

Research Papers



**“SOCIAL ACCOUNTING AND REPORTING PRACTICES
A REVIEW”**

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ABSTRACT

Social Accounting is the accountings of social transactions form the externalities of the business concern. It is the application of double entry book-keeping to socio-economic analysis. Social Reporting is the means of communication information in a systematic and a structured form about the social transactions to the society. Environment Accounting is an identification, compilation, estimation and analysis of environmental cost information for the better decision making within the firm.

The main objective of any business house was to maximize the wealth. However, with the improvement in social conditions and rising standards of living, stakeholders forced their organizations to disclosure their accountability to society.

As a result of this demand, social accounting was born in 1970's which can be “accounting for an entity's full impact on society” covers four main themes such as environment, human resources, energy and community involvement.

The concept of social accounting was firstly developed as an approach in U.K. in the early, 1970's, when a Public Interest Research Group established Social Audit Ltd. This organization carried out and published investigations into the operations of large public companies, without necessary gaining their permission or co-operation. Whilst lending support to consumer pressure, there is an argument that this had a negative effect on accountability, as organizations sought to ensure that sensitive information was hidden from such investigations.

Linowes, [1968] first coined the term 'socio-economic accounting' in order to highlight the sociological, political and economic aspects of accounting that had a significantly broaden the scope than conventional accounting paradigm. Estes [1976] 'social accounting is the measurement and reporting, internal and external, of information concerning the impact of an entity and its activities on society. It attracted considerable and widespread attention during the early to mid-1970. Professional and academic accounting bodies gave serious consideration to the issue, and also businesses experimented with it in many innovative ways. In the 1980's, it fell off the public agenda, but in 1990's it was rehabilitated. Most of the academic studies about social accounting and reporting so far have been in the context of developed countries such as Europe, USA, and Australia.

Globalization has brought with it a wide realization that companies do not operate in isolation, but can have marked impact on the environment and the people at local, national and global level. This had led to an increase awareness of social responsibility of business firm with the special reference to its

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accounting and reporting. Today, even in developing countries the business success is measure not only with the financial performance of the firm but also with the social performance.

REVIEW-

1. THE EARLY PERIOD-[1971-1980]-

The early period of the development of literature of social accounting considers the literature from a time when the subject was introduced. [i.e. Mobley-1970, Ross, Manson-1971, Benjamin, Corson-1972, Bauer, Dilley and Weygant-1973, Barnett and James-1974, , Dilley, Elias and Epstein-1975, Ramanathan, Estes, Epsteinetal-1976, Selto, Spicer-1978, Schwartz-1979 etc.]

More specifically, in the 1970s the social accounting refers to the ordering, measuring and analyzing of the social and economic consequences of governmental and entrepreneurial behavior. During the earliest period, the social accounting literature was underdeveloped and the leading North American Accounting Journals were almost as inaccessible to the social and environment accounting literature.

The early empirical studies were not specific in focus. It was a matter of attempting to develop method to measure the incidence of information disclosure by organizations which was voluntary, tentative, frequently unreliable and unorganized. The typical outcome of many studies was a "yes" or "No" to the existence of a disclosure of information related to the social dimension of accounting. There was no sound theoretical base.

2. THE PRE MODERN PERIOD-[1981-1990]-

The pre modern period of the literature of social accounting is complex, with the first part of the decade showing increased sophistications within the social accounting areas, prior to an apparent transference of interest to environmental accounting in the second part of decade. The public stature of environmentalism had increased significantly and this was reflected in some broadening of the term 'social and environmental accounting'.

The process of communicating the social and environmental effects of organizations economic actions to particular interest groups within society and to society at large. As such it involves extending the accountability of organizations beyond the traditional role of providing a financial account to the owners of capital, in particular, shareholders. Such an extension is predicated upon the assumption that companies do have wider responsibilities that simply to make money for their shareholder.

3. THE MODERN PERIOD-[1991-2000]-

In the modern period, social accounting literature has enriched with the advancement of environmental issues within accounting on a broad front, including interest form managers as well as accountants. This period was characterized by the almost complete domination of environmental accounting over social accounting.

The corporate social reporting research methods complemented by exploring two further areas in which choices must be made when conducting a content analysis. The first area has been study of documents to analyzing disclosures in annual reports and second area has been discussed in many studies but no uniform method of measurement has evolved.

4. THE POST MODERN PERIOD-[2001-2010]-

During this period, there have been three key developments in empirical research in social and environmental accounting field.

a. There has been a relative proliferation of empirical studies being published in academic journals in social and environmental accounting field.

b. There has once again the significant increase in the depth of empirical work being undertaken, evidenced by-

i. A growing number of studies seeking to explain social and environmental reporting practice.

ii. A growing number of studies which sought to investigate the faithfulness of social and environmental reporting practice.

iii. The emergence of number of studies which have sought to establish the degree to which social and environmental accounting is leading to organizational change.

iv. A significant increase in the number of studies using multiple sources of data.

c. A significant increase in the number of studies located outside the developed world specifically outside of America.

5. INDIAN CONTEXT-

In the context of India, the social accounting and reporting studies were few and limited

- Singh and Ahuja, [1983], conducting the first study in India on corporate social reporting of forty Indian public sector companies for the year 1975-76 and found that forty percentage of the companies disclosed more than thirty percentage of the total disclosure items included in the survey.
- Hegde, Bloom and Fuglister, [1997], conducted a case study the Still Authority of India [SAIL], a public sector company. They found that SAIL published a Social Income Statement and Social Balance Sheet to measure the social benefits to employees, public and the community and the cost involved.
- Raman, [2006], conducted a study of corporate social reporting in India. He used content analysis technique to examine the Chairman's message section in the annual reports of the top fifty companies in India to identify the extent and nature of social reporting. This study concluded that the Indian companies placed emphasis on product improvements and development of human resources.

CONCLUSION-

Social accounting and reporting is a neglected field of research in India. International environment of accounting shows a conceptual change in the accounting knowledge. As per the new trend, the conventional accounting is considered as a small part of Social and Environmental Accounting. The assessment of the various social accounting and reporting practices and the social measurement is not done. In such environment, it is the need of an hour to evaluate social accounting and reporting practices, measure social performance, compare the social performance with the financial performance of the individual firm and to explore the attitude of social constituents towards the social accounting and social reporting of the organizations in India.

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