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MEASURING THE PERCEPTION OF INVESTORS WITH REGARDS TO CSR INITIATIVES: A STUDY OF INDIAN COMPANIES

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ABSTRACT:

Purpose- This paper seeks to measure the perception of investors with regard to the corporate social responsibility initiatives by Indian companies.

Research Methodology- the present study is the cross sectional in which study data is collected from 300 investors from Delhi and Dehradun region for the period of 3 months through a well structured questionnaire. Percentage method has been used to analyse the data.

Findings- The results indicate that perception of investors by

maximum investors under environment factor that the company's waste disposal methods/initiatives, under energy factor reduction in energy consumption through energy efficiency initiative, under employee factor programs for skill development, under community factor programs for community development, under product safety/customers factor substantiated complaints regarding breaches of customer privacy and losses of customer data, under green initiative factor investors think that usage of eco-friendly materials are extremely important.

Limitations/ Future Research- The study is limited to only two region and restricted sample size of 300 investors. Further research can be conducted on the specific industry group and taking large sample size, also on the awareness level of investors towards CSR initiatives.

Research Implications- This paper broadens the scope for previous investigation based on perception of investors and recommends companies to focus on these practices to improve their financial performance.

KEYWORDS: Corporate social responsibility, corporate social responsibility initiatives, perception of investors.

INTRODUCTION:

The Corporate Social Responsibility (hereafter CSR) is now a massive potential for Indian companies to development. Especially those large companies which are sincerely present their CSR activities in the area of social responsibility and hence CSR progressively become a

mechanism for competitiveness. CSR arranges a standardized path that supports economic, social, environment and benchmark into business management decisions. As per the rules, firms, organizations and companies are responsible to serve in socially, environmentally and economically sustainable manner while observing the interest of distinct stake holders groups. The relationship between CSR and numerous stakeholders group has been

examined broadly over the last few years in various countries. Unfortunately, the term CSR still does not have a standard definition or approved definition. Existing CSR definitions are unclear and can be distinguished explanations (Valor, 2005) and prospect (Balasubramaniam, David & Fran 2005) have been adapted. (World Development Business Council for Sustainable Development, 1998): The commitment of business to contribute to sustainable economic development, working

with employees, their families, local community and society at large to improve their quality life.

The meaning of CSR rests on the ideology of give and take. Companies take various resources from the society and by performing the duty of CSR activities the companies are giving something back to the society. One of the regularly definition of McWilliams and siegel (2001) elaborate CSR as “actions that appears to future some social good, beyond the interest of the firm and what is required by the law.” Similarly one more well known definition of CSR highlights “actions which reduces the extent of externalized cost (Heal, 2005) Nowadays ‘enterprise run society’ in the time of well planned economy and the local enterprise took over the charge at the socialist market economy point. The phrase ‘enterprise run society’ represents a society in which medical facilities, schools and other social services which are run and funded by the enterprises. The success of corporate, organizations etc. depend upon the local environment e.g. appropriate infrastructures, the best quality of education to future employee, cooperation with local distributors/ suppliers, quality of institution. In this corporate competitive text, the company’s social and environmental initiatives or its philanthropy can have great impact not only for the local society but also for company (Michael Porter, 2003). This study specially focuses on the disclosure practices of CSR activities which are adopted by the top 20 chemical, pharmaceutical and automobile companies in India. The main purpose of the study is to examine the perception of investors with regard to the corporate social responsibility initiatives by Indian companies. Further the paper has been divided in different parts: second part covered the literature part related with CSR, CSRD and perception of the investors with regards to CSR initiative, third part covered the objective and research methodology, fourth part covered the findings of the paper and last part covered the conclusion.

