

Variations in Corporate Social Responsibility Disclosures after the Implementation of Companies Act, 2013: An Empirical Study of Indian Pharmaceutical Industry

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Abstract

Although a large number of ethical issues are related with pharmaceutical industry but CSR disclosures in this industry have received inadequate attention from researchers till now. Hence an attempt has been made to study the corporate social responsibility practices of listed pharmaceutical companies by adopting content analysis. Furthermore, by applying paired sample t- test, the study has tried to investigate the variations in social disclosures in the annual reports of the sample companies after the implementation of Companies Act, 2013 and the results indicated significant variation in CSR disclosures of the sample companies. Therefore, the study suggests that government intervention/regulation helps in improving corporate social practices of Indian pharmaceutical firms.

Keywords: Corporate Social Responsibility, Disclosure Index, Environment, Human Resources, Pharmaceutical Industry.

Introduction

The belief that companies operate purely in quest of profit maximization is a misnomer and a thing of past in both the practicality of modern business, and the legal framework. Increasing societal expectations around Corporate Social Responsibility (CSR) are applying pressures on business to develop a clear strategy for managing their resources and identifying performance indicators to track against their objectives. Accordingly, CSR has become an important index to assess the value of a company. With the passage of time, it has acquired a legal status and has become an integral part of the corporate strategy. The Companies Act, 2013 has introduced several provisions that would change the way of doing business by the Indian companies and one such provision is spending on CSR activities. Since long, corporate social activities were largely undertaken voluntarily by the leading companies but now it has become mandatory under the law for a specified category of companies. CSR is being recognized as a new business strategy to reduce investment risks and maximize profits. Hence, the question these days is not whether the companies can afford to be socially responsible but can they afford not to be socially responsible. Moreover Corporate Social Responsibility Disclosure (CSRD) is an extension of the financial

disclosure system, which reflects the wider anticipation of society concerning the role of the corporate sector in the economy.

Pharmaceutical Industry all over the world is understood as an important and profitable industry owing to the nature of its products, but review of literature reveals that pharmaceutical companies have often been negatively perceived. This industry is mostly blamed for overpricing of medicines, immoral marketing, luring the medical fraternity, industry-government alliances and its adverse impact on environment. Considering the list of issues involved, it seems logical for companies in pharmaceutical industry to tackle them through strategic CSR activities and related disclosures. Therefore, it becomes all the more important for pharmaceutical companies to adopt CSR in their core strategic decisions and make necessary disclosures related to it. CSR disclosures can be adopted by drug companies as an important medium, not only to communicate information to different stakeholders but also as a tool to enhance their reputation and reverse the public belief, whenever they are criticized for their unethical commercial endeavors.

Review of Literature

The extant literature reveals that CSR disclosure provides information to the public regarding companies' activities related to environmental performance, energy usage, community involvement, employee welfare, fair trade practices and consumers/ products. Such disclosures become more pertinent in pharmaceutical companies because their business decision directly impact human health, thus making social reporting particularly important for this industry.

Solomon and Linda (2002) analyzed different reasons for the companies to make environmental disclosures and to understand the motivations and obstacles for the companies to make such disclosures and concluded that as firms get exposed to different institutions at the same time and these institutions tend to apply normative, coercive and mimetic pressure on a firm to adopt the practice of Corporate Social and Environmental Disclosures (CSED). More is the intensity of institutional pressure, more quickly and extensively CSED practice will be adopted by the firms to look similar to other firms operating in the institutional environment.

Smith (2008) conducted a case study of Glaxo Smith kline and Bayer Corporation, both U.K based pharmaceutical companies to assess the CSR practices of these companies. He concluded that pharmaceutical companies must implement CSR principles in their strategies. Profits are extremely important for this industry but in order to obtain higher profits in the long run, pharmaceutical companies need to build high brand name awareness and hence high company awareness towards consumers. Long term strategies must be outlined with social responsibility principles.

Weininger (2008) conducted a study to assess the reasons for US based multinational companies to get engaged in CSR and identified three major

benefits of getting engaged in CSR- doing good for society, improving social image and increasing profits. It further suggested that CSR is a valuable tool for differentiation in a competitive market and sometimes companies get engaged in CSR, only to avoid negative media attention.

