

A study on approaches of Social Responsibility Accounting in Indian banking sector.

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ABSTRACT:

Social responsibility accounting is recognized as accounting for community. The objective of the social responsibility accounting is to estimate the costs and benefits for society from the operations of businesses. Social Responsibility Accounting incorporates activities such as “Non-discrimination in employment opportunities, financial inclusion, community relations, Employees benefits and safety, and a receptive approach for customer clients”. The present study is to investigate the perception and policy towards social responsibility accounting by banking sector in India. One public sector bank and one private sector bank is pinned down for study. The annual reports of the banks reveal the diverse social responsibility accounting activities. Merely disclosing the social activities in the director’s report is not agreeable. Presenting in a requisite format is important to reveal social activities. There are several approaches and formats for reporting social information by the business enterprises. . The present study is developed and buttoned up across two approaches 1.Social income statement (ABT’s Model) 2.Social overhead approach. Also a Comparison is made between two banks economic contribution from 2015 to 2017. The data is collected from the websites of the identified banks and applied the above mentioned approaches to substantiate the objective of Social responsibility accounting concept is adhered or not.

INTRODUCTION:

In classical times, disclosure of accounting information was not required. After industrial revolution the company form of businesses has evolved with separate legal entity. These businesses were obligated legally, to disclose the financial position in form of financial statements. Generally the traditional accounting methods ignore the social responsibility accounting activities. But now there is a paradigm shift in financial reporting and the organizations has a role to play in the society and has to report social reporting in their Annual reports. All these terms social responsibility accounting, Social audit, social reporting emphasizes the social responsibility of organizations towards the society.

Techniques of Social Responsibility accounting are related with social reporting. So far no generally accepted format is there to report social activities of the businesses. It is said the businesses has to provide true and fair view. According to ASC (UK) has tried to define the term “True and fair” view in these words, “Accounts will not be true and fair unless the information contained is sufficient in quality and quantity to satisfy the reasonable expectation of the reader is and users”. The report should be beneficial to the users.

Objectives of the Study:

1. To compare the economic contribution of the two banks.
2. To analyze the social and financial income statements of the banks from the years 2015 to 2017 through ABT’s Model.
3. To analyze the social benefits under social overhead model.

Approaches and Formats for social reporting:

There are several techniques to present the social reporting. The author has selected two approaches for preparing and analyzing the social reporting of the selected banks. The following are the two approaches applied and analyzed.

1. **Social income statement:** The ABT’s model is always considered as over ambitious model. The reason is, the model includes both financial and social aspects of the organization. It is very difficult to quantify the social aspects in monetary terms. One cannot measure loyalty and committedness of an employee in monetary terms. The present study is to explore whether the ABT’s model can be accommodated to prepare the Social Income statement for the selected banks

2. **Social overhead model:** This model is presented by the bureau of public enterprises now called a department of public enterprises. According to the government of India, Ministry of finance every public enterprise has to submit its social performance

in the prescribed model by bureau of public enterprises. The model included the data about the employees of an organization. It enables us to study the social benefits for employees and cost for the employees.

Limitations of the study: The present study is based on secondary data, from the annual reports of the said banks. Some important data specifically benefits to staff and recoveries from the staff could not be identified from the report.

Research Methodology:

The present study is based on three approaches for preparing social responsibility accounting statements for the selected banks in India. The data is secondary data and is collected from the annual reports and websites of the banks.

Out of 11 approaches of social responsibility accounting, two approaches are selected and applied to study the social reporting of the selected banks in India.

Literature review:

Mathews(1993) defines the concept of Social Responsibility Accounting as the organization's voluntary disclosure of information aimed at influencing or informing its audiences.

Mook et al.(2003) defined social responsibility accounting (SRA) as social accounting that can be issued by any organization including information that permits stakeholders to monitor the organization's performance in dealing with both positive and negative social issues.

Seema Gull , Anand Hanchinal, Salma M. B (2013) has related social accounting with social performance. The authors, using descriptive method, explains social accounting, its goals and assumptions, then, expressing social profitability of accounting information amount, connects its current position with social accounting system implementation.

Hani Ali Aref Al-Rawashdeh , Atef Aqeel Al-Bawab (2017) identified the commitment of social responsibility and following the accounting standards in Islamic banking to disclose the social responsibility in their financial statements. The results were the banks in Jordan are performing social responsibility. several recommendations were made In disclosing the zakat and donations amount separately in income statements

EHIOGHIREN, Efe Efosa. PhD, ENEH, Onyinye(2019) examines the corporate social responsibility accounting of banks and insurance companies in Nigeria. The research design adopted for the study was expo facto research design. A comparison of social responsibility expenditure was made between banks and insurance companies. The findings expresses that there is a significant difference in the social responsibility accounting expenditure of banks and insurance companies in Nigeria. The reason might be the lack of legal prescriptions and ignorance of benefits of social reporting.

