THE STUDY OF SOCIAL ACCOUNTING DISCLOSURE PRACTICE WITH SPECIFIC REFERENCE TO PUBLIC AND PRIVATE SECTOR COMPANIES

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ABSTRACT

In our countries we will have to accept a proposition that corporations owe a responsibility not merely to the shareholders but to other stakeholders, to the employees, to the suppliers, to the customers, to the lenders, in fact to society generally - Malegam

The Companies Act 2013 is a noble initiative to narrow the gap between the public and private companies on the part of corporate social responsibility. With this the accounting has entered into the new stage of social responsibility accounting at the corporate level. Thus the study aims to see whether the companies are adopting the corporate social responsibility provisions according the Companies Act 2013 and is there any significant difference in the social accounting disclosure of the public sector companies and private sector companies in India.

INTRODUCTION

Business operates in the society to fulfill the diverse needs (in terms of products and services) of the people living there in and in return earns huge profits. But the performance of any business cannot be judged only on the basis of financial factors. Business which integrates social, environmental and ethical responsibilities achieves long term success, competitiveness and sustainability. **According to Sachar Committee (1978) "the company must behave and function as a responsible member of the society just like any other individual".** This implies that the company should not only take into consideration the interest of the shareholders alone but work towards the upliftment and betterment of the community at large by being socially responsible. This recommends that the companies should evaluate and report its corporate social performance. Such social reporting accounting aims to measure and inform the general public about the social welfare activities undertaken by the business and their effects on the society. The Companies Act 2013 is a noble initiative to narrow the gap between the public and private companies on the part of corporate social responsibility. It has mandated that the company spends, in every financial year, at least two per cent of the average net profits of the company made during the three immediately preceding financial years, in pursuance of its Corporate Social Responsibility Policy, provided that the company shall give preference to the local area and areas around it where it operates, for spending the amount earmarked for Corporate Social Responsibility activities. Further that if the company fails to spend such amount, the Board shall, in its report made under clause (*o*) of sub-section (*3*) of section 134, specify the reasons for not spending the amount. Thus the study aims to see whether the companies are adopting the corporate social responsibility provisions according the Companies Act 2013 and is there any significant difference in the social accounting disclosure of the public sector companies and private sector companies in India.

REVIEW OF LITERATURE

The researcher has referred the following studies to get the deep insight to the problem.

Sarita Moharana (2013) studied “Corporate Social Responsibility: A Study of Selected Public Sector Banks in India” and found that the selected banks are directly engaged in CSR activities mostly in the area of Rural Development, Education, Community Welfare, Women and Children. The analysis shows that, these banks are making efforts for the implementation of CSR, but are restricted within certain fields. There is a need for better CSR activities by the banks, which is possible by adding more and more social development issues link with corporate sector.

Rajeev Prabhakar and Ms. Sonam Mishra (2013) from “A Study of Corporate Social Responsibility in Indian Organization: An-Introspection” concluded that Corporate sustainability is an evolving process and not an end. The Companies bill is a good initiative on the part of the government however what would be included in? Spending on CSR is unclear and is left for the companies to decide. Across the globe, the concept of CSR has been accepted as an element for success and survival of business along with fulfilling social objectives. However, the challenge for the companies is to determine a strong and innovative CSR strategy which should deliver high performance in ethical, environmental and social areas and meet all the stakeholders” objectives.

Eliza Sharma & Dr. Mukta Mani (2013) analyzed “Corporate Social Responsibility: An Analysis of Indian Commercial Banks” and the analysis shows that though the Indian banks are making efforts in the CSR areas but still there is a requirement of more emphasis on CSR. There are some banks which are not even meeting the regulatory requirements. The public sector banks have overall highest contribution in CSR activities. Private sector banks and foreign banks are still lagging in this area.