Vitezic (2010) examined the level of social responsibility of pharmaceutical companies from Slovenia, Herzegovina, Macedonia, Bosnia, Croatia and Serbia by analyzing the measuring and presenting methods and based on this analysis, he tried to propose a model of a socially responsible pharmaceutical company. He concluded that the CSR reporting model should include four key elements/drivers i.e. human, social, environmental and economic.

Droppert and Bennett (2015) conducted a small scale exploratory study combining an in depth review of publically available information on CSR activities of pharmaceutical companies along with interviews of representatives from six worldwide top performing pharmaceutical companies and pointed out that CSR differed for each sample company, particularly with respect to how CSR is defined, organizational structure for managing CSR, current CSR activities and motivations for getting engaged in CSR activities. The study further suggested developing clear and more standardized definition of CSR in global health and strengthening indices to track CSR strategies and their public health effects in developing countries.

Research Gap

Indian Pharmaceutical Industry has developed over the years as a pillar industry in the growth of Indian economy. Availability, accessibility and affordability of medicines are the three key issues that need to be addressed in support of right to health but these key issues cannot be addressed by the government alone. Pharmaceutical companies also bear the moral obligation to contribute in improving the healthcare sector in a country like India through their social responsibility. Furthermore a recent wave of accounting scandals and allegations of overpricing and selling sub standard and spurious drugs on certain pharmaceutical companies justifies the need for a study on CSR in this industry but despite the fact that a large number of ethical issues are related with this industry, CSR disclosures in the pharmaceutical sector have received inadequate attention from researchers till now. Besides the debate on CSR fuelled by the implementation of Company Act, 2013 has motivated the researchers to carry out present study in order to determine the variations in CSR disclosures in the annual reports of the pharmaceutical companies after the implementation of section 135 of the Companies Act, 2013.

Objectives

Corporate Social Responsibility disclosures were initially categorized as voluntary disclosures because companies were undertaking CSR activities voluntarily and hence their disclosure was not required under any accounting standard, financial disclosure regime, and the stock exchange rules and

regulations. But after the implementation of Companies Act, 2013, Indian government has made it mandatory to report CSR information through Sec 135 and schedule VII of the Companies Act, 2013 as well as the provisions of the Companies (CSR policy) Rules, 2014. Accordingly, every company which has a net worth of Rs 500 crore or a turnover of Rs 1,000 crore or net profit of Rs 5 crore, needs to spend at least 2 percent of its average net profit for the immediately preceding three financial years on CSR activities. Therefore the present study aims to empirically examine the difference, if any in the extent of CSR disclosures in the annual reports of listed pharmaceutical companies after the implementation of the Companies Act, 2013.

Methodology

Sample: Indian pharmaceutical industry, which is a swiftly growing industry in India and can also be counted among the top five pharmaceutical markets in the world, constitutes the universe for the present study. Initial sample for the study was all pharmaceutical companies listed on BSE but due to delisting, suspension and merger of some of the companies and non availability of annual reports for others, the final sample for the study consists of 136 pharmaceutical companies listed on BSE. In order to analyze the differences, if any in the level of CSR disclosures after the passing of the Companies Act, 2013, CSR data for two years before the passing of the Companies Act, 2013, i.e. 2011-12 and 2012-13 and two years after the passing of the Companies Act, 2013, i.e. 2013-14 and 2014-15 was collected.

CSR Disclosure Index: Since the present study is restricted to Indian pharmaceutical industry and no systematic CSR data base or CSR Index is readily available to measure corporate social performance of such companies so self constructed disclosure index was used. Although, companies may disclose information related to social responsibility in a number of ways, namely; press release, newsletters, sustainability reports, homepages and websites etc but present study is restricted to an assessment of the amount of CSR disclosures made by sample companies in their annual reports because all companies do not publish separate CSR reports or sustainability reports and even though if they publish it they may not be publishing it on a regular basis. It can also be presumed that CSR information disclosed through other sources is also included in annual reports.

