CHAPTER -1

INTRODUCTION:

Social Audit:

The term “Social Audit” may be interpreted in several ways. As far as common understanding goes, it is an essential assessment of how well a company has discharged its social obligation. However, experts see it as a systematic and comprehensive evaluation of an organization’s social performance, which interpreted, as organizational efforts in enriching the general welfare of the whole community and the whole society.

The need for social audit arises because of various reasons. In order to reach the objective of enriching economic wealth for the stakeholders, the firm does it at the cost of social environmental disorder. Since many would not take, account the social cash of such negative implications their prices do not reflect the real cost. The Organization does it more because of competitive reasons. However if the larger interest of society is to be preserved there has to be some consideration for social growth.

The company is expected to behave and function as a socially responsible member of the society like any other individual. It cannot show moral values nor can it ignore actual compulsions. There is a need for some form of accountability on the part of the management which is not only limited to shareholder alone, in modern times, the objective of business has to be the proper utilization of resources for the benefit of others. A profit may still be a necessary part of the total picture, but it
should not be the only purpose. The Company must accept its obligation to be socially responsible and to work for the larger benefit of the community.

Society expects businesses to share the fruits of progress and growth moreover, the social concern by the organisation previews to be an asset for them in the long run. Especially under environmental distress because of the goodwill and the positive image earned all through these years.

Governments are facing an ever-growing demand to be more accountable and socially responsible and the people are becoming more assertive about their rights to be informed and to influence government decisions making process. Faced with these vociferous demands, the executive and the legislators are looking for new ways to evaluate their performance. Civil society, organizations are also undertaking, “Social Audits” to monitor and verify the social performance claims of the organizations and institutions.

Social Audit is a tool with which government departments can plan, manage and measure non financial activities and monitor both, internal and external consequences of the department/organization’s social and Commercial operations. It is an instrument of social accountability for an organisation. In other words, social Audit may be defined as an in-depth scrutiny and analysis of the working of any public utility and its social
relevance. Social Audit gained significance especially after the 73rd Amendment of the constitution relating to Panchayati Raj Institutions.

In our democratic system, we now have two most important acts after years of long struggle. One is right to information and the other is 100 days of guaranteed work under National Rural Employment Guarantee Act. Social Audit is closely linked to both legal rights that would empower people to bring changes in the process. Although social Audit has been given importance in both these acts, there is no clear-cut guidelines or process prescribed for the people. It is necessary for all of us to understand the objective, process and methods of social Audit before using it in right spirit and accomplish its purpose. This will also help us asset our rights as given by the Act.

The word social Audit was first used in 1950 primarily by corporate sector, this got primarily by corporate sector. This got more popularized among N.G.O.’s and development agencies in the last part of eighties and the first part of nineties, later it got in significant government reorganization through executive orders of different department and now it has got legal approval. People in development process generally use in three different terms social audit, public hearing and transparency meetings. It is important for all of us to understand the meaning and concept of these three popular terms before putting these in practice.

Social Audit is an empowering process that helps beneficiaries express their views and opinion on any specific work or activities executed for
them. It is a commitment of the implementing agency to plan how best it can deliver its services for the people and get their feedback on it. Social audit is a strong process to appraise any specific programme by the people. Besides financial audit, it gives emphasis to assess the quality of work done, objectives achieved, impact and sustainability of the programme. It provides a platform for all people including women and men, poor and rich to equally participate and place their views before others. It is a process that builds up a harmonious relationship between people and implementing agency through transparency. Social Audit also helps people understand the decision-making process followed and selection procedure and criteria adopted.

Social audit is based on the principle that local governance should be possible with consent and understanding of all concerned. It is thus a process and not an event to be practised by Gram Sabha. It is a way of understanding measuring reporting and ultimately improving an organisation’s social and ethical performance.

**MEANING OF SOCIAL AUDIT:**

A good deal of research and experimentations are in progress to devise techniques, which measure the contribution that an enterprise makes to the society. These development results from an increasing realization of the fact that the business undertakings have certain social responsibilities their performance as a whole should be seen in this context. If the business is operated only for the objective of profit
earning ignoring the social interest, it will be a rather short-term view. Such point of views will not be acceptable to the society in the long run.

One may like to question as to why a business enterprise should serve the society when it invests its own capital, it puts in hard work for earning and takes various risks.

