CHAPTER 1

Introduction, Research Methodology and Design
CHAPTER - 1
INTRODUCTION, RESEARCH METHODOLOGY AND DESIGN

- INTRODUCTION
- MEANING OF SOCIAL ACCOUNTING
- SUITABLE STRUCTURE OF SOCIAL REPORTING.
- OBJECTIVES OF REPORTING OF SOCIAL INFORMATION
- QUALITATIVE CHARACTERISTICS
- CORPORATE SOCIAL RESPONSIBILITY
- METHODS OF SOCIAL ACCOUNTING
  - Cost Benefit Analysis
  - Preparation of Separate Schedules
  - Value Added Approach
  - Other Approaches
- CSA MEASUREMENT APPROACHES AT DIFFERENT MEASUREMENT LEVELS
  - Input Level of Measurement
  - Social Effects level of Measurement
  - Organizational Impact level of Measurement
• Output Level of Measurement

• MODELS OF SOCIAL ACCOUNTING
  ➢ Marlin’s Pollution Report
  ➢ Dilley and Wey Gandt’s Social Responsibility Annual Report.
  ➢ Corcoran and Leininger’s Environmental Exchange Reports.
  ➢ David Linowes’ Socio-Economic Operating Statement.
  ➢ Abt’s Social Audit Model (1972)
  ➢ Seidler’s Social Income Statement (1973)
  ➢ Estes’ Statement of Social Benefits and Costs (1976)

• RESEARCH METHODOLOGY AND DESIGN
  ➢ Sample For The Study
  ➢ Period Of Study
  ➢ Need For The Study
  ➢ Objectives Of The Study
  ➢ Research Design
  ➢ Limitations Of The Study.
INTRODUCTION, RESEARCH METHODOLOGY AND DESIGN

In India, the modern corporate financial reporting can be traced from the middle of 18\textsuperscript{th} century. After East India Company, Chartered by Queen Elizabeth in 1760, the accounting profession was fully influenced by the British. The developments of Corporate Reporting can be visualized in two stages, viz., pre-independence period and post independence period. The pre-independence period saw some major developments in accounting field. The Indian Companies Act, 1913, was significant in many respects, as it broadly emphasized the need for company to keep proper books of accounts, to prepare the balance sheet at least once a year and an interval of not more than 15 months, provided for audit of accounts, required the arrangement of the balance sheet in a particular order and required the auditor to report as to whether the balance sheet exhibited a true and fair view of the Company’s affair as at the year end. This Act was further, amended in 1936.

In the post independence period, significant events took place in the history of the corporate reporting system. The first
such development was the establishment of the Institute of Chartered Accountants of India (ICAI) by passing the Chartered Accountants Act, 1949. ICAI has since then played a pivotal role in designing and regulating the complete accounting system of corporate entities in India. Since 1957, the changing social, economic, political and industrial scene of India has witnessed various corporate laws, with the Companies Act 1956 being latest in the series. Due to changing need the Government appointed a committee (Sachar Committee) to consider and report on the changes that are necessary in the form and structure of the Act.

The committee recommended the inclusion of the following, interalia, in the director’s report: “Steps taken by the company in various spheres with a view to discharging its social responsibilities towards different segments of the society, quantifying wherever possible and in monetary terms. The board should also report on the future plans of the company towards the discharge of its social responsibilities and duties.”

The need for disclosing the social information in the annual report was felt by Sachar Committee. It has observed, “that the acceptance of the concept of social responsibility must be reflected in the information and the disclosures that the company makes
available for the benefit of the various constituents like the shareholders, creditors, workers and community and recommended that a provision may be made in the Companies Act that every company along with Director’s Report shall also give a social report which will indicate and quantify in as precise and clear terms as possible activities relating to social responsibility which have been covered out by the company in previous year.”

MEANING OF SOCIAL ACCOUNTING:

Social Accounting means identification, measurement, recording and reporting of corporate activities which may permit informed decision making with respect to social activities of the firm having direct or indirect effect on the very fabric of the society at large. Actually, Social Accounting measures and reports the corporate social performance. Thus, the measurement of reporting of the social performance forms the basis of corporate social performance.

According of Professor Stone “It denotes the economic accounts of society Social Accounting thus, is concerned with the statistical classification of the activities of human beings and human institutions in ways which helps us to understand the
operation of the economy as a whole.”

Social Accounting does not end with classification of economic activity and it also embraces the application of the information thus assembled to the investigation of the operation of the economic system.

The purpose of Social Accounting at the macro level is the measurement and disclosure of economic and social performances of nations. Social Economic Accounting includes, therefore, social measurement, social accounting and reporting and the role of accounting in economic development.

At micro level its purpose is the measurement and reporting of the impact of organizational behaviour of firms on their environment. Social accounting includes financial and managerial social accounting and reporting and social auditing.