Annual reports of the sample companies were read thoroughly and every single item disclosed under corporate social responsibility was made a part of CSR disclosure index. Accordingly, CSR disclosure index with an extensive list of 142 items was developed, by considering all the dimensions of CSR relevant for this industry and after studying thoroughly the disclosures made by these companies on all such dimensions in their annual reports. Following related studies and own judgement, these 142 items were grouped into eight categories, namely; General(GEN), Health(HTH), Education(EDU), Community Welfare(CW), Environment(ENV), Employee Welfare Health and Safety(HR), Products(PRO) and Fair Trade Practices(FTP). Each category in turn, contains finer details about specific areas of disclosure. Table 1 presents the checklist of items used in developing CSR Index.

Table 1. Check list of items in Corporate Social Responsibility Disclosure Index

Broad Themes	Disclosure Items	Symbols Used
General (GEN)	Disclosure of corporate objectives or policies with regard to CSR/ Establishment of separate arm for CSR activities/ Formation of CSR Committee	GEN1
	Publication of separate Social/ Environmental/ Sustainability/ Social Audit Report/Alignment to National Voluntary guidelines	GEN2
	Signatory to the UN Global Compact supporting 10 principles on Human Rights, Anti corruption etc	GEN3
HEALTH (HTH)	Public Private partnership with State Government to deliver health services	HTH1
	Establishment of Community Health Centre/Charitable Trusts for the disadvantaged population	HTH2
	Construction /Donations & Infrastructural support to Hospitals	HTH3
	Mobile Clinic and Medical Centres	HTH4
	Support to Voluntary Health Care Organizations	HTH5
	Free Prescription & distribution of medicines to poor	HTH6
	Primary health care and Patient awareness camps	HTH7
	Rural/Tribal Health Care programmes/Camps	HTH8
	Dental Check-up and awareness Camp	HTH9
	Eye Check-up Camp/Cataract surgeries	HTH10
	Blood Donation Camp	HTH11
	Screening Camps to facilitate early detection and treatment of Cancer/ Medical support to cancer patients	HTH12
	Diabetes awareness campaign and screening camp	HTH13
	Renal function detection & awareness Camp/Observing Kidney Day	HTH14
	Piles Awareness Camp	HTH15
	Hypertension Awareness & Heart check up camps/life saving heart surgeries for poor kids	HTH16

Promotion of Pulse Polio Programme/Polio awareness campaign	HTH17
Immunization program for Slum Children	HTH18
Promoting child health campaigns to reduce malnutrition & under nutrition/distribution of nutritional supplements/ nutritious refreshment and health drink to children	HTH19
Implementation of personal hygiene and sanitation programmes/ promoting hand wash program in municipality schools	HTH20
Educating adolescent girls on menstrual hygiene/unwanted pregnancy and unsafe abortion	HTH21
Creation of fun centre integrated with paediatric unit for sick children or any other such support	HTH22
Emotional, Social and Spiritual support to terminally ill patients/ holistic rehabilitation of patients	HTH23
Family planning programmes/ Initiatives to reduce maternal mortality	HTH24
Support for rehabilitation of orthopedically disabled poor patients & Donation of Prosthetic Limbs/tricycles to patients from economically weaker section.	HTH25
Helpline for the Aged/Senior Citizens	HTH26
Organ Donation Campaign/Observing Organ Donation Day	HTH27
Spread Awareness on Swine Flu, Dengue and other such diseases	HTH28
Awareness campaigns on HIV/STD disease/Support to HIV Patients	HTH29
Awareness campaigns on seizures/Epilepsy/Leprosy & Tuberculosis etc	HTH30
Awareness campaigns against Tobacco use and Alcohol Abuse	HTH31
Knowledge based initiatives, Skill development & Training programmes for Doctors/Nurses & Health workers.	HTH32
Disaster preparedness workshop training for hospital staff	HTH33
Launch and maintenance of Website- an online resource/ Knowledge dissemination/Health Information Helpline	HTH34

