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## SOCIAL ACCOUNTING IN INDIA : NEED AND CHALLENGES

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### ABSTRACT

*Social accounting is an expression of a company's social responsibilities, social accounting is also known as social responsibility accounting. The concept of 'Social Accounting' has gained importance as a result of high level industrialization which has brought prosperity as well as many problems to the society. It has necessitated the corporate sector, with huge amount of funds at their disposal, to invest substantial amounts in social activities so as to nullify the adverse effect of industrialization. Social accounting is a method by which a firm seeks to place a value on the impact on society of its operations. It is a systematic analysis of the effects of the organization on its stakeholders, with stakeholders input as part of the data that are analyzed for the accounting statement. The concept of social accounting relates to the manner in which an organization interacts with its social surroundings. The acceptance of this concept of social responsibility must be reflected in the information and disclosure that the company makes available for the benefit of the various constituents like shareholders, creditors, workers and the community. This paper is an attempt to need, objectives, social accounting measures and benefits.*

**KEYWORDS:** Social Accounting, Social Responsibility, Stakeholders, Surrounding, Benefits, Measures.

### INTRODUCTION

Business is a socio-economic activity and it draws its inputs from the society, hence its objective should be the welfare of the society. It should owe a responsibility towards solving many of the social problems. In the present scenario of growing technological, economic, cultural and social awareness, the accounting has not only to fulfill its stewardship function for the owners of the enterprise, but also accomplish its social function. There has been explosion of interests in the company's social responsibilities in the recent years, and the phrase "being a responsible corporate citizen" has already become a core value. Social accounting is concerned with the study and analysis of accounting practice of those activities of an organization. The concept of socialistic pattern of society, civil rights movements, environmental protection and ecological conservation groups, increasing awareness of society towards corporate social contribution etc. have contributed towards the growing importance of social accounting. Many corporate, today, are providing information on their social performance in order to demonstrate to their shareholders and public that they are ethical and moral. The real need is for some focus of accountability on the part of the management not being limited to shareholders alone but even the society. The acceptance of this concept must be reflected in the information and disclosure that the company makes available for the benefit of the various constituents like shareholders, creditors, workers and the community.



### DEFINITION :

In the words of Richard Dobbins and David Funning, social accounting is "the measurement and reporting of information

concerning the impact of an entity and its activities on society."

The National Association of Accountants (USA) defined it "as the identification, measurement, monitoring and reporting of the social and economic effects of an institution on society."

#### **OBJECTIVES OF THE STUDY :**

- 1) To study the need and objectives of social accounting.
- 2) To study the social accounting measures.
- 3) To study the benefits of social accounting.

#### **DATA COLLECTION:**

The present study is based on secondary data which is collected from various publications, journals, magazines, reference books, internet etc.

#### **NEED OF SOCIAL ACCOUNTING :**

- Social accounting is useful to the management for fulfills its social obligations and informs its members, government and general public.
- There are certain legal obligations that have to be fulfilled by the businesses, such as social security obligations and welfare measures, etc.
- Social accounting is also necessary from the view point of public interest group, social organizations, investors and government bodies.
- Through social accounting, the company proves that, it is social ethical in view of moral, cultural and environmental degradation.
- Social accounting is useful to identification, measurement, monitoring and reporting of the social and economic effects of an institution on society.

#### **BENEFITS OF SOCIAL ACCOUNTING :**

- It assists management to formulating appropriate policies and programmes.
- It improves the image of the firm.
- Through social accounting, the management gets feedback on its policies aimed at the welfare of the society.
- Social accounting helps society by providing different facilities by the enterprise and it helps to the employees, investors, customers and society.
- It improves the confidence of the shareholders of the firm.
- It helps in marketing through greater customer support.
- It improves employees motivation.

#### **OBJECTIVE OF SOCIAL ACCOUNTING :**

The concept of social accounting useful to show the high level result of industrialization that had necessitated the corporate to invest substantial amount in the social activities. Following objectives of social accounting are to help society by providing different facilities.

#### **1) Effective utilization of natural resources :**

Main objective of social accounting is to determine company's property utilization of natural resources or not. To identify and measure social contribution of an individual firm consisting of cost and benefits internally to the firm and externally affecting social system.

**2) Help to employees :**

Company can help employees by providing the facility of education to children of employees and also providing good working environment.

**3) Help the society :**

To help determine whether individual firms strategies and practices directly affects to the society because companies factories spread the pollution in natural society which is very harmful for society. So, enterprise can help to society by planning the trees, establishing new parks near factory area and also opening new hospitals.

**4) Help to investors :**

Company can help to investors by providing transport accounting information to investors. Firms strategies and practices that directly affect relative resources can be determined.

**SOCIAL ACCOUNTING MEASURES :****1) Cost Benefit Analysis :**

Social cost benefit analysis is a technique to weigh up the environmental and social benefits and cost of a business investment. Under this system the undertaking presents social balance sheet and social income statement. The asset side of the balance sheet depict social investment of capital nature i.e. water supply, school, club, road etc. The liabilities side shows organizations equity and social equation in the form of contribution by employees. Social income statement comprises social benefits and cost of staff community and general public.

**2) Preparation of Separate Schedule :**

Employees benefits and services consist of salary and wages and various social security benefits. Social overhead includes medical, education, canteen and transportation facilities etc. There are prepared in separate schedule and its shown as a part of annexure in the annual general report.

**3) Expanded value added approach :**

Expanded value added statement (EVAS) is an innovative tool to provide a better picture of social value creation. Value added means, it is the measure of wealth that an organization creates by 'adding value' to raw material products and services through the use of labour and capital Value added approach represents the value added to goods and services acquired by the enterprise as the result of the efforts of the management and employees. The value of production cost of direct materials and taxes are reduced to get net income accruing to the enterprise. Value added approach is useful to combines the financial and social data to give a fuller picture to the social and economic impact of an organization. It includes both financial and non financial inputs and outputs.

**4) Other Approaches :**

This approach aims at informing the general public, government and its members about the organizations goals with economic goal. On the other hand pictorial presentation in annual report of social activities i.e. sponsoring of social and charitable. Causes and other social charitable causes and other social welfare activities, supplementing of government efforts effectively, focusing on human elements, ensuring ecological balance, engaging in philanthropic activities undertaken by the organization.

**CONCLUSION :**

The concept of social accounting emerged in the 1960's when social values and expectations gave rise to a debate about the role of business in society. Social accounting is an expression of company's social responsibilities. The main objectives of social accounting are to help society by providing different facilities

by enterprise and to record them. It is very important to social accounting measures and undertakings through its annual reports publish the details of their social welfare and effects on society and workplace. Social accounting has become an integral part of good management at all level understand the scope, objectives, benefits of social accounting so that they can make value added contributions towards building the company's brand image and reputation.

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