Kohler defined social accounting as the application of double entry book-keeping to social economic analysis. But this is an orthodox definition as it is based on application of book keeping principles rather than sophisticated techniques of management accounting to national socio-economic situation. Now social

accounting is used for toning up the economic health of a nation. \(^2\)

Seidler and Seidler defined “Social accounting as modification and application of conventional accounting to the analysis and solution of problems of a social nature” \(^3\)

The American Accounting Association’s (AAA) Committee on Accounting for social performance (1975) could not come with specific definition of social accounting. The committee suggested a broad description which include :-

(i) Accounting for and evaluating the impact of corporate social responsibility programmes.

(ii) Human Resource Accounting.

(iii) Measurement of selected social cost.

(iv) Measuring the full impact of an entity on society.

(v) Social Reporting (Reporting results of items i to iv)

(vi) Accounting for public (Government programmes)

Hence Social Accounting is the process of selecting firm level social performance variables, measure and measurement

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3. *Ibid., p. 4.*
procedures, systematically development of information useful for evaluating firm’s social performance and communicating such information to concerned social groups both within and outside the firm.

With the transformation of emphasis from shareholders to stakeholders, the corporate reporting has taken a new turn. The business has now to watch the interest of its stakeholders’ viz. employees, consumers, shareholders, Government and general public. Thus, the corporate sector, all over the world, is now under great pressure from its stakeholders’ to report to them as to what extent it has been successful or otherwise in safeguarding their interest. Social reporting is a step towards this direction.

Corporate social reporting may, thus be defined as “the disclosure of a concern’s efforts to fulfill social responsibilities. The fulfillment of social responsibilities is measured in terms of social costs and social benefits.”

Estes defined it as “the measurement and reporting, internal and external, of information concerning the impact of an entity and its product and service contribution include activities intended to

4. Dr G.L. Dave, Social Accounting, Renuka Publishers 2001, p.p.4
benefit the total environment of the firm."

Corporate social reporting, as a concept, is still in its nascent stage. Many organizations still do not consider it as an integral part of their annual statements, as this aspect has not been made mandatory. Moreover, authoritative format could not be developed as yet for reporting the social accounts or preparing the social balance sheet of an organization.

SUITABLE STRUCTURE OF SOCIAL REPORTING :-

Undertakings, through its Annual Reports, publish the details of their social welfare and employee welfare measures and their effect on the work force and on the society in general. A number of approaches or techniques like inventory approach cost or outlay approach, programme management approach and cost benefit approach are in practice for exhibiting the social aspect in India.

The common areas of social activities on which the information is disclosed in the annual reports are human resources, product or consumers, community development, environmental contribution etc.

5. Estes Ralph: Corporate Social Accounting, John Willey and Sons, New York, 1976, p. 3.
Considering the great diversity in social disclosure of the companies and the quest of the companies to engage in promotional reporting, it become pertinent to envisage a uniform social reporting pattern. A social report could be provided for studying the social responsibility statement, statement of social income and expenditure and social balance sheet.

**OBJECTIVES OF REPORTING OF SOCIAL INFORMATION**: 6

Social objectives may be set and fulfilled through reporting of social information. Some of the main objectives are as follows:

(i) **Positive Image Motive**: For the purpose of creating positive image, several firms report social information. The management would not like to be perceived as a destroyer of the social environment, and non-contributory to social activities. They would like the consumers and society to perceive the firm as a ‘Responsible Citizen’. It always tries to concentrate to report the social information on all their activities, which contribute to the welfare of the society.

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6. *P. Mohana Rao, Corporate Social Accounting and Reporting*  
(ii) To Meet Informational Needs of Consumers & Society:

With the increasing social awareness, several public interest groups are closely watching the activities of corporations and consumers are concentrating on the quality of the products. In these situations it is the primary responsibility of corporation to provide social activity information to the interested parties.

(iii) To Meet Mandatory Disclosure Requirements: With the increasing social concern with regard to environmental pollution, quality of products, safety measures at work place, health care programme and many other social care programmes, mandatory disclosure is required. It is the obligation of corporate undertakings to prepare and present the social accounting to the regulatory agencies as per their requirements.

QUALITATIVE CHARACTERISTICS:

Basically, information contained in corporate social report should possess certain qualitative characteristics to fulfill users’ requirements. These characteristics are intended to guide the

preparation of social reports to produce the best or most useful information for managers and other users. The qualitative characteristics (reporting standards) which have been proposed for financial accounting and reporting can also be applied for social reporting.

Financial Accounting Standard Board (FASB) of USA has proposed certain Qualitative Characteristics (Criteria) for selecting and evaluating financial accounting and reporting policies. These characteristics are equally applicable to social accounting and reporting also, as given below:

(i) **Decision Usefulness**: Social responsibility accounting is concerned to some degree with decision making, this decision usefulness becomes overriding criterion for choosing among social accounting alternatives. This type of information chosen is the one that, subject to any cost consideration, appears the most useful for decision making.

(ii) **Benefits Over Costs**: To survive in business, the corporation will have to integrate their economic goals with social needs, social costs and benefits of the corporations will have to be reported to the community at large to keep it informed and to gain its goodwill.
(iii) **Relevance**: The information should be such that can make a difference in decision by helping users to make predictions about the outcome of the past, present and future events or to confirm or correct prior expectations.

