Editorial

In my last editorial, I mentioned about the sagging economy and the need for some deft handling; nothing seems to have changed a wee bit as the lull in the economy continues with discernible steadiness even as another month passes by amidst assurance by the government that growth would pick up in the later half of the financial year and reforms such as FDI in key sectors such as insurance, retail, aviation would be introduced shortly. Added to this, is the rain worry which continues for the farmers and the common man as well affecting food grain production, as drought like conditions still persist in Maharshtra, North Karnataka and Saurashtra regions even though the south west monsoon has shown a strong revival narrowing down the overall deficiency in rains to around 15%.

Coming back to the topic at hand, the relationship between business and society has always been a subject of intense debate. During the 1970s the question of social responsibility of business, particularly of large corporations, has been the theme of wide academic interest. Milton Friedman, a Nobel laureate in Economics, had added much flavour to this debate. He opined that ''there is one and only one social responsibility of business - to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game''. Milton Friedman must have drawn support in favour of his argument from another great economist, Adam Smith, who is regarded as the prophet of the free market. Since Milton Friedman had expressed his opinions about the social responsibilities of business there has been a lot of change in the world. Today, even the most ardent followers of Adam Smith would not tow this line of argument. The argument now is decidedly tipped in favour of social responsibility of business.

In the last century business was used to be organised in small scales. Since the end of the last century, however, the emergence of large corporations has changed it all. Now, of the world's top 100 economic entities, 52 are corporations and remaining 48 are countries. The sales revenue of Microsoft or Wal-Mart is larger than the combined GDP of a few developing countries. With the irreversible march of globalization it seems that the concentration of economic power will only increase and more and more of the social functions - which were previously the provinces of the national governments - will be accorded to the big corporations of national and multinational origin. These organisations hold not only economic power, but they also enjoy huge political clout as well as social power.

There is, however, one important lesson to be taken from history in the present context. Society has always refused to allow permanent concentration of power in the hands of any one without commensurate responsibility. This should not be otherwise in the case of these large corporations. Business must lend itself to public scrutiny about what is happening behind the opaque walls of these business entities.

Social Audit, which is the theme of the present issue of the Management Accountant, is premised upon such an area of public accountability of business in our society. There is no unique definition of social audit. However, the term broadly refers to that area of corporate social performance that involves developing and using information about corporate activities of significance to the society and how these responsibilities have been carried out. It has a long history in the United States, and the United Kingdom in the 1970s; and to some extent in our country in the late 1980s.

I notice with immense pleasure that although social audit has lost much of its sheen with the emergence of CSR and triple bottom line reporting, we have received a good number of papers from the experts in the field. They have critically examined the various aspects of social audit to leave a trail of erudite discussion on the subject.