EDUCATION (EDU)	Construction/ up gradation & financial support to academic Institutions.	EDU1
	Career counselling of the students	EDU2
	Donation of books/notebooks/uniforms & learning tools to poor students	EDU3
	Support for the education of mentally challenged children	EDU4
	Sponsoring education & scholarship for meritorious students	EDU5
	Learning centres/ Transit schools for dropout and working children & children of migrant labour	EDU6
	Research awards and financial grants to outstanding scientists and research scholars	EDU7
	Professional development courses for teachers to enhance their pedagogical skills & practices.	EDU8
	Support and promotion of girl child education.	EDU9
	Summer camps/ Workshops & child clubs for their holistic development.	EDU10
	Setting up of Village Library	EDU11
	Support to food relief foundation for mid-day meal project for municipal school children	EDU12
COMMUNITY WELFARE (CW)	Maintaining/Construction and donations to orphanages/shelter homes, hostels for blind/ physically handicapped, destitute centres, rehabilitation centres and juvenile homes.	CW1
	Construction of Community Halls, low cost houses and other such infrastructure in nearby villages.	CW2
	Construction of Toilets for Individual households/Bio Toilets and promoting basic sanitation in nearby villages.	CW3
	Rehabilitation of child labour/Support to NGO's working for the rehabilitation of such children/ Helpline service for children in distress	CW4
	Contributions for the promotion of Art/Cultural Programmes/ National Heritage	CW5
	Aiding disaster victims	CW6
	Live-stock development & Animal Husbandry/Maintenance of Gaushalas and donations to veterinary hospitals/ Support to PFA/ Cattle Management & Livestock productivity practices/ Animal Adoption Programmes.	CW7

	Women Empowerment programmes	CW8
	Mass marriages/Widow remarriage/financial aid to widows	CW9
	Livelihood projects for under privileged/Employment generation	CW10
	Vocational and skill development training to youth/Skill Development Workshops for prisoners.	CW11
	Adult education/enlightening and educating the masses against social evils	CW12
	Public private partnership for local community development	CW13
	Observing Community Partnership week	CW14
	Developing Parks and beautification of nearby areas	CW15
	Constructing roads connecting villages	CW16
	Road safety initiatives	CW17
	Training centres/Capacity building/Contract Farming/ Agricultural fairs for Farmers or other such measures for agricultural development	CW18
	Establishment of Self Help Groups (SHG) in rural areas	CW19
	Provision of Clean drinking water in nearby villages	CW20
	Organizing village fair/celebrating religious festivals and sports activities to ensure bonding with villagers.	CW21
	Award for Community Services/Commendation and Certification	CW22
ENVIRONMENT (ENV)	Compliance with applicable legislation/Environment norms	ENV1
	Maximizing use of renewable resources	ENV2
	Assistance to concerned NGO's/Government/Regulatory bodies	ENV3
	Environment and Energy Management Certification (ISO 14000, ISO 14001, ISO 14064, ISO 22000, ISO 9001 & ISO 50001)	ENV4
	Environmental Education and Awareness Programmes	ENV5
	Emissions Management(Air & Water)	ENV6
	Use of environment friendly/green technology	ENV7
	Undertaking environment impact studies/environment research	ENV8

	Conducting environmental/energy audits	ENV9
	Environmental Awards/Commendation/Certification	ENV10
	Conservation of Energy	ENV11
	Waste Management	ENV12
	Plantation/Re-vegetation/Reforestation/development of Green Belt	ENV13
	Re-cycling and Re-use of By-products	ENV14
	Action on Carbon Foot Printing/Reduction in Greenhouse gas emission	ENV15
	Installation of shock and noise absorbers to reduce noise pollution	ENV16
	Installation of Rain Water Harvesting System/Water Conservation Measures	ENV17
	Installation of Sewage treatment plant	ENV18
	Installation of Solar Power Plants	ENV19
	Management of E-waste	ENV20
	Soil Biotechnology for the treatment of effluents/installation of effluent treatment plant	ENV21
	Use of nature friendly alternative fuel	ENV22
	Observing/Celebrating World Environment Day/World Earth Day	ENV23
	Restoring to e-technology/reduction in stationary usage/go green initiative of Ministry of Corporate Affairs	ENV24
	Support to Animal Protection/Preservation Project and Promoting Ecological Diversity/ Wet lands for birds	ENV25
	Maintenance of Herbal garden/kitchen garden/non pesticide management/Vermi Compositing/Creation and maintenance of Herbarium	ENV26
	Promoting Equity and Diversity at work place	HR1
	Importance of Work, Family and Life Style Balance	HR2
	Importance placed on good work place relations/Recognition of employee contribution/Rewards & Incentives/Encourages initiative and innovative thinking	HR3

