

STUDY ON THE PERCEPTION OF COMPANIES REGARDING SOCIAL RESPONSIBILITY AND THE IMPORTANCE OF NON-FINANCIAL REPORTING

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Abstract

Starting from the importance that non-financial reports have for sustainable development, through this work we have proposed to analyze the importance given by the management of companies to social responsibility activities, but also the degree of involvement in this category of activities, bearing in mind the fact that Romanian legislation requires the submission of non-financial reports, which accompany the financial reporting. The current research was structured in two parts, in which a documentary analysis of the specialized literature was carried out with the aim of defining corporate social responsibility and presenting the role it has both in the activity of a company and in the community in which it carries out its activity, but also in measuring the companies' perception of this concept. In this sense, a questionnaire consisting of 10 questions was applied to the companies obliged to make a non-financial report. The questionnaire was applied to a group of companies from Bucharest and Ilfov county, with more than 500 employees. The response rate was 79%, these being recorded between September 10 and December 10, 2022. The data collected were processed and interpreted statistically, so that conclusions can be drawn regarding the importance of social responsibility for companies. What was found empirically was the fact that companies that invest in corporate social responsibility have a plus in building their reputation, being able to consider it a component of their marketing policy, which has positive effects on economic performance. On the other hand, there is also an increase in their ability to adapt to change, easier access to financing sources or increased sales.

Key words: corporate social responsibility, non-financial reporting, economic performance

INTRODUCTION

In a world in constant change, where globalization was the concept that shaped business, society, the environment, the way of thinking and acting, new ideas related to equity, solidarity, responsibility appeared, which led the desire to "give back" something to the community, to act in the direction of sustainable development, of social responsibility, which thus became business concepts and which in turn left their mark on corporate governance, which also became a desire of the beginning of the sixth century XXI [12].

However, the concept of social responsibility is not a new one, it began to be developed after the Second World War, when large companies, being in a stage of economic growth, began to assume a role in society, being concerned with solving social problems.

However, the term social responsibility does not overlap with socially responsible actions, because this concept, which appeared in the 19th century, refers to a singular action that is part of a company's strategy, without having a commitment to anyone or against some already existing social values. Either corporate social responsibility represents that commitment that the corporation makes voluntarily towards society, but also towards other parties involved in those actions that are part of the sphere of economic activities and that aim at the good of the community [1, 8, 10, 2, 17].

However, the modern foundations of social responsibility were laid in 1999, during the World Economic Forum in Davos, where the Global Compact initiative was presented, which through 10 universal principles (related to human rights, anti-corruption, labor

standards, environmental protection, etc) promoted corporate responsibility.

Over time, social responsibility has been called: sustainability, business ethics, corporate social conscience, community business, corporate philanthropy, triple balance sheet, "corporate citizenship", being a concept that refers to the contribution of companies to the development of modern society [5, 16, 7, 9, 18, 19, 20].

Corporate social responsibility is defined by the World Business Council as an organization's contribution to sustainable economic development "the commitment of business environments to contribute to sustainable economic development by working with employees, their families, the community local and society as a whole to improve their quality of life" [21].

The European Commission considers that corporate social responsibility represents a way in which companies, through the actions and measures taken, voluntarily contribute to social development and environmental protection. These actions are included in their development strategies and involve both costs and benefits, which then indirectly contribute to increasing profitability and improving the company's image [3].

According to the legislative regulations, corporate social responsibility has a voluntary, but at the same time moral character, which is assumed by companies that, in addition to profitability, must also ensure a long-term social component and which must be included in the company's development strategy. Social responsibility carries costs, but profitability is determined by the credibility that the entity has in front of its business partners, its own shareholders, as well as the community, the social environment or the local, community environment in which it operates

Therefore, social responsibility has several categories of objectives: economic objectives, in that it creates wealth both for shareholders, associates, employees, the community), ecological objectives (ensuring the conservation and sustainable management of resources) and social objectives (ensuring social equity) .

