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CSR disclosures of selected Indian companies on companies Act, 2013-based new CSRD scale

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Abstract
In the current study, a new CSR disclosure (CSRD) scale was formulated which is rigorously based on the CSR guidelines of the Companies Act, 2013. From 10 industries, total 100 companies were sampled out of which 27 were public and 73 were private. The extent of CSR disclosure (both mandatory and voluntary) and transparency levels of the 100 companies, and the public-private sectors were evaluated for an extended period of study of 11 years (2009–2019) which includes both the pre- and post-Companies Act period. Results showed that the maximum extent of disclosure was found for the 'environment' category. The overall extent of disclosure by the 100 companies was not so high (35%). However, the public sector (40%) disclosed more than the private one and even exceeded the overall extent. The disclosure extent made a remarkable jump (more than 2 times) during the post-Companies Act period compared to the pre-Act era. Furthermore, post implementation of the Companies Act, the transparency level of the companies increased drastically than the pre-Act period, 4% to 43% adequate transparency, and some even showed high transparency level. Overall, the public sector displayed more transparency than the private one.

Keywords: CSR disclosure, public, private, mandatory, voluntary, companies act, transparency

Introduction
Corporate social responsibility (CSR) disclosure refers to the process of communicating an organization's social and environmental effects, arising out of the company's economic actions, to particular interest groups within the society and to the society at large (Gray *et al*., 1987) [15]. The development of CSR disclosure was mainly triggered by globalization of business (Kiran and Sharma, 2011; Krishnan and Balachandran, 2004) [27]. Stakeholders around the world became more concerned about CSR issues, and in response to such demands, corporate governance started patronizing CSR over the past few decades (Strandberg, 2005; Wise and Ali, 2009) [45, 49]. There is also an increasing role of media in publicizing a company's image which exhibits commitment toward the society (Mathews, 1993) [32]. A proper CSR disclosure, which typically discloses a company's CSR endeavours and its spending toward the society (Nair *et al*., 2019) [36], helps the company maintain transparency and accountability, thereby building a better brand image (Adams, 2002; Simms, 2002) [1, 42], reduce the risk of customer rejection and turnover cost, establish legitimacy of the company, and maintain industrial peace as a whole (Deegan and Gordan, 1996). CSR disclosure thus generates competitive advantages (Fátima Guadamillas-Gómez, *et al*., 2010; King, 2002) [26], and the companies publishing more detailed CSR disclosure have better internal controls, experience more cost savings, and produce more improved products and services (Adams, 2002) [1]. Typically, CSR disclosure helps in assessing the impacts of CSR activities, measuring the effectiveness and extent of CSR programs, thus allowing a comprehensive assessment of a company's business impacts and sustainability (Jenkins and Yakovleva, 2006; Gray *et al*., 2001; Gray *et al*., 1996; Mathews, 1997) [24, 18, 17]. On the other hand, CSR disclosure also has certain drawbacks. CSR activities incur costs to a firm, such as purchase of environment-friendly equipment, implementation of stricter quality control, financial donations, and executing different projects (Azim, *et al*., 2011) [5]. However, compared to these costs, the benefits reaped out of the disclosures, which are typically intangible (e. g. brand image, customer loyalty), are difficult to quantify and not immediate (McWilliams and Siegal, 2000). Another prime issue with CSR disclosure is that it can be very different from the actual CSR performance, i. e. the so-called CSR-washing where firms overstate their CSR activities than reality (Pope & Wæraas, 2016) [3]. In this regard, maintaining transparency in disclosure can be considered a key element of corporate social responsibility (Atkins, 2006) [3]. Highly transparent and fair disclosure mitigate agency problem and reduce the information asymmetry between a firm's management and financial stakeholders, such as creditors, and equity and bond holders, and allow general investors to evaluate the companies' performance more accurately.

CSR disclosures (CSRD) are either mandatory or voluntary depending upon the country. However, the United Nations has recommended that all large firms be mandated to publish sustainability reports by 2030 (UN Panel Call for Global Sustainability Reporting). Typically, CSRD in the developed countries are voluntary, whereas they are mandatory for the developing ones. The extent of CSR disclosure also varies greatly between the developed and developing nations, being much higher for the former. For example, the disclosure extents of the developed countries are– USA 98%, UK 85%, Belgium 81%, and Australia 56% (Guthrie and Parker, 1990; Thom and Decoutere, 2009) [46]. By contrast, for developing countries, Malaysia 26%, Bangladesh 41%, Singapore 26%, South Africa 50%, and India 46% (Bhatia *et al*, 2014) [8]. To improve the environmental and social performances alongside the financial performance of the companies, many countries such as India, China, Malaysia, Taiwan, Thailand, France, Sweden, Australia and South Africa mandated CSR reporting.

