



## The Relevance of Social Audit in Aquaculture Industry

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Coastal aquaculture in our country, especially in Andhra Pradesh and Tamilnadu, witnessed an unplanned growth in a very short span of time. The consequences of this unplanned expansion manifested in the form of a variety of environmental and social problems similar to those experienced in some of the South-east Asian countries. Concentration of farms in certain localities has compounded the problems related to the outbreak and spread of diseases as well as waste disposal. In course of time, most of the farms are stated to have incurred losses and many of the corporate farms, unable to cope up with the problems, wound up their operations.

Growing awareness of the magnitude of the problem among the stakeholders, their protests and representations had ultimately resulted in legal intervention. The famous PIL against the aquaculture industry and the Supreme Court's judgement of thereon 11-12-1996 imposed a shift in the activities, though not necessarily in the attitudes of the stakeholders. The Aquaculture Authority has been established as directed in the judgement to implement the "precautionary principle" and "polluter pays principle". With drastic provisions such as demolition of farms set up violating the CRZ notification, the scenario has more or less evolved into a battlefield with the Government and Environmentalists on one side and the farmer / entrepreneurs on the other.

Once a system gets stuck up in the legalities of the problems, it would inevitably lead to inactivity. The question of evolving an ecofriendly sustainable aquaculture system will remain elusive as long as the system is

tied up in the legal tangle. The industry may be able to defend their stand and enjoy short spells of revival, but sooner or later they may be driven back to square one. Unless some attempts are made to analyse the dynamics of the causative factors, and orient the activities in harmony with the factors, these problems will remain perennial. Fortunately, however, the situation has not drifted into an irreversible state and a transformation is quite feasible within a reasonable time. The basic requirement is the evolution of transparency where the activities (and its repercussions) of every component are open for unbiased observation and evaluation by every other component in the system. For transforming the present environment into the desired one, the right strategy would be to analyse the environmental conditions, identify the factors responsible for the present situation and explore how best they can be tackled for ensuring the sustainability of the system. As a prerequisite, it is necessary to create a total awareness of the functioning of the system and its components and promote voluntary action. The aquaculture industry must first of all examine the environmental factors, identify social responsibilities and try to evolve an environmentally and socially compatible entity. In this article, a preliminary attempt is made to explain the social responsibility of business enterprises and how aquaculture industry can gain by adopting concepts like social audit.

### **Social Responsibilities of Business enterprises**

For the major part of our history, the idea that business enterprises have one and only objective - maximisation

of profits - has been the dominant one. Somewhere in 1930s, the view that managers of large companies must make decisions which maintain an equitable balance among claims of stockholders, employees, customers, suppliers and general public, came to be accepted. These balancing decisions, it was argued, may be sub-optimal in the short-run but will maximise the long-run profit interests of the organisation. The second half of this century witnessed a major break from the older concept with an emerging view that "business must get deeply involved in dealing with major social problems" (Steiner, 1975).

In the classical view, a business enterprise would act in a socially responsible fashion, if they strived to utilise as efficiently as possible the resources at their disposal in meeting the goods and services the society wanted at the prices the consumers would be willing to pay. If this is done well, says the classical economic theory, businessmen would maximise profits. An appropriate definition of Social Responsibility on a wider dimension is given as:

"The intelligent and objective concern for the welfare of the society that restrains individual and corporate behaviour from ultimately destructive activities, no matter how immediately profitable, and leads in the direction of positive contribution to human betterment variously, as the latter may be defined (Andrews, 1971)".

Whatever the definition is, most of the businessmen prefer words other than social responsibility because this phrase, to them, connotes fixed obligation with unclear commitments. An obvious reason for this situation is



that "these concepts do not explain very precisely what social responsibilities are for all businesses, nor what those of a single business are at a particular point of time (Steiner, 1975).

The concept of social responsibility is merely a preliminary step towards social effectiveness of business. It is the underlying value which gives businessmen a sound basis for social action. If business and society get stuck on the legalisms of social responsibility, they will drift into inaction. The ultimate need is a business response which provides progress towards the desirable end of a more effective society, which is achieved through a sequence of philosophy, process, and function as depicted in the following table (Davis and Blomstrom, 1971).

PHILOSOPHY	PROCESS	FUNCTION	END (GOAL)
Social responsibility	Creative social decisions by business	Social action social response	More effective society

The concept of social cost is pertinent to the social responsibility of business. Capitalism has been called "an economy of unpaid costs" (Kapp, 1950). This implies that the cost of business activity considers only the immediate cost of production but not the social costs. The business also brings in social benefits and therefore from the ethical point of view, a company should consider carefully both social costs involved in its operation and social values it creates and do what it can in the light of its competitive situation to compensate for the net social costs for which it is responsible (Bowen, 1953). It is in this context that social audit emerges as an important concept.

### Social Audit

Social audit has been variously defined, but the one by Belkaoui (1984) appears to be more comprehensive.

"Social audit - much like financial audit - is an identification and

examination of the activities of the firm in order to assess, evaluate, measure and report their impact on immediate social environment".

