CHAPTER 2
LITERATURE REVIEW

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CHAPTER 2
LITERATURE REVIEW

The Sustainability reporting in India is said to be in its nascent stage as compared to the reporting made by the developed economies. Since the inception of the concept, less has been studied on the topic. However, since the mandations by the government, the concept has gained impetus among corporates, stakeholders and the researchers. Sustainability and its reporting have been tested on different grounds using different parameters for different countries. However, what differentiates this study from other is its comprehensive integration of the various measures used to measure sustainability and its impacts. The chapter follows with the wide review of the literatures on the subject.

2.1 Literature Review

❖ Barkemeyer et. al. (2015) investigated the effectiveness of Corporate Sustainability Reporting according to Global Reporting Initiative (GRI). Content analysis of 933 GRI G3 sustainability reports of companies from 7 varied sectors and 30 different countries was conducted. Analysis was done on the basis of 79 GRI G3 indicators taken as dependent variable. OLS regression was performed. The study found that GRI promotes the dissemination of sustainability reporting and is therefore successful especially in Asian and South American companies. However, the outcome and impact effectiveness of the GRI is limited; as it is not found to have facilitated superior company-stakeholder interaction.

❖ Dutta and Dutta (2015) highlighted the literature based evaluation of sustainability reporting which is also known as the triple bottom line reporting (TBL) with regard to India and stated its future scope. The study stated that less research has been done in area of TBL in India with regard to GRI. The study also highlighted an extensive future scope of research in this area.

❖ Godha and Jain (2015) gave a conceptual overview of sustainable reporting and its status with regards to Indian firms. It highlights the benefits of sustainability and explains the development of regulations towards sustainability. The study measures
sustainability with the GRI framework. It reveals that sustainability has gained importance among Indian firms and the number of firms reporting on sustainability has increased. The study suggested that the present regulations not being enough, more clear regulations are needed and that more and more have to be adopted as a global standard of sustainability to compete globally.

- **Holmlund (2015)** conducted an exploratory study that aimed to analyse how companies present their sustainability actions to create an impression of being sustainable. The study uses template analysis of two sustainability reports to bring out the impression management tactics. These companies belonged to Fortune Global 500 list and where from automobile and energy sector. The study identified 8 OIM tactics of which 4 related to the ways companies present their actions and 4 comprised the writing styles used by the companies. Thus, the study explored on how the contents are reported rather than what is being reported.

- **Iyer and Shankar (2015)** conducted a case study to highlight the importance of environment sustainability reporting by analysing the sustainability reports of ITC (an Indian company). Their study was a normative one of ‘what ought to be’. Their study presented the ‘green’ best practices of ITC that can benchmark against Global Green practices.

- **Kundu (2015)** made a comparative analysis based on social performance of selected large Indian companies from metal and mining sector listed on BSE. Disclosure as per the GRI G3.1 framework guidelines and the amount spend on CSR activities was studied. The period of the study was 3 years 2010-11 to 2012-13; data was collected from annual reports and sustainability reports. The statistical tools used were percentage, mean, rank ANOVA etc. 53 Social indicators as per GRI G3.1 were used as base. The study revealed that even high profit making companies need not invest high in CSR activities and suggested that the metal and mining firms need to focus on the social activities like providing employment, education, health services, drinking water etc to the areas near mining.

- **Mahapatra and Sahu (2015)** studied the trends and issues of sustainability in India taking the GRI framework as base of sustainability. They collected the secondary data
from the GRI database and from BSE website for data on S&P Greenex (an index of 25 companies that are engaged in green activities). The study found that the S&P BSE Greenex companies performed better than the BSE SENSEX as observed by the average (monthly average of 27 months). The period of the study was from 2000 to 2014. It found an increase in the number of companies reporting on sustainability. However, the number is still too less as compared to the overall listed companies. The study suggested that the government promotions can extend the sustainability disclosure practices to all the companies.

Nurhayati et. al. (2015) used legitimacy theory to investigate the extent of Social and Environmental Disclosure (SED) of Indian textile firms over the period of 2010, 2011 and 2012; and attempted to explain the factors for such disclosure practices. In simple words the study investigating the association between corporate characteristics and governance variable and the SED of the textile firms of India. Sample of 100 textile firms was selected from 319 textile firms listed on Bombay Stock Exchange (BSE), which finally stood to 95 after excluding the outliers. OLS regression was used; the extent of SED was taken as dependent variable; firm size, international brand, board independence and ownership concentration were taken as independent variables; whereas audit committee independence, CEO duality, profitability, inter-nation certification obtained and year of reporting were the control variables. The study revealed that the SED in India textile firms is relatively low and that the labour practices and decent work and human rights were the least disclosed categories. The study suggested that the regulatory bodies like SEBI need to introduce a more focused and effective guidelines and regulations for the non financial disclosures.