(iv) **Reliability**: The information must be such which should be free from errors and bias. It should faithfully represent what it purports to represent. Social Accounting Information should be reliable to the extent that users can depend upon the information to represent the economic condition or events that it aims to represent.

(v) **Neutrality**: Social Accounting information must be such that it should not favour any group.

(vi) **Timeliness**: The information must be available in time otherwise it will lose its importance. Delay and extraordinary delay in providing information will defeat its purpose for the user.

(vii) **Understandability**: The social statements and reports should be such that they can be easily understood and users can also know their importance.

(viii) **Verifiability**: By whatever method if information is measured it should be free from bias, and should represent
what ever it wanted to represent.

(ix) **Representational Faithfulness**: From the social accounting point of view, it is correspondence between the social accounting figures and descriptions and the resources or events that those figures and descriptions represent.

(x) **Comparability**: Social Accounting information must be such that it can be compared with other set of economic phenomenon.

(xi) **Consistency**: The policies and procedures should be same from one period to next period. If there is a change in policies and procedure it must be given in the report.

(xii) **Completeness**: Social Accounting information must be complete in all respects. Nothing should be hidden, it should disclose full information.

**CORPORATE SOCIAL RESPONSIBILITY**:

Social responsibility is defined as a voluntary expenditure or activity by a corporation with charitable intent, for which marginal returns are less than those available from other alternative activities.

Awareness to the social responsibility of business has
increased during the past three decades. Since the early 1960's there has been an increasing concern about the wider impact of corporation on society in matters like minimization of pollution, effective utilization of resources, affording of equal employment opportunity, organizing of recruitment programmes, provision of benefits to minorities.

“Corporations that want to be more socially responsible require social accounting information both to aid in their own management decisions, and to provide relevant information to other interested parties.”

Social responsibility of business and reporting thereon is one amongst various dimensions added. The purpose of social reporting is to provide information to permit an evaluation of the effect of firm's activities on society. With the social pressure of corporate social responsibility in the 1960's, the different professional bodies of leading countries has advocated in favour of social reporting as a new perspective of financial report.

Facets of Corporate Social Responsibility:

According to the former Chief Justice P.N. Bhagwati the

traditional view that the company is the property of shareholders is now an exploded myth. The ownership of the concern was identified with those who brought in capital. That was the outcome of the property minded capitalistic society in which the concept of company originate. But this view can no longer be regarded as valid in the light of the changing socio-economic concepts and values. Today social scientists and thinkers regard a company as a living vital and dynamic social organism with firm and deep rooted affiliations with the rest of the community in which it functions, now a days giving regard to the duties and obligations of the company not only to the shareholders but also the rest of the community affected by its operators such as workers, consumers and the Govt. representing the society. Broadly speaking a company owes social responsibilities to the following.

1. Responsibility towards the consumers
2. Responsibility towards the employees
3. Responsibility towards shareholders.
4. Responsibility towards society.
5. Responsibility towards the local community.
6. Responsibility towards the environment.
7. Responsibility towards the creditors, supplier and others.
8. Responsibility towards the management education.

9. Responsibility towards Research and Development.

1. **Responsibility towards the consumers**: Now a days there is movement towards "Consumerism". Consumers expect that (a) Product and services of good quality should be available (b) Goods must be reasonably priced (c) Goods must be properly packed (d) There should be fair and widely dispensed network of distributive system. (e) The management should not indulge in unfair trade practice like profiteering hoarding or creating artificial scarcity.

   It may be observed that the consumer satisfaction is the ultimate aim of all economic activity and consumers are the largest economic group who are affected by almost every public and private corporate decision. If the consumers are offered inferior and substandard goods, if prices are exorbitant, if drugs and food are adulterated, if the household gadgets are unsafe and if the consumer is unable to choose on an informed basis, then his rupee is wasted, his health and safety might be endangered and this ultimately with the national interest might suffer. Therefore the corporate enterprise must realize their
obligation towards their consumers and should perform them well.

2. Responsibility Towards the Employees: According to Professor Frederics Harbison, Human resources constitute the ultimate basis for 'Wealth of Nations' capital and natural resources are the passive factors of production, human being are the active agents who accumulate capital, exploit natural resources, build social, economic and political organization and carry forward national development. Clearly a country which is unable to develop the skill and knowledge of its people and to utilize them effectively in the national economy shall be unable to develop the skill and knowledge of its people and to utilize them effectively in the national economy shall be unable to develop anything else.

This shows that human resources are very important for the growth of any country. Similarly they are equally important in the company form of organization. Company must do something to improve the relations with its employees. The corporate sector must do something extra for its human resources in addition to what the industrial laws of the country says. The company must start some training programme to
improve the quality of its workers and give them promotions from time to time if they train themselves with the latest technological developments. Attitude of the employers is very important in an organization. Lawrence Appley, the well-known author in USA on Management Science has said. “It is this attitude on the part of the higher staff which helps to bring out the best in the employees. Employees must also be given safety and security of their job. Last, but not the least, there must be workers participation in management.

