



A STUDY ON SOCIAL RESPONSIBILITY ACCOUNTING AND SOCIAL RESPONSIBILITY REPORTING IN INDIAN CONTEXT

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ABSTRACT

We can define the word social responsibility as the means to help the society in every manner. Today the word social accounting attracts the attention of many industrialists because of industrial growth and economic prosperity of the nation. An organization has to be accountable to the public at a large in order to function effectively and survive in longer run. "Value Added Statement and Sustainability Reports" are given by many Indian companies in their annual reports in place of social reporting. Similarly, we can say that social accounting is a method by which a firm seeks to place a value on the impact on society of its operations.

KEYWORDS : Human Resource Contribution, Public Contribution, Environmental Contribution, Net Income Contribution, Foreign Exchange, Multi Perspective

INTRODUCTION

There is no doubt in saying that **Social Accounting** is the measurement and reporting information concerning the impact of entity and its activities on society. Also, **Social Responsibility Reporting** has become an integral part of good management in India as well as in foreign countries. Majority of the companies are making efforts to earn the loyalty of customers through community development schemes, good corporate governance and by engaging stake holders within and outside the company. Therefore, it is mandatory that managements at all level understand the scope and content of social responsibility so that they can make value added contributions towards building the reputation and brand image of the company. The acceptance of this wonderful concept of social responsibility gets reflected in the information and disclosure that the company makes available for the benefit of the various constituents like share holders, community workers, creditors, etc. Every company apart from being able to justify itself on the test of economic viability, will have to pass the test of social responsible entity which includes rural development, environmental protection including conservation of resources, control of population, provision of clean drinking water, etc.

MEANING AND SCOPE OF THE STUDY

- It can be said rightly that social accounting is the application of double entry book keeping to socio-economic analysis. The national association of accountants defined that it is the identification, measurement, monitoring and reporting of social and economic effects of an institution on society. This gave a rise to the possibility that this responsibility could be discharged through method of social responsibility accounting and further this debate focused on the nature of **CSR (Corporate Social Responsibility)**.
- In order to facilitate corporate accountability, there are five possible areas in which corporate social objectives can be implemented.
- To determine whether the individual firm's strategies and practices are consistent with widely shared social principles.
- To identify and measure the net social contribution of individual firms internally and externally which affect different segments of the society.
- To decide the goals, programs and performances and use of contribution available.
- The scope of social accounting includes **Net Income Contribution, Human Resource Contribution, Public Contribution, Environmental Contribution, Product and Services Contribution**.

CHALLENGES IN SOCIAL REPORTING

Following challenges are faced when the firm is attempting to

report its social activities in the framework of current financial reporting methodology:

- How should the social contribution be measured?
- How should the social contributions be identified?
- How should the social contributions be related to the conventional financial information expressed in corporate financial reports?
- How should the social contributions be described in significant manner so that informed judgments may be made about these contributions?

OBJECTIVE OF THE STUDY

- Our study primarily aims to evaluate the divergent social responsibility reporting practices in Indian firms from both sectors by analyzing the scope and a type of social responsibility reporting in Indian companies.
- Secondly, the study was carried out by closely analyzing annual reports of 25 randomly selected and studying their financial reports.
- Our study aims to bring out the latest social accounting and reporting practices of Indian firms.

IMPORTANT DISCLOSURE REGARDING INDIAN FIRMS

The most significant items receiving the most attention recently in our country are as under:

- Efforts to save energy are receiving the most attention recently, although reporting of energy receiving conversation is statutory. As per the **Board of Directors Rules 1988, u/s217 (e) of the Companies Act 1956**, information regarding environment, population and control techniques adopted also needs to be disclosed.
- As per the **Consumer's Protection Act**, it is essential for the companies to offer quality products and services. The particulars of employees are required to be furnished pursuant to section **217(2A) of the Company's Act 1956** read with the **Companies Rules 1975**.
- Maintenance of adequate foreign exchange has become social obligation of a business enterprise today. Hence they have to disclose this information pertaining to the next foreign exchange earned by the enterprise.

FIVE MAIN PRINCIPLES OF SOCIAL ACCOUNTING

• MULTI PERSPECTIVE

The different views of people and groups that are important to the organization should be taken into consideration as far as the social accounting and reporting practices of the company are concerned.

• COMPREHENSIVE

An organization should prepare the report in detail which is inclusive of all activities related to various stake holders of the company.

- **DISCLOSED**

Disclosure is not mandatory but still corporate sector should take all possible steps to make all the disclosures timely. The firm needs to be very transparent with regard to its social cost and benefits contributed to the society.

- **REGULAR REPORTING**

Social Accounting and Responsibility Reporting should become a continuous process of an organization. It should be conducted on an ongoing basis at regular intervals.

- **COMPARATIVE**

The report should be able to compare its activities with other similar companies to understand its comparative position and should also help to compare its own activities over a period of time.

PROCESS OF SOCIAL ACCOUNTING AND AUDITING

The following are the three stages involved in social accounting:

- **PLANNING**

In the first stage of social accounting, the organization clarifies its mission, objective and activities as well as its values. This stage also involves identification of stake holders and their interest in the organization.

- **ACCOUNTING**

In this phase an organization decides the scope or focus on social accounts. Moreover, it includes the areas it should cover in social accounting and then the organization sets up the ways of collecting relevant information over a period of time.

- **REPORTING AND AUDIT**

The information that was collected and analyzed in step 2 is brought together in a single document, which serves as a draft of social accounts. People from outside the organization referred to as social audit panel review this document to check that the report has been properly gathered and interpreted.

CONCLUSION AND SUGGESTIONS

- The social accounts give both the information, qualitative as well as quantitative to highlight the performance of the company.
- Social accounts audited by an independent social audit panel have more credibility.
- The information which is audited can be used powerfully to demonstrate not only what the organization has done, but also how it intends to improve.
- There are no standard norms available for measuring, reporting and evaluating the social performance of a corporate enterprise. There is need to develop one comprehensive model of social accounting which in turn will help in bringing uniformity in reporting.
- Reporting of the social activities of the firm should always be in the form of social report separately enclosed with the annual report that should take some steps and should be made compulsory.

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