The CSR disclosure process in India is very different from that of the other countries of the world. In India, both CSR expenditure and its disclosure is mandatory, whereas in other countries, disclosure is mandatory only if the company spends toward CSR (Nair *et al*. 2019) [36]. Prior to the implementation of the Company's Act in 2014, CSR disclosure in India was voluntary. There were no specific guidelines on the items or format to disclose and it was at the sole discretion of the companies what they disclosed. Later, in 2014, section 135 (2) of the Companies Act, 2013 mandated all Indian companies to conduct and disclose their CSR activities in their annual reports in a prescribed format (Nair *et al*., 2019) [36]. Some CSR activities were made mandatory for disclosing, while some remained voluntary. These guidelines undoubtedly made the CSR disclosure more organized and uniform.

Furthermore, CSR disclosures are reported following different guidelines, such as environmental, social and governance (ESG) disclosure, environmental and social disclosure, global reporting initiative (GRI), triple bottom line reporting which combines financial, social and environmental information (Rahman *et al*., 2011) [40], and Dow Jones Sustainability Index (DJSI). Based on the disclosed items, both mandatory and voluntary, disclosure indexes are formed which actually measures the level of disclosure. Although these CSRD indexes are used by numerous companies throughout the world, some of the disclosure items are very specific to the Indian context, such as reservation for minorities, mid–day meals for children, or mass marriage ceremony. Additionally, pollution caused by carbon/harmful gas emissions are high in India and needs to be included in CSR index.

Considering all the above-mentioned points, it will be more meaningful to have a separate CSR disclosure scale for India. Such a scale has been developed in the current study rigidly based on the Company's Act, 2013. The extent and transparency level of the CSR disclosure by public and private companies during the pre- and post-Company's Act period were also studied.

Literature Review

The CSR reporting practices in India was first studied by Singh and Ahuja (1983) [43] sampling 40 companies where they observed that 30% CSRD was reported by 40% of the companies. However, the private companies which have significant role in Indian economy were not considered by the authors. Later, Porwal and Sharma (1991) studied on corporate social disclosure by public and private Indian companies and found that the larger companies made more CSR disclosure than the smaller ones. Ever since Singh and Ahuja published their paper, a considerable number of reports on Indian CSRD has been published on the extent of disclosure, different determinants of disclosure, and content themes of disclosure. Gautam and Singh (2010) [14] found that only 49% of companies reported CSR. In another study, Bhatia and Chander (2014) [8] observed that a meagre average of 31% Indian Sensex companies have reported CSR disclosure in 2009–2010. After the implementation of the Company's Act in 2014, CSR reporting by Indian companies increased 27% annually (KPMG, 2015). Hossain and Reaz (2007) [23] examined the extent of voluntary disclosure by 38 Indian banks. They found that size and assets had significant roles, while other variables such as age, diversification, board composition, multiple exchange listing and complexity of business had insignificant roles in the level of CSR disclosure. Lattemann *et al*. (2009) [30], using a model, compared the CSR reporting of Chinese and Indian multinational firms and found that the Indian companies communicate more CSR due to better governance environment and firm level characteristics.

Among the content themes of disclosure, human resource and community development have been found to be mostly disclosed in India in the past (Arora & Puranik, 2004; Murthy, 2008) [4, 35]. It has been argued that developing countries seem to favour their employees more probably because they have the most significant role in running the companies, and so, the human resource category got priority in the CSRD (Baker and Naser, 2000; Murthy, 2008) [6, 35]. Raman (2006) [41] explored the CSR reports of 50 companies, and found that product and service and human resource were mainly disclosed, whereas community development was reported by less than 50% of the companies. Kansal and Singh (2012) [25] after exploring the annual reports of 82 companies found that community development and human resources received maximum attention.