3. Responsibility Towards Shareholders: Responsibility towards shareholders is of prime importance. It is the duty of the company to provide them a fair return on their investment. Management should provide them full information relating to trading activities etc. If socio-economic information is available to the shareholders by the management, it will be helpful for the shareholders to take decisions. Social Accounting and reporting is needed by present and potential investors. Social Disclosure has great impact on investment decisions.

4. Responsibility Towards Society: No business organization can develop in isolation. Business, no doubt, is an economic activity, but it has to develop in a social environment. In the age
of ‘revolution of rising expectation’ it is the duty of every business that its decision and activities must meet the needs and interest of the society. It is true that it is the society, which helps business when it is flourishing and it protects, at the same time of falling. So if any business wants to survive it must respond to the society’s need and give to the society what it really wants.

The Sachar Committee has observed “In the environment of modern economic developments corporate society no longer function in isolation. If the plans of companies that are performing a social purpose in the development of the country are to be accepted, it can only be judged by the test of social responsiveness shown towards the needs of the community by the companies. No enlightened company management can remain aloof to the social problems such as unemployment, over population rural development, environmental protection, including conservation of resources, control of pollution and provision of drinking water. A profit is still a necessary part of the total picture but it is not a primary purpose corporate sector, must therefore accept the fact that although profits are indicative of sound business health, contribution to social progress is equally becoming a measure of corporate
achievement. The corporate sector must accept its obligations to be socially responsible and to work for the longer benefits of the society.

5. Responsibility Towards The Local Community: In addition to the responsibility of business to the society, it has responsibility towards community also. Irresponsibility and negligence on the part of corporate sector may bring serious industrial hazards to the community, as we have seen in the case of Bhopal Gas Tragedy.

6. Responsibility Towards The Environment: Environmental pollution is increasing with the growth of industrialization. Western countries have realized this problem fifty years back. In our country we have become conscious about environmental problem after Bhopal Gas Tragedy. The industries produce considerable quantum of pollution in the form of sulphurous gases, traces of carbon mono-oxide and harmful components of affluent are emitted and discharged by plant engaged in industrial products like Fertilizers, pesticides and alcohol. It is the duty of the management that they should develop certain methods for reduction in environmental pollution and minimization of ecological imbalances. The corporate sector
should be required to disclose information in the sphere of curbing industrial pollution, whether it is a water pollution or air pollution of any other form of pollution.

7. **Responsibility Towards Competitors**: Now a days there is a cutthroat competition between the traders. They adopt malpractices to malign the trade of their competitors. Management must realize that suppression of competition through unethical, undesirable and illegal means is not going to lead them any where and even a single cause of mistake, if and when discovered can bring to naught the image that might have taken years to build.

8. **Responsibility Towards Management Education**: It is the duty of the Management to share their experiences with the students of Management Education. Management should frequently attend the seminars, symposia and conferences so that they can discuss their problems with the management students and management students can learn from their experiences. It will be helpful in the growth of business and industry.

9. **Responsibility Towards Research and Development**: Business has a responsibility towards general public also. It can
discharge its duty by developing and improving products and technology and pass its benefit to the public in the form of improved and better quality products as well as in the form of reduced prices, for doing this management should do expenditure on research and development, to develop new products, improving the existing products, develop new processes and improved techniques. Management feels that investment done on research and development does not yield quick returns, but they should not have fear about this notion. Fundamental research can be done in Universities and other institutions but company should also conduct research in its own laboratories.

METHODS OF SOCIAL ACCOUNTING: 9

Undertakings, through its annual reports publish the details of their social welfare and employee welfare measures and their effect on the work force and on the society in general. In the following lines an attempt has been made to examine briefly the accounting policies, which are followed by the public undertakings

while providing social accounting information in their annual reports.

(a) **Cost Benefit Analysis**: Under this system the undertakings present social balance sheet and social income statement. The assets side of social balance sheet depict social investment of capital nature viz. township, water supply, roads, buildings, hospitals, ambulances, schools, clubs and buses etc. The liability side shows organization equity and social equity in the form of contribution by employees. Social income statement comprises social benefit and cost to staff, community and general public. If its social benefit exceeds social costs the resultant is not social income to staff, community and general public. This approach is followed by Steel Authority of India Ltd. (SAIL), Minerals and Metal Trading Company of India (MMTC), Oil India Ltd. (OIL), Madras Refineries Ltd. (MRL).

(b) **Preparation of Separate Schedules**: Under this method the schedules representing employees' benefits and services, social overhead, township, maintenance etc. are prepared and shown as a part of annexure in the annual report. Employees' benefits and services consist of salary and wages and various social security benefits, social overhead schedule include medical,
educational, canteen and transportation facilities, etc. Schedules of township maintenance contain expenditure on building, water, sewerage etc. Preparation of township schedules and social overhead has been made compulsory by B.P.E. as per OM No. 8(1)-67, 17 Sept. 1967. Hindustan Organic Chemicals Ltd.; Project Development India Ltd.; Artificial Limb Manufacturing Corporation Ltd.; Hindustan Photo Films Ltd. and National Textile Corporation Ltd. are presenting social overhead schedules, township maintenance schedule and employees benefits and services schedules in annexure of their final accounts.

