

Corporate social reporting Practices in Auto industry in India and Iran

Saeed Nasiri^a, G. Raju^b

^aResearch scholar, Department of Commerce University of Kerala , Kerala, India
(Faculty of Dept of Accounting, Khozestan Science and Research Branch, Islamic Azad University, Iran)

^bProfessor ,Department of Commerce University of Kerala, India

Abstract

One of the great challenges of the past century has been to minimize the potential impact of transportation systems on the global environment. The first century of the automobile has had a profound effect on society, the economy, industry, technology, and the global environment. Now a days, the need of the companies to attract foreign investment has increased their contact with the entire world. Hence there is need of better transparency for different types of stakeholder groups of financial statements and these had raised the need for providing better and complete annual reports. Therefore, in this study corporate social reporting of Auto industry in two countries India and Iran were compared to figure out their strengths and weaknesses regarding reporting on social practices in their annual reports.

KEYWORDS: Corporate Social Reporting (CSR), Global reporting initiative (GRI).

Introduction

In recent decades, an increasing number of companies across the world have voluntarily issued their corporate social responsibility (CSR) reports. CSR reporting has become more important along with the increase of interest in CSR which calls for companies to become more responsible for their social, environmental, and economic impacts. It is acknowledged that social problems that companies create, such as pollution, resource depletion, violations of workers' rights, and excessive power of large corporations, have significantly influenced society. Further, the growing attentions and concerns related to those problems have moved into the public sphere. In this way, disclosing information about companies' CSR performance seems to have become one of the most important CSR activities.

The theoretical explanation with the most support is that companies voluntarily disclose CSR performance information to the public in order to satisfy their primary needs to present themselves as legitimate members of society (Deegan 2002)¹. Ultimately, this legitimacy enables companies to pursue their primary purpose of seeking sustainable profitability, which is fundamental to business activities. Also, leaving aside the fact that the corporate sector provides significant economic benefits to society, there are growing concerns in that larger society provides great opportunities for companies to use public resources to operate their businesses (O'Donovan 2002)². Therefore, society has a right to know how the corporate sector gives back some profits to the society as a return of what they have been given and these activities have become

obligatory for companies.³ Social information includes all information reported to stakeholders about the social and environmental effects of a company's economic actions. As such it involves extending the accountability of the company beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. This information could be of a quantitative or qualitative nature or both. It may be reported in the form of an annual report, a specific social report, a media release or other form to achieve the company's objectives.

Various studies have found that corporate social, including environmental, reporting has increased across time and vary in the subjects to which they give attention (Gray 1995⁴, Guthrie 1990⁵, Hackston 1996⁶). A demand for such disclosures has been found to exist as evidenced in studies by Tilt (1994)⁷ and Deegan and Rankin (1997)⁸. These latter studies also found that the annual report was the most accessible, credible, and preferred medium for disclosure. Various theoretical bases have been used to explain corporate social disclosure (Abbot and Monsen 1979⁹; Belkaoui and Karpik 1989¹⁰; Roberts 1992¹¹; Guthrie and Parker 1990¹²; Deegan and Gordon, 1996¹³, Clarkson et al 2008¹⁴). However, legitimacy theory is seen as the more 'insightful' in explaining such disclosures (Gray et al, 1995), and its application is demonstrated, for example, in studies by Abbott and Monsen (1979)¹⁵, Patten (1992)¹⁶, Brown and Deegan (1998)¹⁷ and Aerts and Cormier (2009)¹⁸. The first century of the automobile has had a profound effect on society, the economy, industry, technology, and the global environment. One of the great challenges of the past century has been to minimize the potential impact of transportation systems on the global environment. This study aims to compare the social reporting practices between auto industry firms in India and Iran.