2. LITERATURE REVIEW

Several researchers have studied the activities of companies in various companies/ industries and suggest the observations on the ground of their results. CSR that engage corporate sector with social sector. In fact it also suggests that there is contrast between the business and the society (Wood, 1991) CSR has been explained as the accountability of the companies to use its resources in different ways to develop welfare of the community/ society at large (Kok et al, 2001).Compressive debate among discrete academicians, corporate executives and consultants has concluded many definitions of CSR. The word Corporate Social Responsibility (CSR) has deep history. The very first approach derived in 1950s chiefly initiated from USA (Carroll, 1999). One of the definitions of McWilliams and Siegel (2001) describes that CSR as “action that appears to future some social good beyond the interest of the firm and what is essential by the law.” Similarly one more well known definition of CSR highlights “actions which reduces the extent of externalized cost (Heal, 2005) Nowadays ‘enterprise run society’ in the time of well planned economy and the local enterprise took over the charge at the socialist market economy point. The phrase ‘enterprise run society’ represents a society in which medical facilities, schools and other social services which are run and funded by the enterprises. The corporate social responsibility disclosures can be characterized as the information that a firm/ company disclose its full information related with the impact of environmental aspects and also disclose its relationship with company’s communication stakeholders by means of compatible communication approach. (Campbell 2004; gray et al 2001). Clarkson (1995) also concluded that a company or a firm can raise its financial performance by disclosing more information related with corporate social responsibility for comforting their stakeholder’s needs.

2.1 Research Gap

The beliefs and perceptions of investors while making investing must carry supreme importance in designing and implementing CSR as a strategic decision by companies. Stockbrokers primarily suggest to private investors in which companies they should invest or not invest so that these investors can make sensible decisions about their investment portfolios. It has been concluded by most of the studies pointed out that the CSR disclosures are low, do not present social information in a consistent manner and social audit reporting in formalized accounting pattern are not being followed. The present study shows the level of perception of investors towards the factors of environment,

energy, employees, community, product/safety and green initiative related to CSR disclosure practices. The perceptions of various groups of investors have not been investigated by earlier studies. So, it has been identified as an interesting area for the current research.

2.2 Problem of the study

The study examines the perception of investors towards CSR disclosures practices to determine what motivates corporations to disclose the important CSR factors in their annual reports and websites. Most of the investors believe that companies should disclose the CSR factors. To sort out these problems related while investing a well structured questionnaire has been developed with the help of GRI G4 Index.

3. RESEARCH METHODOLOGY

3.1 Objective of the Study

To examine the perception of investors with regard to the corporate social responsibility initiatives by Indian companies

3.2 Sources of Data Collection

The present study is cross sectional study where well structured questionnaire was prepared consisting three parts where part first covers Awareness Level and second part covers importance of CSR Disclosure and third part covers personal details of target population. Dichotomous questions, MCQ, rating or ranking questions and scale questions have been used to analyze the perception of investors towards the various scopes of CSR Disclosures. The pretested questionnaire is also tested for the validity using face validity and reliability by using Cronbach's alpha.

3.3 Sample Size

For gauging the perception of investors regarding the utility of these disclosures of CSR issues and factors, a sample of 150 investors each from Delhi and Dehradun have been selected. 13 questionnaires are rejected due to the incomplete information, hence the final sample constitute 287 respondents (146 from Delhi, and 141 from Dehradun).

3.4 Period of the Study

The data collected for the study is from March to May 2018.

3.5 Statistical Techniques

Percentage method has been used to describe the data.

3.6 Reliability and Validity

Cronbach's alpha has been applied on 50 respondents with 66 items to test the internal consistency of the scale items. Value of Cronbach's alpha is .842 (alpha coefficient of 0.70 or higher is acceptable suggested by Hair et al., 2009).

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.842	.856	66

4. PERCEPTION TOWARDS THE IMPORTANCE OF CSR FACTORS

This section shows the perception of investors towards the factors of environment, energy, employee, community, product and safety and green initiative. The significance is determined with using scale from “Extremely Important” to “Not Important At All”. The findings reveal that among all the factors which are taken in “Environment” the highest number of investors (197) thinks that “waste disposal methods/initiatives” of company is extremely important. (183) investors believe that “ISO 14001 implementation” in companies are very important. “Reduction of GHG emission” and “environmental protection expenditures and investments” are having (219) investors and believed that it is somewhat important. (138) investors believe that “Internal environment auditing” is somewhat unimportant and also (101) number of investors believe that companies with internal environment auditing is not important at all among all the not important factors.