(c) **Value Added Approach**: Under this method, the income accruing to the enterprise after external payments is taken into account. It represents the value-added to goods and services acquired by the enterprise, as the results of the efforts of management and employees. From the value of production cost of direct materials and axes are reduced to get the net income accruing to the enterprise. This income is invested for the benefit of the employees and social welfare. Steel Authority of India Ltd., Bharat Heavy Electricals Ltd. and Madras Refineries Ltd. follow this approach.
(d) **Other Approaches**: The other methods include mention of social activities undertaken by an enterprise in chairman's speech, Director's Report or Auditor's Report. This approach aims at informing the general public, government and its members about the organization social goals along with economic goals. Another method is the pictorial presentation of the social activities undertaken by the enterprise. In annual reports, photographs, relating health care centre, training of employees school, hospital, etc. run by the enterprise, are depicted prominently.

This approach is followed by many public and private sector of enterprises, because it is simple to present and pictures speak more than the word and statistics.

**CSA MEASUREMENT APPROACHES AT DIFFERENT MEASUREMENT LEVELS**:

The scope CSA measurement system covers all the transaction between an organization and rest of the society.

It includes both the market transactions and externalities. The objects in the system are rather difficult to quantify as being subjective in nature.
Corporate social performance are generally measured at four different measurement levels:

(i) Input level

(ii) Social Effect level

(iii) Organizational Impact level

(iv) Output level

At different levels of measurement, the various measurement approaches are as follows:

1. Input Level of Measurement: This approach measures the magnitude of the socially relevant activities of the enterprise. Both the qualitative as well as quantitative type of information is included. Thus the total corporate performances on the social aspects are measured with the help of this approach. At this level, the measurement objects can either be the combination of the three, i.e., physical, financial and behavioural, or it can be separate in each individual case. The following approaches may be used for their valuation as:

i) Inventory Approach: Inventory approach measures the socially relevant information in the descriptive form. Under this approach, there is no emphasis on measurement of the information and thus its scope is restricted to being...
subjective in nature. This approach is most prominently pursued by the corporate entities to exhibit their social performance.

ii) Financial Cost Approach: The financial cost approach, measures the financial cost of social activities undertaken by the companies. As the scope's mainly restricted to financial nature, it ignores most of the descriptive type of information and is thus not able to fully cover the impact of the social activities undertaken by the enterprise. The BPE social overhead statement used by the public sector enterprises are based on this approach.

iii) Non-monetary Quantitative Approach: Under Non-monetary quantitative approach the emphasis is on measuring the impact of socially relevant activities in a non-monetary quantitative form. The approach is comprehensive and objective but lacks comparability. One of the main drawbacks of this approach is that the socially relevant information expressed in financial terms gets neglected under this approach and thus this approach may not be able to provide a comprehensive coverage of the socially relevant information of the corporate enterprise.
iv) Internal Prevention Cost Approach: Under Internal prevention cost approach the emphasis is on the measurement of the financial cost that the organization will have to incur to avoid the socially detrimental effects of its activities.

2. Social Effect Level Measurement: The social groups operating in the system are affected by the activities of the business enterprises and thus the impact of the business enterprises on these social groups are measured by the social effects level of measurement. The measurement objects at this level are physical, psychological, behavioural and financial. The impact of a single activity of a business enterprise is beset with a multiple of permutations and combinations in magnitude and its effects on the various social elements and it would be virtually impossible to enlist all of them. For measuring and reporting at this level, the following approaches are generally used at this level:

i) Inventory Approach: Inventory approach measures the socially relevant information in the descriptive form. Under this approach, there is no emphasis on measurement of the information and thus its scope is restricted to being
subjective in nature.

ii) Intermediate Quantitative Approach: Under Intermediate quantitative approach the social effect in the form of non-monetary intermediate quantities are measured. Thus the emphasis in this approach is purely non-monetary in nature and emphasizes shifts on the quantitative measurement.

iii) Psycho-Sociological Measurement Approach: Under psycho-sociological measurement approach, the sociological and psychological impacts and changes in the external environment are measured. This approach is subjective in nature and is concerned with the vital human emotional aspects and is thus difficult to measure.

iv) Socio Cost Benefits Approach: Under socio cost benefits approach the measurement of the social effects of organizational behaviour in terms of the social welfare gain or loss is emphasized. A detailed analysis and survey of all the material social effects is done and measured in monetary terms. Since the market price is not the true barometer of financial measurement under this approach, resort is made to use the shadow pricing technique. Some
of the examples of shadow pricing are utility measurement approach, opportunity cost approach etc.

