

Corporate Social Reporting Practices in India Special Bhilwara Industry

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Abstract – The concept of “Social Audit” and accounting has been derived from the concept of “Corporate Social Responsibility” that is followed by corporate entities around the globe. It has become a popular tool to determine a company’s social impact in the community. It is a process by which an attempt is made to find out whether the benefits of the projects/activities reach the people for whom it is meant. The objectives of social audit are – to look at what the social enterprise is doing, to evaluate how well public resources are being used to meet the real needs of target beneficiaries, to ascertain where improvements need to be made and what those improvements should be and to strengthen accountability and transparency in local bodies and many more. Generally Government and Funding Agencies, Private Enterprises and Civil society are the users of social audit. Social audit benefits disadvantaged groups, increases accountability, evaluates the fulfilment of social responsibility etc. The main difficulties in social audit are – absence of appropriate social accounting and reporting systems, mind-set of people and lack of education among the common masses. In this background, an attempt has been made in this paper to discuss the ins and outs of ‘Social Audit’.

Keyword:- Social Audit, Social Accounting, Industry, Social Cost Benefit

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1. INTRODUCTION

A good deal of research and experimentation is now being conducted to devise techniques which measure the contribution that an enterprise makes to the society. These developments result from an increasing realization of the fact that business undertakings have social responsibilities and their performance as a whole should be seen in this context. Social Audit is an independent evaluation of the performance and social responsibility of an organization as it relates to the attainment of its social goals. It is an instrument of social accountability of an organization. In other words, Social Audit may be defined as an in-depth scrutiny and analysis of the working of any public utility vis-a-vis its social relevance. Both Social Audit and Social Accounting are the process that enables an organization to assess and demonstrate its social, economic and environmental benefits. It provides an assessment of the impact of an organization's nonfinancial objectives through systematic and regular monitoring based on the views of its stakeholders. A business organization is a social unit for two reasons; firstly, its activities vitally affect the society and its members. This is because of the goods and services that it produces and sells and of the fact that large numbers of people spend the major portion of their adulthood working in one organization or another which, in turn, moulds the

way in which they act and behave. Secondly, it is the society that will determine the parameters within which business will operate. In India, there are some fields in which private business is not allowed to exist at all; there are others which are open to only small scale units. Also, the society provides the infrastructure and the facilities without which business cannot operate at all. The society, therefore, expects that business organizations will not injure the society in any manner; on the contrary, like all good members of the society, it will strengthen it.

2. NEED FOR THE STUDY

Indian companies have faced strong international competition over the past few decades, especially after the opening of the Indian economy in the early 1990s as international competitors tried to establish their footholds in India. These international firms are disclosing non-financial information including corporate social responsibility information leading to an enhanced expectation from Indian companies to act responsibly towards the society at large and be accountable to the society beyond the traditional role of providing financial account to the stakeholders. Hence, to improve corporate image concerning socially responsible behaviour, an increasing number of Indian companies have been reporting their environmental and social

performance in their annual reports, websites etc. There is need to study the current corporate social reporting practices of Indian companies to suggest a suitable framework of corporate social reporting.

Social audit in India does not ordinarily have any relation with corporate or business institutions. Companies engaging in Corporate Social Responsibility (CSR) do not generally produce a social audit report regarding their organizations. It is usually targeted at the public works by the government and usually with a methodology of involving public through physical verification of works, records assessment, public hearing and mass mobilization etc. There are some legislative supports available to Social Audit in India. The legislative supports are: The 73rd amendment of the Indian Constitution: Social audit gained significance after the 73rd Amendment of the Constitution relating to Panchayat Raj Institutions. That empowered the Gram Sabhas to conduct Social Audits in addition to its other functions, and it was by far the only legislative reference to the concept of Social Audit.

3. INDUSTRIAL SCENERIO OF BHILWRA

Bhilwara has 4000 Textile manufacturing units which production exports to 70 countries specially in Europe, South Africa and North American. It has highest number of register private motor vehicle (4 wheeler) in Asia. This is second largest producer of polyester fiber in India, third largest producer of Salt i.e 1/10th production of country and only center in country for producing insulation bricks. This project is characterised of textile industries' effluents in Bhilwara and its Fluoride pollutant separation by Microbes.

