



METHODOLOGICAL PRINCIPLES OF SOCIAL ACCOUNTING AND REPORTING

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Abstract.

According to worldwide standards and corporate social responsibility, the essay discusses the necessity, nature, and significance of social accounting and reporting in Uzbekistan. The research also expresses the theoretical and methodological underpinnings of social reporting and accounting.

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Introduction

These key objectives of the current national changes being implemented in Uzbekistan are being given extra attention to ensure their accomplishment. In order to achieve that, Uzbekistan is implementing popular reforms. The New Uzbekistan Development Strategy was created in our nation so that our people might benefit as quickly as possible from the effects of these reforms. The objective is to guarantee the consistency and continuation of changes. As a result, the principle "From the strategy of acts to the strategy of development" was put on the agenda as the key thought and main criterion, according to the address given by the president-elect of the Republic of Uzbekistan, Shavkat Mirziyoyev, at the event marking his inauguration.

The highest importance in this plan is the rights, liberties, and legal interests of every individual living in our nation.

It is important to highlight that the New Development Strategy of Uzbekistan marks the start of a new phase in the country's development. We shall now structure our operations in accordance with the new "man-society-state" paradigm.[1].

As you can see, people's interests are prioritized in our nation over those of

society and the government. For this, businesses functioning in the nation should have corporate social responsibility in addition to the state taking action.

The corporate social report is the most crucial element of the system for corporate social responsibility. The scholarly literature lacks a comprehensive definition of "corporate social reporting." The words "non-financial reporting," "social responsibility reporting," "social reporting," and "social and environmental reporting" are taken into account by various research. In parallel, "corporate social accounting" and "corporate social audit" emerged in the late 1960s and early 1970s, first in the United States and Great Britain, then in Germany and other European nations (for instance, Le Bilan Social in France and Belgium, El balance social in Spain, and various concepts of Bilancio sociale di impresa in Italy).[2].

As of now, sustained positive trends can be seen in the growth of non-financial reporting by Uzbek enterprises. Free form social reporting is therefore the most popular. Many businesses in our nation utilize this kind of report, and it has colorful pamphlets about supporting charitable causes, healthcare, education, culture, and sports. Although this form is highly practical for businesses, it cannot guarantee the



accuracy of the report. It also cannot be compared to papers of a comparable nature created in accordance with international standards, making it useless for gaining acceptance from multinational corporations.

Literature review

Long-term market uncertainty in our nation prompted local businesses to search for one-time and short sources of money, which was the major reason for business managers' careless behavior.

The market's current relative stability demonstrates that businesses should concentrate on long-term economic efficiency. Experience from industrialized nations demonstrates that investing in social initiatives by businesses is appropriate in this situation. Corporate social responsibility initiatives are not at all damaging, as the business community has already come to understand, and corporate social reporting is a useful instrument for controlling non-financial risks. However, Uzbekistan has only recently started to grasp the necessity for businesses to expand their social initiatives.

The ambition to expand internationally, according to many observers, is the primary driver behind social media reporting for enterprises in our nation. As a result, multinational corporations that intend to enter foreign markets may suffer as the number of businesses that generate social reports rises.

The growth of civil society institutions is directly tied to the advent of corporate social reporting. It serves as a medium for socially conscious company to convey its successes and contributions to societal advancement. Any legal or physical person who can have an impact on the company's operations is often the target audience for the social report. In other words, the social report's intended audience is significantly larger: it includes business, civil society, government, and union leaders in addition to shareholders, customers, and consumers of the company's goods and services. For an organization, winning over at

least some of the group's allegiance may have a significant impact. The fundamentals of corporate social responsibility assist organizations in striking a balance between present advantages and long-term, sustainable growth for both the firm and society.

It was sixty years ago when the idea of corporate social responsibility was introduced to corporate governance. The duty of the private sector in meeting the fundamental criteria in the fields of workplace safety, employee welfare, and environmental protection, as well as interactions with shareholders, was a notion that was only loosely considered until the end of the 20th century. In the early 1970s, the phrase "corporate social responsibility" first appeared. Business ethics, which consider moral or ethical issues that arise in the business environment as well as concepts of a moral nature under the cover of practical ethics, helped corporate social responsibility to develop.

The nature and scope of corporate social responsibility are now hot topics. However, there isn't currently a single definition that captures the spirit of the phrase "Corporate Social Responsibility."

The literature in this field has a variety of definitions for what constitutes business social responsibility. According to Yu.V. Blagov in particular, "When a business accepts responsibility for the effects of its operations on customers, suppliers, workers, shareholders, local communities, and other stakeholders in society, it is said to be practicing corporate social responsibility. Responsibility extends beyond the requirement to act in compliance with the law and includes the commitment to enhance the standard of living for the company's employees and their families." [3, 3-p.].