Ralston et. al. (2015) studied the attitudes of business professionals of the BRIC countries towards sustainability or more commonly termed as Triple Bottom Line (TBL), on its 3 parameters: Economic, Social and Environmental. The study also investigated the influence of macro level social, cultural and business ideology factors on TBL across BRIC. Further, it also investigated the meso-level similarities or differences in corporate reporting attitudes within and across the BRIC countries for present as well as the future generations. 1688 participants of 4 countries were taken as sample of which 1239 were present generation business professionals; whereas 449 whether the future generation business professionals (undergraduate business
students). One city was selected from each country and data was collected from the same. The respondents were asked to mark 25 items on a 9 point Likert’s type scale. The study revealed that the future generation of the BRIC countries laid more emphasis on economic corporate reporting rather than social and environmental corporate reporting.

- **Shnayder et. al. (2015)** studied the sustainability reporting practices using the Triple Bottom Line (TBL) Framework in the packaged food industries. This was done by analysing the qualitative data contained in the sustainability reports and interviews with middle level managers working in CSR departments. The study concluded stating that the firm’s CSR focus in the packaged food industry is people rather than planet or profit. Further, it found that firms focus on people as it was easy to achieve and please the stakeholders.

- **Vigneau et. al. (2015)** conducted an exploratory empirical study to view the impact of Global Reporting Initiative (GRI) on multinational corporations’ practices of Corporate Social Responsibility (CSR). The study compared the stated intentions of the use of GRI with its actual use and its effects. This resource is based on single case study of North Company; by conducting 24 interviews with CSR management employees. The study found that the CSR reporting had become the main task of the CSR committee and GRI has become a strong base for reporting and improves the reporting. The study concluded that GRI had a significant impact on the MNCs practices of CSR and the management efforts towards it.

- **Bhalla and Bhalla (2014)** attempted to analyse the growth of sustainability reporting in India. The study concentrated on only the economic aspect of sustainability. GRI was taken as the base to measure the economic sustainability aspect. The study underwent a case study of TCS, Reliance Industries and Wipro and explored their sustainability reports and other information on sustainability on websites and other related published materials. The study evidenced that Indian companies are actively participating in sustainability issues.

- **Bhatia and Tuli (2014)** studied the extent of sustainability reporting practices of 30 SENSEX companies chosen as sample. This study exclusively confined itself to
Indian perspective. It studied sustainability disclosures at 3 levels: company wise, industry wise and category wise. The period of the study was one year 2010-11. Content analysis was used for the purpose and sustainable disclosures made in the form of sustainability reports as per Global Reporting Initiative (GRI) formed the base to measure sustainability. The company wise disclosures revealed that the Indian companies have gained the importance of sustainability and are reporting highly and more on it. The industry wise disclosures revealed that the computer software sector was the highest to reports on sustainability, while strategy and analysis was the highly reported category by the Indian firms. Further, for inter industry wise disclosure, one-way ANOVA was used. The study found no significant difference in the industry disclosure scores, indicating that not much importance is given to the industries characteristics by the Indian companies while disclosing on sustainability.

- **Bistrova, et. al. (2014)** to identify the factor that most affects the shareholder value creation process in companies in the long run. Content analysis of 100 abstracts of the published scientific papers from Scopus, EBSCO, Thomson Reuters Web of Knowledge and other scientific databases was conducted for the purpose of the study. These abstracts so collected were for the period of 40 years (1972-2012). Text statistical software programs AQUAD 6.0 and Hamlet II 3.0 were used for data processing. On the basis of the analysis performed the study found that the shareholder value maximisation is based on long run and stable economic performance, proper implementation of the system of corporate governance, higher CSR standards, rational capital budgeting politics and high financial results accountability. The study also stated that with the help of these factors the investment attractiveness of a company can be increased for the investors, both existing and potential.

- **Burritt et. al. (2014)** through their research aimed to probe in to how the accounting for sustainability concerning the production and supply chains might look. Their study highlighted the in progress problems of scope and terminology as well as the lack of broad sustainability focus.

- **Chandriaswal et. al. (2014)** studied the effect of size on CSR activities of selected top 50 companies of India. Size was measured by taking natural log of total assets,
while CSR score was measured by 12 indicators of CSR. The period of the study was 1 year: 2013. The study also aimed to find the factors that influence the CSR activities and the factors that are frequently undertaken. Using regression analysis the study concluded that size had a significant influence on CSR activities of Indian companies.