3. **Output Level Measurement**: Under this level, the thrust is on measuring the impact on the internal working environment of the business enterprise. Measurement objects at this level are psychological and behavioural. For measurement and reporting at this level, the following approaches are used:

i) **Inventory Approach**: As discussed earlier, Inventory approach measures the socially relevant information in the description form. Under this approach, there is no emphasis on measurement of the information and thus its scope is restricted to being subjective in nature.

ii) **Psycho-behavioural Measurement Approach**: Under Psycho-behavioural measurement approach, the sociological and psychological impact and a change in the external environment is measured. This approach is subjective in nature and is concerned with the vital human emotional aspects and is thus difficult to measure.

4. **Organization Impact Level of Measurement**: The management of any business enterprise is keenly entrusted in understanding the impact level measurement objects, i.e.,
ultimate impact of a social translation in the performance and profitability of the organization. The measurement objects at this level are mostly financial in nature, hence are difficult to measure with due precision and exactness. Since a corporate enterprise is affected by a number of external as well as internal factors, it is not possible to conduct a controlled experiment on the company or the group of companies, which becomes much more difficult to control and operate in the circumstances of each individual case.

MODELS OF SOCIAL ACCOUNTING:

Over a period of time various models of corporate social disclosure were developed. A few of them are as follows:

(i) Marlin’s Pollution Report: This approach is commendable in four important respects. It focuses on measures that are not hypothetical but are actually being made today, it calls for reporting of standards that, because of the way in which they would be established, should have some degree of general acceptance, it is flexible enough to allow for recognition of changing social concern and the reporting film’s independent CPA would attest to information.
disclosed.

(ii) **Dilley and Wey Gandt’s Social Responsibility Annual Report**: It prescribes some schedules providing information relating to types of company operating revenues, number of employees, age of the company, average salary of employees, earning level of population, area, air pollution, thermal pollution, water consumption, average no. of employees, total hours worked, percentage of minority employees, female employees, occupational health and safety and equal employment opportunity in non-monetary terms except for a schedule of outlays in these areas.

(iii) **Corcoran and Leininger’s Environmental Exchange Reports** :- The reports present details in two parts: input and output. In the input part details are given regarding human resources and physical resources. The human resources part gives details regarding since how long how many number of employees are with the company, what is their education level; what is their age group, etc. and

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amongst the physical resources who buys how much quantity of direct material? etc. On the output side information is given regarding human resources, physical resources and financial resources.

The report would be easy to understand but it might be difficult to evaluate because of the absence of standards or reference values. The defeat of this model is that it gives no information of social cost and benefits in money terms. It is primary narrative type statement.

**FORMAT**

<table>
<thead>
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<th>INPUT</th>
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<tbody>
<tr>
<td>Human Resources</td>
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<td>Physical Resources</td>
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<th>OUTPUT</th>
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<tbody>
<tr>
<td>Human Resources</td>
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<tr>
<td>Physical Resources</td>
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</table>

(iv) **David Linowes’ Socio-Economic Operating Statement**

It contains three sections—(a) relation with people (b) relation with environment (c) relation with product. For each of these groups improvements and detriments will be mentioned. For each group net improvements will be computed thereafter total socio-economic deficit/improvements i.e. net effects of all three groups are to be computed and thereafter to find out the net effects over a period of time, net cumulative socio-economic deficit/improvement in the beginning of the year is added/subtracted and their grand total of net socio-economic deficit or improvement is computed for the year considered.

Of the social reporting proposals considered, so far Linowes’ Socio-economic operating statement is the first to call full use of money values in an integrated matching mode that produces a single net result. Such a net result is important to effectively communicate in understandable and comparable terms information as to total socio performance of the reporting entity. Linowes model is criticized for unreasonable degree of subjectivity.
(v) **Abt’s Social Audit Model (1972):** Cark Abt, President of the consulting firm of Abt associates Inc. has noted that companies which are quite careful and analytical with respect to their business investment often manage their social investment on an arbitrary and sentimental basis. He thus argues that there is “a great need to apply rational
management techniques to the task of increasing social return on corporate investment." He gave two formats for reporting, one for social and financial balance sheet and other one for social and financial income statement. The balance sheet is divided into four parts viz. stockholders, general public, community staff and organization. The balance sheet like financial balance sheet gives assets and liabilities in social terms and money terms. Social and Financial Income Statement is also divided into four parts, viz. company / stockholders, staff, clients and community. Here the benefits and costs are presented and net benefit or cost for each group is shown. This is followed by the detailed notes on social costs, staff available within one year and after one year, training investment, creation and development of the organization, public service paid by taxes but not consumed social liabilities, staff wages payable, organizational financing requirement, contract revenue and other income etc.

The approach is very ambitious. It presents both stocks as well as flows. However, this model is not free from deficiencies. It is incomplete with respect to certain benefit
and costs. Since the Abt Associates is a service organization, it is said that this model is not applicable to manufacturing concerns.

