Journal of Commerce and Accounting Research
12 (1) 2023, 18-28
http://publishingindia.com/jcar/

Submitted: 08 June, 2022
Accepted: 04 July, 2022

CORPORATE SOCIAL RESPONSIBILITY REPORTING PRACTICES: AN ANALYSIS OF PHARMA COMPANIES IN GUJARAT

Udai Lal Paliwal*

Abstract *Obligatory requirements have been prescribed in the social, environmental, and governance domains, to ensure that corporate behaviour is not harmful to the societies in which they operate. Consequently, both corporate social responsibility (CSR) and CSR reporting have attracted the growing attention of researchers, as evidenced by increased publications and media attention. However, no specific study has been conducted that evaluates CSR disclosures by pharma companies in Gujarat; and it is not known whether the CSR disclosures by pharma companies are affected by parameters such as revenue, assets turnover, CSR committee size, CSR head, price earnings ratio, and so on. The present paper fills this research gap. The present paper studies the CSR reporting practices of the pharma companies based in Gujarat and ranks them based on their reporting and disclosure practices. Mann-Whitney U test results find that there is no significant difference in CSR disclosures of the sample companies based on identified variables, except the price earnings ratio (PER). Further, the CSR disclosure by pharma companies is still in its infancy and lacks the rigour and quality that it should possess, despite the growing expenditure on CSR activities as mandated by the Companies Act, 2013.*

Keywords: *Corporate Social Responsibility, CSR Reporting and Disclosures, Pharma Companies, Mann-Whitney U Test*

INTRODUCTION

Corporate social responsibility (CSR) has been a focus of good corporate entities for a long time; however, in the Indian context, it has attracted tremendous attention only after the Companies Act, 2013 made it mandatory for corporate entities to meet the prescribed threshold of spending at least 2% of their average profit of the last three years (MCA, 2013). The Act also prescribes types of activities that may be the focus of CSR spending and prescribes that all relevant information should be reported, which is also in line with 'National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business' (MCA, 2011).

An ever-increasing number of companies are reporting their compliance with the regulatory requirements, especially the provisions laid down by section 135 of the Companies Act. Companies under purview of section 135 have set up CSR committees, and have reported increasing diversity on CSR committees. CSR policies are also made public, which shows the corporate's commitment to the cause of stakeholders' well-being. States such as Maharashtra, Karnataka, Assam, Gujarat, Rajasthan, and Odisha are among the top recipients of CSR spending. As per company CSR reports, health, rural development, and education have been the prime focus of CSR spending by Indian corporates. Keeping these developments in the CSR domain in mind, this study aims to focus on CSR reporting practises of pharma firms based in Gujarat. Gujarat is a major hub of pharma companies in the country, as it accounts for more than one-third of the pharma production. Gujarat also appears on the list of states with the highest CSR spending; thus, Gujarat is a good case for studying the CSR initiatives of corporates, especially CSR reporting practices.

CSR in India: Background and Some Regulatory Provisions

After independence, the nation has witnessed a steady growth. However, this is not distributed evenly. The country is still struggling with multiple social and financial inequalities or gaps (Kurian, 2007). Hence, this offers an opportunity for researchers to gauge how companies support their growth and the inclusive development of the society through their CSR activities. As per the definition of CSR in the Companies Act, 2013, these are 'the activities that

* Professor & Director, Institute of Commerce, Nirma University, Ahmedabad, Gujarat, India. Email: udai@nirmauni.ac.in

promote poverty reduction, education, health, environmental sustainability, gender equality, and vocational skills development' (Ramanan, 2018).

The Companies Act, 2013 Section 135 prescribes that every company which meets any of the following criteria (Table 1), during any financial year, shall constitute a 'Corporate Social Responsibility Committee' of the Board consisting of three or more directors, of whom at least one shall be an independent director.

Table 1: Threshold for Application of Section 135 of the Companies Act

Criteria	Threshold (Rs. Crore)
Net worth	=> 500 Crore
Turnover	=> 1000 Crore
Profit	=> 5 Crore

Source: MCA (2013).

Corporate Social Responsibility Policy Rules, 2014, state that any company that fulfils the above criteria (Table 1) shall in every financial year spend at least 2% of the average net profits of the company made during the three immediately preceding financial years. It further states that in case a company spends more than the amount, the excess amount so spent cannot be carried forward to the subsequent years for adjusting against the next year's CSR expenditure.

However, the company's Board of Directors shall carry forward any unspent amount out of the minimum required CSR expenditure to the next Financial Year and state the reasons for not spending the required amount. Such carried-forward amounts would be over and above the next year's CSR allocation. It may be noted that once a company has fulfilled the net worth/turnover/net profit criterion for one year, it has to fulfil its CSR obligations for the subsequent three financial years, even if it does not fulfil any of these criteria in those years (IGNOU, 2021).

