csr-spend-by-corporates/130163/].

It is also important to look at the view presented by Mukesh Ambani Chairman of Reliance group, who commented that "The purpose of any business cannot be only profit. Profit for the shareholders is important. But unless entrepreneurs have a larger purpose and businesses that change lives of millions of people, a sustainable business cannot be created". He also commented that "We will have to move from a model of CSR to a model of Continuous Social Business through enterprise and entrepreneurship,". He also suggested creation of world class institutions with a soul.

1.5 Summary: It can be concluded that the CSR is still searching for a universally accepted definition and a standardized method of measurement of the CSR disclosures. It seems that the need for the disclosure of CSR information is well recognized. The above discussion also summarizes the regulatory regime in India with regard to social responsibility. It can be concluded that the regulatory environment governing some issues of CSR has been disjoint and non-mandatory. So the CSR disclosures still fall in the category of voluntary disclosures. In the light of the research problem presented in the earlier section of this chapter and weak, non-integrated legislation, it becomes important to understand patterns of the CSR disclosures made by the companies.