CSR disclosures in most cases are evaluated using content analysis technique (Unerman, 2020). For example, Aspal *et al*. (2020) [2] used content analysis to evaluate the nature and extent of CSR disclosure of 81 Indian companies during the period 2014-2016. The disclosure score was computed against four dimensions, namely employee retention, community welfare and development, consumer issues and products, and environment. Similarly, Mangala *et al*. (2015) [31] constructed a disclosure scale for 38 companies via content analysis. They took 118 items, disclosed by the companies from 2009 to 2014, categorized them under 7 heads, and assigned 1 if an item was disclosed and 0 if not. In content analysis, different units of measurements, such as number of words (Zeghal *et al*., 1990) [50], number of sentences (Hackston *et al*., 1996) [21] and number of pages (Gray *et al*., 1995) [16] are generally used. However, each of these units has their own drawbacks. For example, the number of words unless used in a sentence does not signify anything (Raman, 2006) [41]. Likewise, the number of sentences would increase if the writing is verbose. The number of pages can also be misleading because it depends upon the font size, line gap, margin length (Raman, 2006) [41], graphs and figures (Preston *et al*., 1996 Beattie *et al*., 1992) [39, 7]. Thus, it will be more logical to consider only the CSR activities and the related information to evaluate a disclosure. To quantify the extent of corporate disclosure, weighted (Firer *et al*., 1986) [13] and unweighted (dichotomous) approaches were used and relevant scales were developed. In weighted approach, the respondents are requested to give weights to the items of information included in the disclosure index by means of point scale method (Singhvi & Desai (1971) [44], Buzby (1974) [10], Firer & Meth (1986)) [13]. In unweighted approach, equal weight is assigned to all the items of information included in the CSR index (Wallace *et al*., 1995) [48].

Research Gap

A significant limitation observed in the first place in the past studies is that no credible disclosure scale has been reported to date, to the best of our knowledge, which is formulated strictly based on the CSR guidelines of the Companies Act, 2013. Therefore, no structured disclosure scale which considers the Indian mandates and standardized for Indian context is available. In this regard, the current study, for the first time, reports a new disclosure scale which is rigorously based on the Companies Act, 2013 guidelines. Secondly, the past studies used different themes, such as ESG, GRI or from commonly used themes by the companies. These themes differ from one study to another which makes them difficult to compare. By contrast, the current research used 6 themes and 88 items strictly following the Companies Act, thereby establishing a regulated outline. Thirdly, most of the past studies were done over a shorter period and no comparison between the pre- and post-Companies Act CSR disclosure was done. Fourth, no comparative study has been done between the mandatory and voluntary disclosure items for different companies and between the public and the private sectors in the previous research. Finally, transparency of CSR disclosure items has not been compared between the pre- and post-Act period or between the public and private companies.

Against such a backdrop, in the current study, a new CSR disclosure scale was developed based on the CSR guidelines in the Companies Act, 2013. The extent of CSR disclosure (both mandatory and voluntary) and transparency levels of 100 companies, and the public-private sectors were evaluated for an extended period of study of 11 years (2009–2019) which includes both the pre- and post-Companies Act period.

Objectives

This study focuses on analyzing company-wise and item-wise CSR disclosure scores and transparency level of the selected companies for the pre- and post-Companies Act period. The specific objectives are–

a. To develop for the first time a new CSR disclosure scale rigorously based on the Companies Act, 2013.
b. To study the extent of disclosure on the newly developed disclosure scale.
c. To compare the CSR disclosure during the pre- and post-Companies Act period.
d. To compare the mandatory and voluntary disclosure items over the period of study.
e. To evaluate the transparency level of the sampled companies and public-private sectors during the pre- and post-Companies Act period.

Research Methodology

1. Sample Selection

We selected 10 leading industries, namely oil & gas, cement, iron & steel, chemical, pharmaceuticals, power, FMCG, IT & software, textile, and construction, and 10 companies from each industry, i.e. a total of 100 companies, having top 100 market capitalization as on 31.03.2019 and all enlisted in NSE. Among the selected 100 companies, 27 are public and 73 are private.

2. Data Type and Data Source

Secondary data were used. The data were collected from company's own website, sustainability reports and annual reports. The websites used were www.mca.gov.in, www.csrbox.org, and www.timesofindia.indiatimes.com.

3. Time Frame of the Study

The study period spanned over 11 financial years from 2009–10 to 2013–14, the pre-Companies Act, 2013 period, and from 2014–15 to 2019–20, the post-Companies Act, 2013 period.

4. Scoring of the Disclosure Items

In the present work, content analysis technique was used. To quantify the CSR disclosure, dichotomous method was employed in which a firm receives 1 for every item disclosed and 0 if not (Hossain *et al*., 2007) [23].

Results and Discussion

1. The Newly Developed CSR Disclosure Scale

A new CSR disclosure scale was developed based on the Companies Act, 2013 to better suit the evaluation of Indian companies. The new scale, completely in accord with the Companies Act, comprises 6 major themes containing 88 items in total, where each item was further categorized as mandatory and voluntary (Table 1).