The industrial town of Bhilwara, situated in the Mewar region of Rajasthan, is a famous hub for textiles in India. The textile industries of the Bhilwara district displays an annual growth rate of 8 to 10 percent and are widely popular for exporting textile products like synthetic yarn, woollen commodities, cotton yarn, and fabrics. The export sectors which comprise the mills of Bhilwara fetch a sum of Rs.1300 crores per year. With textile being the main industry in the district, the area has more than 400 manufacturing units, making it a major textile centre specialising in synthetic fabrics for trousers.

Textile operations such as spinning, weaving, and processing are carried out in the mills in Bhilwara and hence the industry is also the largest employer in the unorganized and organized sector, with over 75,000 individual working in the sector to boost the state's economy. The district is a home to as many as 16 spinning mills in a large sector along with 5 open spinning units, which manufacture around two lakh tonnes of polyester/viscose and cotton yarn every year. With such a large production churning

out per annum, Bhilwara district alone is said to meet 44 percent of the State's yarn production capacity.

There are 7.67 lakh spindles and 19,500 rotors in the spinning mills in the district. The mill sectors of Bhilwara have 48 knitting machines and more than 2100 looms enriching its capacity of production. Bhilwara has a strong history of textiles dating back to the 60s when 200 second hand looms from the British Raj were being run and large number of cotton yarn producing plants was operating. But it was only when in 1988, the Industrial licenses were withdrawn to give an impetus to the industrial development the textile industry flourished. Between the years 1988 to 1990 over 70 weaving units were established.

The spinning industry has a significant presence in Bhilwara. Out of the 29,200 rotors that are installed in the state of Rajasthan, the district accounts to a majority of 19,500. The spinning machines used in the industries are imported from countries like Italy, Switzerland, and Germany. The district has 45 percent spindles and 67 percent rotors in the spinning sector. With such capacities Bhilwara has become a prominent textile centre in India. Technologies like air jet spinning are used only in Bhilwara and also it is the only district producing silk yarns in the state Rajasthan.

4. SOCIAL COST BENEFIT ANALYSIS

Social cost benefit analysis is a part of calculating the merits of a project or a government policy. As the name suggests, social cost-benefit analysis of anything is associated with its social impact. This means that how a project or a policy will affect people is analyzed. Only after calculating the opportunity cost of a project, it is approved.

The scope of social cost benefits can be applied to public investment and also to private investment. In case of public investment, it plays a major role in the economic development of a developing country. And, in case of private investments social cost benefit analysis is important as investments are to be sanctioned and are monitored by the government. There are two aspects of calculating the cost benefit analysis of any project. One is the private cost-benefit analysis and the other is social cost-benefit analysis. Though, social cost-benefit analysis is usually undertaken by the government.

Social cost is often in contrast with private cost. Major differences between social cost benefit analysis and private cost benefit analysis are as follows.

1. In social cost benefit analysis, not only profit but also other effects like how will it affect life of others are considered. Whereas, in private cost benefit analysis,

the focus of the analysis is on maximizing profits.

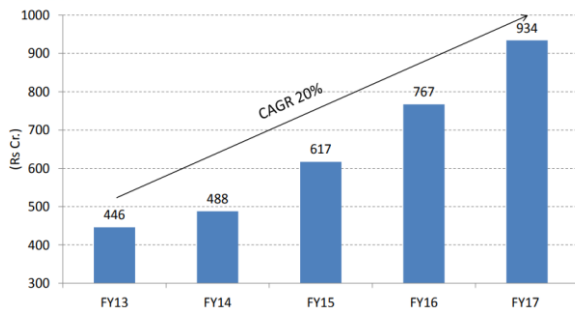
- For calculating social cost benefit, market prices for the factors to be considered cannot exist. Therefore, market price is not the main factor taken into consideration while calculating social cost benefit. Whereas, for private cost benefit analysis market price forms the base of the analysis and the key factor that determines if a project is viable.