Table 1 Perception towards the Importance of CSR Factor

Environment	1	2	3	4	5
Environmental policy	162 (56.4)	106 (36.9)	19 (6.6)	0 (0.0)	0 (0.0)
Environmental Management System	12 (4.2)	107 (37.3)	152 (53.0)	16 (5.6)	0 (0.0)
Committee on environmental concerns	5 (1.7)	135 (47.0)	85 (29.6)	62 (21.6)	0 (0.0)
ISO14001 implementation	23 (8.0)	183 (63.8)	56 (19.5)	25 (8.7)	0 (0.0)
Internal Environmental Auditing	0 (0.0)	10 (3.5)	38 (13.2)	138 (48.1)	101 (35.2)
Reductions of GHG emissions	0 (0.0)	33(11.5)	219 (76.3)	35 (12.2)	0 (0.0)
Waste disposal Methods/Initiatives	197 (68.6)	90 (31.4)	0 (0.0)	0 (0.0)	0 (0.0)
Waste /Water recycling	12 (4.2)	11 (3.8)	204 (71.1)	60 (20.9)	0 (0.0)
R & D for environmental concerns	12 (4.2)	107 (37.3)	152 (53.0)	16 (5.6)	0 (0.0)
Environmental protection expenditures and investments	0 (0.0)	33 (11.5)	219 (76.3)	35 (12.2)	0 (0.0)
Energy					
Company's energy policy	5 (1.7)	135 (47.0)	85 (29.6)	62 (21.6)	0 (0.0)
Energy conservation/Initiatives	0 (0.0)	10 (3.5)	38 (13.2)	138 (48.1)	101 (35.2)
Utilization of waste materials for energy conservation	0 (0.0)	14 (4.9)	58 (20.2)	124 (43.2)	91 (31.7)
Reduction in energy consumption through energy efficiency initiative	188 (65.5)	99 (34.5)	0 (0.0)	0 (0.0)	0 (0.0)
R & D for energy conservation/efficiency	0 (0.0)	89 (31.0)	180 (62.7)	18 (6.3)	0 (0.0)
Employees					
Benefits provided to full time employees	121 (42.2)	166 (57.8)	0 (0.0)	0 (0.0)	0 (0.0)
Employee turnover	0 (0.0)	40 (13.9)	190 (66.2)	47 (16.4)	10 (3.5)