Table 1: The new CSR Disclosure Scale according to the Companies Act, 2013

Themes	Mandatory Items	Voluntary Items
Community Development	Aid to Govt scheme Poverty & malnutrition	Eradication of Hunger
	Rural development project	Employ for Disabled
	Promoting Gender Equality	Social Bus Projects
	Reducing child mortality	Women Empowerment
	Disaster relief (House)	Infrastructure Development
	Benefits to war widows, armed forces veterans	
	Livelihood enhancement project	
	Capacity building for farmers	
	Agro labour skill development	
	Slum area development	
	Adult literacy & old age home	
Educational Development	Building schools, renovation of classrooms	Promotion of education
	Research & Studies	Scholarship facility
	Driver's Training	Schools for disabled children
	Training to enforcement personnel	Free stationary
	Consumer education & awareness	Other Vocational training
	Safety traffic engineering and awareness	Computer training to school children
	Employment enhancing Vocational Skill	
Environmental Focus	Conservation of natural resources	Waste water treatment
	Maintaining quality of soil, air & water	Solid waste treatment
	Ecological balance	Pollution control
	Protection of flora and fauna	Alternative fuel and raw -materials
	Use of renewable energy	Rain water harvesting
	Environmental sustainability	Land reclamation or reforestation
Health, Hygiene and Medicine	Sanitation	HIV, AIDs awareness
	Safe drinking water	Hospitals
	Disaster relief (Medical care, Food)	Health check up
	Treatment to road accidents victims	Health camp
	Aids & appliances to the differently abled	Mobile medical unit
	Trauma care around highway	Free medicine & medical equipment
	Mid-day meal scheme	Expert counselling
	Occupational Health & Safety	Immunity increase program
	Preventive healthcare to reduce inequalities	
Disclosure Governance	Composition of CSR committee	Break-up of CSR expenditure incurred
	CSR policy as per Schedule VII	Computation of 2% of average net profits
	Recommendation of amount spent	Reasons for shortfall of spent in accounts
	Monitoring the CSR policy	CSR spends pooled with other companies
	Disclosed in reports and company websites	Setting up trusts to spend
	CSR activities supports CSR policy	Spending through other trusts
	At least 2% level of spending	CSR surplus if any
	Amount unspent mentioned	Sustainability report
	Reasons for not spending the prescribed amount	Social audit
	Preference to local area of operations	Community engagement for development
	Disclosure in BOD's report	
Other CSR Activities	Sports, Art and Culture	Charity & donation to PM's & other's fund
	Protection of national heritage	Relief for the welfare of SC, ST, OBC etc.
	Old buildings renovation	Receiving CSR awards
	Partnered with NGOs, Local body & Government	Company mission & vision statement
		Any welfare scheme launched

Table 2 presents the number of mandatory and voluntary disclosure items under each of the 6 themes. Out of the total 88 items, 48 are mandatory and 40 are voluntary.

Table 2: Number of mandatory and voluntary Items under each theme

Themes	No. of Mandatory Items	No. of Voluntary Items	Total Number
Community Development	11	5	16
Educational Development	7	6	13
Environmental	6	6	12
Health, hygiene & medicine	9	8	17
Disclosure governance	11	10	21
Other CSR activities	4	5	9
TOTAL	48	40	88

2. CSR Disclosure Scores and Ranking of Companies over the Period of Study
Based on the total disclosure scores of the sampled 100 companies for 11 years from 2009–2019, Table 3 shows the top 10 companies which disclosed the most and the one with the lowest disclosure score (KPR Mills, 100th rank). In the top 10 ranking, 2 cement companies and 3 oil and gas companies occupy the top 5 positions.

Table 3: Companies to disclose the most and the least from 2009–2019

Industry	Company	Total Disclosure Score (2009–2019)	Rank
Cement	Shree Cement	697	1
Cement	Ultratech Cement	667	2
Oil & Gas	Indian Oil	603	3
Oil & Gas	Gail India Ltd	572	4
Oil & Gas	Bharat Petroleum	514	5
Textile	Grasim	508	6
Chemical	TATA Chemicals	505	7
Pharma	Natco Pharma Ltd	502	8
Cement	Jaiprakash Assoc.	500	9
Oil & Gas	HP	494	10
Textile	KPR Mills	95	100

Table 4 shows the ranks of the 10 industries according to their total disclosure scores for 11 years from 2009-2019.

Table 4: Rank of 10 industries according to their total disclosure scores from 2009–2019

Industry	Total Disclosure Score (2009–2019)	Rank
Cement	4080	1
Chemical	4025	2
Oil & Gas	3957	3
Iron & Steel	3821	4
Power	3469	5
Pharma	3380	6
IT & Software	3260	7
FMCG	3202	8
Textile	2556	9
Construction	2313	10

From both Tables 3 and 4, it can be observed that in 11 years, the cement industry, as a whole and two companies, namely Shree cement and Ultratech Cement, from the cement industry made the maximum CSR disclosure.

