



REPORTING PRACTICES AND SUSTAINABILITY OF INDIAN CORPORATE SECTOR: A REVIEW OF LITERATURES

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ABSTRACT-

As voluntary sustainability reporting has become an increasingly common practice among large corporations, the question arises as to whether or not such reporting should remain strictly voluntary, or should be mandated by regulators or stock exchanges. A number of governments have already made broad based sustainability reporting essentially mandatory. Sustainability reporting enables organizations of all shapes and sizes, including companies and public agencies, to measure, manage and publicly disclose their economic, environmental and social performance. The content of sustainability reports focus more on complying to the reporting guidelines requirements rather than elaborating on materiality, stakeholder engagement and future plans and targets. Although, problem regarding reporting practices is widely accepted; it is equally widely accepted that the impact of corporate activity upon society and its citizens as well as all stakeholders including the environment is considerable and has an impact not just upon the present but also upon the future. Sustainability disclosure tracks, and allows for improvement on, those issues most tied to a corporation's environmental and social impact and most material to a company's financial performance. The concept of integrated reporting, which has been evolving over the last year, underlines the importance of demonstrating independence between strategy, governance, operation and financial and non-financial performance. India's business and investment Communities are beginning to recognise the benefits of sustainability reporting and organisational transparency. Involvement and ownership by top management, the management structure that formulates strategies and runs the operation of the company is a critical part of the sustainability process, given their ability to effect changes and to develop a long term vision and goals for the organisation. This strong growth in voluntary sustainability reporting suggests that both corporations and their stakeholders find value in the publication of this data. However, we believe that without mandatory reporting, the crucial task of transforming sustainability reporting into actual improvements in sustainability performance will remain an especially difficult task.

KEY WORDS-

Sustainability,
Reporting Practices,
Literature,
Social responsibility practices,
GRI.

1. INTRODUCTION:

As compared with the developed economies sustainability reporting is still in its infancy in India. Since its inception, very little exploration has been done on the topic. However, the concept has created a spur among corporate, stakeholders and the researchers. Sustainability and its reporting have been verified on various grounds using diverse parameters for different countries. Nonetheless, what makes this study different from others is its comprehensive integration of the various measures used to evaluate sustainability and their impacts. This particular chapter carries out an extensive review of wide-ranging literature on the subject.

2. STATEMENT OF RESEARCH PROBLEM

The major problem of this study is to ascertain & evaluate the trends of sustainability reporting practices and , its effect on financial performance, value of the shareholders' & value of the firm.

3. IMPORTANCE OF THE STUDY

Sustainability reporting has importance both at national and international level. Most of the companies of India & world are preparing sustainability report in order to meet the need of various stakeholders. Hence there is necessity for prevalence of this concept among different stakeholders and the firms. The present study focuses on the necessity of sustainability reporting practices for the Indian companies, its stakeholders, regulating bodies and government. It will enhance the understandability of the concept & significance of sustainability by identifying various factors responsible for it. This study also explores an urgent need for creating awareness among Indian firms towards sustainability and evaluating their performance according to GRI standards other widely accepted measures.

4. OBJECTIVES OF THE STUDY

This study analyzes the impact of sustainability reporting on various aspects. This study investigates the components of sustainability on financial performance, firms' value and shareholder value of Indian companies, listed on the National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

The present study is based on the following objectives:

- To examine the literatures available on conceptual framework of sustainability reporting practices and comprehensive literature review.
- To study the literature based on recent trends and relevance of sustainability reporting practice of Indian companies from different sectors.
- To analyze the literature on impact of sustainability reporting on firm's profitability, firm's value and shareholder's value.