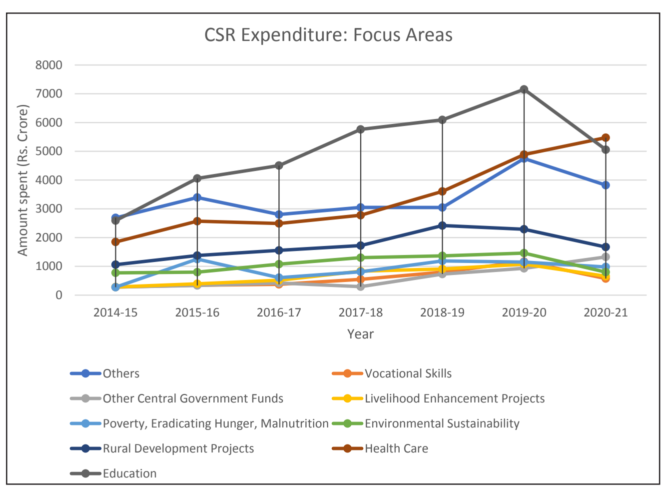
The Act further requires the disclosure of the composition of the CSR committee, which is responsible for formulating a policy for CSR initiatives. The CSR policy shall mention the list of proposed activities, as specified in Schedule VII, to be undertaken by the company, recommend the amount to be spent on the proposed activities, and monitor its implementation.

The Board is responsible for ensuring that in pursuance of its corporate social responsibility policy, the company undertakes the proposed activities and spends the minimum required amount every financial year. The Act emphasises that preference should be given to the nearby areas for the purpose of spending the funds earmarked for CSR activities. The Act also requires that in case the company is unable or fails to spend such a required amount on CSR activities, the Board shall specify the reasons for not spending the amount so required.

Expenditure on CSR Activities

Only CSR activities undertaken in India shall amount to CSR expenditure. The CSR activities can be undertaken by a company, either as a new or as ongoing projects/programmes/activities as per its CSR policy, but excluding activities which the company would carry on during its normal course of business. CSR activities can be carried out in collaboration with other companies in such a manner that the CSR committees of the respective companies are in a position to report separately on such CSR activities undertaken.

Though a number of activities qualify as eligible expenditure under CSR, the major focus has been on healthcare, education, poverty, eradicating hunger, malnutrition, environmental sustainability, rural development projects, vocational skills, and contribution to the Central Government Funds. As can be seen from Fig. 1, maximum amount was spent on healthcare-related activities (26.9%) during 2020-21, followed by education (24.8%) and rural development projects (8.2%). Expenditure on healthcare also witnessed the highest increase (almost three times) from the period 2014-15 to 2020-21. This increase is in sync with the economic conditions in the country. However, the fact that there is nearly no increase in CSR spent on environment and sustainability related activities is surprising, as it remains a top priority across the globe. It is interesting to note that though it increased marginally in absolute terms, the share of environment and sustainability related expenditure has seen the sharpest decline during the study period, i.e., from 7.7% in 2014-15 to 3.9% of total CSR expenditure in 2020-21.

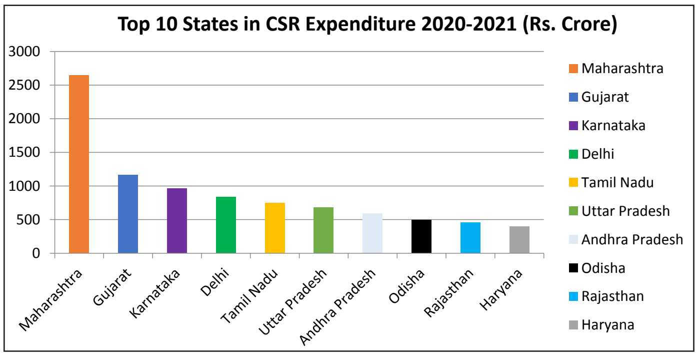


Source: https://www.csr.gov.in/

Fig. 1: Focus of CSR Expenditure by Indian Corporates

State-Wise Expenditure on Corporate Social Responsibility

Based on the data extracted from the MCA website on CSR activities, the top ten states are ranked as per the amount spent on CSR. If we notice the top four names, these are the states where most of the head offices of the big corporates are established, i.e., Maharashtra (HO in Pune and Mumbai), Gujarat (head offices in Ahmedabad), Karnataka (the cyber and tech hub), and Delhi (capital of the nation). As depicted in Fig. 2, Maharashtra tops the list, followed by Gujarat, Karnataka, and Delhi. The north-eastern states are among those with the least expenditure on CSR activities.



Source: https://www.csr.gov.in/

Fig. 2: Focus of CSR Expenditure by Indian Corporates

CSR Expenditure Trends

Table 2 presents some highlights of the various data related to CSR during the past five years.

Table 2: Comparative Data on CSR by Indian Corporates

Year	2020-21	2019-20	2018-19	2017-18	2016-17
Number of Companies	8632	22660	25094	21513	19550
Amount Spent (Rs. Crore)	20359	24861	20150	17095	14344
States & Union Territories	37	38	38	38	38
Number of CSR Projects	25373	34911	31937	26567	22964
Development Sectors	29	29	29	29	29

Source: https://www.csr.gov.in/

It is interesting to note from Table 2 that though the number of companies engaged in CSR initiatives reduced drastically from 22,660 in 2019-20 to 8,632 in 2020-21, perhaps due to the shrinking margins caused by COVID-19, the amount spent did not reduce drastically. The number of CSR projects also decreased, showing some consolidation. However, the total amount spent has seen robust growth during this period. The reliance industries with a total CSR expenditure of more than 5,000 crores top the list, followed by ONGC, TCS, and so on.