"Corporate social responsibility, regardless of what it entails, is not regarded a charity event or the development of public relations," claims E. Davinon of the Entrepreneurs' Social Solidarity European Movement. The term "social responsibility"



describes a company's desire in intentionally advancing society [4].

"Corporate social responsibility" is an activity, in the words of O. V. Danilova, "aimed at building a stable economic environment; intellectualization of human capital." [5, 25-p].

In a broad sense, "meeting the needs of society and serving it is understood as doing" [6, pp. 421-423], according to N.Petrova and A.Titkova. Corporate social responsibility in a narrow sense entails investing in labor force and human capital through consumer funds (where the interests of business and the interests of the government coincide).

As Yu.N. Popov stated, "Corporate social responsibility may be characterized as 'the theoretical underpinning of social audit', as 'the mutual agreement, balance of interests, and compromise between the class of owners and wage-earners.'" [7].

The comparison of the aforementioned definitions revealed that they are comparable in the following areas:

- one of the main objectives of corporate social responsibility is the sustainable development of society;
- Corporate social responsibility should serve to raise people's quality of living while also taking into account the interests of all internal and external stakeholders;
- the company's strategy should incorporate corporate social responsibility;
- Upholding the values of corporate social responsibility enhances business stability and security, improves financial outcomes, and promotes more efficient development.

The definition provided by the author was developed based on the comparison of the aforementioned definitions of corporate social responsibility. According to that, corporate social responsibility is a practical endeavor that takes into account the objectives established by internal and external stakeholders in order to increase the company's positive impact on society, strengthen its reputation, minimize negative impact and non-financial risk, and

ultimately increase profit for shareholders (integration into business processes).

Methodology

The research effort employed the approaches of observation, data collecting, generalization, grouping, and comparison. Conclusions and proposals focused on the impact of the pandemic on social accounting and reporting, problems and their solutions were formed based on the research of local and foreign scientists on systemic problems and their solutions related to the development of social accounting and reporting, laws regulating the field, regulatory legal documents.

Result and Discussion

The most intriguing topic for practitioners in this field is the new standard, and in particular, the standard of social responsibility, given the fact that the problem of corporate social responsibility is a worldwide one. The worldwide standard ISO/WD 26000 "Guidelines for social responsibility" was first translated into a functioning form. In 2006, the Working Group on Social Responsibility released a working draft of the standard.

Due to the lack of a precise definition of the phrase "Social responsibility," experts have yet to agree on a single position on several areas of the standard. However, the broader wording contained in such a standard states that it should apply to all classes of organizations, regardless of their size and location:

- 1) introductory ideas, vocabulary, and explanations of social responsibility;
- 2) social responsibility ethics and practices;
- 3) the incorporation, adoption, and promotion of socially responsible conduct inside the company and within its area of influence;
- 4) Social responsibility circumstances, trends, and traits;
- 5) Civic duty obligations;
- 6) The principal subjects pertaining to social responsibility;



7) Disseminating information on social responsibility requirements and how they are carried out;

8) recognizing the parties who could be interested and working with them.

The AA1000 standard, according to the International Corporate Social Reporting Standard, enables efficient social accounting, auditing, and reporting. It was created by the

1999, and ever since then, it has served as the primary reference for describing the methods for recognizing social responsibility and addressing the demands of businesspeople involved in charitable endeavors. [10].

Under the AA1000 standard, social accounting, auditing and reporting are carried out in several stages. The first stage is the planning stage (Fig. 1).

