

Sustainability Reporting And Accounting By The Indian Corporates

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DOI:10.47750/pnr.2023.14.S01.63

Abstract

Industry 5.0 is the 5th industrial revolution in which people will be working along with smart technology and robots. Technological advancement will help humans to work better and more productively by leveraging IoT, AI, and big data. It also helps us in enhancing the efficiency and effectiveness of the performance of the corporate world and simultaneously the economy as a whole by adapting technology-based tools such as IoT, real-time data, analytics, AI, and cloud computing. In the 21st century, the challenge of sustainable development is an imperative problem in front of every corporate entity. It is a need of the hour to have a strong bonding between corporate success and the sustainability aspects of companies.

Now a day, sustainability reporting and accounting by companies are a gaining lot of importance over the past decades. Global Reporting Initiative has made substantial developments in reporting formats by disclosing important information and reports by the companies. The significance of sustainability accounting and reporting has been underlined by Government entities, Non-Government entities, and NGOs.

Sustainability reporting and accounting are gaining momentum as important communication tools for corporate entities to disclose their sustainability plans and performance and enhance stakeholders' confidence.

This chapter discussed how excellence is attained by corporates or firms through the proposed sustainability reporting and accounting models or frameworks with the help of their strategic vision, mission, and goals.

Keywords: Sustainability Reporting, Sustainability Accounting, Indian Corporate Performance, ESG Goals, Economic Growth, Societal Development, Environmental Issues and Challenges, GRI Initiatives, etc.

INTRODUCTION

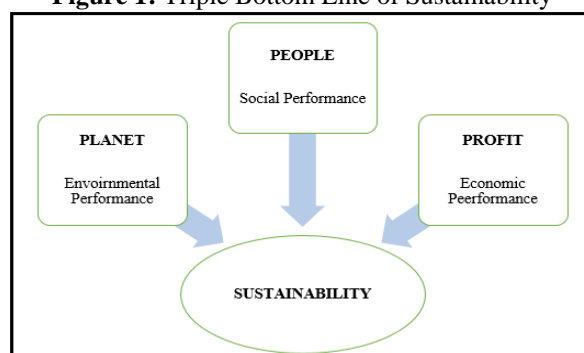
Sustainability reporting is the disclosure of social responsibility, ESG goals, and a corporates economic performance. The outcomes of sustainability accounting and reporting include enrichment of customer base, corporate image, consumer satisfaction, technological innovation, brand value, and management of business risk.

Sustainability accounting is called social accounting, CSR, environmental audit, CSR reporting as well as non-financial reporting. The term was coined 20 years ago and followed in financial accounting for showing non-financial information of the firms toward society and its stakeholders.

Sustainability reporting and accounting comprise all those initiatives that have a straightforward influence on society, the environment, and the financial performance of corporations which results in value creation within and outside the organizations.

It is one of the powerful tools followed by companies to become more sustainable shortly. The most commonly and widely used tools for measuring sustainability accounting are CSR reporting and triple bottom line accounting.

Figure 1: Triple Bottom Line of Sustainability



As an outcome of triple bottom line accounting, GRI was established to provide guidelines on sustainability reporting. GRI mentioned reporting attributes such as economic, social, and environmental performance measures by companies.

Sustainability accounting is completely different from financial or cost accounting because it handles the environmental, social, and economic performance goals of corporations. The 3Ps of sustainability accounting such as people, planet, and profits are specific, measurable, achievable, relevant, and time-bound in sustainable development.

Sustainability accounting and reporting are considered a vital parts of financial and cost accounting of businesses that emphasizes on the disclosures of non-financial and financial information to various parties such as potential investors, creditors, government, and other relevant parties.

Sustainability reporting of corporate is a significant and crucial method of sustainability accounting. It is nothing but the preparation of a sustainable report which includes the vision, mission, goals, objectives, and strategies of the organization. It expresses how the organizations or firms are contributing to society at large and promising development.