Research Questions

Though there have been several researches focusing on CSR reporting practices (Maqbool & Zamir, 2019), especially those linking CSR activities with firm performance, there is no specific study that identifies and documents the CSR reporting practices of pharma companies based in Gujarat. Therefore, this study attempted to document, compare, and critically appraise the CSR reporting practices of Gujarat-based pharma companies. Thus, the main objective of this research was to document the CSR reporting practices of selected pharma companies based in Gujarat, and rank the sample companies based on their CSR disclosures.

The following research questions were used to test whether the CSR disclosures differed significantly in relation to the identified variables.

- Does higher turnover impact CSR reporting?
- Does high assets turnover impact CSR reporting?
- Does a bigger committee impact CSR reporting?
- Does the level of the person managing the CSR committee impact CSR reporting?
- Does a higher market-to-book value ratio impact CSR reporting?
- Does a higher price earnings ratio impact CSR reporting?

REVIEW OF LITERATURE

Corporate Social Responsibility

CSR encompasses various activities aimed at addressing responsibilities such as economic, legal, ethical, and philanthropic (Carroll, 1991). Variables such as company size, profitability, board commitment, ownership structure, industry, and so on were found to be influencing factors behind CSR initiatives of the corporations (Gamerschlag, Moeller & Verbeeten, 2011; and Reverte, 2009). If the corporates build up strategic tie-ups with the government, numerous social ails will be cured through CSR, simultaneously creating fund value. These philanthropic initiatives, when communicated, succeed in gaining the attention of the media and society, benefitting the enterprise in the long run (Maqbool & Zamir, 2019).

Corporate Social Responsibility Around the World

Corporate entities around the world are increasingly paying attention to investing in projects with better social impact so that they operate in a more socially responsible manner. Apart from the national requirements and guidelines, the important forces that shape and promote CSR initiatives at the global level are: the UN Global Compact, Global Reporting Initiative, the OECD Guidelines, and ISO 26000:2010. 'UN Global Compact', the principle-based framework for businesses, is considered to be one of the most followed guidelines across the world by organisations in shaping their rules and policies (United Nations Global Compact, n.d.). The Global Reporting Initiative (GRI) is a globally acclaimed initiative that helps to understand, identify, and report the impact of businesses on significant issues related to sustainability through its sustainability reporting framework. It also helps organisations identify and process information to aid in making sustainable decisions (GRI, 2015). Equally important are the OECD Guidelines for responsible business conduct, consistent with applicable laws to enhance the contribution to sustainable development by transnational businesses (OECD, 2008). The need for translating sustainability principles into effective actions is fulfilled by ISO 26000:2010, which helps businesses by sharing best practices relating to social responsibility (ISO, n.d.). Countries such as Austria, Belgium, Czech Republic, Finland, France, Sweden, South Africa, and the UK are known for their pioneering legislation and efforts in the field of CSR.

The major common goals which all the corporates around the world share in their CSR responsibilities are environmental sustainability, empowerment, and education. A detailed analysis of the companies around the world and their initiatives towards social causes shows that the companies (in alphabetical order), such as Adidas, Apple, Bosch, Coca-Cola, IKEA, Marc Jacobs, Microsoft, Starbucks, and Walt Disney are among the top spenders for the cause of CSR (Gonçalves, 2020).

CSR Reporting and Disclosures

The amount of CSR disclosures and their information content varies considerably across nations (Chapple & Moon, 2005; Dawkins & Ngunjiri, 2008; Fifka & Pobizhan, 2014), as it has been evidenced that advanced nations address social issues more strongly compared to the developing nations. Factors such as size of a company (Islam & Deegan, 2010), profitability, public pressure, age, rate of return, earnings margin, nature of industry, corporate governance structures, and so on (Nag & Bhattacharyya, 2016; Liu & Anbumozhi, 2009; and Jamali, Safieddine & Rabbath, 2008) have been identified by researchers as the forces behind the increasing importance of CSR. Many researchers have found a significant relationship between corporate social responsibility disclosure (CSRD) and corporate financial performance (CFP), whereas some have not (Beck, Frost & Jones, 2018; De Klerk, de Villiers & van Staden, 2015; Murray, Sinclair, Power & Gray, 2006). Nag and Bhattacharyya (2016) advised managers to keep the long-term nature of CSR in their planning horizons and advised that focus of CSR activities should be more participative rather than contributory in nature, e.g. volunteering by employees, customers, and suppliers. The content and context of corporate social responsibility disclosure (CSRD) in India are under-emphasised. Voluntary disclosures under this theme were not emphasised by most of the companies (Verma & Singh, 2016). However, the regulatory developments by the Ministry of Corporate Affairs are helping to get some momentum for a higher disclosure rate (Nag & Bhattacharyya, 2016).

Research Gap

So far, no specific study has been conducted that evaluates CSR disclosures by pharma companies in Gujarat. Further, it is not known whether the CSR disclosures by pharma companies are affected by parameters such as revenue, assets turnover, CSR committee size, CSR head, price earnings ratio, and so on. The current research aims to fill this research gap by analysing CSR disclosures and ranking the sample companies based on their CSR scores.

