

Check Your Progress B

- 1 Define social accounting.

- 2 Enumerate the areas of quality of life in respect of which the social indicators are expected to help in measuring firm's contribution to it.

- 3 Fill in the blanks.
 - (a) Social reporting as an integral part of is found in the annual reports of some companies in India.
 - (b) There seems to be a significant correlation between the range of disclosure withof companies.
 - (c) Social balance sheet shows the social and social.,.....
 - (d) Social economic operating statement should include all expenses incurred by the companyfor social causes, and offset against those expenses the cost of similar social activities which the management
 - (e) It has been pointed out that though social audit has been undertaken in a number of countries, the subject has not attained the status of
 - (f) Social audit, as far as possible, should be to an ordinary commercial audit.

3.9 SOCIAL RESPONSIBILITIES OF BUSINESS IN INDIA

The issue of social responsibilities of business has been gaining the attention of the business community in India since early 60s. An international seminar on social responsibilities of business was held in New Delhi in 1965 where a declaration issued at the conclusion of the seminar defined social responsibility of business as 'responsibilities to customers, workers, shareholders and the community, and correlated it with Gandhian concept of trusteeship. Another seminar was held in Kolkatta in 1966 which discussed the social responsibilities of modern business. It formed a standing committee which set up a special study group consisting of economists, sociologists, businessmen, representatives of accounting and management professions, and representatives of chambers of commerce to prepare a set of business norms for adoption by the business community. The Study Group had suggested that the business must accept responsibility to the society and its various constituents as a trustee. Its responsibilities extend beyond the business to the lives of the people and the community. The businessman, therefore, should promote civic amenities and help create better living conditions as well as help in making people law abiding, improve the administration of municipal and industrial affairs, More than that, the businessmen are to set up socially desirable standards of living for themselves, avoid ostentations, wasteful and improvident expenditure In weddings, festivities and parties.

The above aspects apart, the social responsibilities of business in India also require businessmen to give a fair deal to customers in terms of price and quality, ensure availability of products, and avoid unfair trade practices, profiteering, hoarding, black marketing, etc. They should not mislead the consumer and the community by untruthful and exaggerated advertisements. Their responsibility towards employees is also defined scrupulously so as to promote co-operative spirit, provide fair wages and promotion, and pursue a progressive labour policy. Similarly, their responsibility towards the state has been elaborated with respect to payment of taxes and against buying political support and corrupting public servants. The Sachar Committee (1978) which also went into the questions of social responsibilities of companies observed that the social responsibility of business to the community can no longer be scoffed at and that its acceptance must be reflected in the disclosure of all information for the stakeholders. But more importantly, the business houses are to contribute towards environmental protection, conservation of scarce natural resources, abatement of pollution, rural development and employment generation, and annex a social report to director's report which should indicate and quantify in the responsibility aspects which have been carried out by the company during the period. In fact, some companies, as pointed out earlier, have already started including such information in their annual reports. Let us, for example, look at the contributions of Asian paints, Glaxo SmithKline Pharma and Satyam Computer Services based on their disclosures in their annual reports.

Asian Paints : It approaches corporate social responsibility from the perspective of being a responsible corporate citizen. There has been a continuous effort to take up initiatives in various quarters and ensure sufficient resources for the sustenance and continuity of the same. The company has identified projects across all its manufacturing locations in the country primarily in the areas of education, healthcare, and rain harvesting.

Glaxo SmithKline Pharma : Corporate social responsibility continues to be an integral part of GSK's business. It makes a contribution to society through medicine donations, conducting healthcare awareness programmes and community development. The uniqueness of GSK's social initiatives lies in the development of self-reliance by tackling issues through the involvement of the beneficiaries themselves. While selecting projects, priority is given to those which contribute to healthcare, especially of women and children. New initiatives in the field of education are an area of focus.

Satyam Computer Services : It has set up Satyam Foundation as company's arm to fulfill its responsibility to society at large and serve the underprivileged in the urban area. Headquartered in Hyderabad, the Foundation provides services in the areas of education, healthcare livelihoods, environment, rehabilitation of destitute and alms seekers, AIDS awareness, slum development and emergency/trauma care. Satyam Foundation is an inclusive organisation working with governments, other NGOs and academic institutions.

