

CHAPTER 02

Defining Social Accounting

*“And tell me, what use is the ship-of-state
if all are not on board.”*

Tijan M. Sallah, The State (1996)

02.01 Few pertinent questions regarding social accountability could be as under :

- Whether the organisation is working in line with its inherent values and objectives
- Whether the organisation is able to relate with the well-being of all the stakeholders
- Whether the organisation is able to provide equal opportunities of values and services generated.
- Whether the perceptions of various stakeholders about the organisation are in consonance with its own assessment
- Whether the organisation is in the hands of able, honest, progressive governance.
- Whether the organisation is able to include the voiceless stakeholders without bargaining powers

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02.02 Social accounting is slowly assuming greater importance and acceptability largely due to the dimension

of ethics and accountability. However, it is extremely difficult to define conclusively the term ‘*Social Accounting*’ and ‘*Social Audit*’. There is always threat of missing out certain nuances of its essence. Some of its available definitions are as under :

*“Social accounting and audit is a framework which allows an organisation to build on existing documentation and reporting and develop a process whereby it can **account** for its social performance, **report** on that performance and draw up an action plan to improve on that performance, and through which it can understand its **impact** on the community and **accountable** to its key stakeholders.*

*The essence of social accounting and audit is therefore: **accounting for what we do and listening to what others have to say so that future performance can be more effectively targeted at achieving the chosen objectives**”¹*

The community should also contribute towards improvement of future performances of the organisation

02.03 The above definition of Social Accounting and Auditing can be simplified in the following manner :

- to build a framework on existing documentation and reporting
- to develop a process through, which social performances could be accounted and at the same time its impact on the community could also be assessed
- the community should also contribute towards/ improvement of future performances of the organisation

¹ From ‘Social Accounting and Audit for Community Organisations – The Manual’, Social Enterprise Network, UK

02.04 The above analysis provides a broad view of the concept of Social Accounting and Auditing but owing to its subjective and ethical dimensions defining social accounting would always remain an exercise in vain. Some other definitions of social accounting are as under :

“Social Accounting is the Process/ Instrumentality/Set of Measures with which the NGOs can document, establish and prove their Social or Societal Accountability or demonstrate the extent to which they are fulfilling the social, economic, cultural and political goals stated in the Mission”²

“In short, it can be said that Social Accounting is concerned with learning about the effect an organisation has on society and about its relationship with the entire stakeholders – all those who affect/or are affected by the organisation and its activities”³

02.05 In the light of the above definitions, we may understand social accounting as an exercise of practising, documenting and reporting the social purpose and relevance of an NGO. In the process, the existing system, stakeholders participation and inherent values are all intertwined with the principles of *Maximum Social Advantage*.

02.06 The story goes that a group persons were continuously digging pits and also filling them simultaneously, by the side of a city road. A bewildered shop keeper ultimately asks them to explain the purpose of their activity because after half a day’s work they were at square one. He is told that they belonged to the

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² From ‘Understanding Social Accounting’ by Dr. Badal Sengupta, Interface- Volume. IV, Issue III, published by FMSF, New Delhi

³ From ‘Need for Social Accounting’ by Sanjay Patra, Interface- Volume. IV, Issue III, published by FMSF, New Delhi.

Municipal Corporation working on an afforestation programme and were supposed to plant trees. Two persons were digging and two persons were filling. But the group responsible for planting the sapling was on leave. Whether it is a case of ethical behaviour or a system based activity, it is expected that there is an internalisation with the purpose and the outcome. Another way of looking at Social accountability is to consider it as the ownership undertaken by the NGO for acts, omissions, risks and dependencies for which it is responsible to various stakeholders.

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02.07 The exercise of concisely defining ‘Social Accounting’ may not lead us to any enduring purpose. It is more important to understand the context, and the purpose it possibly can serve. Generally, the essence of ‘Social Accounting’ is encompassed in the possibility of an organisational conscience, which continuously struggles to defy the inertia and entropy which is so natural for us as individuals and as civilization. In this book we will try to discuss various steps and issues which we may initiate or revisit as there is a very thin margin between our utility and futility.

02.05 The immediate question to arise is :

- Are we not already doing enough to justify our social accountability ?
- Are we not already generating enough documents and statements?

Then why invite a new set of troubles, which will require additional energy and resources, which otherwise could have been used for charitable purposes. In this context, it is important to conceptually unravel the reasons behind the need for social accounting. Further, social

accounting does not necessarily imply new set of documentation and reporting. All the existing forms of documentation, analysis and reports should also form a part of this process and we have to see what are the further needs for the areas of improvements. Some of the reasons why social accounting is necessary would be as under :

- Accountability to multiple stakeholders ‘upward’, ‘downward’, ‘internal’ and ‘horizontal’ accountability
- Inadequacy of current systems in registering the voices and influences of all the stakeholders
- Narrowness of accounting systems
- Legal limitations
- Economic limitations
- Lack of commercial consideration
- Compliance oriented and statutory system of documentation and reporting
- The need to assure that public funds are in safe hands.

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