

# A Study of Social Audit on Top Indian and Global Companies.

Authors: Nithesh R, Sangeetha, Geetha, Ayesha Javeriya Khanum, Neethu, Harishma, Shyti, Milan, Mahesh – Research Scholar's, CHRIST (Deemed to be University)

Guided by : Dr. Kavitha Jayakumar, Associate Professor, CHRIST (Deemed to be University)

**Abstract:** *This paper is basically an overview and examination of the activities of a company as part of their responsibility towards the society. It focuses on how the companies carry on their responsibility towards the society ethically and how it leads to their sustainable growth. The study is descriptive in nature and uses the secondary data for the purpose. Two companies from both Indian and global context which are actively involved in social activities are critically analyzed. The results provide that CSR is a tool of self-assessment for the companies in case of social audit which ultimately results in their sustainable existence.*

**Key words:** *Corporate social responsibility, Ethics, Social Audit.*

## Introduction

Corporate social responsibility (CSR) was initially recognized in 1960. As CSR gained its importance worldwide, Companies were constantly scrutinized on their social performance. They were constantly judged on their positive and negative impact on the society as a whole and stakeholders and the environment in particular. Now for companies to sustain for longer period it is just not enough how much profit they make or how much wealth they build to their shareholders but, it is equally important how much they contribute back to the society. As per the stewardship principle, for having utilized the resources of the society, it is the ethical responsibility of the company to give back something good to the society. Recently corporate governance and CSR reports have gained substantial interest. Investors prefer to invest in only those companies who contribute towards corporate social responsibility activities. In order to gain all stakeholders attention, corporate have started releasing their own CSR reports following their own code of conduct. So there is a need to verify the authenticity of these CSR reports and check how effectively the companies who claim that they are socially and ethically responsible are following practically. In order to establish this, there is an essential need for social audit and accounting (Mia & Vicario, 2015). "Social audit may be defined as a way of analyzing , measuring and reporting an organization's social and ethical performance by scrutinizing its non financial activities which , directly or indirectly, impact stakeholders" (Ghonkrokta,S.S & & Lather, 2007).Social audit takes into consideration factors such as company's activities towards Volunteer service, charitable activities, transparency in its activities, energy consumption, employees salary and benefits, proper work environment and to assess what kind of environmental and social impact a company has around its place of business. A Social audit is essential for internal examination to identify how a particular business is affecting the society. To build a positive public image Companies cannot just survive by creating value addition to its share holders and to deliver quality products or services to its customers. To create, improve and maintain a good public relationship and for long term sustainability, it is mandatory for companies to meet both social and environmental standards. Good public image is the key mantra for the success of any company. The main objective of social audit is firstly to identify and determine

the extent of periodic social contribution of an individual firm to various segments of the society. Secondly to evaluate whether companies objectives, vision, mission, strategies, policies and practices which directly affect the resources are in accordance with the social values, principles and lastly social audit gives an assurance about the company stating they have truly collected social and environmental data and also disclose those data in a satisfactory manner.