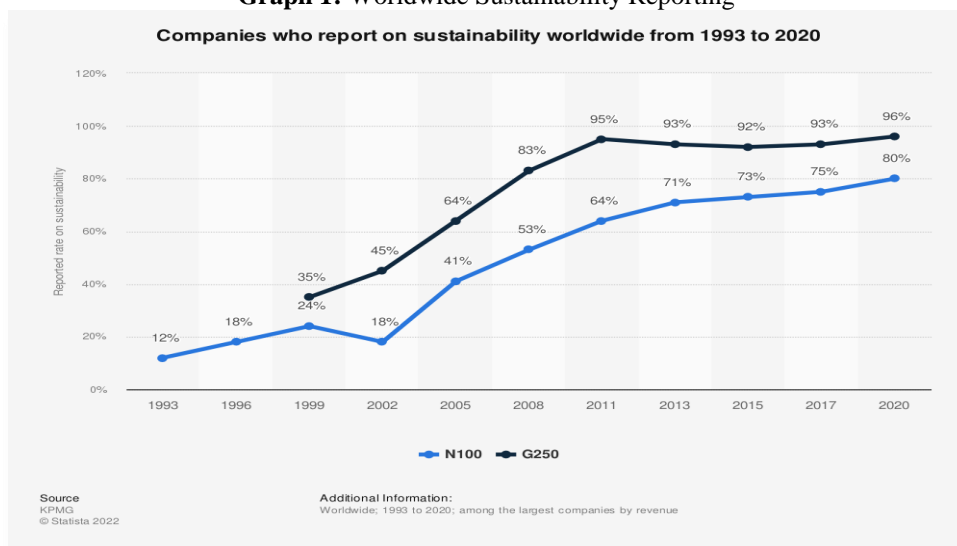
Sustainability accounting is nothing but the designing, development, and preparation of sustainable reports of the firm or corporates which includes the strategies, vision, mission, objectives, and goals. Reports express the commitments and contributions made by corporations towards the economy, society, and environment.

The changing and competitive environment is highly risky and challenging for firms to look beyond their economic performance while running and operating businesses. Businessmen or top managements are mainly interested in the right integration of environmental issues and social causes with the business strategic plan.

Sustainability reporting and accounting benefit the corporates by:

- a) Improving a company's reputation, image, and competitive advantage, attracts financial investment, brand value, customer satisfaction, and loyalty.
- b) Overcoming challenges, risks, negative publicity, or threats, if any.
- c) Attracting talent pool, boosting employee morale, motivating and retaining employees for long-term sustainable development.
- d) Facilitating stakeholders through the firm's market value, reputation, assets, and financial performance
- e) Helping companies to incorporate their vision, mission, and strategic goals and improvement in performance.
- f) Streamlining ethical, reliable, and transparent processes that reduce operational costs and improve efficiency.
- g) Identification of strengths and opportunities of the company.

Graph 1: Worldwide Sustainability Reporting

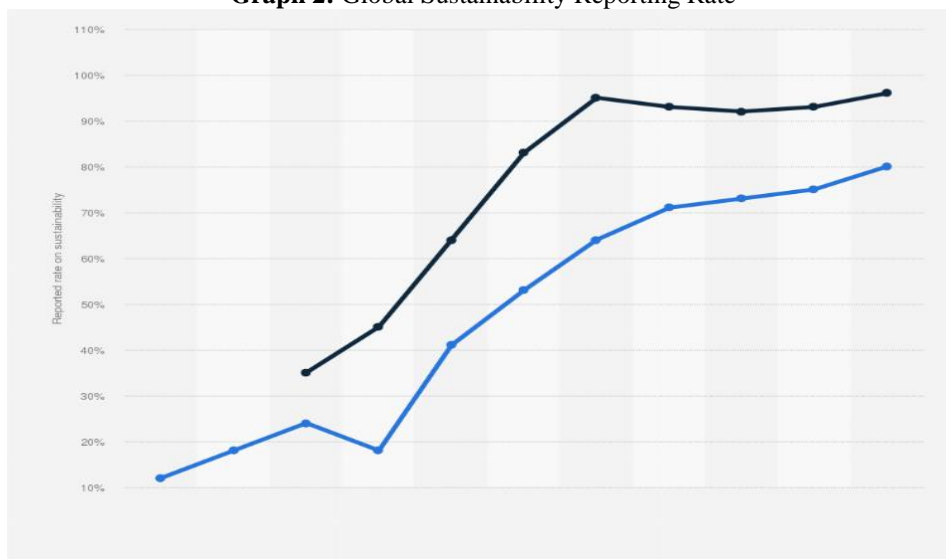


Sustainable reporting and accounting in businesses or industry 4.0 must:

- a) Be ethical, transparent, and accountable in its conduct and governance
- b) Produce and market goods and services that are safe
- c) Promote its employees' wellbeing
- d) Respect its stakeholders' interests
- e) Respect, protect, and promote human rights
- f) Work towards protecting and preserving the environment
- g) Be responsible while engaging the public policies
- h) Support inclusive and equitable development

i) Must provide value to customers responsibly

Graph 2: Global Sustainability Reporting Rate



LITERATURE REVIEW

Mitra has studied the sustainability accounting and reporting practices of companies and further identified various factors that impact slower financial performance and sustainable development in countries like India.

Aggrawal has studied various relevant theories such as legitimacy, stakeholder, and agency cost theory which establishes a positive correlation between corporate accounting, sustainability, economic performance, and reporting methods.

Bhalla and Bansal studied the financial and non-financial aspects of sustainable accounting and reporting. The means such as sustainability reporting, utilization of economic resources, financial planning, etc. help in the fulfillment of the company's social obligations towards society at large.

Jain and Godha have investigated sustainability reporting practices of Indian corporates and their impact assessment through various frameworks as per GRI guidelines.

According to Jadhav et al. how Indian firms have started establishing a relationship between sustainability reporting and financial risk management. The outcome of this study becomes the bridge between corporate performance and sustainable development.

Rajan has identified the implications of sustainability accounting and reporting in Indian corporates. The outcome of the study, sustainability accounting, and reporting is still at an infant stage in India and the challenge concerning this is the availability of accurate data for reporting.

Najul and Maji in their study observed that the average level of sustainability disclosure and reporting is 88% and the quality of sustainability disclosure and reporting is nearly 80%. The impact of CSP on Indian firms' economic and financial performance is significantly positive.

Brown et al. identified that potential investors, financial institutions, NGOs, and news media are not showing a substantial interest in sustainability accounting and reporting.

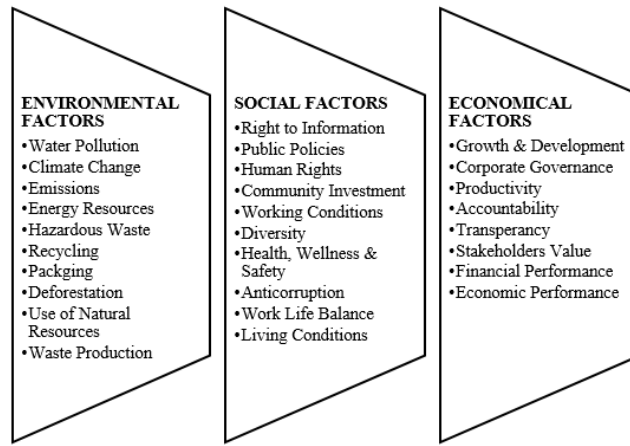
METHODOLOGY & FRAMEWORK

Over the last couple of decades, the popularity and importance of sustainability accounting and reporting in every country have increased a lot. Companies are implementing new models, frameworks, methodologies, techniques as well as tools into their financial disclosures toward sustainability reporting and SDG goals.

Government and stakeholders are mainly interested in knowing and understanding how companies are managing their financial and non-financial resources effectively and efficiently to achieve their organizational goals, vision, mission, and objectives to accomplish sustainable goals.

Sustainability reporting and accounting have three key dimensions which concentrate on different information and data attributes.