RESEARCH METHODOLOGY

This descriptive case study of pharma companies based in Gujarat used 'thematic content analysis' to identify CSR reporting practices, the areas of CSR spending, and quality of reporting. A purposive random sample of ten pharma companies based in Gujarat was selected; these are companies that often occupy space in local media for a variety of reasons. The study was based on secondary data collected from company annual reports (2020-21), company websites, and websites of other stakeholders, such as the Ministry of Corporate Affairs and Securities and Exchange Board of India, among others.

The data so collected was analysed using thematic content analysis (TCA), because TCA is believed to preserve the richness of textual interpretations (McClelland, Atkinson, Clark & Lowell, 1992). Using thematic content analysis, the current research critically apprised the information content of published annual reports, especially the information presented through the section 'Business Responsibility

Reporting' and other information available on company websites, to identify the types of disclosures and contrast it with the requirements laid down by the Companies Act, 2013, or National Voluntary Guidelines (NVG) on Social, Environmental and Economic Responsibilities of Business in the form of Business Responsibility and Sustainability Report (SEBI, 2021). A CSR reporting and disclosure score was awarded to each sample company for the important areas, and the same was used to rank the sample companies regarding their reporting and disclosure practices of CSR activities. It should be noted that for the purpose of this research no distinction was made between the words reporting and disclosures. The study used nine dimensions (principles) relating to CSR, as narrated by NVG. While capturing the data and awarding the scores, the study excluded dimensions which are very obvious and report basic information, allowing more emphasis on the selected critical items for ranking the sample companies. The researcher used his rich experience of reporting and disclosure-related aspects to select the dimensions for scoring purposes. The scale used for measurement also differed based on the nature of item reported. More critical disclosure items were allotted higher weightage compared to the obvious ones. The Mann-Whitney U test was used to test the following hypothesis (Saunders, Lewis & Thornhill, 2009).

- H0_1: There is no significant difference in CSR reporting according to the sales revenue (turnover) of the company.
- H0_2: There is no significant difference in CSR reporting according to the asset's turnover ratio of the company.
- H0_3: There is no significant difference in CSR reporting according to the number of members in the CSR committee.
- H0_4: There is no significant difference in CSR reporting according to the level of the person managing the CSR committee.
- H0_5: There is no significant difference in CSR reporting according to the market to book value ratio of the company.
- H0_6: There is no significant difference in CSR reporting according to the price earnings ratio of the company.

The data so analysed is presented through written narratives, graphs, tables, charts, and so on, and suggestions for improvement in CSR reporting as well as limitations of the research are presented in the following sections of this paper.

RESULTS AND DISCUSSION

This section presents the data collected from company annual reports and websites regarding CSR disclosures. An analytical review and ranking of the companies based on the CSR reporting score allotted is also presented.

CSR Expenditure: Some Trends

As described earlier, corporate social reasonability is assuming increased attention and so is the CSR expenditure and related disclosures by Indian corporates. Table 3 presents year- and sector-wise CSR expenditure since it was made mandatory by section 135 of the Companies Act, 2013.

Table 3: Year- and Sector-Wise CSR Expenditure in India (Rs. Crore)

Development Sector	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Vocational Skills	277	344	373	546	798	1165	574
Other Central Government Funds	277	334	420	293	731	930	1328
Livelihood Enhancement Projects	280	393	515	832	907	1077	655
Eradicating Poverty, Hunger, Malnutrition	275	1252	607	811	1189	1148	978
Environmental Sustainability	774	797	1076	1302	1364	1461	800
Rural Development Projects	1059	1376	1555	1723	2418	2289	1671
Healthcare	1848	2569	2492	2777	3605	4886	5474
Education	2589	4057	4505	5762	6092	7154	5056
Others	2686	3393	2801	3049	3045	4749	3823
Total	10066	14517	14344	17095	20150	24861	20359

Source: https://www.csr.gov.in/

The CSR expenditure of corporate India has doubled during the past seven years. The highest increase was witnessed in contribution to central government funds, followed by poverty alleviation, healthcare, and livelihood enhancement schemes. This increase is in sync with the economic conditions in the country. However, the fact that there is nearly no increase in CSR spent on environment and sustainability related activities is surprising, as it remains a top priority across the globe.

Profile of Sample Companies

Table 4 presents an overview of the CSR expenditure, as well as key financial indicators of the sample pharma companies studied for this research.

Table 4: Key Financial Indicators and Expenditure on CSR for 2020-21

Company	Annual Revenue (Rs. Mn)	Total Assets (Rs. Mn)	Net Profit (Rs. Mn)	ATOR	Net Profit Ratio (%)	CSR Exp. Required as Per Sec. 135 (Rs. Mn)	Actual CSR Spent (Rs. Mn)	CSR Overspent (Unspent) (Rs. Mn)
Alkem	72,197	1,07,727	10,719	0.670	17.90	214.38	74.10	−140.28
Aurobindo	1,58,237	2,31,890	2,239	0.682	19.67	44.8	413.8	369.
Cipla	1,39,006	2,29,637	21,401	0.605	12.60	428.02	428	0.02
Dr. Reddy	1,33,491	2,16,296	17,050	0.617	9.10	341.00	361	19.80
Glenmark	75,679	2,06,175	15,259	0.367	21.79	305.17	492.2	187.12
Lupin	1,10,559	2,18,586	17,327	0.506	11.38	346.54	351.1	4.56
Sanofi	29,566	30,610	6,643	0.966	31.94	132.86	96.4	−36.46
Sun Pharma	1,28,032	3,89,988	6,491	0.328	17.00	129.81	269.5	139.69
Torrent	64,508	1,17,610	8,750	0.548	16.00	175.00	222.9	47.90
Zydus	77,904	1,84,636	12,720	0.422	20.96	254.40	785.4	531.00

Source: Author's compilation based on company annual reports.