Although Romania did not have a tradition of social responsibility until 1990, it started this activity through public or private NGOs that started to carry out humanitarian activities. With the change in legislation, with the alignment to European and world standards, with the emergence of large international private companies, different practices of social responsibility began to be developed. If initially social responsibility had the role of increasing consumer confidence, increasing the company's reputation or creating a certain image on the market, later the actions were also directed towards sustainable development and community development actions.

The development stages continued, but were influenced by the economic crisis that started in 2007 and had effects until 2010, 2011. In turn, the Covid-19 crisis, although it brought a reduction in the funds attributed to social responsibility actions, represented a moment when many companies were involved in such activities, offering support to the community. Aware of the importance of social responsibility, an increasing number of companies have begun to "build" strategies and responsible practices that contribute to the general well-being. This is also supported by the national legislation aligned with community and international standards through which proactive product or service innovations can be brought that even if from an economic point of view they are not as efficient, they are more sustainable or meet social needs, being aimed at areas such as community support, education, the environment, etc., thus respecting the principles of sustainable development, i.e. maintaining a sustainable future for future generations [11].

Thus, from 2017, public interest companies that have more than 500 employees at the time of drawing up the balance sheet are obliged, according to OMFP 1938/2016 [13], to publish in the administrator's report a non-financial statement that refers to social aspects, the well-being of employees, of human rights, environment, combating corruption, and from 2019, through OMFP 3456/2018, the area of applicability of this non-financial information became mandatory

for all categories of companies that exceed a maximum of 500 employees [14].

After the adoption of the Green Pact, at the level of the European Union, Regulation 852 was developed, appearing in 2020 and applicable from January 1, 2022 for the financial reports related to the financial year 2021, for those companies that apply the NFRD [4].

There is the obligation that, in addition to the information related to social responsibility, these non-financial reports should also include information that proves that the economic activities carried out by the entities are not only profitable, but they are sustainable for the environment.

The reporting includes a series of key performance indicators (the share of turnover resulting from environmentally sustainable economic activities, the share of capital expenditures and operating expenses related to assets or activities associated with sustainable economic activities from the point of view of the environment).

Those activities that can contribute to the stabilization of greenhouse gas emissions must also be identified, according to the long-term objective of limiting climate warming.

In this way, the companies, which can make this report voluntarily even if they do not have the limit of 500 employees, make public their sustainability and social involvement effort.

At the international level, there are other categories of reports that complement the non-financial report (GRI, SASB, IIRC, CDP; SDGs; DJSI) [6].

In this context, the objective of this paper was to assess the importance that the management of companies gives to their involvement in social responsibility activities, as a result of the mandatory submission together with the financial reporting and a non-financial reporting.

MATERIALS AND METHODS

The research methodology involved a bibliographic study on the importance of social responsibility within companies that report non-financially, as well as a case study carried out on a number of 26 companies from

Bucharest and Ilfov, belonging to different fields (telecommunications, pharmaceutical, production, banking, retail, IT, etc.) to which a questionnaire was applied regarding corporate social responsibility.

The questionnaire, which had 10 questions, was applied between September 10 and December 10, 2022, with a response rate of 79%. The questions were open (question no. 10), dichotomous (question no. 2) and semi-open (questions 3-10), being appropriate, clear and undistorted [15].

The questions were the following:

- (1) How many employees does your company have?
- (2) In the development activity of your company, have you integrated corporate social responsibility activities?
- (3) Did your company have a budget for social responsibility activities? What value did it have?
- (4) Have you funded any corporate social responsibility activities through your company?
- (5) Were corporate social responsibility activities directed at these social areas?
- (6) Were non-profit institutions also involved in social responsibility actions?
- (7) What were the programs you financed?
- (8) What were the results of the social responsibility projects carried out?
- (9) Who were the beneficiaries of the social responsibility actions?
- (10) Are there other areas in which you would like to be involved in order to increase social responsibility?