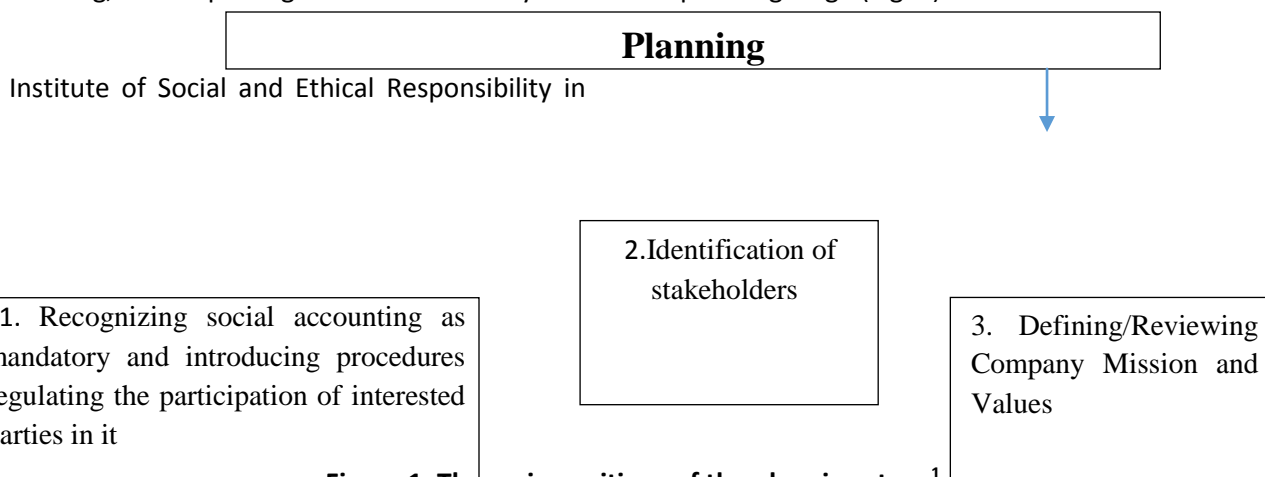


Figure 1. The main positions of the planning stage¹

Recognizing social accounts, conducting audits and reporting, and deciding on the methods for requiring interested parties to participate and basing such participation on the non-exclusion principle.

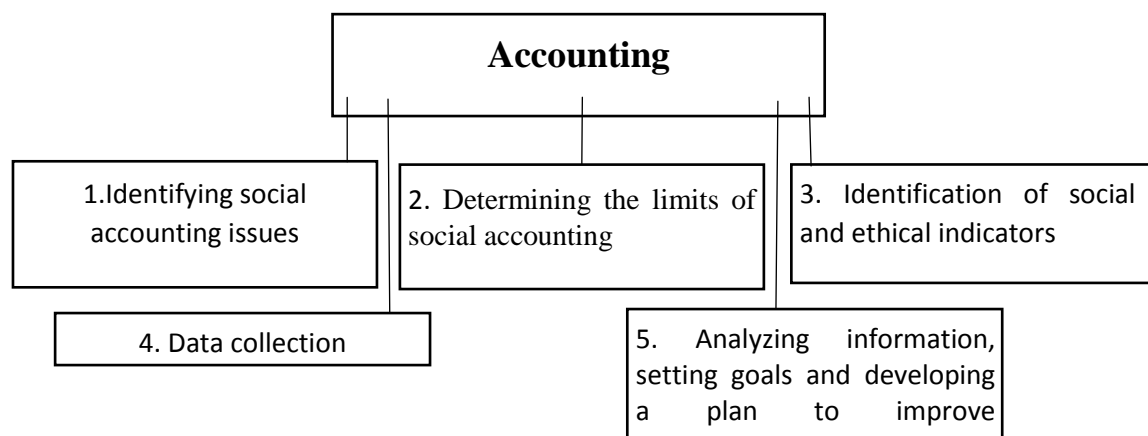
The organization of social accounting, auditing, and reporting must be completely under the control of the company management.

The enterprise's management should explicitly identify their role in these procedures as well as the necessity and opportunity for including interested parties in social accounting, auditing, and reporting.

An organization must establish and develop its own set of values, and the participation of interest groups in this process must be a vital need. The foundation for social accounting, auditing, and reporting should be the enterprise's current period's aims and values.

An organization should update its existing objectives and values, then present them in a public statement for stakeholder groups.

The second stage is the accounting stage (Fig. 2).



¹Developed by the author.



Figure 2. The main positions of the account stage²

The company should refine its goals and take into consideration any potential feedback from the external audit. The corporation is required to adjust its objectives by enabling stakeholder groups to participate in the debate that takes place after the publication of the report if they are not given the chance to do so when the company's goals are being changed.

The audit and reporting phase is in stage 3. (Figure 3).