EMPLOYEE, WELFARE, HEALTH & SAFETY (HR)	Improvement of Physical/Tangible working conditions/ Provision of Gym and other sports facilities at Corporate office	HR4
	Improvement of Mental/Intangible working conditions/Stress management programs	HR5
	Employment of other special interest groups like those with disabilities	HR6
	Redundancy programme/policy	HR7
	Policy/Cell for prevention of Sexual Harassment	HR8
	Training and Development to enhance Technical Skills/In-house Training	HR9
	Training and Development to enhance Soft Skills	HR10
	Leadership Transition programmes for managers	HR11
	Digital literacy program for low income staff to increase their computer literacy	HR12
	Periodic Health Check-up of Employees/Wellness Programme for employees/Occupational health centre/ Availability of Ambulance service at work place	HR13
	Medical Assistance to the families of the employees	HR14
	Women Day Celebration/ Self Defence Workshops for women employees	HR15
	Family assimilation program/Sports Tournaments & festival celebration to strengthen bond between employees and organization	HR16
	Promote ethical conduct among employees/employee Volunteering Programme	HR17
	Human Resource Excellence Awards and Audits	HR18
	OHSAS-180001 Accreditation for occupational health and safety systems	HR19
	Conduct of regular plant inspections and Safety Audits	HR20
	Safety Training and Awareness Programs/Formation of Safety Committees/ Development of Safety Parks	HR21
Behavioural Safety Program to eliminate unsafe behaviour at work place	HR22	
Provision and Periodic examination of Safety equipments/ Practices	HR23	
Awards/Commendations/Certificates for maintaining Safety Standards	HR24	
Observing National Safety Day/Fire Service Day	HR25	

	Mock Drills/Fire Drills to check emergency preparedness	HR26
	First Aid Training Programmes	HR27
	Emergency Response team to address safety emergency /Emergency evacuation plan	HR28
	Development of exhaustive data base pertaining to Performance based Exposure Control Limit(PBECL) for potent drugs	HR29
	Well documented program to identify and evaluate process hazards	HR30
	Conduct hazard and operability studies for products(HAZOP)	HR31
	Adoption of concept of Green Chemistry and Engineering	HR32
PRODUCTS (PRO)	Awards and Commendations	PRO1
	Complete factual information about products through adequate labelling	PRO2
	Conducting stability studies to ensure the shelf life for the products developed	PRO3
	Stringent quality control norms benchmarked with Global GMP standards	PRO4
	360 degree product safety commitment	PRO5
	Pharmaco-vigilance and clinical management group to guard medicines against adverse side effects	PRO6
	System for addressing customer complaints and Queries/ Customer Awareness through Seminar and Symposium etc/ Customer relation management program	PRO7
	Efforts to make medicines affordable and accessible	PRO8
	Robust process to prevent and check counterfeiting of products	PRO9
	FAIR TRADE PRACTICES (FTP)	Commitment on fair trade practices and Inclusive growth
Follow of ethics in clinical trials		FTP2
Adherence to ethical marketing practices in its product promotion		FTP3
Cause related Marketing		FTP4

Source: Researchers own compilation

Measurement of CSR Disclosure Scores (CSRDISC): Content analysis was adopted to calculate CSR disclosure score. The scoring procedure assigned one point for each disclosed item in the CSR disclosure index and zero otherwise i.e.

the dichotomous procedure was followed to prepare disclosure score sheet for each of the four financial years from 2011-12 to 2014-15 in order to calculate the disclosure score for the sample companies. The total CSR disclosure score (CSRDISC) for each company was, then computed as an unweighted sum of scores of all items disclosed. Multiple points were not awarded for multiple references of the same disclosed item.

Development of Hypothesis

To examine the variation, if any in the level of CSR information reported by the sample companies in their annual reports after the passing of Companies Act, 2013, which made corporate social responsibility mandatory for a certain specified categories of companies, following hypothesis have been developed.