5. RESEARCH METHODOLOGY

The study is exclusively based on collected data from different literatures available on sustainability reporting practices. Data and information are collected from different secondary sources like, websites, newspapers, magazines and journals ,Ace Knowledge Research Portal, CSR Hub database, NSE website, GRI database and sustainability reports of the companies

6. DEVELOPMENT OF LITERATURE

6.1 LITERATURE UPTO 1990

Norman Pope (1971) conducted a study reporting environmental information in 125 annual reports of 1970. The study covered five heaviest polluting industries namely chemicals, energy, forestry packing materials and utilities. He observed that most of the companies disclosed information on ecology in the President's letter to stockholders. However 18 companies (6.90%) disclosed this information in the financial statement or in the allied footnotes. **Epstein and Eloas (1975)** carried out a study of 47 corporations to examine the reporting of their social responsibilities in the annual reports. The study concluded

that the areas of corporate social accounting which appeared more frequently in the annual reports of the selected corporations were environmental quality, equal employment opportunities, product safety, educational aid, charitable donations, employee benefits, and various community support programs. **Holmes (1976)** observed that profitability was not an important future in the thinking of management in social involvement. He argued that corporate involvement in social responsibility is because of three main reasons; matching of social need to corporate skill, need or ability to help, the seriousness of the social need and the interest of top executives. **Ingram (1978)** carried out a study on fortune five hundred companies. He examined the information contents of voluntary social responsibility disclosure practices in the annual report of the companies under study. The study considered five significant variables for social information disclosure, namely, environmental, fair business practices, community involvement, personnel and product. He experienced that there was a wide variety across the firms regarding the information content of the voluntary social responsibility disclosure. He concluded that the information content of the social responsibility disclosure varied across firms, once industry classification, the sign of largest listed Australian companies for the period 1967-1977, ranked according to their market capitalization to study the social responsibility disclosure in five years, viz., environment, energy, human resources, product and community involvement. The study revealed that the Australian companies were disclosing social information and were presenting the social accounts also in their annual reports the excess earnings of the firm and the fiscal year in which the disclosure were made, were taken into account. **Hogner (1982)**, in a longitudinal study, examined corporate social reporting in the annual reports of the US Steel Corporation over a period of 80 years, commencing in 1901, the data being analyzed for year-to-year variation. He argued that social disclosure represented a response to society's expectations of corporate behavior. In the study, variations in social disclosure were linked to variations in community social expectations. **Singh and Ahuja (1983)** made content analysis of 40 annual reports of public sector companies. it covered 33 items of social disclosure. The authors attempted to examine the relationship between corporate social reporting and company size, age, profitability and industrial grouping. **Cowen, Ferreri and Parker (1987)** argued that larger corporations tend to disclose more information because larger corporations are highly visible, make greater impact to the society, and have more shareholders who might be concerned with social activities undertaken by corporations. **Guthrie and parker (1990)** undertook a comparative international analysis of corporate social disclosure practices in the US and UK and Australia for 1983. They reviewed and documented disclosures related to the environment, energy, human resources, products, community involvement and others. They found that corporate social disclosures in Australia ,as measured by pages within the annual report, were relatively low compared with the UK and US .of the 50 Australian companies examined ,28 (56 percent) provided some form of social disclosure, in comparison to 85 percent of US companies and 98 percent of UK companies respectively.

From the above literature reviews in can be deduced that research on corporate sustainability has progressed the most in the developed countries. Very few research works have been carried out in respect of sustainability reporting in context of developing countries like India, Brazil. Being one of the key emerging economies of the world, India is not left unaffected by the developments world-over.

6.2 LITERATURE BETWEEN 1991-2010

Vasal (1995) conducted a research study on social responsibility disclosures based on a sample of central public undertakings in India in between 1988 to 1991. The study concluded that majority of disclosures regarding social responsibility were made either in Directors Report or Schedule to accounts or Notes to Accounts. Profit and Loss Account and Balance Sheet did not contain a single information item on social accounting. **Fekrat, Inclan and Petroni (1996)** examined environmental disclosures in 1991 annual reports of 168 companies from 18 countries. They found significant variations in corporate environmental disclosures among companies from different countries. They also tried to provide a modest test of the voluntary disclosure hypothesis in the context of environmental disclosures. The evaluation showed a