The answer to the question may be that business is done in the society. By utilizing social resources and earning profit from the society itself. The cost of pollution the society provides required workers to industry provides market for sale of its finished products. Thus, a business enterprise also owes a moral responsibility to the society. The importance of social obligations of a corporate sector can be judged by the following observation of the Sachhar Committee (1978). The company is member of the society just like any other individual. This implies that claims of various interests will have to be balanced not on the narrow ground of what is the best for a shareholder alone but from the point of view. What is the best for the community at large? The Company must accept its obligation to be socially responsible and to work for the larger benefit of the community. This suggests primarily that companies without public sanction should cease to function.

Social Audit is an empowering process that helps beneficiaries express their views and opinion on any specific work or activities executed for them. It is a commitment of the implementing agency to plan how best it can deliver its services for the people and get their feedback on it.
Social audit is a strong process to appraise any specific program by the people. Besides financial audit, it gives emphasis to assess the quality of work done, objectives achieved, impact and sustainability of the programme. It provides a platform for all people including men, women, poor and rich equally participate and place their views before others. It is a process that builds up a harmonious relationship between people and implementing agency through transparency. Social Audit also helps people understand the decision making process followed and selection procedures and criteria adopted. Social audit is based on the principle that local governance should be carried out in more democratic way, as far as possible, with the consent and understanding of all concerned. It is thus a process and not an event to be practised by Gram Sabha it is a way of understanding, measuring, reporting and ultimately, improving an organization’s social and ethical performance

**BUSINESS DEFINITION OF SOCIAL AUDIT:**

- Social Audit is a process for evaluating, reporting on, and improving an organizations performance and behavior, and for measuring its effect on society. The social audit can be used to produce a measure of the social responsibility of an organisation. It takes into account any interval code of conduct as well as the views of all stakeholders and draws on best practice factors of total quality management and human resources development like internal auditing, social auditing requires an organization to identify. What is it seeking to achieve, who the stakeholders are and how it wants to measure performance
Social Audit is an Audit of the non-financial impact of an organization on society.

Social Audit is a review of the public interest non-profit and social activities of a business. These audits usually are performed primarily for internal benefit and typical are not released to the public. Internal or external consulting groups, as part of regular internal audits, may perform the social audit routinely. These evaluations consider social and environmental impacts of business activities.

Social audit means method of measuring a company’s level of social responsibility.

Social audit is an audit in which social performance is analysed to know whether the activities of an entity have affected the society positively or negatively. Furthermore the evaluation of socio-economic effect from any business, companies, enterprises, Govt. policies etc. is called Social Audit.

**OBJECTIVES OF SOCIAL AUDIT:**

Despite this variety in methods of measurements and reporting, the social Audit can serve some useful purposes of objective. The purpose of conducting social Audit is not to find fault with the individual functionaries but to assess the performance in terms of social, environmental and community goals of the organizations. It is a way of measuring the extent to which an organisation lives up the shared values and objectives it has committed itself too. It provides an assessment of the impact of an organization’s non-financial objectives through
systematic and regular monitoring based on the views of its stakeholders.

Social audit tries to make the traditional economic and technical values as two-sub system within the larger social system social audit primarily tries to cover the following areas:

**(I) ETHICAL ISSUES:**
They offer basis for determining what is right and what is wrong in terms of a given situations. Ethics is best understood when we cite examples relating to unethical conduct. A few such examples can be price discrimination, unfair trade practices, cheating customers pirating employee’s ideas, learning the job without observing the contract.

**(ii) EQUAL OPPORTUNITIES:**
A second relevant social issue, which comes under social audit, is the enquiry of treatment in employment and a fair justice system in the organisation Employment decisions in an organisation should be based on merit and ability and not on the basis of arbitrary quotas based on gender, race or religion.

**(iii) QUALITY OF WORK LIFE:**
Besides demands for safe, healthy and human work environment people are seeking greater meaning in their lives greater responsibility, growth, freedom and flexibility fair reward system are a few things which employees have preference for. There is also a growing demand for employee assistance programmes
keeping in mind the present day stressful situations they are exposed too.

(iv) CONSUMERISM:
Business has a special obligation towards the consumer as the business exists to serve and satisfy the needs of the consumers. It is the principal duty of business to make available to the consumer items of daily needs in the right quantity at a right time, and price of the right quality. However many Indian products are not safe at all and the consumer suffers at hands of corrupt and dishonest corporate houses.