RESULTS AND DISCUSSIONS

The questionnaire including the 10 questions was applied to companies that have the obligation of non-financial reporting. The respondents were persons involved in the management of the company or persons involved in the elaboration of non-financial reports. Based on the answers collected and processed, it was possible to analyze the existing perception at the company level regarding the importance of involvement in social responsibility activities and the

advantages of reporting, both for the company and for the community.

Thus, from question no. 1 *How many employees does your company have?* it resulted that of the 26 entities that responded to the questionnaire, 31% have more than 10,000 employees, 23% have a number of employees between 5,000 and 10,000 employees, 19% have a number of employees between 1,000 and 3,000 employees, 15% have a number of employees between 500 and 1,000 employees, and 12% of the companies have a number of employees between 3,000 and 5,000 employees (Figure 1).

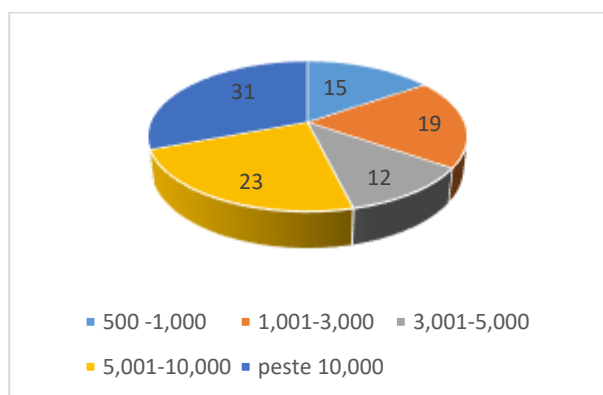


Fig. 1. The structure of the companies, according to the number of employees (%)
 Source: own processing.

From the answers given to question no. 2 *In the development activity of your company, have you integrated corporate social responsibility activities?* it is found that 96% of the companies are involved in social responsibility activities.

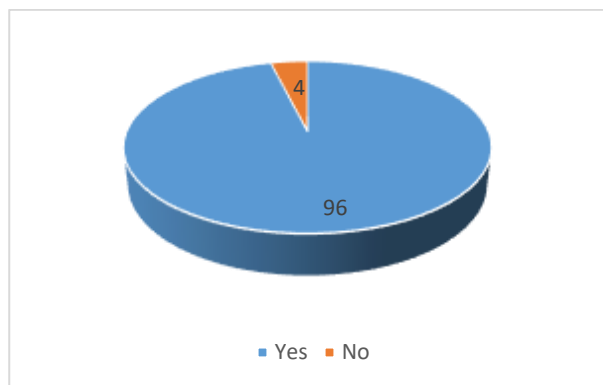


Fig. 2. Categories of companies involved in social responsibility actions (%)
 Source: own processing.

From question no. 3 *Did your company have a budget for social responsibility activities?*

What value did it have? It results that 19% of the companies allocated amounts less than 500,000 lei to support social responsibility activities. However, more than half of them allocate important funds to social responsibility actions (42% allocate amounts between 500,000 lei and 1,000,000 lei, and 15% with funds up to 5,000,000 lei (Figure 3).

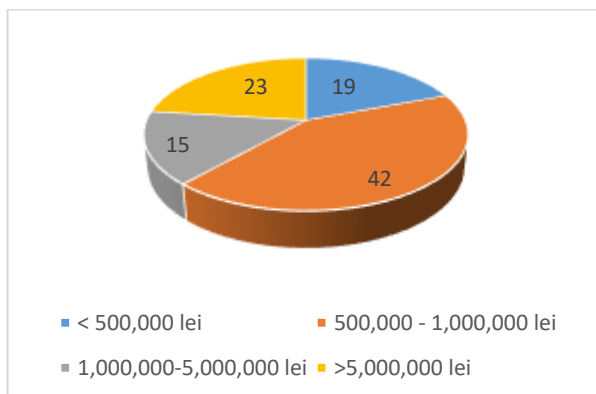


Fig. 2. The structure of companies involved in social responsibility actions, depending on the amounts allocated (%)
 Source: own processing.