P D Jose & Saurabh Saraf (2013) studied “Corporate Sustainability Initiatives Reporting: A study of India’s most valuable companies”. The study reveals significant variance in reporting across sectors as well as on the variables reported. The highest reported variables were related to corporate governance, followed by those related to CSR initiatives and measures to improve operational efficiency. Most initiatives in the area of CSR focused on four areas—education, healthcare, community livelihood, and infrastructure development. Operations-related measures included resource conservation (energy, water, paper) and waste management (emissions, solid waste, water). Less than 20% of the companies that were surveyed currently disclose information on sustainability issues related to the supply chain. The sartorial differences in reporting were also striking. The cement, metals and mining, electric utilities, and information technology sectors outperformed the other sectors on most indicators. The realty, telecom and TV, pharmaceuticals, and banking and finance sectors had not disclosed as much as the others did. The study also highlights areas for improvement. Voluntary sustainability reporting was still limited. Disclosures on CSR finances and donations were also nearly non-existent.

Akanksha Jain (2014) from “The Mandatory CSR in India: A Boon or Bane” found that the mandated 2% CSR investment in the new Indian Companies Bill is a novel solution to India’s social problems. It may not be perfect but it is a product out of necessity for economic justice in India. Corporations in India have failed to take the responsibility for the real cost of their functioning. Many often pollute the environment and run away from human hazards that they invent. 2% CSR policy envisions a system in which each industry would contribute in a manner apt with their expertise. Chemical and oil companies might take environmental and safety initiatives and technology companies might take tech-education initiatives. Thus, in a nutshell, this new policy may turn out to be a boon for both the corporates and the society, propelling India towards the path of equitable and sustainable growth.

RESEARCH METHODOLOGY

Need of the Study

In today’s world it has become very important for the companies to look after the society and thus, they adopt corporate social responsibility i.e. how they can contributes for the upliftment and betterment of the societies and it includes the various CSR activities undertaken by the companies. Thus need of this study is to see whether the companies are adopting the corporate social accounting provisions according to the Companies Act 2013 and is there any significant difference in the social accounting disclosure of public sector companies and private sector companies.

Objectives of the study

The main objectives of the study are to:

- The study aims to examine the extent of social accounting disclosure in corporate annual reports in India.
- To ascertain the difference if any between social accounting disclosure practice by public sector companies and private sector companies.
- To compare the CSR Transparency Score of Public sector companies and Private sector companies

Hypothesis of the study

H0: The extent of social accounting disclosure in public sector companies is same as that of private sector companies.

H1: The extent of social accounting disclosure in public sector companies is better than private sector companies.

Sample

One of the objectives of the present study was to compare social reporting pattern of public sector companies with private sector companies. Therefore, there was a need to take the sample of both the sectors. The population had to be stratified into:

a) Public sector companies

b) Private sector companies

The sample of top 4 listed public sector companies and 4 listed private sector companies were selected.

Construction of the Index of Disclosure

An index of social accounting disclosure has been constructed after review of foreign and Indian journals, websites and annual reports of public and private sector companies and conducting extensive literature review of research study. This index consists of 20 items. This index of disclosure is used for data collection through content analysis from sampled company's annual reports.

Scoring of Items of Information

After construction of index annual report of sampled companies are examined. Items of disclosure were then fitted into the disclosure index. If an item was disclosed anywhere in annual reports the item was assigned score '1' and in the case of non-disclosure score '0' was given. The score of each annual report was then summed up, representing the score of the actual annual disclosure.

Data Collection and Analysis

The secondary data on social accounting disclosure has been collected through annual reports of both public and private sector companies for the year 2014-15.

Statistical Tools Used

For testing hypothesis t- test has been applied at 5% level of significance.