**FORMAT OF SOCIAL INCOME STATEMENT**

<table>
<thead>
<tr>
<th></th>
<th>A. Staff</th>
<th>B. Community</th>
<th>C. General Public</th>
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<td>Social benefit to staff</td>
<td>Social benefit to staff</td>
<td>Social benefit to community</td>
<td>Social benefit to General Public</td>
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<td>Social cost to staff</td>
<td>Social cost to staff</td>
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<td>Social cost to General Public</td>
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<tr>
<td>Net benefit / cost to staff</td>
<td>Net benefit / cost to community</td>
<td>Net benefit / cost to community</td>
<td>Net benefit / cost to general public</td>
</tr>
</tbody>
</table>

**Net total benefit / cost**

(vi) **Seidler’s Social Income Statement (1973)** 13: Lee J. Seidler, in 1973, suggested two formats of social income

statement one for profit seeking organizations and other for non profit organizations. The important features of Seidler’s social income statement are as follows:

(a) The first format is based on value added. The sum total of the total economic value generated by the organization and share amongst its employees is referred to as value added. Resultant is equal to the value of outputs minus cost of inputs purchased from other organizations. The social income statement deducts the socially undesirable effects not paid for and adds the socially desirable outputs for which no money is received. The result is the net social profit or loss reflecting the net contribution of the organization to the society.

(b) The second format is simply divided into 2 parts, i.e. revenues and costs. The format covers both the financial and non-financial items. The non-financial items are measured in monetary terms using shadow pricing. The major limitation of the model is that, in the first format, social benefits from direct economic activities are taken equal to the amount of the value added. The consumer’s surplus and the social costs of the input not reflected in
the market price are not taken into account. The distributional aspects of the organizational activities are not taken into account.

**FORMAT**

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value-added by production of the enterprise</td>
<td></td>
</tr>
<tr>
<td>+ Socially desirable outputs not sold</td>
<td></td>
</tr>
<tr>
<td>- Socially desirable effects not paid for</td>
<td></td>
</tr>
<tr>
<td>= Net social profit (or loss)</td>
<td></td>
</tr>
</tbody>
</table>

(vii) **Estes' Statement of Social Benefits and Costs (1976)**: Ralph Estes in 1976 proposed a ‘Social Impact Statement’ which is based on comprehensive evaluation of social benefits and social costs. Estes, on his statement viewed that it may not be very practical but is intended to provide a social model of standard report. In the sense that it takes into consideration the total costs and total benefits from the point of view of the society and not from the point of view of the entity concerned. However, this model reflects only direct effects of a single entity on society and not the indirect effects. This model is applicable to manufacturing firm also.

14. Estes Ralph: Corporate Social Accounting, John Willey and Sons, New York, 1976, p. 3
# LIST OF TABLES

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Table No.</th>
<th>Table Description</th>
<th>P.N.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2.1</td>
<td>Profitability of PSUs</td>
<td>55</td>
</tr>
<tr>
<td>2.</td>
<td>2.2</td>
<td>Value Added by PSUs</td>
<td>57</td>
</tr>
<tr>
<td>3.</td>
<td>2.3</td>
<td>Contribution to Exchequer by PSUs</td>
<td>60</td>
</tr>
<tr>
<td>4.</td>
<td>2.4</td>
<td>Export Earnings by PSUs</td>
<td>63</td>
</tr>
<tr>
<td>5.</td>
<td>2.5</td>
<td>Employment in PSUs</td>
<td>67</td>
</tr>
<tr>
<td>6.</td>
<td>2.6</td>
<td>Disinvestments in PSUs.</td>
<td>74</td>
</tr>
<tr>
<td>7.</td>
<td>3.1</td>
<td>Turnover of BHEL</td>
<td>89</td>
</tr>
<tr>
<td>8.</td>
<td>3.2</td>
<td>Sales and Net Profit after tax of BHEL</td>
<td>90</td>
</tr>
<tr>
<td>9.</td>
<td>3.3</td>
<td>Gross Block, Depreciation and Net Block of BHEL</td>
<td>91</td>
</tr>
<tr>
<td>10.</td>
<td>3.4</td>
<td>Net Worth and Borrowings of BHEL</td>
<td>92</td>
</tr>
<tr>
<td>11.</td>
<td>3.5</td>
<td>Current Assets, Current Liabilities and Working Capital of BHEL</td>
<td>94</td>
</tr>
<tr>
<td>12.</td>
<td>3.6</td>
<td>Turnover of IOC</td>
<td>105</td>
</tr>
<tr>
<td>13.</td>
<td>3.7</td>
<td>Sales and Net Profit after tax of IOC</td>
<td>106</td>
</tr>
<tr>
<td>14.</td>
<td>3.8</td>
<td>Gross Block, Depreciation and Net Block of IOC</td>
<td>107</td>
</tr>
<tr>
<td>15.</td>
<td>3.9</td>
<td>Net Worth and Borrowings of IOC</td>
<td>109</td>
</tr>
<tr>
<td>16.</td>
<td>3.10</td>
<td>Current Assets, Current Liabilities and Working Capital of IOC</td>
<td>110</td>
</tr>
<tr>
<td>17.</td>
<td>4.1</td>
<td>Expenditure on Social Welfare in BHEL</td>
<td>130</td>
</tr>
<tr>
<td>S.No.</td>
<td>Table No.</td>
<td>Table Description</td>
<td>P.N.</td>
</tr>
<tr>
<td>-------</td>
<td>-----------</td>
<td>--------------------------------------------------------</td>
<td>------</td>
</tr>
<tr>
<td>18.</td>
<td>4.2</td>
<td>Income and Expenditure Account (Township etc.) IOC</td>
<td>132</td>
</tr>
<tr>
<td>19.</td>
<td>4.3</td>
<td>Employee Remuneration and Benefits (BHEL)</td>
<td>137</td>
</tr>
<tr>
<td>20.</td>
<td>4.4</td>
<td>Payments to and Provisions for Employee (IOC)</td>
<td>139</td>
</tr>
<tr>
<td>21.</td>
<td>4.5</td>
<td>Value Added Statement of BHEL</td>
<td>141</td>
</tr>
<tr>
<td>22.</td>
<td>4.6</td>
<td>Value Added Statement of IOC</td>
<td>146</td>
</tr>
<tr>
<td>23.</td>
<td>4.7</td>
<td>Township / Residential Status in BHEL</td>
<td>149</td>
</tr>
<tr>
<td>24.</td>
<td>4.8</td>
<td>Schedule of Fixed Assets (Township etc.) IOC</td>
<td>152</td>
</tr>
</tbody>
</table>
It is highly idealistic and not at present practicable for all items.

