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A Review of Concept and Reporting of Non-Financial Initiatives of Business Organisations

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Abstract

India is witnessing transformation in non-financial reporting. The paper reviews changes in conception of CSR, trends in non-financial reporting and reporting of such initiatives in annual reports of companies. Conceptions of CSR since ancient times till recent developments were reviewed. Various frameworks for non-financial reporting in post liberalisation in India are reviewed. It was observed that companies undertake both mandatory and voluntary non-financial reporting.

Contribution to Body of Knowledge

The paper traces changes in conception and non-financial reporting of business organisations. Paper finds sufficient level of reporting and states that there is a need of compatibility amongst various reports which fall under non-financial reporting framework.

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1. Introduction

Since ancient times perception of business responsibilities encompassed both financial and non-financial dimensions in India. India has a long tradition of engaging in philanthropic programmes as a socially responsible business. Bhagavad-Gita the great epic emphasizes on righteous doing. Concept of corporate social responsibility (CSR) in India is present since the era of Vedas, Puranas, trusteeship initiatives, and welfare and community development activities in India in pre liberalisation period. Post liberalisation period is witnessing transformation in CSR performance of the business organisations through various formal and informal mechanisms.

At international level, formal studies related to corporate social responsibility were conducted around 1950. In early 1950's & 60's the literature was not heavily represented in CSR discourse. This time period witnessed evolution of formal concept of CSR (Carroll 1999). Corporate social responsibility was defined from numerous angles by Bowen (1953), Fredrick (1960), Davies (1973), Carroll (1991), Elkington (1997) and many others. CSR was termed as corporate social performance (Sethi, 1975), corporate citizenship (Maignan and Ferrell, 2000), public responsibility ((Preston and Post, 1975), corporate performance (Carroll, 1979), need of the base of core of ethical principles (Freeman, 1994), sustainable development (World Commission on Environment and Development, 1987), common good approach (Mahon and McGowan, 1991) and in many other ways.

Globalization is a driver for new developments of CSR. With increase in global business watchdogs (e.g. NGOs, Trusts) and in standards of business practice (including CSR) associated with, for example, the World Bank, the OECD and the UN Global Compact (Ruggie, 2002), CSR activities as well as its reporting have gained momentum. National level institutions and initiatives for non-financial activities and reporting have also been developed and incorporated in India.

Reporting of Non-Financial initiatives has progressed with the spread of globalization and transformation in legal, social, ethical and accounting framework regulating such reporting. Business Organizations operating in India are adopting a formal structure to report various social responsibility initiatives undertaken by them at periodical intervals. It is found that India has emerged as one of the top 10 Asian countries that are paying an ever-increasing significance towards Corporate Social Responsibility (CSR) disclosure. Indian firms are most transparent in terms of governance, policies and code of conduct. They also provide more information than most companies on issues relating to community impact and development. Disclosure on environmental issues is also relatively high (Asian Sustainability Rating, 2011).

According to KPMG survey in India, 31 % of companies report on CSR performance, 71 % report as per GRI guidelines. Out of the companies reporting, CSR initiatives, 16 % companies have their own CSR strategy. 68 % reporters' measure CSR issues and 42 % link social responsibility reporting with governance (KPMG survey, CRY Enclave, 2012)

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