3. Extent of Disclosure with respect to Themes
To evaluate the extent of disclosure, the disclosure scores of the companies for 11 years were calculated for the 6 different themes (Table 5).

Table 5: Extent of disclosure of different themes by 100 companies during 2009–2019

Themes	Disclosure Extent
Community	33.41%
Education	35.35%
Environment	43.17%
Health & Hygiene	31.58%
Disclosure Governance	37.42%
Other	29.09%

Table 5 shows that maximum was disclosed for environment, followed by disclosure governance and education. This is because except IT & software, all other companies belong to manufacturing industries which have large effect on environment. Therefore, it is rational to think that these companies would do more CSR activities for environment and disclose the most for the same. The overall extent of disclosure of the sampled 100 companies for 11 years (2009–2019) across all the 6 themes was 35.19%. This figure is not satisfactory at all and the companies need to be more concerned about disclosing more following the Companies Act guidelines. A further inspection into the disclosure patterns of public and private sectors separately (Table 6) revealed that the 27 public companies disclosed (40.09%) more than the 73 private ones (33.38%), so much so that it even exceeded the overall disclosure extent (35.19%) by the 100 companies.

Table 6: Extent of disclosure by the Public and Private firms during 2009–2019

Industry	Public Companies	Private Companies
Cement	--	4080
Oil & Gas *(8)*	3556	401
Pharma	--	3380
IT & Software *(1)*	361	2899
Chemical *(4)*	1761	2264
FMCG *(2)*	434	2768
Textile	--	2556
Power *(7)*	2495	974
Iron & Steel *(5)*	1871	1950
Construction	--	2313
Disclosed Score	10478	23585
Mean Disclosure Extent	40.09%	33.38%

Note: The figures in the parentheses denote the number of public companies within the industry

4. Comparison of CSR Disclosure during the Pre- and Post-Companies Act Period

To examine the effect of the Companies Act on the CSR disclosure of the companies, the CSRD scores of the companies and the industries during the pre- and post-Companies Act period were compared. First, the top 10 companies to disclose maximum during the pre- and post-act periods are shown in Table 7. Shree Cement was the highest to disclose in the pre-act period and second highest in the post-act period. Ultratech Cement also displayed appreciable disclosure, obtaining the highest in the post-act period and fourth during the pre-act period.

Table 7: Top 10 companies to disclose the most in the Pre- and Post-Companies Act period

Pre-Act Period (2009–2013)		Post-Act Period (2014–2019)		Rank
Company	Disclosure Score	Company	Disclosure Score	
Shree Cement	288	Ultratech Cement	427	1
Indian Oil	258	Shree Cement	409	2
Gail (India) Ltd	249	Bharat Petroleum	361	3
Ultratech Cement	240	Aurobindo Pharma	360	4
Natco Pharma Ltd	215	TATA Chemicals	356	5
Jindal Steel	189	Siemens Ltd	352	6
BHEL	183	Jaiprakash Assoc	351	7
Grasim	173	NMDC	351	8
Mindtree	165	J.K. Laxmi Cement	346	9
SAIL	164	Indian Oil	345	10

Similarly, the average disclosure scores of all the industries per year during the pre- (2009–2013) and post-Companies Act (2014–2019) are also presented in Table 8.

Table 8: CSRD scores of industries in the pre- and post-Companies Act period

Industry	Pre-Companies Act CSRD	Post-Companies Act CSRD	Post: Pre
Construction	88	312.17	3.55
Textile	108	336	3.11
Pharma	145	442	3.05
IT & Software	161	409	2.54
Power	172.4	434.5	2.52
FMCG	172	390	2.27
Chemical	230	479	2.08
Cement	233.4	485.5	2.08
Iron & Steel	237	440	1.86
Oil & Gas	261	442	1.69
Total CSRD Score	1807.8	4170.17	2.31
Disclosure Extent	21%	47%	

The total CSRD score represents the 11-year total disclosed scores by all the 100 companies. It can be observed that after the implementation of the Companies Act in 2014, the total disclosure increased by 2.31 times than the pre-companies act period. A remarkable upsurge can also be noticed in the extent of disclosure from 21% during the pre- to 47%, i. e. more than double during the post-Act period. Furthermore, the construction industry, which was the lowest to disclose in the pre-companies act period, increased its disclosure by 3.55 times (highest increase) in the post-companies act period. This is followed by the textile (3.11 times increase) and pharmaceutical (3.05 times increase) industries. On the other hand, the oil and gas industry was the highest to disclose even before the implementation of the Act, followed by iron and steel, and cement industry. These three industries also increased their disclosure by 2 times in the post-companies act era. It is pleasing to see that after the implementation of the Companies Act in 2014, the disclosure extent showed an obvious increase. There can be two reasons for this– i) to abide by the rules of the Act the companies started disclosing more, and/or ii) the companies are showing more awareness towards CSR and its disclosure. This can be validated by studying the nature of the mandatory and voluntary disclosure behaviours of the companies, as discussed in the next section.