**FORMAT**

<table>
<thead>
<tr>
<th>Social Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Costs</td>
</tr>
<tr>
<td>Social Surplus (Deficit) for the year</td>
</tr>
</tbody>
</table>

**RESEARCH METHODOLOGY AND DESIGN:**

For the present study, annual reports for the years 1998-99 to 2002-2003 of BHEL and IOC would be collected. The data contain in the annual reports would be classified, tabulated and analyzed, using suitable techniques. On the basis of the results obtained from the analysis the data would be interpreted and conclusion would be drawn. Efforts have to be made to develop suitable methods of quantification of social data.

**Sample for the study:** Two public enterprises have been selected as sample and the study would examine the reporting of social information by the following companies.

(a) Bharat Heavy Electricals Limited (BHEL)

(b) Indian Oil Corporation (IOC).

**Period of Study:** The study would cover a period of five years
from 1998-99 to 2002-03 (subject to availability of data) and will examine the problems of social cost and benefit analysis, the social balance sheet, human resource accounting the value added statement and narrative disclosures.

**Need for the study:** The consciousness of social responsibilities of business has been increasing day by day. Also, there has been a great rise in the concern for the wider impact of business on society, particularly in matters like minimization of pollution, employee–employer relationship, effective utilization of resources etc. Organizations, being socially responsible require social accounting information to aid their own internal decisions as well as to provide it for interested customers. Social accounting is a systematic assessment of and reporting on those part of company’s activity that have a social impact. So the present study has been undertaken to evaluate the corporate social disclosure practices of both public sectors and have been compared with each other also.

**Objectives of the Study:** The basic objective of the present study is to examine and evaluate the present state of social reporting practices in public sector undertakings in India and suggest ways to improve it.

The secondary objectives are as follows:
(i) To assess qualitative and quantitative presentation of social information with the published annual report of BHEL and IOC.

(ii) To identify additional areas of corporate social reporting.

(iii) Analyze the extent of corporate social reporting practices in PSUs in India.

**Research Design**: The Annual Reports of BHEL and IOC for the years 1998-99 to 2002-2003 have been collected and consulted. For the present study we have depended mainly on secondary data. Primary data have not been compiled due to financial constraints. We have surveyed relevant books, the standard ones, on the subject. The data have also been compiled from the various business magazines, journals and annual reports. The public enterprise survey, volume 1 to 3, of various years have also been consulted. Besides, various other reports published by the R.B.I. and Government of India have been consulted for the purpose. The data contained in the annual reports have been classified, tabulated and analyzed using suitable techniques. On the basis of the results obtained from the analysis, the data have been interpreted and conclusions drawn. Some suggestions have also been given with a view to bring about possible improvement in the present situation. Efforts have been made to develop suitable methods of
quantification of social data. For this purpose various models already developed for quantifying social data have been thoroughly studied and duly used wherever necessary.

Limitations of the study: The study is aimed to examine the state of social reporting practices in PSUs. As the concepts of corporate social reporting has gained momentum recently, social reporting is a comparatively new concept and therefore a number of problems were encountered during the course of the present study. They are as follows:

(i) Disclosure of social performance by the companies is not mandatory.
(ii) No standard guidelines available for the preparation of social accounts.
(iii) Lack of parameters for social costs and social benefits.
(iv) Limitations of sampling may affect the quality of investigation.
(v) Reluctance on the part of companies to accept social responsibilities.
(vi) Expenses towards social activities is still not being seen in terms of advantages.
(vii) The period covered in the present study is limited to 1998-99 to 2002-03.