### Review of Literature

(CSR) Corporate Social Responsibility is a kind of approach which has been adopted by all businesses which helps them to contribute to the society as well as benefit the shareholders and stakeholders by providing social, economic and environmental benefits and CSR also helps for sustainable development (Corporate Social Responsibility (Csr) Definition from Financial Times ...). The method of carrying on CSR activities differs from company to company. CSR gained initial recognition during 1960s, although companies have their own set of codes of conduct and they prepare CSR report which contains the details about contribution to the society by the CSR activities of the company and finally release the CSR report as a response to the stakeholders' suggestion on improving their environmental aspects, social activities and ethical standards. The aim of ensuring "quality" CSR reports has caught those experts' attention who tried to regulate whether the firms are constantly dealing to cater to the needs of stakeholders or not (Vicario, 2016). A study examines the extent to which the quality award/ excellence model have contributed to the upliftment of Corporate Social Responsibility audit by observing 'Malcolm Baldrige National Quality Award and the European Quality Award' (Kok, Wiele, McKenna, & Brown, 2001). It is found that Quality award does not includes ethical aspects in relation to social responsibility and this paper also finds that there is a great need of proper audit instruments. To have the check on the quality and to measure the CSR activities the focus is towards the social accounting, to be more specific 'social audit' done by the companies." Social Auditing is a process that helps any business/organization to assess and evaluate its benefits which are in the form of social, economic and environmental, also it is known as a tool for measuring to which extent an organization lives up to the objectives and shared values it has committed itself to (CHORASIA)". To make this social audit more effective some universal standards for social auditing has been established. Social audit is a way by which the organization's social and ethical performances can be analyzed, measured and also can be reported by scrutinizing the non-financial events which directly or indirectly have an impact on shareholders (Ghonkrokta. S. S & Lather, 2007). Social audit is all about accounting the CSR activities and contribution to society which helps the corporate sustainability. CSR is described as a relation that exists between the businesses towards its society. It's the duty of the business to make use of the resources which is beneficial to the society by taking into consideration the participation and welfare of the society at large (Jamie Snider, 2003). The evaluation of the CSR activities is done through several methods of social reporting. Social audit is one among such methods. It is a process of presenting and impressing the various stakeholders by the management through their public relations and activities. In this way economic activities of the firm towards stakeholders are valued. Research focuses on the context of these social reporting. It mainly includes their general value statements, environmental policies, stakeholders like customers, employees etc. A General value statements form an ethical relation between firm and their internal and external stakeholders. Environmental policy is a statement which explains the firm's responsibility towards its ecology and environment. The specific stakeholders like employees and customers who are necessary for the success of the business taken into consideration to achieve their needs and

satisfaction. (Dwivedi, 2010) Through this methodology of social audit and its benefits to the stakeholders of the public sector programs, the methods in social audit provides a framework in which organizations can implement their own strategic plans and process, performance evaluation criteria , monitoring and controlling as well as to improve their operations. Stakeholders are now-a-days not only focusing on the direct benefit from management. They wholeheartedly expect the direct participation of the management in the socially relevant issues and problems. For example, the stakeholders usually expect the business think about the problems faced by society at large like unemployment, poverty, infrastructure (Peter Kok, 2001). The concept of ethics is incorporated with the concept of social responsibility by the business in their journey towards success. From the point of view of quality management, there has been a shift in the way of thinking of management, which has evolved from a number of stages. Initially they focused on the quality of products and services then the performance of them. During the second stage, quality extended to the process of manufacturing of products or services and in the last stage there evolved the concept of total quality management i.e., how organizations contribute to their environment. So, it has been found out that the companies are using the concept of business ethics and social responsibility in practice for their audit of assessment of journey towards their excellence. In last few decades the measurement of performance in social norms of the business has developed from the phase of concept and theory to the phase of enriched practice. To some extent the social responsibility of the company has impacted its economic performance which is being recognized in the recent past. Identification of proper means of measurement in terms of social performance has been carefully developed which also has led to the controversial opinions regarding the suitable means of the measurement (ARCHIE B. CARROLL, 1975). Corporate social responsibility is not just about how much money worth you give as charity. But it is all about how you make that money in an ethical manner without causing any harm to people, employees, customers, various stakeholders, environment and society at large. Every company should follow stewardship principle. What is the use of a company opening a cancer treatment hospital as part of charity activities, when the same company sells products which causes Cancer? Companies do have an ethical responsibility not to put the lives of the people in misery and not to exploit its employees. What really matters is how a company makes its money (Chaitanya Nellithaya, Cosmas Lovejoy Dzomba, Sangeetha G Nagarakatte, & Sanmayi N S , 2018). (M.El Mousadik,F.Elkandoussi, 2016) An exploratory research on tourism and hotel companies in Morocco found that social audits are the tools that companies employ to identify and measure performance and progress. The study revealed that companies are aware of social auditing and it considers as an effective technique to develop strong HRM policy in hotel industry. Another study speaks regarding CSR activities in banking sector. (Islam M.T, 2015) conducted a study to understand the introduction of social inspection for the CSR activities conducted by banking sector at Bangladesh. Since 2008, financial sector specifically banks are the highest contributor in Bangladesh for CSR activities. But because of poor reporting, the stakeholders are not aware of the CSR contributions. Some of the issues faced in CSR are lack of clarity, number of investment in environment. These challenges can be withdrawn by the social audit by creating a single platform for the stakeholders. This is done by comparing the CSR commitments with the actual performance of the banks. For the success of social audit, trust plays an essential role; therefore a trustworthy person should manage the social audit system. To distinguish the materialness of social reviewing as a methodology of drawing in patterns in surveying and giving an account of corporate maintainability and its execution. Plan/philosophy/approach – Drawing upon the structure of AA1000 and the social inspecting considers, this paper joins partner commitment; social evaluating and corporate manageability with the end goal of applying exchange based social reviewing to address