Global Reporting Initiative

GRI's is a multi-stakeholder, network-based organization. Its Secretariat is headquartered in Amsterdam, the Netherlands. The Secretariat acts as a hub, coordinating the activity of GRI's many network partners. GRI has Focal Points – regional offices – in Australia, Brazil, China, India and the USA. Its global network includes more than 600 Organizational Stakeholders – core supporters – and some 30,000 people representing different sectors and constituencies. GRI also enjoys strategic partnerships with the United Nations Environment Programme, the UN Global Compact, the Organization for Economic Co-operation and Development, International Organization for Standardization and many others. GRI's Guidelines are developed with the expertise of the people in its network. International working groups, stakeholder engagement, and due process – including Public Comment Periods – help make the Guidelines suitable and credible for all organizations. GRI is an organization which provides a framework for sustainability reporting that can be adopted by all types of organizations in all countries. The GRI was formed by the United States based non-profit Coalition for Environmentally Responsible Economies (CERES) and Tellus Institute, with the support of the United Nations Environment Programme (UNEP) in 1997.

Statement of the problem

National economies are becoming more competitive and it moves towards transacting with global markets. Hence the companies do have a vital role to play with greater

responsibilities. In this context CSR is an important mechanism to show their responsibility towards the society. The significance of CSR also became more evident with the inception of sustainability reporting guideline 2002. Till the date more than 4000 organizations from 60 countries use the guideline to provide their sustainability report. This study aims to analyse the corporate social reporting of certain listed Indian and Iranian companies in Auto sector.

Objective

The study is carried out to compare the current social reporting practices in Auto industry in India and Iran

Hypotheses

H0: There is no significant difference in mean score of corporate social reporting practices for Auto industry in India and Iran.

H1: There is significant difference in mean score of corporate social reporting practices for Auto industry in India and Iran.

Methodology

The research design chosen for the comparative study between two countries in Auto industry was based on descriptive research design. From 45 top listed companies in Auto sector from Tehran stock exchange, 20 companies were selected randomly. From the first 600 top companies in Mumbai stock exchange, 48 companies were from the Auto sector, from which 20 companies wererandomly selected.

The CSR checklist was prepared using content analysis. This check list was constructed for six dependent variables.

These six variables consist of 65 measurement items (sub-variable). For comparing two countries, this study suggests the global reporting initiative (GRI 3.1) guideline which was used as the basis for comparing the percentage of CSR disclosure practices.

CSR was assumed as a dependent variable which contains six independent variables, which are labour practices, human rights, Society, Product responsibility, Environmental and Economy. It is illustrated in Table 1;

Table 1: Brief of independent variables

<i>Independent variables</i>	Sub-variables
Labour	Employment, Labour/management relations, Occupational Health and safety, Training and education

Human rights	Investment and Procurement, Non-discrimination, Freedom of Association, Child Labour, Forced and Compulsory Labour, Security Practices, Indigenous Rights, Assessment, Remediation
Society	Local Communities, Corruption, Public Policy, Anti-Competitive Behaviour, Compliance with law and regulations
Product responsibility	Customer Health and Safety, Product and service Labeling, Marketing Communications, Customer Privacy, Compliance
Environment	Materials, Energy, Water, Biodiversity, Emissions, Effluents, and Waste, Products and Services, Compliance with law and regulations
economy	Economic Performance, Market Presence, Indirect Economic Impacts

Source: literature review

Analysis of CSR practices in Auto industry of India and Iran

Data were analyzed using the check list based on GRI guidelines which provided 65 items. Out of these 65 items, 13 items relate to labour, nine items relate to human rights, eight items relate to society, six items relate to product responsibility, 22 items relate to environmental practices respectively and seven items relate to economy practices. The Annual reports of companies were collected from selected companies for the year 2011-12. Data have been analyzed using SPSS and the result is presented in Table 2.

Table 2: Percentage of CSR disclosure in India and Iran in Auto industry

Number and percentage of items selected	Labour Q=13		Human rights Q=9		Society Q=8		Product responsibility Q=6		Environment Q=22	
	India n=260 13x20	Iran n=26 0 13x2 0	India n=18 0 9x20	Iran n=18 0 9x20	India n=16 0 8x20	Iran n=16 0 8x20	India n=120 6x20	Iran n=12 0 6x20	India n=44 0 22x2 0	Iran n=44 0 22x2 0
Responses (R) (R/n)x100	63 (24.2)	95 (36.5)	45 (24)	14 (7.7)	9 (5.6)	3 (1.8)	26 (21.6)	11 (9.1)	193 (43.8)	179 (40.6)
Z	3.051		4.413		1.765		2.681		0.955	
Sig.	0.002		0.000		0.077		0.007		0.339	

Source: field survey.