significant variation in environmental disclosures making no clear support for the voluntary disclosure hypothesis. There was also no apparent relationship between environmental disclosure and environmental performance. **Eric and Tsang (1998)** finished a longitudinal study in the banking, food and beverages, and hotel industries from 1986-1995. He found that most disclosed theme is Human resources followed by community involvement, environment and others. **Belal (1999)** reported that of the companies studied in Bangladesh maximum number of companies made disclosure on employees, marginally followed by disclosure on some environment and lastly on some ethical issues.. **Adams and Kuasirikum (2000)**, in a comparative and longitudinal study, made by a comparative analysis of corporate reporting on ethical issues by the UK and German chemical and pharmaceutical companies. The study covered the period 1985-1995 and focused on all types of ethical reporting; customer relations and product quality, equal opportunities, public welfare activities, safety, product policies and others. The study found substantial differences in the nature and patterns of reporting both across time and between the two countries studied. **Cormier and Gordon (2001)** studied social and environmental disclosures in annual reports and differentiated between disclosures made by publicly owned and privately owned enterprises. They used some traditional efficiency measures but also employ effectiveness measures relying on the proprietary cost and information costs views. Ownership status and size are likely to affect legitimacy, influence the amount of social and environmental disclosure. Finally, while environmental disclosures seemed to be related to information cost and benefits, the relationships was not found to hold for social disclosures. **Kolk (2001)** investigated the national and sector influences on the volume of sustainability reporting. Expectations in his results state that besides regulations, social context is expected to play a role. He saw the need for future research into the effect of social context on sustainability reporting. **Verma, Saxena and Kaushik (2002)** made a study for measuring social performance of nineteen public enterprises of India. They observed that public sector enterprises in oil and petroleum industries made an effective and sincere effort for appraisal of social performance. It also observed that Board of Directors carried on a significant responsibility to report social performance in annual reports. Most of the social performance reports were made annually. Director's report and Chairman's report had been taken as most popular and convenient medium for making disclosure on social activities and descriptive mode had been considered as popular mode. **Arcele(2003)** analyzed the social and environmental information disclosure found in the annual report of the biggest companies operating on Spain throughout the years 1994-1998, and established some determinant factors of companies disclosing such information. After calculating several social and environmental disclosure indexes, the result suggested a slow but steady increase in this type of reporting, especially environmental reporting the most social and environmental information. **Adams and Frost (2004)** examined web-based CSR disclosures in Australia, Germany and the United Kingdom and found that in general the disclosures were made without considering the strategic considerations of the communication medium.

Shukla (2005) in his study on the disclosure of environmental information of ninety-two private sector companies showed that only thirty-seven percent of the companies reported environmental information in their annual reports. Among the companies petro products, fertilizers, engineering and pharmaceuticals were relatively more responsive with environmental reporting. Another interesting feature which cropped up from the study was that the medium size companies were more liable for environmental reporting than small as well as large size companies. As far as reporting mode was concerned descriptive statement in director's report was the most common mode of the environmental reporting.

Araya's (2006) survey of CSR reporting among the top 250 companies in Latin America gave some indication of practices in the region. Overall, 34% of the top companies publish sustainability information in a separate report, the annual report, or both, mostly from the energy and natural resources sectors. The annual report is the more common format (27%, versus 16% using separate reports), with Brazilian companies being the most likely to report (43% disclose sustainability information in

annual reports and 22% in sustainability reports), as compared with Mexico (33% and 25%) and Chile (22% and 16%). Even companies with European and American origins are less likely to be reporters than Brazilian companies.

Hartman (2007) conducted a comparative study among European Union and United states multinational corporations. They investigated the communication of CSR activity all together 16 companies. They presume to see a significant difference between CSR approaches: U.S companies tend to justify their CSR activities through economic, bottom line terms, while European firms emphasize language, citizenship-theories, corporate accountability or moral commitment. They apply a theoretical approach with two different types of motivations for engaging in CSR activities; these are economical and ethical motivations. **Murthy and Abeysekera (2008)** studied the social and environmental reporting practices of Indian software companies through the eye of legitimacy theory. They conducted their study against the backdrop of India's economic transformation since independence. They focused on corporate social reporting (CSR) of Indian software firms relating to the complex issues of human resources and community development and found support for legitimization motives for CSR by Indian software firms. **Perez and Sanchez (2009)** studied the evolution of sustainability reports of four mining companies, from 2001-2006, identifying that the social aspect was the most reported by those companies, followed by the environmental and economic aspects.

