

UNDERSTANDING CORPORATE SOCIAL RESPONSIBILITY BY EXAMINING CORPORATE SOCIAL REPORTS

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Abstract

Environmental pollution has reached an alarming level. Responsibility towards environment has become one of the most crucial areas of corporate social responsibility. Financial reporting is acknowledged to be central to the corporate function. Corporate social reporting relates to the disclosures companies make with regard to their non-financial activities. In order to sustain in competitive world, most of the industrial and corporate houses globally are incorporating the concept of environmental elements in their business operations. Corporate social responsibility is a concept whereby companies integrate social and environmental concerns in their business operations. In the early years of social reporting, environmental, community, product and employee issues, the traditional non-financial matters upon which certain companies reported, were normally included as a section in the annual report. The aim of this paper is to examine the concept of social accounting, its emergence, link between social reporting and sustainable development and also the role of accounting in understanding corporate responsibility.

Key words: Corporate social responsibility, corporate social reporting, financial accounting, ecopreneurship, etc.

1. Introduction

The environmental impact as a result of rapid urbanization is a matter of serious concern. Nowadays, firms are adding environmental concerns to their list of business priorities. This corporate response is necessary, not only to comply with regulations on production and product design, but also to remain competitive in a market place where many consumers specifically seek out environmentally responsible producers. The presence of resources and favourable government policies cannot automatically generate economic development. It is the entrepreneurial spirit of the people which can transform the economy of that region. A deep rooted notion on corporate behavior is in relation with their aim of attaining maximum profit. But today the picture is changed. Because in order to sustain in competitive world most of the industrial and corporate houses need to incorporate the environmental elements in their business operations. Social reporting regarding the environment is one of the crucial areas in today's corporate responsibility. The concepts of corporate social responsibility and corporate social reporting sound similar as CSR. Corporate social responsibility is about what companies do to make a positive contribution to society above and beyond that which constitutes their legal obligations. Corporate social reporting means the disclosures companies make with regard to their non-financial activities like environmental, community, product and employee issues in their annual report.

2. Corporate social responsibility: What does it mean?

As per the accepted conceptions of socially responsible corporate behaviour, corporate responsibility means corporate behaviour that combines sound ethical business practices with social and environmentally beneficial behaviour, where corporates not only adopt sound ethical practices as an integral part of their business but also extends to ethical interaction with the stakeholders, which includes the employees, the community and the environment. Indian CSR Law has adopted a contrasting approach to corporate social responsibility, basing it on philanthropy and charity, rather than as an integration of ethics with corporate policy. CSR requires companies to acknowledge that they should be publicly accountable not only for their social and environmental record. CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. Corporate social responsibility emphasizes how environmental concerns were increasingly an area in which companies were expected to exhibit responsibility. Today consumers make purchasing decisions which are based on the company's image and degree of responsibility, on the respect it has for its natural surroundings, and on its standards of occupational safety. CSR may be defined as a comprehensive business model that is designed to meet the requirements and expectations of the various stakeholders in a company, as well as to care for and preserve the environment. It can also be understood to be the group of actions which are undertaken by an organization in order to accept the responsibilities resulting from the impact of its activities on society and the environment. CSR can be understood as a method of managing the company, which is integrated into the strategy and that harmonizes profitability with social and environmental actions.

3. The concept of social accounting

Financial reporting is acknowledged to be central to the corporate function. Conventional definitions of accounting emphasize that its purpose is to provide financial information that should be useful for decision makers. Economic responsibility refers to the fundamental responsibility of business to produce goods and services that society wants, and which it sells at a profit. Beyond the financial accounting function, business enterprises now gives attention in various non-financial activities. It includes information about their position on corporate responsibility, sustainability and on climate change. Social accounting means accounting for non-financial aspects of a company's performance, extending accountability to a wider range of stakeholders within society.

4. Emergence of the concept of social reporting

Research in the 1980s shows some US and Australian companies reported on social issues before World War I. It was perhaps the increased social awareness of environmental issues in the 1960s, and the concern over corporate behaviour due to various company collapses and scandals in the 1970s, that the companies started to report on their non-financial information in their annual reports. In the 1970s, in different countries new legislations prompted companies to report on various aspects of its performance relating to, employment practices, pollution expenditure, etc. The publication of 'The Corporate Report' in the year 1975, called for a rethink of the role of corporate reporting to external stakeholders. It mainly focused on how the traditional annual reporting of the companies could be made more efficient by including social and environmental information also. It is easy for the companies to make statements like 'within this company we make every effort to maintain the highest standards of social and environmental practice'.

5. Corporate social reporting and sustainable development

Sustainable development means meeting the needs of present generation without compromising the needs of future generations. For sustainable development of a country, a well defined environmental policy is a must. It is the call of the time that corporate prepares a firm environmental policy, take steps for pollution control, comply with the related rules and regulations, and mention adequate details of environmental aspects in the annual statements. Environment and development are mutually so inimical, so the pathway to sustainable growth is no painless. Ecopreneurship is a term coined to represent the process of principles of entrepreneurship being applied to create businesses that solve environmental problems. It is otherwise referred to as environmental entrepreneurship.

6. Conclusion

Social accounting plays a central role in the corporate responsibility process. Corporate social reporting means how companies report to audiences outside the company. Increased social responsibility is needed to build an eco friendly organization, which will raise the productivity of the firm along with good relationship with the society. However, Milton Friedman mainly criticized the concept of CSR. The main criticism is that CSR is an empty promise and it is only an effective public relations tool.

9. Reference

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