corporate supportability. Discoveries – This paper recognizes a "coordinate" between corporate supportability and social evaluating, as both go for enhancing the social, natural and monetary execution of an association, considering the prosperity of a more extensive scope of partners and requiring the commitment of partners all the while. This paper recommends that social inspection through connecting with partners by exchanging and could be connect to assemble trusts, recognize duty and advancing co-activity among partners and enterprises. Research restrictions/suggestions – This examination requires further exact investigation into the reasonableness of social inspecting in tending to corporate supportability and the assurance of the impediments of discourse based social evaluating. Useful ramifications – Social examining has been recognized as a supportive instrument of adjusting and contrasting interests among partners and enterprises in the society where businesses are popular. Creativity/esteem – The paper analyzes the pertinence of discourse based social examining in helping business to step towards supportability. Social inspecting as a means of surveying and providing details regarding corporate social and natural execution through drawing in partners by way of exchange could be connected to manufacturer's trusts, recognize the responsibility and advance participation by the partners and enterprises (Zhang, 2006) Social audit has proved to be an important tool to build confidence in shares holders and other stake holders. They act as a proof to the company's social regard and develop a positive opinion in their minds in building loyalty. Social regard of the companies reflects on its overall performance (M. Rahim, 2014). A social audit performed to analyze the contribution and effectiveness of the poverty alleviation programs undertaken by the Indian government for the purpose of poverty reduction in India revealed that too much of government interference failed to achieve the goal of such programs, however the active involvement of the communities especially poor led to a better attainment of goals of such schemes, hence a need for decentralized schemes strengthening the Panchayat Raj Institutions is necessary for the success of such schemes. (C.A.K, 2007). (Sushmita, 2013) Analyzed the current scenario of social audits in India, Andhra Pradesh was the first state in India to adopt social audit scheme. This scheme of 'Mahatma Gandhi National Rural Employment Guarantee act [MGHRRG]', "Society for Social Audit Accountability and Transparency" was formed [SSAAT] out of 22-gram Panchayat, 17 reported misutilization of funds, In Rajasthan MGNREGA works with the help of NGOs. The social audit performed by the Mazdoor Kisan Shakti Sangathan [MKSS] which means Workers' and Farmers', the power organization using the Jun Su wai method wherein the local people were called in to give their testimony relating to their awareness of the matters shown in the public accounts revealed a lot of misstatement in the accounts ranging from people being mentioned as beneficiary for the anti-poverty schemes when they hadn't received any benefit from such programs to payments made to the contracts which were never started, therefore it resulted in detection of various frauds, reduction in corruption and strengthening of the voice of the people (Jenkins & Goetz, 1999). (Chiang A.G, 2018) A more stable environment for operations can be created with companies if a cooperative relationship is maintained. However there are chances for the CSR to fall into ill reputation if the theory and practice are not followed together. It should not be narrowed to an aesthetic discourse and also the ethical foundations must be kept in mind.