From all the literature reviews it can be deduced that research on corporate sustainability has progressed the most in the developed countries. Very few research work have been carried out in respect of sustainable reporting in context of developing countries like India, Brazil etc.

6.3 LITERATURE FROM 2010 & ONWARDS

CERES (2010) highlighted the key sustainability drivers in the globalization process, climate changes and the importance of a clear communication with stakeholders, due to how fast in information can be spread around the news nowadays. **Chang (2011)** analyzed corporate sustainability performance of 16 industries by Data Envelopment Analysis (DEA) and found that 7 of those industries improved their sustainability performances. **Sharma et al. (2013)** in their research on '*Corporate Social Responsibility, Corporate Governance and Sustainability: Synergies and Inter-relationships*' studied the empirical association between Corporate Social Responsibility (CSR), Sustainability and Corporate Governance (CG) using correlation analysis. Thirty-five variables (CSR-7, CG- 18 and sustainability- 10) were considered for the purpose. Sample firms were those that were part of S&P CNX Nifty for a period of 2 years i.e. 2009-10 and 2010-11. The final sample stood at 46 firms. Annual reports, sustainability reports and reports on corporate governance were obtained. Binary scoring was used for the analysis to obtain a CSR score, CG score and sustainability score. Spearman's rank correlation, a nonparametric test was used to study the relationship between the three. This study revealed that CSR and CG had a strong complex relationship between them; a low and insignificant positive correlation between CG and sustainability; whereas significant correlation was established between sustainability and CSR. **Bhalla et al. (2014)** did an analysis on the growth of sustainability reporting on India in '*Corporate Sustainability Reporting: A Study of Economic Sustainability Aspects by Selected Indian Corporations*'. This work focused on only the economic dimension of sustainability. For measuring the economic sustainability aspects GRI was taken as the base. This work undertook case study of TCS, Reliance Industries and Wipro and investigated their sustainability reports and other information on sustainability on websites and other related published materials. The study demonstrated Indian companies' dynamic participation in sustainability issues. **Dutta et al. (2015)** carried out a study on '*Triple Bottom Line Reporting: Present Research and Future Direction*' and evaluated sustainability reporting based on literature with respect to India which has also been termed as triple bottom line reporting (TBL) and summarized its future scope. They emphasized the inadequacy of research on India in this area and the need for further research. **According to the study of Farraswanet. al. (2016)** on '*Disclosure Level of Sustainability Report: Study of*