5. Comparison of Mandatory and Voluntary Disclosure Items over the Period of Study

Prior to implementation of the Companies Act, 2013, there were no mandatory laws on CSR practices and disclosure; whatever the companies performed and disclosed were voluntary in nature. The Companies Act, after implemented in 2014, made certain disclosure items as mandatory and some as voluntary. Table 9 shows the mandatory and voluntary disclosure scores across all the industries during the post-companies act period. The total score signifies the disclosed scores by all the 100 companies during this period.

Table 9: Mandatory and voluntary disclosure of 100 companies in the post-Act period

Industry	Mandatory	Voluntary	Mandatory: Voluntary
Cement	1625	1288	1.26
Oil & Gas	1450	1203	1.21
Pharma	1483	1171	1.27
IT & Software	1411	1044	1.35
Chemical	1532	1343	1.14
FMCG	1407	933	1.51
Textile	1209	807	1.50
Power	1507	1100	1.37
Iron & Steel	1537	1100	1.40
Construction	1217	656	1.86
Total Score	14378	10645	
Disclosure Extent	49.92%	44.35%	

Bhatia and Chander (2014) [8] reported that Indian companies adhere to reporting mainly the mandatory disclosure items and neglect the voluntary ones. However, a longer period of study, as done in the present work, reveals that sufficient weight has been given on the voluntary items too by the companies. The extent of voluntary disclosure (44.35%) might be less than that of the mandatory items (49.92%) across all the industries, i. e. for all the companies, but it is not too far behind the mandatory ones. It is expected that the firms should disclose all the mandatory items as required by the Companies Act. However, only ~50% of the mandatory items were disclosed. By contrast, the companies showed more interest in disclosing the voluntary items. Of particular interest is how the public sector is following the Act after its implementation. Table 10 shows the CSR disclosure of the public sector, comprising total 27 firms out of the 100 companies studied. It can be observed that the public sector made increased disclosure extent both for the mandatory (~53%) and voluntary items (~50%).

Table 10: Mandatory and voluntary disclosure of public firms in the post-Act period

Industry with Public Firms	Mandatory	Voluntary
Oil & Gas *(8)*	1252	1073
IT & Software *(1)*	146	106
Chemical *(4)*	676	574
FMCG *(2)*	227	113
Power *(7)*	1087	781
Iron & Steel *(5)*	743	565
Disclosed Score	4131	3212
Total Score	7776	6480
Disclosure Extent	53.13%	49.57%

Note: The figures in the parentheses denote the number of public companies within the industry

The preference to disclose the voluntary items by the 100 companies sampled in this work is possibly due to the three reasons (Mathews, 1997) [33], namely enhancing legitimacy, establishing a social contract, and improving financial valuation. Legitimacy and social contract go hand in hand where the latter restricts certain activities of a company which may pose threat to the society (Gray *et al*., 1996) [17]. Organizations are expected to behave in a socially acceptable manner with respect to resource access, manufacturing process, and day-to-day functioning. Legitimacy signifies that companies continuously aim to execute activities that are not detrimental to the society and to establish themselves as good citizens. Cordeiro (2017) [11] stated that Indian firms primarily desire to gain legitimacy because of the institutional voids that characterize India. Finally, to improve financial valuation, companies disclose more voluntarily with a view to influencing the perceptions of its creditors, shareholders, and other stakeholders regarding the future financial prospects of the firm (Brammer and Pavelin, 2006) [9]. Thus, voluntary disclosure is reporting of CSR information that goes beyond the mandatory requirement by the law to surpass stakeholders' expectations and create reputation, improve brand value, and increase transparency (Hahn and Kuhnen, 2013) [22].

6. Evaluation of the CSRD Transparency Level

To get an insight into the transparency level for different cases, a CSR disclosure transparency index was constructed (Table 11). The total CSR disclosure score (88) was divided into 4 quartiles, each representing a transparency level. The disclosure scores and the corresponding transparency level are 0–22 low transparency, 23–44 moderate transparency, 45–66 adequate transparency, and 67–88 high transparency. Based on their CSRD score, which varied from 0 (non-disclosure) to 88 (complete disclosure), the companies were placed in the respective transparency level.