### Research Problem

For a company to get established and for its smooth running it is essential to use people, environment and scarce resources of the society. Now as a good corporate citizen, these companies have an ethical responsibility to return those benefits back to the society either in terms of charity, protecting the environment and scarce resources , treating

the employees in the right manner, delivering quality product and not selling harmful products by putting their life in danger, and for the well being of the economy and society at large of the country. It has become difficult for the companies to survive without these CSR activities as stakeholders prefer only those companies who are ethical and genuinely involved in CSR activities. So there is a need to understand how these CSR activities and social auditing can help the company to have long term sustainability.

### **Objective**

To examine how top Indian and top Global companies have contributed back to the society and how this has helped them in their long term sustainability.

### **Methodology**

This study is in descriptive in nature .The secondary data was used from Books, Journal articles and websites. We have chosen totally four companies. Out of which two were Top 2 Indian companies such as Infosys and Mahendra and Mahendra. Others were top 2 global company such as Google and Microsoft who all had done genuine CSR activities and which helped them to have a long term sustainability.

### **Discussion**

#### ➤ *Top 2 Indian Companies*

#### **Infosys**

Infosys Limited is an Indian MNC that offers consulting, IT & BPO services headquartered in Bengaluru, Karnataka, India. Infosys is the second-biggest organization in India in the IT sector as indicated by the 2017 incomes and 596th biggest public company in the entire world with respect to revenue. On September 28, 2018, its market capitalisation was \$44.32 billion. The FICO score (credit score) of the organization is A- (rating by Standard and Poor's).

It stands as the 2<sup>nd</sup> largest Indian company with the best CSR activities; they include many activities such as

The Foundation's along with Sankara Netralaya hopes to give cash related help to the monetarily in backward classes of society. This restorative center intends to render 12,000 free medicinal strategies reliably and will lead getting ready projects in a collection of fields related with ophthalmology.

Working together with Swami Vivekananda Integrated Rural Health Center (SVIRHC), the Foundation has donated enormously towards elimination of leprosy. Consistently, SVIRHC treated 3,747 patients, 11,083 tuberculosis patients, and coordinated free eye exercises for 16,869 patients. The Foundation has furthermore financed the BMCDDT Bone Marrow Registry, Bengaluru, to develop an overall bone marrow giver vault in India.

The National Institute of Mental Health and Neuro Sciences (NIMHANS) is a creative establishment offering total thought organization for patients encountering mental and neurological issues. At each movement, Infosys has offered cash related help, planning for high bore and sensible social protection for patients who require it the most.

## ***Education***

With the objective of rousing understudies to look for further examinations and research crosswise over different orders, especially in arithmetic and science, Infosys Foundation has joined together with Chennai Mathematical Institute (CMI). The stipends from the Foundation have engaged the association to redesign its system close by certain basic necessities for all understudies.

## **Mahindra and Mahindra Company**

Corporate Social Responsibility has dependably been an essential area of the Mahindra Group's vision. Mahindra Group's endeavors in education, wellbeing, and environment have changed lives of thousands of individuals everywhere throughout the world. Out of which 310,000 young ladies were educated, 99,000 individuals treated, 15 million trees planted, 5,000+ toilets constructed, and much more. The Mahindra Group characterizes Corporate Social Responsibility as making socially dependable items, participating in socially mindful worker relations and making a promise to the network around it. At the Mahindra Group, Corporate Social Responsibility isn't only an obligation; it's a lifestyle.

The CSR budget for the year 2018-19 is 103.83 Crores. The Mahindra Co. is constantly committed towards corporate social responsibility exercises and has used the expenses on it mainly in the previous three budgetary years.

The main objectives of CSR Policy are:

1. A key way to deal with CSR over the Company by consolidating under one 'Rise for Good' that is guaranteeing to have a high social effect.
2. To ensure an expanded duty at all dimensions in the association, by urging workers to take an interest in the activities and to help the society in a composed way through the representative volunteering program called ESOPs.