Social Cost = Negative Impact

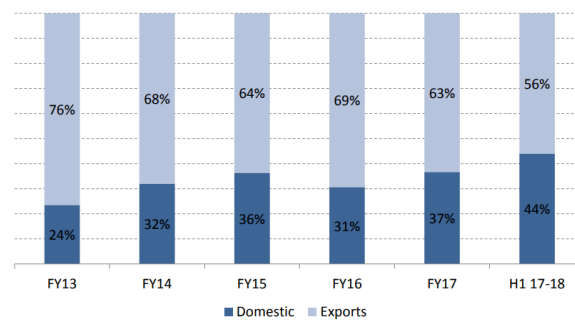
Social Benefit = Positive Impact

4.1 Financial Performance

Revenue Performance



4.2 Geographical Distribution of Revenue



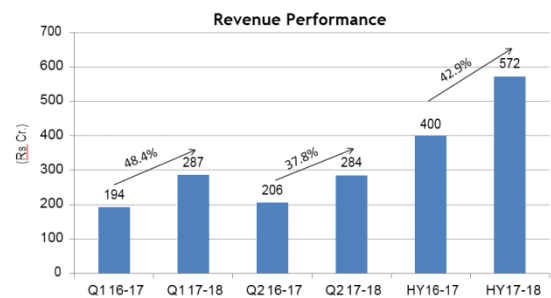
4.3 Financial Highlights

Rs in Crores**	FY13	FY14	FY15	FY16	FY17	CAGR
Turnover	446.1	488.3	616.5	766.9	933.3	20%
EBIDTA	87.5	94.3	104.3	137.8	133.9	11%
EBIDTA %	19.6%	19.3%	16.9%	17.9%	14.35%	
PBDT	45.5	76.8	81.7	104.8	111.7	25%
PBT	35.7*	52.0	53.8	65.2	70.0	18%
PAT	28.9*	34.8	41.0	44.2	57.1	19%
EPS (Rs Per Share)	3.1	7.6	8.9	9.6	12.5	

BALANCE SHEET POSITION

Rs in Crores*	FY13	FY14	FY15	FY16	FY17
Equity Capital	45.8	45.8	45.8	45.8	45.8
Reserves & Surplus	55.0	85.8	121.2	159.9	210.4
Net Worth	100.8	131.6	167.0	205.7	256.2
Deferred Tax Liabilities	6.6	21.2	33.9	43.3	53.9
Long Term Loans	162.3	130.7	294.3	240.9	389.4
Bank Borrowing	16.8	13.4	53.4	57.7	107.5
Current Maturities of LT Loan	27.5	31.9	30.6	53.5	66.6
Other Liabilities	31.7	25.2	30.7	34.0	50.5
Total Liabilities	345.7	354.0	609.9	635.1	924.1
Gross Fixed assets incl. WIP	377.2	399.9	621.1	642.3	898.4
Net Fixed assets incl. WIP	213.0	212.4	416.7	399.2	614.3
Current assets	132.7	141.6	193.2	235.9	309.8
Total Assets	345.7	354.0	609.9	635.1	924.1

QUATERLY AND HALF YERALY PERFORMANCE



QUATERLY HALF YEARLY PROFITABILITY

Rs in Crores**	Q1 17-18	Q1 16-17	Q2 17-18	Q2 16-17	H1 17-18	H1 16-17
Turnover	287.25	193.53	284.44	206.48	571.69	400.01
EBIDTA	41.51	31.02	34.27	32.11	75.79	63.13
EBIDTA %	14.45%	16.03%	12.05%	15.55%	13.26%	15.78%
PBDT	33.43	25.19	26.87	27.10	60.30	52.29
PBT	19.30	15.34	12.63	17.13	31.93	32.47
PAT (Before OCI*)	12.73	12.29	8.31	14.12	21.04	26.41

5. CONCLUSION

Governments are facing an ever-growing demand to be more accountable and socially responsible and the community is becoming more assertive about its right to be informed and to influence governments' decision-making processes. Both Social Audit and Social Accounting are the tools through which textile company, manage and measure non-financial activities and monitor both internal and external consequences of the departments' social and commercial operations. Social Audit gained significance in India after the 73rd Amendment of the Constitution relating to Panchayat Raj institutions. The approach paper to the Ninth Five Year Plan (1997-2002) emphasizes Social Audit for the effective functioning of the Panchayat Raj institutions and for achieving the goal of decentralization in India. In Kerala, the state government has taken a decision to introduce Social Audit for local bodies. Social responsibility has been assuming increasing importance and there is a growing awareness among the corporate sector these days that every company should contribute positively towards the social goals. At

present, almost all the countries of the business world including India have started to think of discharging their social responsibilities efficiently. This type of thinking is essential for maintaining long term existence of the organization.

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