As can be seen from Table 4, all the sample companies were performing very well during the study period, as all have double-digit net profit margins, except Dr. Reddy Laboratories. It may also be noted from the table that most of the sample companies exceeded their CSR commitment, as they spent more than the statutory requirement of 2% of the average net profit. This state of expenditure is a welcome gesture from the Indian corporates, especially during the turbulent times caused by the sudden spread of COVID-19. However, two of the sample companies, Alkem and Sanofi, could not spend the required amounts, even during the pandemic period, which raises the eyebrows.

CSR Reporting and Disclosures by Sample Companies

It is the main objective of this research to identify the CSR reporting and disclosures practices of the sample pharma companies, and rank them based on the quality and quantity of information disclosed. The information provided by the sample companies through their annual reports was identified and evaluated against the disclosure requirements stipulated in the Business Responsibility Reporting (BRR) format. For this purpose, the disclosures made were critically analysed and studied against the reporting requirements for each of the nine principles of BRR. To understand the CSR reporting practices of the selected companies, the annual reports and their websites were scanned. The CSR expenditure was reported as part of other expenses. Further, the annual reports of the companies were scanned to judge their performance against the laid-down criteria for CSR reporting. The summary findings are given in Table 5.

One of the techniques used in content analysis is counting the number of times a word or phrase occurs in a piece of writing. The reason behind this is to gauge the intensity/concentration of that element in the reporting. As can be seen from Table 5, the highest number of times the word CSR or the phrase 'Corporate Social Responsibility' has been used was by Cipla (155 times), while it was used least by Glenmark (42 times). Thus, the count technique shows that Cipla concentrates more on reporting its social involvement to the users.

Again, the number of meetings and the members in the committee highlight the efforts of the organisation towards the cause. On these two parameters, Aurobindo Pharma leads the league, with five meetings and a broad-based committee with seven members. The average number of meetings conducted was three a year. Aurobindo, together with Sun Pharma, also topped the list by providing CSR-related disclosures the highest level of coverage by devoting 23 pages of their annual reports to Business Responsibility Reporting and other CSR-related disclosures. Glenmark (eight pages) and Zydus (nine pages) provided the least space, and thus, the least coverage to BRR or CSR reporting in their annual reports. Around 60% of the sample companies had not involved their stakeholders in CSR activities. As CSR is all about 'stakeholder' well-being, not involving all relevant stakeholders in the process may not be a good sign. Meeting the disclosure requirements, all the companies have shared their CSR and other prominent policies with their internal stakeholders through email and via other intranet facilities. However, some companies have not shared those details with external stakeholders, which is a cause of concern. Similarly, two companies have not gone for an independent audit of CSR activities yet. In conclusion, it may be said that though companies are fulfilling their financial obligations as stated in the Companies Act, it appears that CSR philosophy has not been fully incorporated into their day-to-day operations. The risk that still remains is, in the absence of full integration of CSR into day-to-day business activities and in the absence of involvement of all relevant stakeholders, the impact of CSR spending may not be very effective.

As the main objective of this paper was to rank companies based on their CSR disclosures, an attempt was also made to identify if their CSR reporting differed as a result of parameters such as revenue, assets turnover, size of CSR committee, level of manager heading the CSR committee, or market response (measured by market-to-book ratio and price earnings ratio). Since the sample size is small, the Mann-Whitney U test was considered to be the most appropriate to test whether the CSR disclosures by sample companies were different based on these parameters.

Table 5: CSR Reporting by Sample Companies – Some Indicators for 2020-21

Company	CSR Reporting (No. of pages)	Use of CSR Words (times)	Use of CSR and Related Words in Chairman's Speech	No. of CSR Committee Members	No. of CSR Committee Meetings	Stakeholder Participation in CSR	Policy Shared with External Stakeholders	Manner of Sharing	Independent Audit of CSR
Alkem	13	120	9	5	3	No	Yes	Website	Yes
Aurobindo	23	127	11	7	5	No	Yes	Not stated	Yes
Cipla	13	155	8	5	4	Less than 30%	Yes	Website	No
Dr. Reddy		93	0	4	4	Y	Yes	Web-site and Employee Undertak-ing	Yes
Glenmark	8	42	5	3	4	No	Yes	Not stated	Yes
Lupin	15	108	8	5	1	No direct participation	Yes	Not stated	Partially
Sanofi	14	109	5	3	2	Yes (with their code of conduct)	No	Not stated	Yes
Sun Pharma	23	120	0	3	3	Not monitored	No	External – Not yet	No
Torrent	15	115	7	5	2	Y	Yes	Website	Partially
Zydus	9	94	2	3	2	Not men-tioned	Yes	Website	Yes

Source: Annual reports of sample companies.