The CSR vision is to centre our endeavours inside the voting demographics of young ladies, providing projects structured by the way of training, wellbeing and condition. For Mahindra and Mahindra Ltd., mindful business incorporates being in charge of the business forms, participating in capable relations with representatives, clients and the network. For the Company, Corporate Social Responsibility goes past simply holding fast to statutory and legitimate compliances, and makes social and natural incentive for the key partners. From April 1st, 2014 as per the new Companies Act 2013, Mahindra and Mahindra Ltd. vows to contribute in any event 2% of the average net benefits which is made before three preceding financial budgetary years explicitly in CSR activities. In the event that there is any unspent sum, then the Board of the Company may choose to carry this forward to the following money related year.

### **➤ *Top 2 Global Companies***

## **Google**

Google being the biggest multinational company in the world that is based in America that specializes in cyberspace related products and services, epitomizes the Corporate Social Responsibility of company like none other. Ranked number one in global CSR ranking by the Reputation institute, Google always gave importance to social

responsibility since its inception. Gmail, Google Drive, Google Earth and its search engine has always made the life of people easier.

The social commitment of Google doesn't end with that. Google data hubs consume about half the amount of energy consumed by other typical data hubs. Google has been carbon neutral since 2007 and uses renewable energy to the maximum possible extent. The company has diverted

86% of wastes from its worldwide network of hubs away from land masses and 52% of components used in Google are recycled. Google is technologically advanced company but its Green energy solutions are simple yet effective. Environmental report is being published by Google, every year since 2015 is bearing all the CSR activities and initiatives done by Google.

### **Microsoft**

Microsoft donated nearly \$1.2 billion in software and services in helping non-profit organization around the world in order to get the required technology and skills they need for today's digital economy. Transferring education and increasing digital inclusion, Innovative projects on healthcare, education was implemented by Microsoft.

Microsoft donated 158 USD million for serving to local communities and the world. Microsoft uses 44% of electricity from natural resources such as solar, wind, and hydroelectricity power nearly 20-30% of lower energy is consumed by Microsoft for air cooling technique.

#### *Impact at a Glance:*

Nearly 61 companies joined the Cyber security Tech Accord in US.

12 million youths in 54 countries were provided with computer science learning experience.

\$3 billion was spent by Microsoft with partnership with Markle Foundation, to thousands of people with minority, disabled, veteran, professional volunteers.

### **Auditing Standards**

#### ➤ **Ethics & Independence**

**“2100 SAU Resource Persons should have integrity, work with objectivity and due care”**

SAU reserve people must take a duty to stick on to high values of performance in their labor and in their connection with the workers of the audited organization.

#### ➤ **Code of ethics**

**“2110 Standard code of ethics should be written in clearly defined language”**

Standard code of beliefs must put down the performance, respectability, rules, functioning time duration to be by the Social Auditors'. The ways of SAU Resource Persons should be above the reprove during all times and in all circumstances.

➤ **Independence of Social Audit Unit**

**“2120 independence of the social audit set up should be guaranteed as envisaged in MGNREG Act 2005”**

To expand and uphold the beliefs, professionalism, institutionalizing the autonomy of the SAU is totally vital.

➤ **Professionalism**

**“2200 SAU resource persons must possess characteristics/qualities of professionalism during the audit. These are knowledge, competency, accountability, honesty and integrity.”**

The resource individuals of SAU must be hard working and have an inquiring outlook when assessing the adequacy as well as suitability of confirmation obtain all the way through the audit.

➤ **Audit team management and skills**

**“2300 SAU Resource persons should collectively possess or have to the necessary skills.”**

SAU has to focus on the upliftment of SAU Resource persons by training and by providing the written instructions about the performing the audit and also provide with essential resources related to audit.

➤ **Quality Assurance and Control**

**“2400 A quality assurance and improvement program should be developed and maintained covering all aspects of the social activities.”**

To make sure conducted audits are as per these standards and also have maintained good quality and the quality control measures should be framed by SAUs to cover up the track, administration as well as consolidation of information and assessment of the audit.

