Sixty Years of Social Accounting and Reporting: A Research Review

Samrat A. Jadhav
Head, Department of Accountancy, KES's Dr. C. D. Deshmukh Commerce and Sau. K. G. Tamhane Arts College, Tah. Roha, Dist. Raigad (MS) – 402109, India

Abstract

This research review work provides a comprehensive overview of the evolution of social accounting and reporting over the past sixty years, highlighting the pivotal developments and theoretical advancements that have shaped the field. Beginning in the 1960s, when societal expectations started to challenge business to account for their social and environmental impacts, the study traces the emergence of frameworks and standards that have contributed to the integration of sustainability into corporate reporting. By examining key milestones such as the introduction of the Triple Bottom Line concept, the establishment of Global Reporting Initiative and the advent of mandatory reporting in various jurisdictions. This research illustrates the expanding scope and increasing sophistication of social accounting practices. It also discusses the challenges and opportunities that lie ahead, emphasizing the crucial role of social accounting in addressing global sustainability issues. This paper aims to provide a historical perspective on social accounting, offering insights into its significant contribution to enhancing corporate transparency and accountability.

Keywords: Social Accounting and Reporting, Triple Bottom Line (TBL) and Global Reporting Initiatives (GRIs)

Introduction

With an influence and impact of social expectations, provisions, norms and rule of corporate governance and the global environmental and sustainability challenges; there is a significant evolution in the world of accountancy during last sixty years which is popularly known as 'Social Accounting and Reporting'.Linowes, (1968) first coined the term 'socio-economic accounting' in order to highlight the sociological, political and economic aspects of accounting that had significantly broaden the scope of conventional accounting paradigm. However, as a concept 'social accounting' was firstly developed as an approach in United Kingdom in the early 1970s, when a Public Interest Research Group established Social Audit Ltd.

Social Accounting and Reporting encompasses a broad array of practices at assessing and reporting an organization's social, environmental and economic impacts. It reflects commitment of an organization to sustainable development and social responsibilities. Over the year, it has evolved from a voluntary, individualistic, often peripheral activity into a critical element of corporate strategy, governance and stakeholders' engagement.

This review charts the trajectory of social accounting and reporting highlighting methodological innovations, researches, significant findings and the theoretical framework that have shaped this filed.

Evolution, Growth and Development

The process of evolution, growth and development of social accounting and reporting can be classified as Conceptual Framework, Emergence of Theories and Types of Research Studies in the area of social accounting and reporting or disclosure. On the basis of periodical developmental characteristics, these six decades are divided as

Classical Period:-	Thirty (30) Years of Entry, Emergence and Evolution
Medieval Period:-	Ten (10) Years of Growth
Modern Period:	Twenty (20) Years of Development
Sophistication Period:	2021 Onwards…

The classical period i.e. from 1960 to 1990 marked the formative years of corporate social accounting, laying the groundwork for contemporary practices in social and environmental reporting. During this period, two influential theories of social accounting viz., institutional theory and stakeholders' theory have been introduced. The institutional theory has its roots in the work of Meyer and Rowan (1977) and DiMaggio and Powell (1983). The institutional theory of social accounting and reporting provides a lens through which to understand how social norms, values, belief and rules influence organizational behaviour in the domain of sustainability and corporate responsibility.

The medieval period i.e. from 1991 to 2000, the period of one decade is a fastest growing period as far as the progress in the field of social accounting and reporting is concern. The effective and influential outcomes and development during this period are Theory of Corporate Social Performance (1991), Triple Bottom Line (1994), Legitimacy Theory (1995), ISO-14001 (1996) and Global Reporting Initiatives (1997).Medieval period is a transformative decade for social accounting and reporting. Above developments set the stage for integrated social, environmental and ethical considerations into corporate reporting and decision-making process of the business. This has resulted into stakeholders' involvement and engagement in internal as well as external environment of business.

The modern period i.e. from 2001 to 2020, this period of twenty years is the period of reliable standardization, integration and experimental research in the world of social accounting and reporting. This helped in not only widening the scope of social accounting but also absorbing other forms and types of accounting. So, social accounting becomes inclusive by definition. It means during this period social accounting includes accounting, reporting, disclosing and measuring performance of business towards environment, energy consumption, human resources, community, consumers, corporate governance and sustainability. During this period, sustainable development goals (2015) have been framed, popularized and accepted. The approach of integrated reporting (2020) has been adopted globally. As far as researches are concerned, there was a methodological shift from content analysis method to index analysis method.

The post-modern or sophistication period i.e. period from 2021 and onwards, this recent period is known for the application and utilization of technological innovations in the field of social accounting. Technological innovations and advancements have significantly influenced social accounting policies and practices. It is offering new ways to collect, analyses, interpret and report the data on social and environmental impacts. E-Platforms and big data analytics have enabled more detailed and dynamic reporting. This has resulted into tracking the individual performance in real-time and with greater accuracy. Blockchain technology is emerging as a tool for enhancing transparency and accountability in social accounting and reporting, providing an immutable record of financial as well as non-financial transactions and commitments.

Observations and Findings

During the sixty years of presence of social accounting and reporting, there is a drastic change in approach of corporate citizens from "Community 'Donation' out of Profit" to "Community 'Share' out of Profit". Thus, the scope of social accounting and reporting has widened from developed countries to developing countries to less developed countries to underdeveloped countries. It is a noteworthy to mentioned here that there is a change in methodological study of social accounting and reporting from content analysis to case studies to performance metrics and indices to integrated reporting to materiality assessment to the use of technology.

