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A Study on Social Accounting Practices in India

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ABSTRACT :

In social accounting the focus tends to be on larger organisations such as multinational corporations (MNCs), and their visible, external accounts rather than informally produced accounts or accounts for internal use. The need for formality in making MNCs accountability is given by the spatial, financial and cultural distance of these organisations to those who are affecting and affected by it Social Accounting has been one of the first major stepping stones in improvement in corporate social responsibility. For many organisations that undertake this process, it is the first time that attempts have been made to go beyond financial measurements. Social accounting supersedes the traditional audit audience, which is mainly composed of a company's shareholders and the financial community, by providing information to all of the organisation's stakeholders.

Key Words: Object, Needs and Present Situation

1.1 INTRODUCTION :

Business is known to be a socio-economic activity hence Social accounting is one of the important parts of running a business smoothly. The change and growth in the economic structure have compelled enterprises to adopt the culture of involvement in the creation of social accounting. Hence if you are a business owner you must be completely aware

of it and understand its importance. According to Ramana than "Social Accounting is the process of selecting firm-level social performance variables, measures and measurement procedures systematically developing information useful for evaluating performance and communicating such information to concerned social groups both within and outside the organisation".

Social Accounting, also known as Social Responsibility Accounting, is a part of an evolving corporate reporting system that assesses and takes responsibility for the company's effects on the environment and its impact on social welfare. It is a concept that has been introduced to better articulate the measures that contribute to long-term value and the role organisations play in society. It is also a subset of the Triple Bottom Line accounting framework which emphasises three dimensions of performance: Social, environmental and financial. It goes beyond the profit motive of businesses and focuses on sustainable development.

Social Accounting is required to assess social performance and social duties, as well as to assign a monetary value to the influence of a company's operations on society. The term "social accounting" refers to a company's social responsibility as well as standard corporate responsibility standards. Social and environmental accounting, corporate social responsibility reporting, non-financial reporting, and other terms have been used to describe it. Every business must prepare a social responsibility income and balance sheet. However, making these remarks is not required. the American consultancy firm, is one of the most cited early examples of businesses that experimented with social accounting. In the 1970s Abt Associates conducted a series of social audits incorporated into its annual reports. The social concerns addressed included "productivity, contribution to knowledge, employment security, fairness of employment

opportunities, health, education and self-development, physical security, transportation, recreation, and environment". The social audits expressed Abt Associates performance in this area in financial terms and thus aspired to determine the company's net social impact in balance sheet form. Other examples of early applications include Laventhol and Horwath, then a reputable accounting firm, and the First National Bank of Minneapolis (now U.S. Bancorp). Social accounting' could be a methodology by that a firm seeks to put a worth on the impact on society of its operations. It's a scientific analysis of the results of the organization on its shareholders, with neutral input as a part of the info that square measure analyzed for the accounting statement. It provides tools and tips to gather, analyze and monitor monetary, social and atmosphere information. The thought of Social Accounting; relates to the style within which a corporation interacts with its social surroundings. Several companies, today square measure providing data on their social performance so as to demonstrate to their shareholders and public that there moral and ethical.

This paper appearance at what social accounting is wherever it comes from and its gift level of development and it additionally aims to bring out some necessary social accounting practices followed in Indian companies.

1.2 REVIEW OF LITERATURE

Cohen and Bennie (2006) undertook a study discussing the contingent factors model which was developed by Jones to its relevance to accounting ethics. This paper involved primary study where a sample size of 37 was taken, and they consisted of audit managers working in the big four consultancy firms. The data was collected through a questionnaire and an interview of the sample size. This study considers six factors at every stage out of the four stages of ethical thinking. The final result indicated that there is a strong relevance between the model developed by Jones and the

audit context seemed to be realistic.

Lu and Abeyesekera (2015) conducted a study to investigate and understand those environmental and social disclosures which were practiced by responsible Chinese organizations. This paper considers a three-dimensional index of the social and environmental disclosure. The sample size of this paper was 100 organizations, and they were selected as they were ranked the best practice and socially reliable listed companies. The paper concluded that stakeholders usually recognize different disclosure items and types of various degrees. Also, it was concluded that CSR reports are more relevant to stakeholders than annual reports.

Michalak, Macuda and Krasodomska (2016) carried on a research on CSR and accounting in Poland and analyzed the recent trends in the last 15 years. They found out that such secondary sources. They used various qualitative and quantitative variables such as factors influencing such reporting, quality of reports and number of people involved. It was thus concluded that the country is in early stages of such development and is bound to become more popular and grow in the future.

Tilt (2000) examined the relationship between accountants and CSR and found out how the former's role has changed from those of pure financial accounting to social and environmental accounting. It found out that the accountant has more roles than that of simple interest in finance of the company. Research has been conducted on the accountant's role in improving the conditions of the society, providing social justice and contributing to such factors on a global level. Various literatures were also reviewed to find out the accountant's perspective on CSR and sustainability. It therefore focuses on how accountants can help improve the CSR Activities of the company and use their professionalism to in the promotion of such activities by the company. Thus, accounting has been shown as a powerful tool in achieving

the social duty and environmental responsibility of the company.

1.3 Objectives of social accounting

Main objectives of social accounting are to help society by providing different facilities by enterprise and to record them. We can write them in following points

Effective utilization of natural resources

Main objectives of making social accounting are to determine whether company is properly utilizing their natural resources or not.

For employees

Company can help employees by providing the facility of education to children of employees, providing transport free of cost and also providing good working environment conditions

For society

Because the companies' factories spread the pollution in natural society which is very harmful for society. So, enterprise can help to society by planting the trees, establishing new parks near factory area. and also opening new hospitals.