From question no. 4 *Have you funded any corporate social responsibility activities through your company?* the result was that 8% of the companies did not finance such actions, also due to the fact that financial reporting will become mandatory from the current financial year. However, what is found is that 4% of the companies, anticipating the mandatory reporting, have provided in their strategies different social responsibility activities.

A study prepared by CSR Media shows that during the #Stay at home campaign during the Covid-19 period, through the participation of over 100 companies, sums between 50,000-10,000,000 lei, respectively 20,000-1,000,000 euros were donated, which in total represented over 54 million lei and over 12 million euros that were donated to different hospitals, foundations or the Ministry of Health with the aim of supporting the fight against the Coronavirus.

From the answers given to question no. 5 *Corporate social responsibility activities were directed towards which social fields?* it turns out that most funds were allocated to support environmental protection actions (39%). Also,

actions to support educational programs (18%) and sports programs (13%) are among those promoted by companies. Funds representing 13% of the total were allocated for actions to support the disadvantaged categories, especially those during religious holidays (Christmas and Easter) (Figure 4).



Fig. 4. Structure of social responsibility actions supported by companies (%)
 Source: own processing.

From question no. 6 *Were non-profit institutions/ associations/foundations also involved in social responsibility actions?* it results that 52% of the funds granted to support social responsibility actions are directed to organizations involved in such activities.

From the answers given to question no. 7 *What were the programs you financed?* it is found that the largest share of funds (32%) are used in the promotion of business actions and in philanthropic actions (27%). Also, 12% of the funds were used in the promotion of social marketing actions, and 8% in volunteer activities (Figure 5).

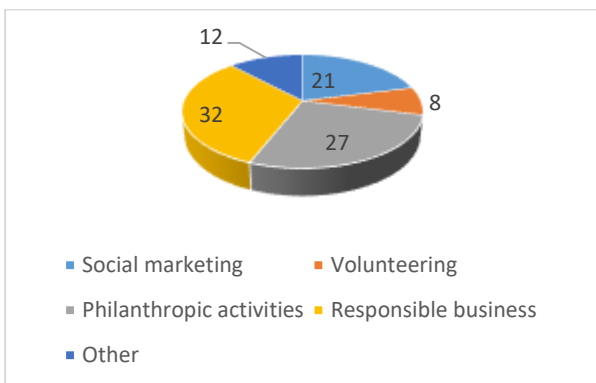


Fig. 5. Structure of social responsibility programs (%)
 Source: own processing.

To the question with no. 8 *What were the results of the social responsibility projects carried out?* 17% of the respondents believed that they had increased trust in the company, 28% believed that the visibility of the company increased, 19% believed that there was an increase in sales, and 36% chose all 3 options of answer.

From the answers given to question no. 9 *Who were the beneficiaries of the social responsibility actions?* it resulted in a 100% proportion that the actions taken were useful both to the companies and to the community, the answer options offered being: for the company, for the community, for the company and the community.

From the open question with no. 10 *Are there other areas in which you would like to be involved in order to increase social responsibility?* it results, in the order of ordering of the domains that they are: education, health, employment, environment, sport, culture, human rights, others.

CONCLUSIONS

Social responsibility and non-financial reporting or sustainable reporting bring many advantages to companies. In addition to improving their reputation or increasing the trust of third parties, we can also add improving governance at the company level, increasing the degree of attractiveness for people interested in the company or reducing various risks. At the macroeconomic level, actions can contribute to the progress of society, to the improvement of people's living standards and their health worldwide.

The case study highlighted the involvement of companies with more than 500 employees in such actions. It is found that they still want to be involved in activities that belong to the fields of: education, health, employment, environment, sport, culture or human rights. Also, the representatives of the companies agree that in addition to the goal of development, communication, actions they had a beneficial effect on their economic entities.

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