(v) ENVIRONMENTAL PROTECTION:
Growing water, air and environmental pollution by various industries in recent times has led to a public outcry demanding environmental protection at any cost.
Following are some more objectives of social Audit:-
1) Assessing the physical and financial gaps between needs and resources available for social aims and objectives
2) Creative awareness among beneficiaries and providers of local, social and private services
3) Increasing efficiency and effectiveness of local development programmes
4) Scrutiny of various policy decisions, keeping is view stakeholders interest and priorities, particularly of rural and poor.
5) Estimation of the opportunity cost for stakeholder not getting timely access to public service.
The objective of social Audit is to empower people to question the system, process and authority in order to assert their rights. Another objective is to bring transparency and check corruption through democratic processes. Transparency here is not merely display of information in a board mentioning total estimated budget and total expenditure or broad framework of the programme. It is about providing detail of head wise budget and expenditure with copy of bills and vouchers in case of finance and copy of other relevant records to help people understand detail of the process adopted including all decisions taken and selections made.

Another objective of social Audit is to help an implementing agency to know and identify its critical areas of improvements and how best the programme can be implemented through people’s participation. It is a way towards successful implementation of programme for the people and by the implementation. Taking into account the views of most vulnerable people in the society including single women headed family, people with disability, uncared aged and poorest of the poor is another important objective of social audit.

The purpose of conducting social audit is not to find fault with the individual function areas but to assess the performance in terms of social, environmental and community goal of the organisation. It is a way of measuring the extent to which an organisation lives up to the shared values and objectives it has committed itself too. It provides an assessment of the impact of an organisation’s non-financial objectives
through systematic and regular monitoring, based on the views of its stakeholders.

To provide information to management and to the outside world about the impact of business on society, this impact can be positive or negative, and of varying magnitude but without some kind of measurement and reporting however, crude there is no way of knowing much of anything of a systematic nature about these impacts. The social audit can help to clarify both for management & external audiences the nature and magnitude of corporate activities that have social significance.

**MAJOR AREAS OF SOCIAL AUDIT:**
The National Association of accountant (N.A.A.) committee on accounting for corporate social performance, in report (1974) has identified various social audits and reporting. Four major areas of social reporting identified were:

1) COMMUNITY DEVELOPMENT
2) HUMAN RESOURCES
3) PHYSICAL RESOURCES AND ENVIRONMENTAL CONTRIBUTIONS
4) PRODUCT OR SERVICE CONTRIBUTION

1. **COMMUNITY DEVELOPMENT:**
This includes the impact of organizational activities, an individual or groups who were in fact, outside the immediate sphere of the business
activities. This contribution shows an important shift in attitude for funds spent in society-oriented activities might be conceived as ultra virus the objectives of a company as laid down in the example of activities relating to the benefit of the community.

**HEALTH SERVICES:**
In order to reduce disease and illness, the companies for health- care facilities and services provide the support.

**HOUSING:**
Construction of dwelling houses financing for housing and improving the living conditions of employees by providing various facilities in the houses

**FOOD PROGRAMME AND EDUCATION:**
Providing food grains, refreshment and educational facilities to the public and wards of employees, free of charge or act a concessional rates.

**TRANSPORTATION:**
Providing transportation without charges at Concessional Rates

**PLANNING & DEVELOPMENT:**
It includes areas of planning and crime prevention.

2. **HUMAN RESOURCES**
This area of social performance is directed towards the well-being of employees. It includes recruiting practices, training programmes working conditions, transfer and promotion policies, job security, stability of employment levels and lay off practices.
3. **PHYSICAL RESOURCES AND ENVIRONMENTAL CONTRIBUTIONS:**

This area reflects the activities directed towards abating the pollution effect of production and other policies preventing environment deterioration. Products are being improved in order to reduce their polluting effects. In addition to the above conservation of resources, proper use of irreplaceable resources, the disposal of waste etc. are involved in this contribution.

4. **PRODUCT OR SERVICE CONTRIBUTION**

It is the marketing part of the organisation environment. This contribution embraces the qualitative aspects of the organisation, product life, durability, consumerism, truthfulness of advertising, utility, quality, service guarantee, accuracy and completeness of labeling warranty provisions etc.

**LEGAL REQUIREMENTS OF SOCIAL AUDIT IN TOURISM CORPORATION**

Social auditing is the term used to describe the process of examining, measuring and reporting on an organization’s social and ethical performance.

It is a legal requirement that qualified, independent auditors audit the financial affairs of incorporated, organizations. Financial auditors inspect documentation relating to financial transaction within, the organisation (the accounts) to determine whether the accounts provide a “true and fair” view of profit and loss for the year. They check the financial soundness of the organisation, they aim to detect fraud, they examine
the efficiency and effectiveness of expenditure and business activities, and they make suggestions for improvement.

While the focus of social audit is different to that of a financial audit, the process is in fact, quite similar. During a social audit, the auditors will critically examine a number of key areas relating to the social aims and mission of the social enterprise, through dialogue with the entire relevant stakeholders group in order to:

- Look at what the social enterprises is doing.
- Compare actual performance to the organizations goals.
- Determine where improvements need to be made, and what those improvements should be.