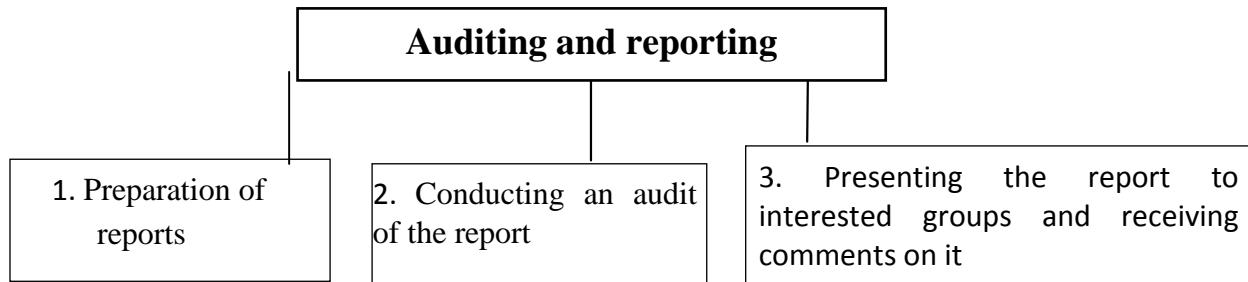


Figure 3. Main positions of audit and reporting³

1. The business must create a social report that includes an audit, report, and social account for a specific time frame. The data in the report has to be trustworthy and impartial. They need to explain social accounting, auditing, and reporting and demonstrate how they align with the company's values, objectives, and goals.

2. The second position is audit and reporting, which requires the business to conduct an impartial external audit of its internal reporting, auditing, and social accounting systems.

The company picks an impartial external auditor to examine the social accounting system, carry out an internal audit, submit a report, review the reports created inside the enterprise's audited framework, and assess the system's quality.

3. The obligation on the company to tell all relevant parties about the system of accounting, auditing, and reporting is the essence of the third position of the stage of audit and reporting. All groups should have access to the independent auditor's social report and opinion. In order to further improve social accounting, auditing, and reporting, the entity must also ask stakeholder groups for their feedback. Additionally, it must promise to inform future stakeholder groups of any feedback received during this accounting, auditing, and reporting period.

The organization should build an internal audit using its accounting, auditing, and reporting processes to effectively verify the following critical issues:

- objectives and tasks represent the company's purpose and values;
- The accounting, auditing, and reporting procedures will be upgraded for the next accounting, auditing, and reporting periods.

Systems in charge of introducing and maintaining internal audit property; systems in charge of gathering and documenting information and ensuring its accuracy and completeness; systems in charge of ensuring compliance with laws, standards, and guidelines; systems in charge of ensuring the accuracy and completeness of the accounting, auditing, and reporting process; systems in charge of achieving enterprise goals; and systems in charge of monitoring the effectiveness of economy and resource use.

It is possible to create and integrate systems that contribute to social accounting, auditing, and reporting based on the obtained data through the integration of the obtained results and subsequent

²Developed by the author..

³Developed by the author..



processes.

By taking the aforementioned steps, the business will be able to declare that its social accounting, auditing, and reporting adhere to AA1000 standards. Furthermore, neither certification nor any other certification is necessary for this fact.

Conclusion and Recommendation

The foundation of social reporting is social accounting, it should be mentioned. It is vital to examine accounting history and distinguish between conventional viewpoints since social accounting methodologies have not yet been fully developed. The accounting science in our nation has not yet completely explored the issue of the social account being recognized as a distinct account in the accounting system. The fact that corporate social reporting is one of the prerequisites for its occurrence is one of the requirements for its occurrence. On the other hand, accounting may be employed for the same reasons. Social accounting is described by the rules of the AA1000 international standards, and its formation is still in the experimental stage.

In order to create its socio-statistical indicators, social accounting employs statistical data in an analytical format. In addition, the GRI standard's social reporting requirements are more extensive than those of the system of national accounts, which has led to an increase in statistical research at the corporate level (micro level). Thus, the Novolipetsk Metallurgical Plant NLMK 1, one of the largest and most sustainable metallurgical companies in the world, whose social reports have been published since 2005, can be cited as an example of a social report prepared in accordance with the Sustainability Reporting Guidelines for the Global Reporting Initiative.

Data is dynamically displayed, according to GRI, which means it covers two reporting periods rather than just one year (Stichting Global Reporting Initiative (GRI) - www.globalreporting.org). The Global Reporting Initiative's reporting standard is the peer-reviewed GRI Sustainability Reporting Guidelines. The AA1000 standard, which is described above, is provided as a standard for the organization of social accounting, allowing for the collecting of data regarding the company's social initiatives and the identification of gaps in the growth of the company's social responsibility.

Based on the aforementioned data, it is important to consider the indicators of social and environmental entrepreneurship activity in the nation when making management decisions and to approach these issues with enough responsibility. This necessitates the creation of a thorough accounting system and guaranteeing its efficient functioning. The direction of these tasks in order to boost social development's efficacy necessitates the establishment of an innovation-creation and introduction technique. This indicates that the unique properties of the methods of enhancing the efficiency of social development in accordance with the position of the studied object and its operating conditions change the unity of efficiency strategies as a means of achieving goals of an economic and social nature. Some social reporting initiatives are defined, compiled in accordance with global social standards, and display reserves for future business growth in accordance with the principles of fairness and social responsibility.

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