H_a: There is significant variation in the CSR disclosures of sample companies after the passing of Companies Act, 2013.

Paired sample t- test has been used to determine the difference in CSR disclosures. CSR disclosure score for two years before (FY2011-12 and FY2012-13) the implementation of the act and two years after (FY2013-14 and FY2014-15) the implementation of the act were considered to study the variation in disclosures.

DATA ANALYSIS AND INTERPRETATION OF THE RESULTS

Table 2 exhibit results of paired t-test showing the variation in the mean of **CSRDISC** themes in two samples i.e. before and after the implementation of the Companies Act, 2013. 'Before' refers to two years before the implementation of the Section 135 of the Companies Act, 2013 and 'After' refers to two years after the implementation of the Section 135 of the Companies Act, 2013.

Table 2 reveals that for the first disclosure theme **GEN**, there is a significant variation in the **CSRDISC** after the passing of the new company law as the mean difference is 15.0735 (26.593 - 11.519), t- value = 7.882 and p is significant at 1 percent level of significance. This is mainly due to the incorporation of section 135(1) of the Companies Act, 2013, which requires a specific set of companies to constitute a separate corporate social responsibility committee for carrying out social activities.¹ It is further revealed that the standard deviation has increased from 25.134 to 29.97, indicating that there is high variation in the disclosure items covered under the first theme **GEN**. Moreover all disclosure items of first theme **GEN** increased over the years especially **GEN1**², which shows a marked increase from about 14 percent companies disclosing it in the year 2011-12 to 51.82 percent companies disclosing it in the year 2014-15. Even the second disclosure item **GEN2**³ also shows an increase from 10.32 percent companies disclosing it in the year 2011-12 to 42.33 percent companies disclosing it in the year 2014-15. It can be attributed to the fact that after the implementation of the Companies Act, 2013 companies constituted a separate corporate social responsibility committee as per the provisions of section 135(1) of the act and also started publishing separate social responsibility/sustainability report.

Table 2. Results of Paired t-test to determine the variation in CSRDISC before and after the implementation of Companies Act, 2013

CSR Themes		N	Mean	Std. Deviation	Std. Error Mean	t-value	p-value
GEN	Before	136	11.519	25.134	2.155	7.882	.000***
	After	136	26.593	29.977	2.570		
HTH	Before	136	9.072	14.451	1.239	1.034	.303
	After	136	8.401	13.852	1.187		
EDU	Before	136	10.753	17.269	1.480	.641	.523
	After	136	11.397	17.967	1.540		
CW	Before	136	5.431	10.119	.867	1.770	.079*
	After	136	6.667	11.632	.997		
ENV	Before	136	27.092	13.935	1.194	1.027	.306
	After	136	25.876	15.907	1.364		
HR	Before	136	25.057	15.137	1.298	.782	.436
	After	136	25.850	18.084	1.550		
PRO	Before	136	8.333	11.847	1.015	.492	.623
	After	136	8.864	14.836	1.272		
FTP	Before	136	10.294	17.205	1.475	1.201	.232
	After	136	11.764	17.398	1.491		
Total CSRDISC	Before	136	15.591	12.201	1.046	3.779	.000***
	After	136	18.521	17.709	1.518		

*** indicates level of significance at 1 percent. The test of significance is two-tailed

** indicates level of significance at 5 percent. The test of significance is two-tailed

* indicates level of significance at 10 percent. The test of significance is two-tailed

The results are obtained using SPSS 20.0

As far as the second theme **HTH** of CSR disclosure is concerned, the mean disclosures decreased from 9.072 to 8.401 after the implementation of the act but the decrease is not significant. The reason for the decrease in disclosures under the theme **HTH** can be attributed to the implementation of Section 135 of the Companies Act, 2013 as schedule VII of Section 135 lists down the activities, which can be taken up by the companies for meeting their mandatory requirement of spending on CSR activities. Whereas earlier the pharmaceutical firms being a part of the health industry were pursuing several corporate social activities related to health issues. The third disclosure theme, **EDU** has shown a slight increase in mean disclosures as the mean increased from 10.753 to 11.397 after the implementation of the act although the increase is not significant as p value is 0.523 but implantation of the act has somewhat influenced the theme of education as 'promotion of education' is one of the activities included in schedule VII of Section 135. Similarly the fourth disclosure theme, **CW** shows an increase in disclosures as the mean disclosure score increased from 5.431 to 6.667 after the implementation of the act and the p value = 0.079, significant at 10 percent level, indicating a mild increase in disclosures under this theme. This increase can again be explained by the implementation of schedule VII of Section 135 of the Companies Act, which lists down the CSR activities that can be pursued by the