Figures in the parentheses shows the percentage of disclosure in selected companies following CSR practices in Auto industry (number of auto companies selected in India 20 and in Iran 20)

The Z-test for proportion indicated that India and Iran exhibited differences in the case of *Labour practices, Human rights practices, Society practices and Product responsibility* in Auto industry. In the case of *Labour practices* Iranian companies are reporting better than Indian companies with 36.5 per cent for Iran and 24.2 per cent for Indian companies. From the Z-test analysis it is found that there is significant difference between Iranian and Indian companies. Whereas in all other items Indian companies are reporting better than that of Iranian companies. As far as the Z-test analysis is concerned there is significant difference in case of human rights and Product responsibility. In case of *environment*, it is found that there is no difference between Iranian and Indian companies in Auto industry. The reporting concerning society itself is very low. And as far as economy is concerned there was no reporting at all. The highest disclosure in both countries belongs to environmental practices and the lowest disclosure belongs to society practices.

For further analysis independent sample t-test was used and result is shown in Table 3:

Table 3: Country-Wise M,SD,N and t-value of CSR in Auto industry

Country	Mean	S.D	Number	t-value	Sig.
India	0.34	0.07	20	2.144	0.039
Iran	0.28	0.09	20		

Source: field survey.

From Table 3, it is evident that the t-value is 2.144 at 5% level of significance with $df = 38$. It means that mean score of CSR practices in India and Iran is significantly different.

The mean score of CSR practice in India is 0.34 which is greater than that of Iran whose mean score of CSR practices is 0.28. *It is inferred that CSR disclosure practices is better in Indian companies from Auto industry compared to corresponding Iranian companies.*

In this context the null hypothesis that *there is no significant difference in the mean score of CSR practices for Auto industry in India and Iran* is rejected and the alternate hypothesis that there is significant difference in the mean score of CSR practices for Auto industry in India and Iran is accepted. Hence it is clear that Auto industry in India were found to have higher level of CSR practice in comparison to Auto industry in Iran (GRI guideline, 2011).

Conclusion

Based on the analysis it is found that both countries need to do more practices on items: labour/management relations, Occupational Health and safety and Training and education Related to *Labour Practices*. In reporting of *Human Rights* practices, inclusion of Non-discrimination, Freedom of Association and Collective Bargaining and Indigenous Rights are suggested. For *Product Responsibility practices* it is found that these companies need to provide more reports on items Customer Health and Safety, Product and service Labelling and Marketing Communications. It is also suggested that writings on

Percentage of materials recycled , Water, Emissions, Effluents, and Waste and Biodiversity related to *Environmental Practices are needed*. The evidence found for disclosure on *Society and Economy* were negligible and hence it suggest for inclusion of these as per the guidelines. For knowing about the details of above items companies needed to look in to the GRI guidelines (G3.1).

There is a significant difference in social reporting practices in Auto industry between India and Iran. The paper figures out that Indian company were reporting better on their social practices. But according to GRI guidelines both countries still need to do more practices on their social activity. According to the analysis Iranian companies were better in reporting on their labour practices as compared to Indian companies. Where as in human rights and product responsibility Indian companies got the better rate of disclosure as compared to Iranian companies. Both countries were good on reporting on their environmental practices as there were more policy and regulations related to environmental activity. Companies have to follow different kind of ISO like EFQM and HSE related to protection of environment. But both countries are not doing much on their society and economic activities. It should be observed that the society and economic practices are recently added items to the GRI guideline. For getting better results related to disclosure on these two items, one need to wait for annual reports of the companies published at least in 2013. It also need to be mentioned that the way of thinking on social reporting need to be changed in both the countries as its always confused with philanthropy and donation or charity.

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