These six decades have also witnessed the standardization, institutionalization and authorization of social accounting and reporting principles, theories, methods and practices. An individual and voluntary initiative of social accounting and reporting has been institutionalized and made mandatary in most of the countries. Few globally important institutions to mentioned here are United Nation Global Compact (2000), The Social Audit Network (SAN) UK Ltd. (2006), The International Integrated Reporting Council (IIRC) (2010), ISO-26000 (2010), International Sustainability Standard Board (ISSB) 2021 and The Institute of Social Auditors of India (2022). Globally, there is a notable evolution of regularity landscape and proliferation of reporting framework.

In the research studies conducted on social accounting and reporting practices, especially during the period from 2000 to 2021 it was found that there is a positive correlation between social performance (strong social accounting practices) and financial performance. This throws the light on exploration that the socially responsible behaviour of a business unit can lead to strong competitive advantages. The business corporations have started incorporating and using practices of social accounting and reporting in business strategies and policies.

It is observed that the subjectivity in measuring social performance of corporate citizens has been replaced by objectivity due to emerging technological innovations including artificial intelligence, blockchain and big data analytics. It is playing a significant role in enhancing the efficiency, accountability, transparency and reliability of social accounting and reporting processes. The technological advancements offer new possibilities for tracking and verifying social impact in real-time, providing the stakeholders with accurate and timely information.

Problems and Challenges

This research study in form of review of literature, theoretical approaches and methods,various developments related to institutionalization and legalization of social accounting and reporting have come across mainly with problems and challenges.

There is a lack of universally accepted reliable standardization across reporting frameworks, which directly and indirectly complicates comparability. Different institutions often use varied metrices, factors and indicators, making it difficult for stakeholders to assess and compare corporate social performance effectively.

While there has been progress in integrating environmental, social and governance factors into corporate accounting and reporting, challenges remain in fully entrenching these considerations into strategic decision-making processes. The complexity of environmental, social and governance issues and their interdependencies require sophisticated analytical tools, techniques and methodologies that are still underdeveloped.

As there is an evolution of regulatory landscape for social accounting, the increasing complexity of legal provisions and processes, companies are experiencing reporting fatigue. The burden of compliance with multiple reporting standards and regulations can divert resources away from functional improvements in social accounting practices and social performance.

There is a complexity in determining the materiality of social issues that involves engaging with a wide range of stakeholders. To make this process inclusive and accurate in terms of reflecting stakeholders concerns is very challenging, especially for business corporations having diverse base of stakeholders or for multi-national companies. In such case, it is difficult to determine who qualifies as a stakeholder and how to prioritize conflicting stakeholders' interest? This can lead to difficulties in effectively addressing and balancing the diverse needs and expectations of various groups.
As far as misuse of an ethical and use of an unethical business practices are concerned, companies may use social accounting and reporting as a form of window-dressing. Companies may selectively disclose information to construct favourable image rather than genuinely engaging with accounting, reporting, disclosing and measuring social issues and performance.

Conclusion
Over past sixty years, social accounting and reporting has evolved from a peripheral concern to a central element of corporate strategy and governance. It reflects broader societal shift towards sustainability and accountability. As this field continues to mature, it offers rich opportunities for further research studies that can contribute to more sustainable an equitable business practice. The role of innovations in terms of technological advancements and novel approaches in measuring and reporting social impact will be crucial in addressing current challenges and unlocking the full potential of social accounting and reporting.

Suggestions
The problems and challenges stated above will set the stage for future directions in social accounting and reporting, pointing towards areas of innovations, policy development and research work or studies.

To tackle with issues and challenges such as standardization, comparability, there is a need of more rigorous methodological approaches. The empirical research studies should be encouraged on the impact of digital technologies on social accounting, including potential of artificial intelligence and blockchain to enhance transparency and accountability. The greater standardization will facilitate comparability and integration of social accounting into mainstream financial reporting.

Policymakers and regulatory bodies will play a critical role in shaping the future landscape of social accounting and reporting. There should be a measurement and communication of value creation and impact reporting instead of just recording and analyzing social transactions and social cost and benefits.

There is a need for greater education and capacity building among all stakeholders, including companies, investors, policymakers, regulators and community. Building expertise in social accounting and reporting practices, methodologies and relevant technologies will be essential for advancing the field.

References

Al-Ajmi, Al-Mutairi & Al-Duwaila. (2015). Corporate Social Disclosure Practices in Kuwait. International Journal of Economics and Finance; Vol. 7, No. 9; 2015 ISSN 1916-971X E-ISSN 1916-9728 Published by Canadian Center of Science and Education. Canada.

Anthony Hopwood, Jeffrey Unerman and Jessica Fries. (2010). Accounting for Sustainability: Practical Insights. First Edition, Routledge, London.

Dr. Samrat A. Jadhav and Dr. Siddheshwar Gadade. (2017). Social Accounting and Reporting Practices: A Case Study of Central Public Sector Undertaking In Maharashtra. A Ph.D. Thesis submitted to University of Mumbai, India

Dr. Tejas Gandhi. (2021). Social Accounting and Reporting. Redshine Publication Pvt. Ltd. Lunawada. India.

Jan Bebbington, Jeffrey Unerman and Brendan O’Dwyer. (2014). Second Edition. Routledge, London.

Mathews, M. R. (1997). Twenty-Five Years of Social and Environmental Accounting Research. Accounting, Auditing and Accountability Journal, Vol.10, No.4, 481-531.

Rob Gray, Jan Bebbington and Sue Gray. (2010). Social and Environmental Accounting. Volume IV. Sage Publication Ltd. India.