Figure 2: Key Sustainability Dimensions



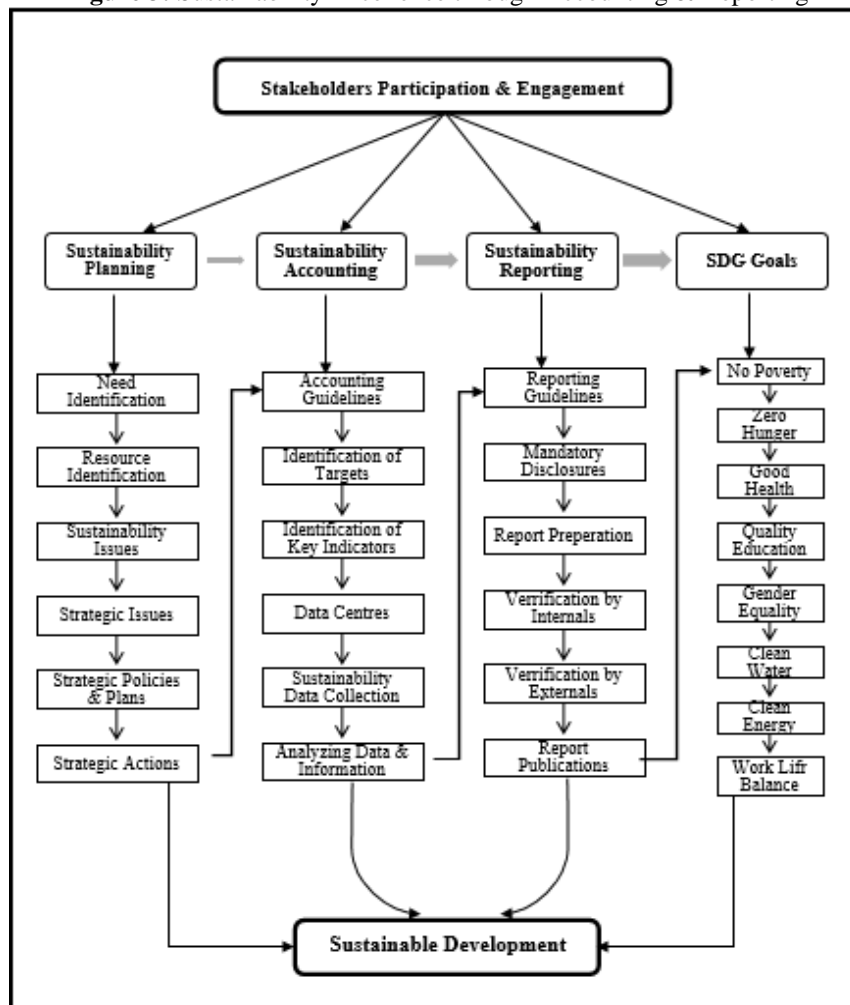
Sustainability reporting and accounting unites the corporate strategies from the above sustainable prototype by relating evidence and information based on 3 key dimensional areas such as environmental, social, and economic.

In reality or practice, it is quite difficult to put all together dimensions, methodologies, prototypes, models, or frameworks that encourage the environmental, social, and economic objectives, goals, and development of the corporations.

It is a need of this century to create awareness about the processes of sustainability reporting and accounting for achieving strategic goals and objectives among companies.

Companies must have transparency, reliability, and accountability in preparation of the sustainability reports, highly skilled manpower, and effective governance for measuring sustainable goals, and their impact on society.

Figure 3: Sustainability Excellence through Accounting & Reporting



Excellence through sustainability is possible only if reporting agencies should keep disclosures that are mandatory in mind while collecting trustworthy, honest, correct, precise, and accurate information in sustainable reports.

CONCLUSION

The future need of this century is the successful adoption of sustainability accounting and reporting models by companies for the sustainable development of the community and their performance. In reality, sustainability reporting and accounting activities go hand in hand. There is a greater responsibility on all those organizations or agencies that helps in the preparation of sustainability reports and accounting. Such a firm's or organization's trustworthiness must not be challenged, questioned, or threatened whenever prepares a sustainability report.

Sustainability reporting in India is at its promising and emerging juncture. At present some big sizes, reputed, and high-performing companies have started following GRI reporting frameworks or models effectively. All those remaining small and medium size companies should come forward and adopt such models for sustainable development of the community. Reliability, transparency, and accuracy of the provided information in the reports are again one more challenge in front of internal and external stakeholders of the companies.

To compete and sustain in cutthroat global competition, Indian corporates should adopt the above studied and suggested sustainability accounting and reporting prototypes, models, or frameworks effectively. Once sustainability reporting becomes standard practice for the global and national level companies then sustainable excellence can be possible.

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