companies on whom this Section 135 applies and most of these activities relate to community welfare.

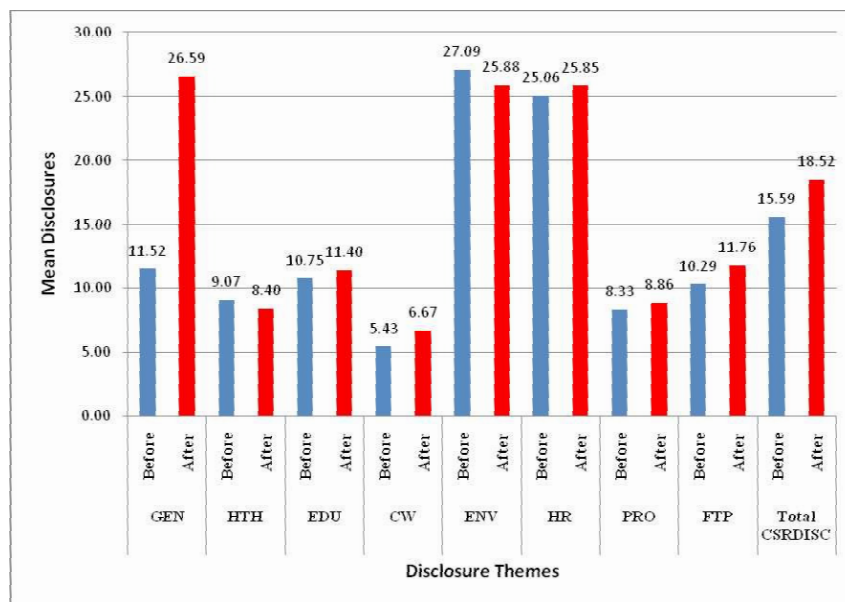
The fifth disclosure theme, **ENV**, exhibit a minute decline after the implementation of the act as the mean disclosure decreased from 27.092 to 25.876 but as the p value is 0.306, the variation under the theme of **ENV** is not significant. The sixth disclosure theme, **HR** is all most the same after the implementation of the act as the mean difference is only 0.792 and p value is 0.436. So the variation in disclosures under the theme of **HR** is also not significant. Further, it was **revealed that disclosure of HR8⁴**, increased substantially from a mere 11.6 percent companies disclosing it in 2011-12 to around 70 percent companies disclosing it in the year 2014-15 because the companies are now required to have in place an anti sexual harassment policy in line with the requirement of the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013. For the seventh disclosure theme **PRO**, the mean disclosure shows a very minute increase from 8.333 to 8.864 and the p value is 0.623, indicating that the variation in disclosures under the theme of **PRO** is insignificant. The last disclosure theme, **FTP** reveals an increase in mean from 10.294 to 11.764 after the implementation of the act and the p value is 0.232, which like earlier themes is higher than 0.005, therefore the variation in disclosure after the act under the theme of **FTP** is insignificant.

As far as Total CSRDISC is concerned, the mean disclosure increased from 15.591 to 18.521 after the implementation of the Companies Act, 2013 and the standard deviation changed from 12.201 to 17.709 with t value as 3.779 and p value is significant at 1 percent level of significance. As a result it can be concluded that there is significant variation in total CSRDISC after the implementation of the act. Thus the hypothesis of the study, which proposes significant variation in CSR disclosures of pharmaceutical companies after the implementation of the Companies Act, 2013 is accepted. Thus it can be suggested that government intervention/regulation helps in improving corporate social practices of Indian pharmaceutical firms. The findings are in line with the views expressed by Echave and Bhati (2010), who in their study on CSR disclosures in Spanish companies stated that government is an important agent for influencing corporate social disclosures.