Table 11: CSR Disclosure Transparency Index

Transparency Level	Number of Companies in Percentage				
	100 Firms Sampled	Pre-Act Period	Post-Act Period	Public Firms	Private Firms
Low Transparency (0–22)	26%	64%	6%	15%	30%
Moderate Transparency (23–44)	59%	32%	49%	63%	58%
Adequate Transparency (45–66)	15%	4%	43%	22%	12%
High Transparency (67–88)	0%	0%	2%	0%	0%

Figure 1 shows the transparency level of the 100 companies sampled over the 11 years of study period. Only 15% showed adequate transparency and the rest displayed either moderate or low transparency.

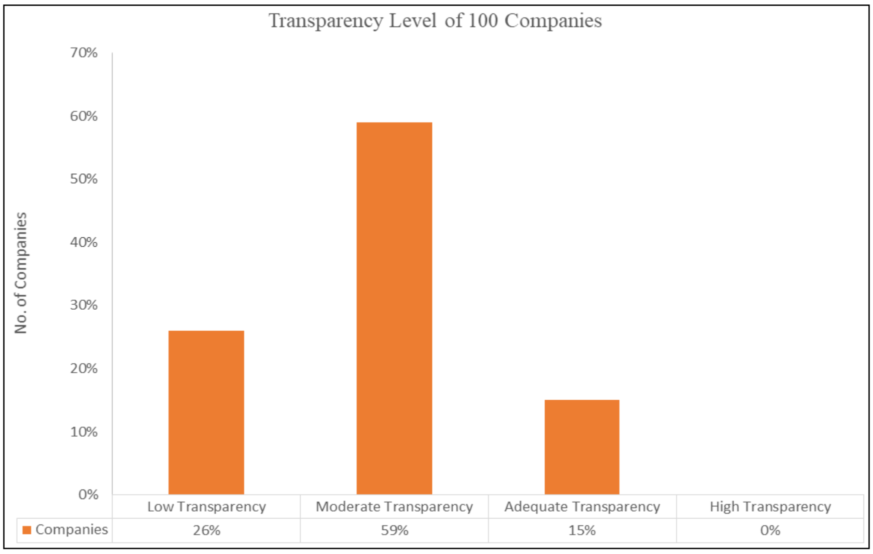

Fig 1: Number of companies showing different transparency levels over the 11 years of study period

The reason for having such a low number of companies showing adequate transparency may be because before the implementation of the Companies Act, i.e. during the pre-Act period, there were no mandatory laws and CSR practice was voluntary. Except a few companies, most of them performed CSR activities poorly and the disclosures were also fuzzy. Moreover, the disclosure patterns of the public and private companies are also different. In this regard, it would be interesting to compare the transparency level of the pre-Act era with that of the post-Act period and between the public and private firms.

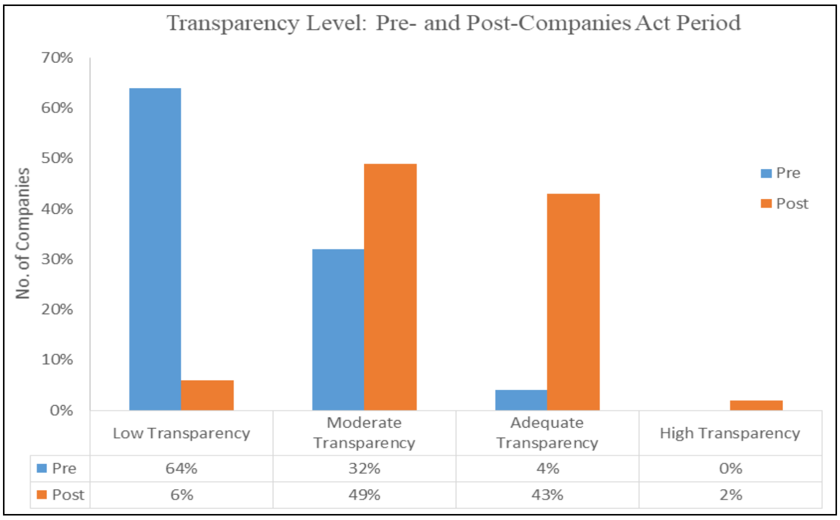

Fig 2: Comparison of transparency levels between pre-Act and post-Act periods

Fig. 2 shows that maximum number of companies (64%) showed low transparency, followed by 32% as moderate transparency. Only 4% companies were in the adequate transparency level. After the implementation of the Companies Act, the transparency level increased drastically and 43% showed adequate transparency. Even there is 2% companies which showed high transparency. Low transparency which was predominant during the pre-Act period, now comprises only 6% during the post-Act period.