Presence of health and safety committee/ policy	34 (11.8)	63 (22.0)	48 (16.7)	137 (47.7)	5 (1.7)
Free/low cost medical facilities	14 (4.9)	58 (20.2)	124 (43.2)	91 (31.7)	0 (0.0)
Presence of training and development centre	202 (70.4)	84 (29.3)	1 (0.3)	0 (0.0)	0 (0.0)
Programs for skill development	213 (74.2)	74 (25.8)	0 (0.0)	0 (0.0)	0 (0.0)
Educational programs/financial assistance to employees for their education	0 (0.0)	33 (11.5)	219 (76.3)	35 (12.2)	0 (0.0)
Special facilities for women employees	121 (42.2)	166 (57.8)	0 (0.0)	0 (0.0)	0 (0.0)
Special facilities for disabled employees	0 (0.0)	0 (0.0)	0 (0.0)	157 (54.7)	0 (0.0)
Ratio of salary/remuneration of women to men	106 (36.9)	181 (63.1)	0 (0.0)	0 (0.0)	0 (0.0)
Communication/training of employees for anti-corruption policy	0 (0.0)	48 (16.7)	167 (58.2)	72 (25.1)	0 (0.0)
Human Rights Policy	188 (65.5)	99 (34.5)	0 (0.0)	0 (0.0)	0 (0.0)
Retirement benefits/Pension schemes	34 (11.8)	63 (22.0)	48 (16.7)	137 (47.7)	5 (1.7)
Stock option plans for employees/employee investment schemes/ESOP	0 (0.0)	89 (31.0)	180 (62.7)	18 (6.3)	0 (0.0)
Employees loan/credit facilities	0 (0.0)	40 (13.9)	190 (66.2)	47 (16.4)	10 (3.5)
Community					
Impact of operations/activities/actions on community	76 (26.5)	145 (50.5)	66 (23.0)	0 (0.0)	0 (0.0)
Programs for community development	213 (74.2)	74 (25.8)	0 (0.0)	0 (0.0)	0 (0.0)
Education development through scholarship/donation	0 (0.0)	0 (0.0)	0 (0.0)	157 (54.7)	130 (45.3)
Training/internship/project for students	0 (0.0)	48 (16.7)	167 (58.2)	72 (25.1)	0 (0.0)
Aid to research/medical research	34 (11.8)	63 (22.0)	48 (16.7)	137 (47.7)	5 (1.7)
Medical facilities for community/donation to hospitals	76 (26.5)	145 (50.5)	66 (23.0)	0 (0.0)	0 (0.0)
Regional rural development/village adoption	202 (70.4)	84 (29.3)	1 (0.3)	0 (0.0)	0 (0.0)
Total value of political contributions by country and recipient/beneficiary	0 (0.0)	89 (31.0)	180 (62.7)	18 (6.3)	0 (0.0)
Product Safety/Customers					
Health and safety impact of products/services	0 (0.0)	14 (4.9)	58 (20.2)	124 (43.2)	91 (31.7)
Product development and innovation for reduces health and safety impacts	0 (0.0)	48 (16.7)	167 (58.2)	72 (25.1)	0 (0.0)
R & D for product development and innovations	106 (36.9)	181 (63.1)	0 (0.0)	0 (0.0)	0 (0.0)

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	253 (88.2)	33 (11.5)	1 (0.3)	0 (0.0)	0 (0.0)
Fines for non-compliance with laws concerning provision and use of products	3 (1.0)	69 (24.0)	186 (64.8)	29 (10.1)	0 (0.0)
Green Initiatives					
Usage of Eco-friendly materials	213 (74.2)	74 (25.8)	0 (0.0)	0 (0.0)	0 (0.0)
Eco-friendly products innovation	27 (9.4)	231 (80.5)	29 (10.1)	0 (0.0)	0 (0.0)
Supply chain sustainability	81 (28.2)	178 (62.0)	28 (9.8)	0 (0.0)	0 (0.0)
Transport sustainability	139 (48.4)	107 (37.3)	41 (14.3)	0 (0.0)	0 (0.0)
Green Power	22 (7.7)	159 (55.4)	34 (11.8)	43 (15.0)	29 (10.1)
Eco-efficiency / Clean Technology	188 (65.5)	99 (34.5)	0 (0.0)	0 (0.0)	0 (0.0)

Note: 1- Extremely Important, 2-Very Important, 3- Somewhat Important, 4- Somewhat Unimportant and 5- Not Important at all,

Among all the aspects of “Energy”, reduction in energy consumption through energy efficiency initiative is chosen to be the extremely important factor among by maximum number of investor (188). Company’s energy policy is preferred to be very important factor by the (135) investor’s. Maximum number of investors think that research & development for energy conservation/efficiency is chosen to be the somewhat important factor by (180) investors. Company energy conservation initiatives selected to be somewhat important and not important at all by (138) and (101) investors. Among all the aspects of “employees” program for skill development is preferred to the extremely important factors among by maximum number of investors (213). Company’s benefit provided to full times employees is chosen to be very important factor by (166) investors. Educational programs/financial assistance to employees for their education are preferred by (219) investors to be somewhat important. Company’s special facilities for disabled employees is selected to be somewhat unimportant by the (157) investor’s. Employees turnover and employees loan/credit facilities is chosen to be not important at all by (10) and (10) investors.