Further, figure 1 graphically explain the theme wise difference in mean disclosures for two years before the implementation of the Companies Act, 2013 i.e. 2011-12 & 2012-13 and two years after the implementation of the act i.e. 2013-14 and 2014-15. It is evident from figure 1 that for the first theme **GEN**, there has been a steep increase in mean disclosures from 11.52 to 26.59 mainly due to the reason that with the implementation of section 135 of the Companies Act, 2013, companies have constituted separate CSR committees and have started publishing separate CSR report. The second theme **HTH** shows a slight decline in the mean disclosures as the mean disclosures declined from 9.07 to 8.40 after the implementation of the act. For the third theme **EDU** and the fourth theme **CW** the mean disclosures increased from 10.75 to 11.40 and 5.43 to 6.67. For the fifth theme of **ENV** there is a decline in mean disclosures from 27.09 to 25.88 after the implementation of the act. For the sixth CSR disclosure theme of **HR**, there is a

small increase in mean disclosures from 25.06 to 25.85. The mean disclosures for the seventh CSR disclosure theme of **PRO** also increased slightly from 8.33 to 8.86 and lastly for the eighth disclosure theme **FTP**, the mean disclosures increased from 10.29 to 11.76. Overall mean disclosures **CSRDISC** increased from 15.59 to 18.52 after the implementation of the Companies Act, 2013.

Figure 1: Theme Wise Mean Disclosure Score for two years before (2011-12 & 2012-13) the implementation of the Companies Act, 2013 and two years after (2013-14 & 2014-15) the implementation of the Companies Act, 2013



Conclusion

As the results indicate significant variation in CSR disclosures of the sample companies after the implementation of the Companies Act, 2013, hence it can be concluded that CSR disclosure practices in Indian pharmaceutical companies appears to be related to government regulations and legal requirements. Similar observations were reported by Gunawan et al., (2009) in a study on CSR disclosures in Indonesian companies, where, while emphasizing on the importance of government regulations regarding corporate social responsibility, they expressed that as the issue of 'social problems' is potentially more complex in developing countries, hence the approach to corporate social disclosure practices need to be different in these countries. Accordingly, adoption and strengthening of regulatory measures can significantly contribute to increase in corporate social activities and their subsequent disclosures in an emerging economy like India.

Hence, it can be suggested on the basis of present study that introduction of Section 135 of the Companies Act, 2013 seems to be a good start not only in the direction of making companies more socially responsible but also in improving

the CSR disclosure practices because now as per Section 135 of the Companies Act, 2013, companies need to report in their annual reports, the details of CSR activities/ projects undertaken by them and the amount spent on such activities in that particular financial year. Whereas, earlier before the implementation of this Section 135 of the Companies Act, 2013, most of the disclosures on CSR were limited to qualitative disclosures without any verifiable quantitative evidence.

Limitations of the Study

The study is subject to various limitations such as the use of self constructed CSR disclosure index. Moreover, the selection of the items included in the disclosure index and their classification under eight broad themes, inevitably involved some degree of judgment and subjectivity. Further, the only source of CSR disclosures for the present study is the annual reports of the sample companies. Notwithstanding these limitations, the study is relevant as it contributes to the extant research by developing a CSR disclosure Index for pharmaceutical companies. Furthermore investigating the variations in the CSR disclosure practices after the implementation of section 135 of the Companies Act, 2013 would also provide useful insights to policy makers and regulatory authorities.

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Footnotes :

¹As per sec 135(1) of the company law, every company having net worth of rupees five hundred crore or more, or turnover of rupees one thousand crore or more or a net profit of rupees five crore or more during any financial year shall constitute a corporate social responsibility committee of the board consisting of three or more directors, out of which at least one director shall be an independent director.

²Disclosure of corporate objectives or policies with regard to CSR/ Establishment of separate arm for CSR activities/Formation of CSR Committee.

³Publication of separate Social/Environmental/Sustainability/Social Audit Report/Alignment to National Voluntary guidelines.

⁴Policy/ Cell for prevention of Sexual Harassment.