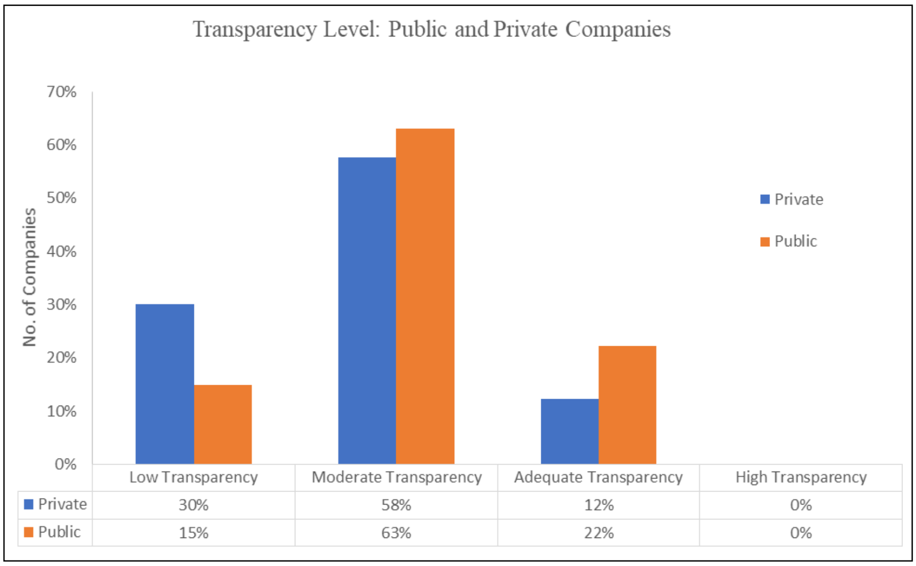

Fig 3: Comparison of transparency level between public and private companies

A comparison of transparency level between the public and private firms has been shown in Fig. 3. It can be observed that the public firms showed more transparency than the private ones. For example, 22% public showed adequate transparency, whereas only 12% private showed the same. Only 15% public displayed low transparency, whereas 30%, i.e. double number of private companies exhibited low transparency. Such disclosure behaviour is probably because the public firms being government undertaken are more prone to legitimacy crisis if they do not follow norms. Additionally, with government support they have more access to resources and tend to do more CSR activities than the private firms.

7. Conclusions, Limitations, and Future Scope

Based on the findings of this study, the following conclusions can be drawn regarding the CSR disclosure of the 100 sampled companies.

1. A new CSR disclosure scale, comprising 88 items under 6 themes, was developed for the first time which is rigorously based on the Companies Act, 2013 to make it suitable for Indian companies.
2. The maximum extent of disclosure was found for the 'environment' category. The overall extent of disclosure by the 100 companies was 35% which is not so high. However, the public sector (40%) disclosed more than the private one and even exceeded the overall extent.
3. The disclosure extent made a remarkable jump (more than 2 times) during the post-Companies Act period compared to the pre-Act era.
4. The companies tended to disclose the voluntary items more than the mandatory items.
5. Very few companies showed adequate transparency over the period of study and most of them were in the moderate transparency level. However, post implementation of the Companies Act, the transparency level of the companies increased drastically than the pre-Act period, 4% to 43% adequate transparency, and some even showed high transparency level. Overall, the public sector displayed more transparency than the private one.

Limitations

In the current study, we have considered NSE-listed 100 companies with maximum market capitalization from 10 industries. More number of companies could not be included due to unavailability of all relevant data and large data size. Next, we obtained the data mainly from the company annual reports and no media, such as mass media or newspapers were considered. Furthermore, a company's CSR practices may not be exactly disclosed, some might be overstated or some understated. In such cases, the real scenario may not be captured in our results.

Future Scope

The current study has provided for the first time a new CSR disclosure scale which is purely based on the Companies Act (Section 135) and is applicable for India. This gives a standardized basis for evaluation of CSR disclosure of Indian firms. Future academicians, corporate management, and government can evaluate disclosure of business organizations based on this new scale. The comparisons of disclosures between the private and public sector and the extent to which firms disclose can be a guiding reference to the business world for their future CSR planning.

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Declaration of interests
The authors have no competing interests to declare that are relevant to the content of this article.

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