Hasan El-Mousawi, Hussein Trabulsi, (2019), has shredded light on the concept of social responsibility accounting and the impact of applying in the Lebanese banks. The findings disclosed that the banks in Lebanon are aware of the concept but they have not developed relationships with the local community except in some areas.

Anand Patil, M.Muthu Gopalakrishnan (2019) has opined that even though much stress is given on social reporting, there is no universally accepted standard. The authors have studied the most identifiable models followed and its applicability in the modern world.

Tran Quoc Thinh(2021)conveys that businesses should be responsible to the share holders. The organization has to maintain the relationships with customers and society. The study was made to find the implications of social responsibility accounting on profitability of banks in Vietnam. Ordinary least square method was applied and study show that a positive influence on ROE and ROA was there with the disclosure of social responsibility accounting.

.Data Analysis and Interpretation:

1. To compare the economic contribution of the two banks.

First , Comparision of economic contributions of each bank in different years has analyzed by calculating the percentage differences for each year.

Second, Comparision of economic contributions of both banks has been analyzed by comparing the percentage differences for both banks.

Economic contribution by SBI for the years 2015 to 2017.

Economic value generated. Particulars. For SBI	2015	2016	2017
Operating cost (other than employee wages and benefits)	14,517	16,669	19,984
Employee wages & benefits	23,537	25,114	26489
Payments to capital Providers	2648	2,018	2109
Payments to Government (Net cash outgo on account of corporate income tax	4,259	7185	108
Community investments	116	144	110
Total Economic Value Distributed	45,077	51,130	48,800
Total Economic Value Retained	1,29,896	1,40,714	1,62,179
Total Income	1,74,973.	1,91,844	2,10,979.

Source: SBI Annual Report.

Percentage changes in Economic Contribution. SBI

Particulars	% Change in 2016	%change in 2017
Economic value generated. Particulars. For SBI	2015compared with 2016	2016 compared with 2017.
Operating cost (other than employee wages and benefits)	>12.91	>16.588
Employee wages & benefits	>6.27	>5.19
Payments to capital Providers	<31.21	>4.314
Payments to Government (Net cash outgo on account of corporate income tax	>40.723	<98.49
Community investments	>19.44	<30.90
Total Economic Value Distributed	>11.84	<4.77
Total Economic Value Retained	>7.688	>13.235
Total Income	>8.794	>9.696.

Authors Own Creation.

Interpretation:

There is a increase in Total economic value retained in 2015 to 2016 by 7.688%. And also the value increased in 2017 from 2016 by 13.325%. Employee wages and benefits increased in 2016 and 2017. Payments to capital providers decreased in 2016 and increased in 2017. Corporate tax paid to the government was more in 2016 and almost nil 2017. Community investments increased in 2016 and decreased in 2017.Overall the total value distributed increased in 2016 and decreased in 2017.

Economic contribution by Axis bank for the years 2015 to 2017.

Economic contribution	2017	2016	2015
Economic Value Generated (A)	404.56	447.86	466.21
Revenue	404.56	447.86	466.21
Economic Value Distributed (B)	409.99	404.37	384.29
Operating costs	95.01	81.47	65.77
Employee wages & benefits	43.13	38.92	33.76
Payments to providers of capital	271.63	264.49	241.57
Payments to Government	-1.12	18.14	41.8
Community investments	1.34	1.35	1.37
Economic Value Retained (A-B)	-5.43	43.49	81.92

Source: Axis bank Annual report

Percentage changes in Economic Contribution. Axis Bank

Economic contribution	% change in 2017(2016 compared with 2017)	%change in 2016(2015 compared with 2016).
Economic Value Generated (A)	<10.70	<4.09
Revenue	<10.70	<4.09
Economic Value Distributed (B)	>1.37	>4.967
Operating costs	>14.25	>19.27
Employee wages & benefits	>9.76	>13.25
Payments to providers of capital	>2.62	>8.66
Payments to Government	<93.87	<130.42
Community investments	<0.74	<1.48
Economic Value Retained (A-B)	<111.384	<188.365

Authors own creation.

Interpretation:

The income level has decreased from 2016 to 2017, and even in 2016 also the income levels has decreased. There was a slight increase in economic value distributed in 2017 and as well as 2016. In 2017 the economic value retained was a negative value which shows that costs and payments are more than EV generated. The same scenario with 2016 also and it has decreased by 188.365%. This shows that bank has generated less income and costs are more.