It will not be out of place to also make a mention of ITC initiative in transforming the Indian farmer into a progressive knowledge seeking citizen and linking him to consumers in local and global markets through its e-choupal movement started in the year 2000 which has covered 10,000 villages in 4 states so far and keeps on adding five villages every day. In addition, ITC has initiated programmes in the areas of social and farmer forestry, integrated watershed development, economic empowerment of women, primary education, and EHS efforts encompassing employee safety, energy and water conservation, and reduction in GHG emissions. These initiatives are quite encouraging and establish the growing awareness among Indian business units in respect of their social responsibilities and reporting their contribution.

3.10 LET US SUM UP

Social responsibility of business refers to the obligation of business enterprises to decide on policies and plans of action in the social interest and for social good. It was realised that economic considerations could not be viewed in isolation from social considerations and it became necessary to assume responsibilities commensurate with the social power wielded by the corporate enterprises.

Modern writers have put forward the case for social responsibilities of businesses on several grounds. Besides, there have been research studies reflecting the viewpoints of corporate executives that assuming social responsibilities have been positively helpful to organizations and they expected positive outcomes from social involvement.

In the nature of things, social responsibilities of business have to be considered with particular reference to responsibilities towards shareholders (owners), employees, consumers, the Government, community and public at large.

Over the years, public opinion has been increasingly in favour of socially responsive corporate management reporting their performance in the area of social activity for internal and external use. In India, as in the US, social reporting as an integral part of director's report is practiced by some companies, and the same is expected to grow in due course.

Social accounting is the systematic assessment and reporting on those aspects of a company's activities that have a social impact. There are several approaches to the assessment and reporting of the impact of social activities, viz., (i) valuation of social costs and social benefits; (ii) measuring the worth of social investments by estimating the 'market worth' of expected benefits to be derived by people; (iii) 'social indicators' approach; (iv) social goal accounting and reporting; (v) preparing a social profit and loss account and a social balance sheet; and (vi) socio-economic operating statement.

Social audit refers to the process involving a retrospective review of the impact and contribution of a company to the recognized social dimensions. According to Abt, it should be carried out, as far as possible, on the same lines as the commercial audit. This is so because to make rational investment decisions in the social area, it is necessary to know what the social returns are.

3.11 KEY WORDS

Power-Responsibility Equation : Balancing responsibility with power.

Shadow Price : Shadow price of an input is the value of the input to the firm as opposed to the market price which is paid for it.

Social Accounting : A systematic assessment and reporting on those aspects of company's activities that have a social impact.

Social Audit : Review of the impact and contribution of a company to recognised social dimensions.

Social Balance Sheet : It presents the social assets like organization, research, taxes paid, and the social liabilities employee commitments, organizational liabilities, environmental degradation, and consumption of public services paid for by taxes, the net of the two being society's equity.

Social Discount Rate : The consumption rate of interest, i.e., the rate of interest to be offered to an investor so as to induce him to forego an additional unit of present consumption. Alternatively, it could be the rate at which the value of savings decline over time.

Social Income Statement : It is an annual statement in which social benefits to employees, community, consumers and the general public are added, and social costs to each constituency are subtracted, in order to determine a net social income for the year.

Social Responsibility : Obligation to meet social needs.

3.12 ANSWERS TO CHECK YOUR PROGRESS

- A 4 (a) False (b) True (c) True
(d) False (e) True (f) True
- B 3 (a) directors' report (b) size (c) assets, debts
(d) voluntarily, ignored (e) science (f) approximated

3.13 TERMINAL QUESTIONS / EXERCISES

- 1 Why should business be concerned with resolving social problems? Explain briefly, and state the benefits likely to be derived in the long run by socially responsive companies.
- 2 Give five arguments to justify business enterprises assuming social responsibilities, and enumerate corporate social responsibility efforts made in India.
- 3 Explain the nature of responsibilities of management towards (a) employees, and (b) community and the general public.
- 4 "Protecting consumer interest is the primary responsibility of management". Do you agree with the statement? Elucidate.
- 5 Explain the concept of social accounting and the various approaches adopted for social accounting and reporting.
- 6 Write explanatory notes on :
 - (a) Social audit
 - (b) Social Cost-benefit Analysis
 - (c) Social Reporting.

Note : These questions will help you to understand the unit better. Try to write answers for them, but do not submit your answers to the university for assessment. These are for your practice only.