## **Conclusion**

This paper views CSR as a model or methodology adopted by the companies to achieve its sustainable existence. So far the CSR activities are concerned, it acts as an instrument for the self-assessment of the companies in case of social audit. CSR and sustainable growth always goes hand in hand, as the company's intention is to continue for an infinite period and thereby they provide the society for future development. As far as the Indian companies are concerned, they strongly believes that a corporate should be responsible if they provide something which will ultimately results in improving the standard of living and enhancing the quality of life of the society where it operates. In this way, they organize their commitment to the society as projects or programs for both long and short term perspective. This is their primary step in their primary policy. Secondly they spend adequate resources and time to achieve their CSR objective finally they focus on extending their activities to larger areas.

In the global context, obviously profit maximization is the ultimate objective of the corporations. Beyond that the companies which are going globally is restricted by certain laws and regulations. These regulations necessitate them to conduct their operations ethically and responsibly towards their stakeholders. In fast growing business world, the companies are continuously focusing ways to gain public impression and reputation by contributing to the society.

## Bibliography

1. (n.d.). Retrieved February 8, 2019, from Corporate Social Responsibility (Csr) Definition from Financial Times ...: [http://lexicon.ft.com/Term?term=corporate-social-responsibility--\(CSR\)](http://lexicon.ft.com/Term?term=corporate-social-responsibility--(CSR))
2. ARCHIE B. CARROLL, G. W. (1975). Landmarks in the Evolution of the Social Audit. *Academy of Management* , 589-599.
3. C.A.K, Y. (2007). Poverty alleviation programmes in India: A social audit. *Indian Journal of Medical Research* , 364-374.
4. Chaitanya Nellithaya, Cosmas Lovejoy Dzomba, Sangeetha G Nagarakatte, & Sanmayi N S . (2018). Business and The Society: Stewardship Principle of CSR. *International Journal of Management, Technology And Engineering* , Volume 8, Issue VIII, AUGUST/2018.
5. CHORASIA, T. *SOCIAL AUDIT: A HUMAN ACTIVITY*. Self Published.
6. Dwivedi, R. (2010). Social Audit and its Methodology. *2nd Global Leadership Research Conference*. Research Gate.
7. Ghonkrokta,S.S, & Lather, A. (2007). Identification of role of social audit by stakeholders as accountability tool in good governance. *Journal of management Research*.
8. Jamie Snider, R. P. (2003). Corporate Social Responsibility in the 21st Century: A View from the World's Most Successful Firms. *Journal of Business Ethics* , 175-187.
9. Jenkins, R., & Goetz, A. M. (1999). Accounts and accountability: theoretical implications of the right-to-information movement in India. *Third world quarterly* , 603-322.
10. Kok, P. T. (2001). A Corporate Social Responsibility Audit within a Quality Management Framework''A Corporate Social Responsibility Audit within a Quality Management Framework. *Journal of Business Ethics* , 285-297.
11. M. M., & Vicario, & V. (2015). Social audit : A mess or Means in CSR Assessment ? *Springer* .
12. M. Rahim, V. V. (2014). Social Audit: A Mess or Means in CSR Assessment? *School of Accountancy* , 19-24.
13. M.El Mousadik,F.Elkandoussi. (2016). Practice of social audit in Hotel companies: Case study of agadir,Morocco. *International Journal of Economics and Management Engineering* , 10 (4), 1289-1293.
14. Peter Kok, T. v. (2001). A Corporate Social Responsibility Audit within a Quality. *Journal of Business Ethics* , 285-297.
15. Sushmita, G. (2013). Social Audits in India. *International Research Journal of Social Sciences* , 2 (11), 41-45.

16. Vicario, M. M. (2016). *Social Audit: A Mess or Means in CSR Assessment?* Switzerland: Springer International Publishing.
17. Zhang, A. S. (2006). Stakeholder engagement, social auditing and corporate sustainability. *In Business Process Management Journal* , 722-740
18. Islam M.T, (2015). Social audit for raising CSR performance of banking corporations in Bangladesh.
19. Springer international publishing Switzerland 107-130
20. Chiang A.G, (2018). Corporate social responsibility in the Mexican oil industry: Social impact assessment as a tool for local development. *International Journal of Corporate Social Responsibility* 3(1)

