Social Accounting & its importance

Social accounting is a way of demonstrating the extent to which an organization is meeting its stated social or ethical goals. Technically, the term “social accounting” or “social auditing” refer to specific parts of a process now bestowed with the much more unwieldy title of “Social and Ethical accounting, Auditing and Reporting” (SEAAR). Sometimes shorter terms like “Corporate social responsibility” (CSR) tend to be used interchangeably to refer to the entire process.

The process should involve the three steps:

a. Internal data collection and analysis procedures (accounting)

b. An independent audit of the results (auditing)

c. A mechanism for disseminating the outcome more widely (reporting)

When independently verified, the organization itself owns the process of data collection and analysis and the process is driven by indicators the organization sets in consultation with...
stakeholders, as opposed to being based on standards or criteria determined externally. Social accounting is not a means of, nor an alternative to, impact assessment, but rather a framework methodology are numerous, including not just an increase in transparency and accountability, but also the development of a focus on organizational learning, the embedding of organizational information systems ad systematic improvement of stakeholder dialogue.

Social accounting as an approach began developing in the UK in the early 1970s, when the Public Interest Research Group established Social Audit Limited. This organization carried out, and publicized, investigations into the operations of large public companies, without necessarily gaining their permission or cooperation.

**Scope:** It is important to note that social accounting has an organizational, rather than project level scope. Thus stakeholders judge an organization on their overall perceptions rather than a narrow view of project success or failure.

Enterprise development activities typically involve chains of inter-related interventions; it is unreasonable to expect parties that do not have a direct relationship with the organization to be involved in making a regular assessment of how it has performed against social indicators. Thus it will not necessarily fall within the scope of a social audit for an organization to have dialogue with the end beneficiaries of an enterprise development intervention. The results of such studies should form a key part of management information systems and so when carried out, should be reported on within the social audit.

The concept of social accounting is growing in recognition and sophistication. As it becomes one of the foundations of good practice in Corporate Social Responsibility (CSR), interest is growing within large corporations, consultancies and voluntary organizations. If larger companies are using a social accounting methodology to assess their social impact, the question sensibly arises as to whether this is something that can be usefully adopted by those seeking to assess the impact of enterprise development activities.

In the corporate world, genuine social accounting has been one of the first major stepping stones in improvements in corporate social responsibility. For many corporate that embark
on the process, it is the first time that serious attempts have been made to go beyond financial measurements and understand the social and environmental impact that the organization has on its stakeholders. Such exercises are viewed as a good step forward towards enterprise development, social objectives have often been a driving force rather than secondary issue. Many of them have struggled since their inception to collect information amounting to a social impact assessment in order to legitimize their existence – to donor, if not themselves. The discipline of a methodology for stakeholder engagement and regular reporting will spur the organization to improve. Hard work of developing good quality monitoring and evaluation systems remains circular and the need for periodic impact assessment studies will remain.

One of the leading voices in the world of social accounting is ISEA – The Institute of Social and Ethical Accountability. Founded in UK in 1996, ISEA is an international professional body committed to strengthening social responsibility and ethical behavior of the business community and non-profit organizations. To date the greatest interest in putting social accounting techniques into practice has come from large corporations. For these organizations, the increase in trust that it may be possible to generate through improved accountability and transparency is more likely to outweigh the considerable cost of carrying out the exercise.

**Social Accounting in India:**

International Resources for Fairer Trade (IRFT), India is a business support NGO working with community based fair trading enterprises in four states within Western India. Established in 1995, IFRT aims to enhance the participation of these enterprises in national and international trade, thus impacting positively on the livelihood of the people involved with them.

The “Ethical Business Promotion” division within IRFT offers services that aims to promote, encourage and monitor social and ethical aspects of business.

Assistance in SEAAR has become one of the services offered, which include:
a. Social accounting and audit
b. Value chain monitoring
c. Organic Certification.

Well known businesses have made use of these services in order to verify their supply chains, with UK clients including B&Q, Marks & Spencer and Traidcraft plc.

IRFT has experience of assisting three local organizations to carry out social accounts:

a. **Agrocel Industries Limited**: A marine chemical business based in Gujrat, providing services to farmers from the Kutch region

b. **Shrujan**: An NGO working to preserve the art and heritage of Kutch region.

c. **Excel Industries Ltd**: The second largest agro and industrial chemicals.

Of these, Agrocel is now in the process of writing social accounts for the second time (first accounts were in 1996/97) and Excel plan to extend the process to the entire corporate structure having trialed it within one factory unit. Both organizations reported numerous difficulties, but the repetition of the exercise would suggest value being felt from its implementation. IRFT now plan to work with Chambers of Commerce within India on the SEAAR concept.

Where the SEAAR methodology provides a real step forward for enterprise developments organizations is in facilitating the change in organization mindset from faltering measurement systems predicated on the reluctant need for compliance to externally imposed criteria, to those developed with the aim of on-going organization learning and change.

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