ANALYSIS AND INTERPRETATION

Table -1 Disclosure of Social Accounting Information Item and Sector wise

Items of Disclosure	Public Company		Private Company		Total	
	No. of Companies Disclosed (N=4)	%	No. of Companies Disclosed (N=4)	%	No. of Companies Disclosed (N=8)	%
1. Housing Facilities	3	75	0	0	3	75

2. Health Facilities	4	100	4	100	8	100
3. Educational Facilities	4	100	4	100	8	100
4. Community Development	4	100	4	100	8	100
5. Carrier & Training	4	100	3	75	7	87.5
6. Energy Conservation	4	100	2	50	6	75
7. Family Welfare & Planning	1	25	0	0	1	25
8. Sport & Games	4	100	3	75	7	87.5
9. Canteen Facility	4	100	1	25	5	62.5
10. Water & Electricity	4	100	1	25	5	62.5
11. Research & Development	4	100	4	100	8	100
12. Staff Welfare	4	100	1	25	5	62.5
13 Child Welfare	2	50	3	75	5	62.5
14. Transportation	4	100	4	100	8	100
15. Rural Development	4	100	4	100	8	100
16. Heritage & Culture	3	75	3	75	6	75
17. Social & Cultural Facilities	4	100	4	100	8	100
18. Environmental Action	4	100	2	50	6	75
19. Employment of ST & SC & other Underprivileged Minorities	1	25	0	0	1	25
20. Human Resource Development	4	100	2	50	6	75
Actual Annual Disclosure	70	70	9	49	119	59.5

Source: Compiled from the annual reports of various companies

The table above shows the item wise disclosure score of public sector companies and private sector companies. Then, we have summed up each item of disclosure score of public and private companies and the final score represents actual annual disclosure for both the companies. In the above case actual annual disclosure for public sector companies is 70 and for private sector companies are 49.

Table - 2 Disclosure of Social Accounting Information by Different Companies

Public Sector Companies			Private Sector Companies		
Name of the Companies	No. of Items Disclosed (N=20)	%	Name of the Companies	No. of Items Disclosed (N=20)	%
BHEL	19	95	RELIANCE	15	70
SAIL	18	90	L & T	10	50
ONGC	16	80	M & M	12	60
NTPC	17	85	INFOSYS	12	60
ACTUAL DISCLOSURE SCORE	70			49	

Source: Compiled from the annual reports of various companies

The table above shows the disclosure of social accounting information by different companies. The total number of items disclosed by each company (separately for public and private companies) and its % is calculated. Then, the total number of items disclosed in each public and private company is summed up to get the actual disclosure score.

Table - 3 Social Accounting Disclosure Gap Analyses

Type of Companies	Expected Disclosure	Actual Disclosure	Disclosure Gap	
			No. of Items	%
Public sector	100	70	30	30
Private sector	100	49	51	51
Overall	200	119	81	81

Source: Compiled from the annual reports of various companies

In the table above, we have calculated the gap between the expected disclosure i.e. 100 and the actual disclosure (calculated in table 2) for both public and private companies. In the above case, disclosure gap for public sector is 30 and for private sector is 51 and the total disclosure gap is 81.This indicates that public sector companies discloses more items than the private sector companies.

Table - 4 Results of T-Test

Sector	Mean Score	Standard Deviation	Mean Difference	Standard Error(S.E)	T-Value
Public sector	17.5	1.29	5.25	1.21	4.34
Private sector	12.25	2.06			

The number of degrees of freedom is N – 1 = 4 – 1 = 3. The critical value of t for 3 degrees of freedom at 5 % level of significance of is 3.18. The calculated value of t is 4.34 > 3.18 hence the, the null hypothesis is rejected and alternative hypothesis is accepted. In other words, the difference is regarded significant that implies the corporate social accounting disclosure of public sector companies is better than the private sector companies

Major Findings of the Study

Major findings of the study are:

- ✓ The public sector companies have disclosed more items than the private sector companies.
- ✓ The actual disclosure score of the public sector companies (70) is more than the private sector companies (49).
- ✓ The disclosure gap i.e. (expected disclosure – actual disclosure) of public sector companies (30) is less than the private sector companies (51).
- ✓ According to Companies Act 2013, it is mandatory for all the companies to spend 2% of their net profit on corporate social responsibilities activities. But this provision is not followed by few public sector companies like SAIL, NTPC and BHEL however the reason for not spending the expected amount on CSR is given by these companies in their annual reports of 2014-15.
- ✓ Private sector companies should disclose more items in their CSR policy.
- ✓ Both public and private sector companies have disclosed CSR report according to Companies Act 2013 CSR pattern.
- ✓ The t- test applied indicates that the null hypothesis is rejected and the alternative hypothesis is accepted. In other words, the difference is regarded significant that implies that the corporate social accounting disclosure of public sector companies differ from the private sector companies. This indicates that social accounting disclosure of public sector companies is better than the private sector companies.
- ✓ In public sector companies' highest weightage is given to health facilities, educational facilities, community development, training, energy conservation, sports and games, canteen facilities, water and electricity, research and development, staff welfare, transportation, rural development, art and cultural facilities and environmental actions.
- ✓ In private sector companies' highest weightage is given to health facilities, educational facilities, community development, training, research and development, transportation, rural development, and art and cultural facilities
- ✓ The study shows that majority of the disclosure regarding social responsibility are made either in Director's Report or given in the form of supplementary information.

RECOMMENDATIONS AND SUGGESTIONS

The success of Social Accounting and Reporting system in terms of efficiency, ability and effectiveness need sincere efforts by all concerned— the accountants, accounting bodies, social scientists and the ultimate users (as they are to convey what in-formation they want and in what way), etc. In order to overcome the hurdles coming in the way of corporate social accounting and reporting, followings suggestions can be made:

- ✓ Companies should take social accounting disclosure as their moral duty; mere legislation would not solve the problem.
- ✓ The government should provide some incentives like differentials in tax treatment, subsidies, rebates etc. so that companies can take social programmes.
- ✓ The professional institutes like The Institute of Chartered Accountants of India, The Institute of Cost and Works Accounts of India, The Institute of Company Secretaries of India and academicians should work together for developing social accounting and reporting techniques. These professional institutes should develop standards for accounting and reporting.

- ✓ Social accounting information should be quantified as far as possible particularly in large corporate units.
- ✓ The private sector companies should try to reduce the disclosure gap.
- ✓ The private sector companies should initiate to undertake more CSR activities and disclose them in their social accounts.
- ✓ The public sector companies which have not spend 2% of their net profit in CSR activities should from next year spend according to Companies Act CSR provision.
- ✓ Both sector companies should try to spend more on those disclosure items which are neglected by them.
- ✓ The government should set up a committee, which can audit the corporate social accounts of both public and private sector companies.

If these suggestions are implemented, corporate sectors can effectively implement corporate social accounting and reporting system in their organizations and users of this information can be benefited by such information.

CONCLUSION

With the mandatory implementation of Corporate Social Responsibility according to the companies Act 2013, accounting has entered into the new stage of social responsibility accounting at the corporate level. In India both public and private sector companies have initiated in this area to disclose the information regarding social responsibility. However we conclude that the public sector companies disclose more social responsibility information than the private sector companies. Malegam states that "In our counties we will have to accept a proposition that corporations owe a responsibility not merely to the shareholders but to other stakeholders, to the employees, to the suppliers, to the customers, to the lenders, in fact to society generally." This emphasizes that the standard format may be devised in consultation with the Institute of Chartered Accountants of India, Institute of Chartered Secretaries, and the Government departments in order to ensure its better enactment.

Corporate Social Accounting and Reporting is such a vast area of research that no single study can cover different dimensions related to it. Though some studies including the present study have been conducted on Corporate Social Accounting and Reporting in India, but still there is much potential of research in this area. Future research in this area will positively bring more brightening result measuring and analyzing social costs and benefits data by the manager as well as by other concerned. Since the subject is in the primary stage, an in-depth research is still to be done

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