CSR Score of Sample Companies

The critical items reported, as well as the score allotted to sample companies, are described in Table 6 for each of the nine principles. Though the amount spent on CSR activities has steadily grown since it was made mandatory, CSR reporting through annual reports or other means has not been very popular among the corporates. Most of the information provided is very general in nature and lack specific details. Table 6 presents the overall score obtained by sample companies for their CSR reporting practices.

Table 6: Composite CSR Reporting Score of Sample Companies

Company	Score on the Principle									Total Score
	P1	P2	P3	P4	P5	P6	P7	P8	P9	
Out of	6	4	8	3	5	9	6	7	3	51
ALKEM	5	2	2	3	3	2	2	3	3	**25**
AUROBINDO	4	1	2	3	4.5	4	3	3	3	**27.5**
CIPLA	4	2	5	3	4.5	6	3	4	3	**34.5**
DR. REDDY	5	1	4	3	4.5	3	3	2	3	**28.5**
GLENMARK	4	1	4	2.5	2	2	1	3	3	**22.5**
LUPIN	4	2	3	2.5	4.5	6	3	2.5	3	**30.5**
SANOFI	4	0	1	3	4.5	2	4	2.5	3	**24**
SUN PHARMA	4	2	3	3	5	3	4	3	2	**29**
TORRENT	6	2	3.5	2.5	4	3	3	3	3	**30**
ZYDUS	5	1	2	3	4	1	3	2	3	**24**

Source: Author's compilation based on company annual reports.

As can be noted from Table 6, Cipla scored the highest (34.5 out of 51) for all nine principles of CSR disclosures. It was followed by Lupin and Torrent Pharma. It is interesting to note that Cipla and Lupin are at first and third places, respectively, from the total CSR spent point of view. Though Torrent Pharma scored low in the rank based on total expenditure, it stood third regarding CSR disclosures. It is also worth noting that all the sample companies scored comparatively less on Principle 3 – employee well-being and Principle 7 – responsible and transparent manner of dealing. To understand the summary scores presented in Table 6 better, let us have a look at the disclosures made by sample companies on each of the principles.

Principle 1: Integrity, Ethics, Transparency, and Accountability

The first principle of BRR framework requires companies to disclose information about the manner in which they conduct themselves regarding integrity, ethics, transparency, and accountability. Information provided by the sample companies on critical reporting aspects of Principle 1, such as training and awareness programmes, their beneficiaries, and inclusion of value-chain partners in such initiatives, were analysed. Though multiple programmes on awareness were conducted by all the sample companies, merely 10% of them presented the exact figures related to the number of sessions. When it comes to the disclosure of the percentage of people who attended or the number of hours devoted to training, 60% of the companies provided the details, while the rest just presented the description of programmes conducted by them, which is more qualitative and generalised information. None of the companies reflected the information about their penalties or fines in the Business Responsibility Report. Among the sample companies, Torrent Pharma scored highest on Principle 1.

Principle 2: Providing Goods and Services in a Sustainable and Safe Manner

The second principle requires businesses to disclose specific initiatives aimed at ensuring their commitment to sustainability throughout the life cycle of their products. Among other details, the two specific metrics are: '% of R&D and capital expenditure (capex) investments' in specific technologies to improve the environmental and social impacts of the product and processes to the 'total R&D and capex investments' made by the entity, respectively, and the % of recycled or reused 'input material' to total material (by value) used in production (for manufacturing industry) or providing services (for service industry). A careful review of the details provided under Principle 2 reveals that most of the companies do not provide specific data. They tend to provide more general information, such as they are committed to sustainability and safety and so on.

Principle 3: Employee Well-Being

The information provided through BRR and annual reports were scanned to evaluate the quantity and quality of disclosures regarding the company approach towards its human capital. On analysis, it was found that the ratio of men and women was highly skewed. Further, only 40% of the companies mentioned the coverage under health insurance and 10% on maternity and paternity each. The retirement benefit expenses were duly mentioned in the notes to account and profit and loss statement, but there was no relative figure showing the percentage of employees covered in any of the samples. The overall disclosure on well-being of employees is not very impressive. Undoubtedly, companies had conducted numerous trainings on safety, skill development, and awareness for their employees; however, there was no relative figure available about the coverage in 40% of the companies.

Principle 4: Responsiveness to All Stakeholders

The information provided under Principle 4 was analysed for the critical aspects of stakeholder well-being, with the major focus on details of instances of engagement with, and actions taken to address the concerns of vulnerable/ marginalised stakeholder groups. Most of the companies provided satisfactory disclosures on Principle 4. Provided training; greater engagement; whistle-blower policy; 360 degree feedback; community healthcare; sanitation and hygiene; education and knowledge enhancement; and social care and concern are some of the phrases used by the sample companies to report their performance on Principle 4.

Principle 5: Human Rights

Every company had a separate committee or a body governing the protection of rights (especially of women). However, surprisingly, none of the selected sample companies conducted training exclusively for human rights. Multiple trainings related to safety and skill development were promoted in the annual report; however, there was no mention of training for human rights.