The key focus of the social audit is the extent to which the organisation is achieving its social aim/mission.

Social audit is legally required in following areas to determine whether all the activities under the business are done properly or not:

- **ETHICS**
  In it, social Audit is required to check what the organization’s policies are, whether or not they are being upheld or undermined by the enterprise’s day-to-day activity

- **STAFFING**
  Social Audit is required to verify how the enterprises rewards trains and develops its staff, as well as the way in which the enterprise ensures that it is non-discriminatory fair and equitable to everyone working there.
- **ENVIRONMENT**
  Social Audit is required to check the enterprise’s policies relating to caring for the environment, waste management and disposal, and damage reduction, and whether or not the enterprise is adhering to these policies.

- **HUMAN RIGHTS**
  Audit is required there to check how it ensures that it does not violate human rights, or deal, trade with or support any organisation that violates human rights.

- **COMMUNITY**
  Audit is required to check whether the organisation’s policies relating to the local community and community involvement these policies might, for example cover community partnership, or community projects and checks will be made during the social audit to ensure that agreements are being upheld.

- **SOCIETY**
  Audit is also required legally to check how the organisation to check whether the organisation policies relating to society as a whole, and the way in which the enterprise seeks to improve or benefit society.

- **COMPLIANCE**
  Audit is also required legally in it to check how the organisation complies with statutory and legal requirements, such as health and safety, employment law, environments law, criminal law and, of course, financial and tax laws.
All of the above policies, ethics, staffing environment, human rights, community, society and compliance together, create an enterprise is social policy, that’s why to check whether all the areas work properly or not, there is a requirement of social audit for the benefit of society as well as enterprise.

**PRESENT STUDY:**

The present research work entitled “Social Audit in tourism” means activities related to social benefits in tourism whether the activities of state tourism development corporation is playing role in social benefits and also to suggest the more profitable views to state tourism development. Corporation for social benefits because no business in run without social benefits. If the objective of the business is only to earn profit, then it will be a short-term view and thus, the business will never be successful in a long run. Therefore, for the benefit of the business it is must that the main objective of the business will be social benefit and profit earning will be secondary one.

State tourism Development Corporation is one part of India’s tourism Industry and plays an important role for social benefits through creating employment opportunities, establishing internal peace brining persons together from different cultures, religion in India. Every state of India has a separate tourism corporation like R.T.D.C., M.P.T.D.C., H.P.T.D.C, etc. we have chosen three State Tourism Development Corporation’s namely Rajasthan Tourism Development Corporation, Himachal Pradesh Tourism Development Corporation, Madhya Pradesh Tourism Development Corporation. The reason behind choosing these states is
that Rajasthan is my native place and other states have much attraction, opportunities and potential for the development of tourism Industry.

OBJECTIVE OF THE STUDY:
The present study titled “Social Audit of tourism.” In India has been undertaken with the following objectives:-

- Analyzing and evaluating the social performance of tourism.
- To internalize the social cost and benefits to determine a more relevant and exhausted result that represents the socio economic profit of the tourism in India.
- To evaluate and disclose the costs and benefits to society created by the production related activities of industry more preciously.
- To suggest ways and means to provide better facilities and amenities to the consumers of tourism corporation as well as to the society.
- To identify and measure the periodic net social contribution at micro level of an individual firm, which include not only the costs and benefits internalized to the firm, but also those arising from externalities affecting efficient social segments.

To meet these social objects of industry of tourism in India, Audit of social performance of tourism in India will be done to access the effectiveness of the companies under study. The social effectiveness and efficiency of tourism and its units in reporting will the reviewed for the study.
**IMPORTANCE OF STUDY:**

Rapid industrialization has made the commercial organization not only production oriental but also socially responsible. The companies in India have realized social responsibility rather late but now days it is being increasingly recognized that tourism corporation must accept its obligation to be socially responsible and to work for the large benefits of the community.

The proposed study will be careful in making clear views about the new dimension of audit i.e. social audit suggestions, which are made on the basis of conclusions, and it will be useful for society and its benefits like tax contributions, supply of goods & services, creation of employment and welfare activities conducted by the industry.

**THE STUDY PERIOD:**

The present study is confined to the period of Last ten years from 2000-2011. The reason for choosing the last decade is a drastic change has been seen in travel and tourism due to globalization.