\* Identification assures tracking down and preparation of an inventory of all the firm's activities having potential impact on the firm environment. Identification will result in a definition of the social dimensions of the firm's activities in terms of social costs or social benefits depending on the nature of their impact on social environment.

\* Assessment and evaluation imply the categorisation of the firm's impact on its environment as either positive social benefits or negative social costs.

\* Measurement implies the assignment of a quantitative or qualitative score to the social costs and

raptants etc.

\* Depletion of ground water, increase in salinity in the ground water and soil salinity of agriculture lands.

\* Obstruction of access to sea front and other common resources, disturbances etc.

The issues such as whether the industry is faithfully discharging its responsibility towards the stockholders are seldom discussed in public fora. Similarly the social benefits by way of development of a backward area, employment opportunities for local population and above all the valuable foreign exchange are always eclipsed by the major issues listed above.

The problem faced by the communities in each geographical locality are bound to be unique because of difference in the combinations of social and environmental factors. A common legislation may create impediments in some localities and may fail to sort out problems elsewhere. In all cases, the procedure of enforcing the laws is likely to add a lot of grit to the machine. The question of whether an alternate mechanism of redressal of the dispute would be feasible cannot be answered conclusively. However, if the business enterprises set up social action programme and keep up with the social demands, the need for government regulation does not arise. Social audit could prove to be a promising step for an enterprise in its endeavour to identify and establish itself as an integral part of the social system.

Most of the conflicts arise out of misconceptions and incorrect information relating to the environment. Social audit helps the management to determine areas where the firm could be vulnerable to public criticism. The firm can inform the public of what it is doing in the area of social responsibility. The firm can present a true picture to the public of its corporate accountability in the social

benefits identified in assessment and evaluation.

\* Reporting assumes the disclosure of the firm's performance as measured.

### How Social Audit will help Aquaculture Industry

As is known, the explosive development of aquaculture farms along certain segments of the coastal belt of our country has brought in its wake a number of ecological and socio-economic problems. The major issues which drew the attention of the environmentalists, NGOs and Government were the environmental and social problems related to:

\* Destruction of Mangrove and other vegetations.

\* Multi-user Conflicts (with agriculture).

\* Hyper-nutrification, and discharge of heavy load of organic and suspended matter.

\* Use of chemicals, fertilisers, piscicides, antibiotics chemothe-



area. However, Social audit is not just a way to appease the outside critics, it is meant to satisfy the business leader's own conscience and curiosity.

### Evolving a Suitable Framework

Various types or frameworks of social audit have been proposed in the literature. They differ in terms of objectives, methodologies and results and can be grouped into the following categories:

- \* Social Process of Programme Management Audit
- \* Financial Statement in Audit Format.
- \* Macro/micro Social Indicator Audit
- \* Corporate Rating Audit
- \* Constituency Groups Attitude Audit
- \* Partial (or Aspect) Audit (energy, environment etc.)
- \* Comprehensive Audit

A reasonably appropriate framework for the social audit in Aquaculture Industry could be Constituency Group Attitudes Audit (CGAA) incorporated with a component of aspect (environmental) audit. Various groups of stakeholders who are interested, have their own goals and criteria for evaluating the behaviour of an enterprise. The extent of pressures of these groups on the enterprise depends upon their relative strength. The CGAA has been suggested as a way of identifying and measuring the attitudes and preferences of these groups for corporate action. The environmental audit component is inevitable because the major issues are related to environment.

An arbitrary list of constituency groups would include employees, customers, local community, creditors, suppliers, government, NGOs etc. The methodology for carrying out a Corporate constituency attitude audit involves the following steps (IGNOU, 1992).

\* Identify and monitor the priorities of the corporate constituency reference groups. This is by no means an easy task because it may require confronting groups which may be hostile to the firm.

\* Specify the criteria considered important to those groups. These criteria (or dimensions) may either be qualitative or quantitative and may vary depending upon the groups whose opinions are sought.

\* Prepare a number of 'social profiles', intended to represent different combinations and levels of these dimensions. These profiles should be realistic and comparable to each other.

\* The group preferences among alternative profiles and satisfaction with the level of social good represented by each profile are determined by asking the respondent to state a preference for one of the profile when the profiles are presented to him/her in pairs.

\* The preference judgments are analysed to determine the priority for different social dimensions implied by the group's preference judgements, and the satisfactions are analysed to determine the social good. This procedure is similar to the one used in the marketing field for consumer choices among alternative products. A group's utility for any profile is computed as the weighted sum of the attitudes of that profile. The higher the utility the more preferred is the profile.

The environmental audit aims to verify or validate the compliance with the environmental laws and can be carried out by an internal group or external agency. If the farm management had carried out an Environmental Impact Assessment at the planning stage and is having an ongoing Environment Monitoring and Management Plan, the job of environmental audit group becomes simple.

The ideas and views expressed here are more by way of theoretical abstractions rather than concrete suggestions. This is obviously because

of nebular state of the concept which need some more time to take shape. If some one gets inspired and attempts a refinement of what is presented here, the article would have served its purpose.

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