Principle 6: Environmental Protection

Disclosures on the grounds of environment conservation proved to be merely for the sake of compliance. No relative data was provided by a majority of the companies on the following parameters: energy used as a percentage of total energy, waste management, air emissions, or water or energy intensity per rupee of revenue. Cipla and Lupin scored comparatively better regarding environmental disclosures. The use of renewable energy as a percentage of total energy consumption was less than 10% for all companies except Cipla and Lupin.

Principle 7: Responsible and Transparent Advocacy

Given the role businesses play in society through their economic and other activities, they are in a position to influence public and regulatory policy. Therefore, Principle 7 stipulates that businesses should do so in a manner that is responsible and transparent. The companies analysed were a part of various associations; however, none of them highlighted the number of policy positions advocated by their company. Every company merely mentioned the areas to be generally advocated, like governance and administration, economic reforms, inclusive development policies, energy security, water, food security, sustainable business principles, and so on.

Principle 8: Inclusive Growth and Equitable Development

This principle requires businesses to report how they have ensured inclusive and equitable growth. In response to the reporting requirements for a percentage of purchase from the locals and MSMEs, the disclosure of the sample companies was purely for the sake of compliance. They used phrases like: 'believe in promoting locals', 'promoting import substitution', 'saving the carry cost', 'gaining operational efficiency', and so on. Just 10% of the sample size reported the relative amount of purchase from the locals. None of the companies had a preferential procurement policy to purchase from suppliers comprising marginalised/vulnerable groups, perhaps due to the nature of their operations and type of input materials required.

Principle 9: Consumers' Engagement

This requires companies to engage with and provide value to their consumers in a responsible manner. Most of the companies did well on this front, again because of the nature of their business, which requires all relevant disclosures in a responsible manner. However, only one out of the ten companies mentioned the case of recall in their annual report. This shows that a majority of the time corporates do not highlight negative instances, like the adverse effect on environment or product recalls, out of a fear of it having a negative impact on their future performance.

Mann-Whitney U Test Results

As can be noted from Table 7, there was no significant difference in the CSR disclosures by sample companies based on variables such as revenue, assets turnover, CSR committee size, the level of the manager involved, or market-to-book value ratio. However, there was significant impact of price-to-earnings ratio on CSR disclosures. As the p-value is 0.008, which is less than 5% level of significance, it means that we reject the null hypothesis and conclude that

CSR reporting activities are affected by the price earnings ratio of the company. The companies with a higher PER (> 25) have better CSR scores in comparison to the companies with PER less than 25.

Table 7: Hypothesis Testing – Mann-Whitney U Test Results

Hypothesis	Mann-Whitney U	Wilcoxon W	Z	Asymp. Sig. (2-tailed)	Exact Sig. [2*(1-tailed Sig.)]	
H0_1: There is no significant difference in CSR reporting according to the sales revenue of the company.	3.000	18.000	−1.991	.045	.056	Not r ejected
H0_2: There is no significant difference in CSR reporting according to the assets turnover of the company.	12.500	27.500	.000	1.000	0.900	Not rejected
H0_3: There is no significant difference in CSR reporting according to the number of members in the committee.	3.000	13.000	−1.925	.054	.067	Not rejected
H0_4: There is no significant difference in CSR reporting according to the level of the person managing the committee.	4.500	25.500	−1.604	.109	.114	Not rejected
H0_5: There is no significant difference in CSR reporting according to the market-to-book value ratio of the company.	12.500	27.500	.000	1.000	0.900	Not rejected
H0_6: There is no significant difference in CSR reporting according to the price earnings ratio of the company.	.000	15.000	−2.169	.009	.008	Rejected

Source: Author's calculations.

CONCLUSION, LIMITATIONS, AND SUGGESTIONS FOR FUTURE WORK

As described in the foregoing sections, though the amount spent on CSR activities has steadily grown since it was made mandatory, CSR reporting through annual reports or other means has not been very popular among corporates in the pharma sector. Most of the information provided is very general in nature and lacks specific details.

As can be noted from Table 6, Cipla scored the highest (34.5 out of 51) for all the nine principles of CSR disclosures. It was followed by Lupin and Torrent Pharma. It is interesting to note that Cipla and Lupin are at first and third places, respectively, from the total CSR spent point of view. Though Torrent Pharma is ranked low based on total expenditure, it stood third regarding CSR disclosures. It may be concluded that though companies are complying with the mandatory CSR expenditures as required by the Companies Act, they are still not fully passionate about reporting their CSR activities in a meaningful quantitative manner, as the business responsibility reports of most of the sample companies contained information that was very general in nature.

CSR spending as well as coverage have continuously been growing since it was made mandatory. However, when it comes to reporting and disclosures of CSR and related aspects, the performance of Indian corporates is far from expected. This poor state of reporting and disclosures raises the eyebrows about their commitment, as well as the general state of reporting, transparency, and accountability issues. Most of the companies scored less than 50% on a score card developed by the researcher for ranking the sample pharma companies on the basis of their CSR reporting and disclosure practices. While there is room for further improvement in CSR reporting, all companies may learn from the example set by these three leading companies. There is also need to have a concentrated effort at the regulatory level so that more meaningful, precisely measurable, and reliable data is communicated, which may be useful for policy making and addressing issues that are the focus of CSR activities.