Indonesian Stock Exchange Listed Companies' and found that the levels of disclosure of the companies listed in Indonesian stock exchange are still not up to mark. There has been no major change in the level of disclosure for sustainability reporting. They suggested that, to make all companies comply with sustainability practices and disclosure, strict regulatory framework needs to be implemented. Further they recommended that sustainability disclosure practice can be carried out better with involvement of stakeholders in business. **Bhimani et al. (2016)** undertook a work on *'Voluntary corporate social responsibility reporting: A study of early and late reporter motivations and outcomes'* and studied the inspiration that guided Organizations who were either early or late adopters of voluntary corporate social responsibility reporting practices, based on a study of eighty respondents from five hundred large Finnish companies and twelve in-depth interviews. As per the neo-institutional logic, those who adopted the practices early are more authentic innovators while late adopters are motivated by mimetic and normative pressure. The scholars here hypothesize that early CSR reporters are driven by the scope of competitive advantage through a different strategy. The study also raises potential questions on mechanisms other than disclosure through CSR reports as structural signals to stakeholders. **A study was conducted** on *'The Blind Spot In Sustainability Reporting: Is Materiality Analysis Increasing Stakeholder Accountability And Transparency?'* by **Gungadeen et al. (2017)** to investigate how companies are distinguishing various important aspects in sustainability through Shared Value Materiality Analysis (SVMA). For better implementation of sustainability among various firms, they suggested competitive advantages, shared value and normative framework. Further they discussed about the pros and cons of transparent reporting, accountability and sustainability. **As per the research work of Swarnapali (2017)** on *'Corporate sustainability: A Literature review'* aiming to create a better understanding of corporate sustainability. They recognized the increased interest if the academia and corporate houses. The finding show that corporate sustainability field is budding and that numerous approaches may be used to define, measure and theorize corporate sustainability. This work has indicated that a commonly agreed definition of sustainability is deficient. Thus, concepts of corporate sustainability and corporate social responsibility have been used simultaneously in many contemporary studies since they overlap. **According to a study by Gnanaweera et al. (2018)** on *'corporate sustainability reporting: Linkage of corporate disclosure information and performance indicators'* to evaluate the corporate reporting so as to provide an overview with respect to corporate sustainability and their obligation for 85 Japanese companies on the Tokyo Stock Exchange list, from 2008-2014. The analysis revealed that among the 20 indicators, 10 indicators surpassed 80% Corporate Sustainability Disclosure (CSDF) rate in the overall disclosure on corporate sustainability (economic, social and environmental categories). On an average, all the years under consideration showed same CSDF rates exceeding 75%; there has been no noteworthy growth for CSDF rates from the previous years to the final year (2014). Hence, as per the study, there are no experimental results to relate the corporate sustainability disclosure consequences with environmental and financial performances.

From all the literature reviews in can be deduced that research on corporate sustainability has progressed the most in the developed countries. Very few research works have been carried out in respect of sustainability reporting in context of developing countries like India, Brazil. Various frameworks of environmental management and reporting emerged in different comers of the world. But till today corporate sustainability reporting practices in a comprehensive form has not been dealt with seriously. Only few comprehensive frameworks have been designed to evaluate corporate sustainability reporting performance. Very few works have been done in measuring sustainable performance using UNEP/Sustainability framework.

A comparative sector wise analysis of sustainability reporting performance in developing countries like India, Brazil is not available. Similarly, country wise and cross country sector wise analysis of sustainability reports is not available. Few research works are carried out by comparing the sustainable performance of companies getting independent sustainable assurance and not getting it. Such comparison in respect of developing countries like India, Brazil is not available. Few research works are made by examining the difference in quality of sustainability assurance statements when it is provided by

different assurance providers. However, with increased awareness in today's globalized world, stakeholders are increasingly recognizing that besides governance responsibilities, accountability towards the society and environment are integral to a company's performance and essential for its long-term sustainability and viability. The Ministry of Corporate Affairs (MoCA), Govt, in July 2011, released the 'National Voluntary Guidelines on the Social, Environmental and Economic Responsibilities of Business', formulated by the IICA (Indian Institute of Corporate Affairs). The Guidelines are a refinement over the Corporate Social Responsibility Voluntary Guidelines 2009, released by the MoCA in December 2009.

In the above backdrop, as economic landscape of the world changes, it is the need of the hour to compare the sustainability reporting practices of developing countries like Brazil, India, with that of developed countries like UK, USA. Again it is vital to compare the reporting practices of different business sectors (industries) of these countries. Further the impact of independent assurance on quality of reporting need to be studied.

7. CONCLUSION

Various frameworks of environmental management and reporting emerged in different corners of the world. But till today corporate sustainability reporting practices in a comprehensive form has not been dealt with seriously. Only few comprehensive frameworks have been designed to evaluate corporate sustainability reporting performance. Very few works has been done in measuring sustainable performance using UNEP/Sustainability framework. Comparative sector wise analyses of sustainability reporting performance in developing countries like India, Brazil etc. is not available. Similarly country wise and cross country sector wise analysis of sustainable reports is not available. Few research works are carried out by comparing the sustainable performance of companies getting independent sustainable assurance and not getting it. Such comparison in respect of developing countries like India, Brazil etc. is not available. Few research works are made by examining the difference in quality of sustainability assurance statements when it is provided by different assurance providers.

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