Comparison for both banks:

The above table values clearly explain that the Axis bank is contributing more for employee benefits and capital providers. But whereas the contribution from SBI is meager when compared with EV generated. The community investments were decreasing subsequently from year to year.

2. To analyze the social and financial income statements of the banks from the years 2015 to 2017 through ABT's Model.

The Social Income statements are prepared for both the banks based on ABT model. By preparing these statements one can understand the complete social performance of the banks towards community, employees and general public.

Social and Financial Income statement of SBI as per ABT's Model

Particulars	2015	2016	2017
I. Total Income Including Benefits from staff, community, capital providers	1,74,973.	1,91,844	2,10,979.
II. Operating cost	14,517	16,669	19,984
Employee wages & benefits	23,537	25,114	26489
Payments to capital Providers	2648	2,018	2109
Payments to Government (Net cash outgo on account of corporate income tax)	4,259	7185	108
Community investments	116	144	110
Net Financial and Social Income.	1,29,896	1,40,714	1,62,179

Developed by author

Social and Financial Income statement of Axis bank as per ABT's Model

Particulars	2017	2016	2015
I. Total Income Including Benefits from staff, community, capital providers	404.56	447.86	466.21
II. Operating cost	95.01	81.47	65.77
Employee wages & benefits	43.13	38.92	33.76
Payments to capital Providers	271.63	264.49	241.57
Payments to Government (Net cash outgo on account of corporate income tax)	-1.12	18.14	41.8
Community investments	1.34	1.35	1.37
Net Social and financial income.	-5.43	43.49	81.92

Developed by author

Comparison of Social Income statements of both banks:

The social income statements of both SBI and Axis bank were calculated. The Net social and financial income of the axis bank was decreasing from year to year. Even the income levels are also decreasing. But economic contribution distributed was increasing from year to year. It shows that the banks contribution towards welfare schemes of employees and the amount paid to capital providers are also high.

The Net Social and Financial income of SBI has been increasing from year to year. The employee benefits are given importance and it was increasing from year to year. But the community investments were very less from SBI.

When we compare both the banks Axis bank is contributing more percentage from its value generated, where as the SBI the contribution compared to income level is meager and the value retained is more. Both the banks are contributing for employee benefits and wages. But In real terms SBI's contribution is very less when compared with Axis Bank.

Comparison of Social over heads of both banks:

The social overheads of the organizations refer to positive human interaction. It may be tangible and intangible and may include employee contribution in terms of innovative ideas and commitment towards the organization. It can also be used to explore the personal relationships within a company that help build trust and respect among employees, leading to enhanced organizations' performance.

Social over head for SBI

Particulars	2015	2016	2017
Employee wages & benefits	23,537	25,114	26,489
Social Overhead	23,537	25,114	26,489

Developed by author

Social over head for Axis bank.

Particulars	2015	2016	2017
Employee wages & benefits	43.13	38.92	33.76
Social Overhead	43.13	38.92	33.76

Developed by author

The present study is about the contribution of social overheads of both the banks. The social overhead statement is prepared based on model presented by the bureau of public enterprises, now called a department of public enterprises. The social overhead model exhibits the social obligation towards the employees can be identified.

When comparison was made the SBI's contribution towards employees is very less and axis bank is contribution is more. In recent studies SBI' nonperforming assets are increasing from year to year. It shows lack of commitment from the employees. Social overhead model is developed for better relationship with employees for enhanced performance of the bank.

Findings:

1. The economic contribution of private bank, Axis bank is higher than the public bank, SBI.
2. Based on the social income statement the social performance of the axis bank is more than SBI.
3. Both the banks have made very low community investments.
4. The SBI's contribution towards employee wages and benefits is very low when compared to Axis bank.

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Vol. 7 No. 1 (January, 2022)

International Journal of Mechanical Engineering

5. It is found that both the banks are showing economic value contribution statement in their annual reports.
6. The SBI's contribution towards capital providers is low when compared to axis banks contribution towards capital providers.

Conclusion:

The study mainly concentrated on social responsibility accounting and economic contribution of two banks, Axis and SBI. Based on the literature review there are no universally accepted approaches to present Social responsibility accounting statements, Even though much stress is given on the social reporting. The present is the application of ABT's model and social overhead model for both banks. The conclusion is between the selected banks, Axis bank is distributing more income towards employee wages and benefits. The SBI, despite having a huge income, not concentrating enough on employee and community benefits. When It comes to the economic contribution, Axis banks are contributing more towards public, community, employees, capital providers, when compared with the SBI. Some researchers has identified the relation between profitability and Social reporting and economic contribution. In recent times, we have seen more NON performing assets in Public sector banks. The reason may be less commitment towards job performance. So, we can conclude that , More contribution more commitment from the employees and more profitability.

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