The major limitation of this research is its small sample size, as the study covered only ten pharma companies based in Gujarat. In addition, the study depended solely on published secondary data reported through annual reports and company websites for a period of one year.

In future, researchers may increase the sample size, data sources, and coverage area (both industry type and geographical area) to have a more representative view of the state of affairs regarding the reporting of CSR initiatives. Future research may also use triangulation to verify the accuracy of reported data and also assess the impact of reported CSR activities.

REFERENCES

Beck, C., Frost, G., & Jones, S. (2018). CSR disclosure and financial performance revisited: A cross-country analysis. *Australian Journal of Management, 43*(4), 517-537. doi:https://doi.org/10.1177/0312896218771438

Carroll, A. B. (1991). The pyramid of corporate social responsibility: Toward the moral management of organizational stakeholders. *Business Horizons, 34*(4), 39-48.

Cornelia, B., Chapple, W., & Moon, J. (2005). Corporate social responsibility (CSR) in Asia: A seven country study of CSR web site reporting. *Business & Society*, *44*(4), 415-441.

Dawkins, C., & Ngunjiri, F. W. (2008). Corporate social responsibility reporting in South Africa: A descriptive and comparative analysis. *The Journal of Business Communication*, *45*(3), 286-307.

De Klerk, M., de Villiers, C., & van Staden, C. (2015). The influence of corporate social responsibility disclosure on share prices: Evidence from the United Kingdom. *Pacific Accounting Review, 27,* 208-228.

Fifka, M. S., & Pobizhan, M. (2014). An institutional approach to corporate social responsibility in Russia. *Journal of Cleaner Production, 82,* 192-201.

Gamerschlag, R., Moeller, K., & Verbeeten, F. (2011). Determinants of voluntary CSR disclosure: Empirical evidence from Germany. *Review of Managerial Science, 5*(2), 233-262.

Gonçalves, A. (2020). Top 10 companies with the best corporate (CSR) reputation in 2020. [online] Youmatter. Retrieved May 29, 2022, from https://youmatter.world/en/top-10-companies-reputation-csr-2020/

GRI. (2015). *Sustainability and reporting trends in 2025.* The Netherlands.

IGNOU. (2021). CSR Projects and Programmes (MEDS054) IGNOU Study Material for PGDCSR, IGNOU, New Delhi.

Islam, M. A., & Deegan, C. (2010). *Social responsibility disclosure practices: Evidence from Bangladesh* (ACCA Discussion Paper). Retrieved from https://www.accaglobal.com/pubs/general/activities/research/publications/tech-tp-srd.pdf

ISO. (n.d.). ISO 26000:2010. Social responsibility. Retrieved May 16, 2022, from https://www.iso.org/iso-26000-social-responsibility.html

Jamali, D., Safieddine, A., & Rabbath, M. (2008). Corporate governance and corporate social responsibility synergies and interrelationships. *Corporate Governance an International Review.*

Kurian, N. J. (2007). Widening economic & social disparities: Implications for India. *Indian Journal of Medical Research*, *126*(4), 374-380.

Liu, X., & Anbumozhi, V. (2009). Determinant factors of corporate environmental information disclosure: An empirical study of Chinese listed companies. *Journal of Cleaner Production, 17*(6), 593-600.

Maqbool, S., & Zamir, M. N. (2019). Corporate social responsibility reporting in India: A study of SENSEX companies. *Management and Labour Studies*, *44*(2), 209-223.

MCA. (2011). *National guidelines on responsible business conduct.* Ministry of Corporate Affairs, Government of India. Retrieved from https://www.mca.gov.in/Ministry/pdf/NationalGuildeline_15032019.pdf

MCA. (2013). *The Companies Act, 2013.* Ministry of Corporate Affairs, Government of India. Retrieved from https://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf

McClelland, D. C., Atkinson, J. W., Clark Russell, A., & Lowell Edgar, L. (1992). A scoring manual for the achievement motive. In C. P. Smith (Ed.), *Motivation and Personality: Handbook of Thematic Content Analysis* (pp. 153-178). Cambridge: Cambridge University Press.

Murray, A., Sinclair, C. D., Power, D. M., & Gray, R. (2006). Do financial markets care about social and environmental disclosure? *Accounting, Auditing and Accountability Journal*, *19,* 228-255.

Nag, T., & Bhattacharyya, A. K. (2016). Corporate social responsibility reporting in India: Exploring linkages with firm performance. *Global Business Review, 17*(6).

OECD. (2008). *OECD guidelines for multinational enterprises*. France.

Ramanan, R. R. (2018). *Introduction to sustainability analytics.* Boca Raton, FL: CRC Press.

Reverte, C. (2009). Determinants of corporate social responsibility disclosure ratings by Spanish listed firms. *Journal of Business Ethics, 88*(2), 351-366.

SEBI. (2021). Business responsibility and sustainability reporting by listed entities. Retrieved from https://www.sebi.gov.in › legal › circulars

UNGLOBAL Compact. (n.d.). The ten principles of the UN global compact. Retrieved May 20, 2022, from https://www.unglobalcompact.org/what-is-gc/mission/principles

Verma, P., & Singh, A. (2016), Fostering stakeholders trust through CSR reporting: An analytical focus. *IIM Kozhikode Society & Management Review*, *5*(2), 186-199.