Among all the factors of “Community” programs for community development is preferred to be the extremely important factor by (213) investors. Impact of operations/activities/actions on community and medical facilities for community/donation to hospitals is chosen by (145) investors and believed that it is very important factor. (167) investors preferred training/internship/project for students to be somewhat important. Education development through scholarship/donation is preferred by (157) and (130) investors and thinks that it is somewhat unimportant and not important at all.

Among all the factors of “product and safety/customers” maximum number of (253) investors believes that company’s total number of substantiated complaints regarding breaches of customer privacy and losses of customer data is extremely important. (181) investors think that R & D for product development and innovations are very important among all the factors. Fines for non-compliance with laws concerning provision and use of products are chosen by (186) and believe that it is somewhat important. (124) and (91) investors think that company’s health and safety impact of products/services are unimportant and not important at all.

Among all the aspects of “Green initiatives” usage of eco-friendly materials is selected by (213) investors and thinks that it is extremely important. Eco-friendly products innovation is considered by (231) investors and believes that it is very important. (41) Investors preferred that transport

sustainability is somewhat important. Green Power considered as unimportant and not important at all by (43) and (29) investors.

5. FINDINGS

The study found that among all the factors of environment, the maximum number of investors 68.6% believe that the company's waste disposal methods/initiatives is extremely important, and 63.8% investors believes that environmental ISO14001 implementation to companies are very important. Whereas maximum investors 76.3% believe that company's reductions of GHG emissions are somewhat important. The factor related to internal environmental auditing is found to be somewhat unimportant by maximum number of investors 48.1%. Among all the factors of energy aspect maximum number of investors 65.5% believes that company companies reduction in energy consumption through energy efficiency initiative is extremely important, 47% of investors believes companies energy conservation/Initiatives are very important, 62.7 % believes that companies R & D for energy conservation/efficiency are somewhat important, 48.1 % investors think that companies Energy conservation/Initiatives are somewhat unimportant. The factors related to employees maximum number of investors 74.2% thinks that companies programs for skill development are extremely important, 63.1% of investors believes that ratio of salary/remuneration of women to men are very important, 76.3 % of investors believes that educational programs/financial assistance to employees for their education are somewhat important and 54.7% of investors thinks that special facilities for disabled employees are somewhat unimportant. Under the factor community 74.2% of investors thinks that companies programs for community development are extremely important, 50.5% of investors thinks that Impact of operations/activities/actions on community and medical facilities for community/donation to hospitals are very important, 62.7 % of investors thinks that total value of political contributions by country and recipient/beneficiary are somewhat important and 54.7% of investors believes that Education development through scholarship/donation are somewhat unimportant. In the factor product safety/customers 88.2% of investors thinks that Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data are extremely important, 63.1% of investors believes that R & D for product development and innovations are very important, 64.8% of investors believes that companies Fines for non-compliance with laws concerning provision and use of products are somewhat important and 43.2% of investors believes that health and safety impact of products/services are somewhat unimportant. In the last green initiative factors 74.2% of investors think that usage of eco-friendly materials is extremely important for the company, 80.2% of investors think that eco-friendly products innovation are very important, 14.3% of investors believes that transport sustainability are somewhat important and 15 % of investors choose green power who think that it is somewhat unimportant.

6. IMPLICATIONS OF THE STUDY

As per the results of **Table 1** under environmental factor, 'internal environmental auditing'; under energy factor 'energy conservation/initiatives', under employees factor 'employee turnover', under community factor 'education development through scholarship/donation', under product safety/customer 'health and safety impact of products/services' and in green initiatives factor 'green power' are considered not important at all by maximum investors. Indian companies need to focus on the themes which the investors gave least preference for the growth of the company or for better performance of the company.

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