For customers

In social accounting this the part of benefits given by company to society, if company provides goods to customers at lower rate and with high quality.

For investors

Company can help to investors by providing transparent accounting information to investors. Because of many objectives are related to safeguarding of natural resources so this accounting is also known as Social and Environmental Accounting, Corporate Social Reporting, Corporate Social Responsibility Reporting, Non-Financial Reporting, Sustainability Accounting

1.4 The Need for 'Social Accounting'

If 'Social Accounting' is to move ahead both within the social economy and become a force for change in others sectors, several things need to happen: The development of models of good practice so that the credibility and legitimacy of the social audit is strengthened.

The approach of 'Social Accounting and Audit' needs to be strengthened and extended within the social economy. 'Social Audit and Accounting' needs to be made more visible as an innovative practice originating from within the social economy, but with increasing relevance to other sectors (public and private/commercial). Social accounting and audit should be an empowering process, not a means of control. The organisation defines its own objectives and values and determines along with its stakeholder's the indicators to be used to measure performance.

The social accounts report on all aspects of the organisations work and performance, not just on those aspects for which it receives funding. For social accounting and audit to work effectively, the funding stakeholders have to come to see themselves as one group amongst a number of stakeholders and to understand (and value) the different perceptions and priorities that different stakeholder groups have. Social accounting and audit will only be empowering if all stakeholders agree to hear the voices of each other and allow the organisation to act accordingly. That empowerment will be debased if one stakeholder group were to seek to determine how the social audit should be done and to use it for its own purposes rather than for the benefit of the organisation

1.5 Approaches in Social Accounting

There are different approaches to social accounting. Let's look into them to understand the different approaches to social accounting and its uses.

1.6 Classical Approach

This is the approach of accounting in which businesses show how they have maximised their profits within the constraints of legal and ethical framework, acting in the best interest of society at large.

Descriptive Approach

This is the traditional method of reporting social information. In this social

activities are disclosed in narrative form along with financial statements.

Integral Welfare Theoretical Approach

This approach accounts for both social benefits and social costs in the financial statements themselves. This is a type of accounting format that highlights the creation of social reports that involves the social benefits and social costs.

Programme Management Approach

In this approach, the organisation has to disclose its Social Objectives, how it is going to achieve them and how the feedback and control have been exercised.

Pictorial Approach

In this approach, photographs of various welfare activities conducted by the organization are presented in annual reports.

1.7 The Present Situation of Social Accounting in India

The awareness of social prudence is no less important in India, whose economy is based on principles of democracy and socialism. In 1988, section 227 (4A) of the companies act 1956 was amended and other companies (Auditor's Report) order which was popularly known as the "Order for Social Audit". This order applies to manufacturing services, trading and investment companies, but does not at all fulfill the requirements of the social accounting despite such orders being issued in lieu of the recommendations of the Sachar Committee. Further section—209 (d) and 233- B- of the Companies act (1956) provide for cost audit in certain specified industries under its statute. Again the audits carried out by the Comptroller Auditor General Outgoings information in their directors' reports.

In India corporate social reporting is not widely practiced. It is the Indian Companies Act (1956) which requires the auditor to make a report under section 227, to members and expenses an opinion whether the companies' balance sheet and profit and loss accounts

exhibit a "true and fair view" of the companies' state of affairs. In order to curb and deal with corporate abuses and malpractices the government has tried its best to amend the Act from time to time. The central government also issued the Manufacturing and Other Companies (Auditor's Report) Order 91975). The Institute of Chartered Accountants of India (ICAI) considers the order as a reporting requirement.

In August 2013 the parliament has made CSR to be obligatory. The announcements advocates that those organizations with total assets above Rs. 500 crore, or a yearly turnover of over Rs. 1,000 crore, will reserve 2% of normal net benefits of the three years towards CSR. In the draft Companies Bill, 2009, the CSR provision was intentional; however it was obligatory for organizations to unveil their CSR spending to investors.

There is a developing acknowledgment among associations that isn't just adequate to give assets to help causes started by non-benefits, and when workers volunteer for a reason, it's a success win circumstance for both the association and the representative as it helps improving administrative aptitude and upgrading benefit. An investigation of the yearly report of 50 public area organizations and 50 private area organizations was completed with respect to detailing and revelation of social records in their yearly reports. Coming up next are the 10 such open area organizations:

1. Oil and Natural Gas Commission (ONGC)
2. Cement Corporation of India (CCI)
3. Steel Authority of India Ltd. (SAIL)
4. Bharat Heavy Electricals Ltd. (BHEL)
5. Oil India Ltd. (OIL)
6. Hindustan Aeronautics Ltd. (HAL)
7. India Petrochemicals Ltd. (IPCL)
8. Fertilizer Corporation of India (FCI)
9. Indian Iron Steel Co. Ltd. (IISCL)
10. Maruti Udyog Ltd. (MUL) and so on

1.8 CONCLUSION

Social Accounting can be defined as a way of demonstrating the extent to which an organisation is meeting its stated social or

ethical goals. It is a process that an organisation should follow to account for its performance and does not indicate the levels of performance the organisation should achieve. For this, the willingness of the organisation to improve is more critical rather than mere. Social accounting provides a comprehensive and systematic framework for proper accounting, auditing and reporting against an organisation's social objectives.

The concept of social accounting encourages an organisation to take impact assessment more seriously. It provides opportunity for the management information systems to be developed and embedded in the organisation to provide ongoing monitoring and learning from programme activities. It encourages the integration of social objectives into strategic planning. The reporting of the social accounts, especially if done annually, focuses the mind on what level of impact assessment has been carried out during the period. However, 'doing social accounting' alone is not

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of an organisation's activities. compliance.

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