**METHODOLOGY:**

The word Methodology is used for discipline as well as for its subject matter mainly methodology refers to the methods used in the conduct of an enquiry. The present study will be based on social audit in tourism and for doing this Audit we have to obtain report from Tourism Development Corporation of India and the secondary report from the report of Ministry of the situation. Direct personnel relations & observation had been made for intensive studies and obtain reliable
information as much as possible. I have therefore tried to present myself on the spot to make patient & purposeful personnel observations to analyze the social terms and profitability from the social point of view in activities tourism.

Important issues like detection & prevention of errors and detection & prevention of fraud had been discussed with the managers, secretaries & other officers for the purpose of social cost and social benefits

**HYPOTHESIS:**

It has been hypothesized that the social audits conducted so far in India are not scientific and organized in tourism. After seeing many areas of tourism activity we find that there are some limitations also in this industry from social point of view therefore they need some improvements and organized efforts. The principles and procedures of social audit need to be framed under sec 227 (4A) of the companies act 1956 does not fulfill the requirements of social audit; as such it should be thoroughly revised. Thus we have taken the hypothesis that “the STDC’s have fulfill/all the social responsibilities through with providing employment to employees and other benefits to the employees and tourists also providing them better facilities of transportation and accommodation etc.
REVIEWS OF LITERATURE

As tourism is the fastest growing industry of the world and has tremendous potentialities for earning foreign exchange, yielding tax revenue, providing employment, promoting the growth of ancillary industries and development of industrially backward regions, it has caught the eyes of many researchers, administrators, departments and committees.

So far, companies were conducting financial audit in India. Tata iron and steel company limited in 1989 first applied the concept of social audit. The companies prepare a report on social audit and review the social costs and social benefits.

In USA the concept was first applied in 1974 by Abt. Associates However, thereafter, efforts were made to implement social audit in corporate sector but due to limitations of qualitative information on social attributes, it could not be implemented.

Tata steel conducted social audit twice, first in 1989 and thereafter in 1991. An effort was made by the company law board by introducing section 1274 (A) to statutorily apply social audit in India but the section could not meet the actual requirements of social audit.

Not too much effort has been done to do research work on social audit the pioneering effort in this direction.
REVIEW OF Ph.D. THESIS

1. Social audit of selected enterprises by Miss Nidhi Gupta.
   A Ph.D. thesis submitted in the University of Rajasthan, Jaipur in 2002. This thesis states is social performance of the Oil India Ltd., Tata Steel and Indian Oil Corporation Limited. Audit of social performance has been done to assess the effectiveness of the company’s under study. The social effectiveness and efficiency of the oil India Ltd. Tata steel and Indian Oil Corporation after this study the conclusion have been drawn, which will provide guidelines to interested parties like present and potential investors, employees, creditors and customers to take decision related to their own spheres of interest. My proposed research will be every useful in this manner as it will suggest different points for social audit.

2. Social audit of Indian Railways by Mr. Kailash Chand Gutpa.
   A Ph.D. thesis submitted in the University of Rajasthan, Jaipur in 1994. The study deals with the social audit of the Indian Railway with special reference to passenger, trains. The main aim of the railway is to yield profit. But what the railways is doing for the comforts of the passenger who is the real customers what facilities and amenities do the railways provide whether the amenities benefits provided by the railway to the society and to its employees are sufficient or not it needs some more attention to improve the facilities provided by I.R.S.? My research will also explain facilities of tourism department to employees and customers (tourists) both from social point of view.
3. **Profitability analysis of state tourism development corporations in India by Mr. Prakash Chandra.**

A Ph.D. thesis submitted in the University of Rajasthan, Jaipur 2002. This thesis has made an effort to measure profitability in state tourism development corporations on the basis of return on investment and profit margin but how a industry will provide social benefits with profit this thesis do not discuss. Thus my research work will be every useful in this manner as it will suggest different points to increase social performance of tourism industry.

4. **Profitability Analysis of various activities of state tourism development corporations of India.**

A Ph.D. thesis submitted by Mr. Vikas Choudhary in University of Rajasthan, Jaipur (2002). The present study is an attempt to evaluate the performance and analysis the activities of the state tourism development corporations in various activities and to calculate which activity is more profitable for them and why? In addition to, compare profitability of various activities with other State Tourism Development Corporation so like this research, my research will analysis the social performance of three different state tourism development corporations.

5. **Tourism, Environment and society.**

A Ph.D. thesis submitted by Miss Neha Kala in University of Rajasthan, Jaipur (2005). This study seeks to examine tourism from sociological standpoint. Nature and culture tourism, which aims at
transforming nature and culture into tourist products, becomes intelligible if we place it in a broader tourist and social context. The study examines tourism sociology on several levels, historical individual, international and destination. My research will examine the impacts of tourism on society, culture and environment.