- **Das and Das (2014)** made a comparative analysis of the two famous sustainability reporting frameworks: Global Reporting Initiative (GRI) and Dow Jones Sustainability Index (DJSI). The comparison concluded stating Global Reporting Initiative to be better and much acceptable framework for sustainability reporting compared to the Dow Jones Sustainability Index, as more companies are registered with GRI than DJSI. Moreover, Global Reporting Initiative works on 90 indicator and Dow Jones Sustainability Index works on 9 indicators. Nevertheless, the DJSI is also a valuable index; however it fails to reflect the impact of environmental and social incidents.

- **Goyal (2014)** studied the level of sustainability disclosures among Indian companies, the most frequently disclosed component in the annual report and also attempted to find the industry having highest disclosure. Top 10 companies each from 5 different sectors of Bombay Stock Exchange 500 Index was selected as sample. The environmental reporting practices of these 50 companies for the year 2011-12 was surveyed on the basis of 35 items based on the index proposed by United Nations Environment Programme (UNEP). The item wise disclosures revealed that material and energy consumption being the mandatory ones were disclosed the highest. The industry wise disclosures revealed that the oil and gas sector followed by cement sector disclosed the highest. The textile sector had the least disclosure. The study found variations in the disclosures made by the Indian companies with some having very high to very low disclosures and therefore recommended a specific framework for reporting.

- **Ioannou et. al. (2014)** examined the effect of mandatory sustainability reporting on firm disclosure practices and valuation of 4 countries: China, Denmark, Malaysia and South Africa. To study this, they used differences in estimation with propensity score matched samples. The data were collected from Bloomberg. The sample size for the 4 countries stood to 144 Chinese, 29 Danish, 43 Malaysian and 101 South African
firms. The reporting practices before and after the regulations were traced for both the treated firms as well as the controlled firms. The variables used were Return on Assets for profitability, leverage, Tobin’s Q for market expectations about growth opportunities, level of ESG disclosure and industry membership. Multiple regression analysis was used for the analysis. The study found that treated firms increased disclosures significantly as compared to the control firms. Also it found a positive economic effect of the disclosure regulations. It stated that the regulations increased the value of the firms.

- **James (2013)** conducted a survey through questionnaire with five point Likert rating scale to companies, its stakeholders and standard setters. Sample consistent of 115 students enrolled in intermediate accounting at a Western Region University. The t-test was used to test the hypothesis and to determine significant association. Other tools used were mean and standard deviation. The survey aimed to investigate the perceptions of accounting major’s regarding sustainability and integrated reporting’s perceived benefits to its stakeholders. The study found that the students supported both sustainability and integrated reporting. The students also perceived it important for companies to report on multiple performance indicators. Finally, they perceive sustainability to be more beneficial to large firms rather than small and mid size firms.

- **Kloviene et. al. (2014)** provided a detailed literature review of scientific works on the integration of performance measurement (PM) and Sustainability Reporting (SR) using content analysis. The study aimed to know how PMs can help in effective sustainability reporting. The literature review mapped by the study revealed the relationship between PMs and sustainability reporting.

- **Maubane et. al. (2014)** determined whether reporting in patterns exist across market sectors of the sustainability report of companies listed on the Johannesburg Securities Exchange (JSE). It made use of content analysis to analyse the annual and sustainability reports of 74 Companies listed on 2010 JSE SRI (Socially Responsible Investment) Index. The study found that the mining and materials sector reported on environment and social parameters more, while the government parameter was less reported. The study concluded stating that the JSE SRI Index guidelines on reporting were easy to implement. It found a lack of completeness and transparency in the
companies’ reports. Companies ‘pick and choose’ on what to report and what not to report on.

- **Nambiar and Chitty (2014)** explored the meaning of environment and sustainability perceived by the corporates of India. Content analysis and interviews were used for the purpose. Senior corporate managers were analysed on how they frame their sustainability issues. The study found that even though the corporates accept the importance of sustainability but they do not accord high Priority to it.

- **Kumar (2014)** examined and compared the sustainability reporting practices of Indian Petroleum Companies with the global petroleum companies. For the purpose of the study 5 NSE Nifty Index companies and 5 FORTUNE 50 petroleum companies for the year 2011-12 and 2012-13 were chosen as samples. The sustainability reports based on GRI were examined on 132 parameters. The study found that Indian petroleum companies have better sustainability disclosures compared to the global petroleum companies.

- **Rao and Ashok (2014)** exclusively highlighted the triple bottom line reporting (TBL) of ITC limited and found it to be exemplary and helpful to the country. The case study found that ITC limited is the only company in the world to be carbon positive, water positive and solid waste recycling positive. The company is found to be environmentally and socially active and also generated wealth for shareholders.

- **Sharma and Khanna (2014)** empirically studied the association between Corporate Social Responsibility (CSR), Corporate Governance (CG) and Sustainability using correlation analysis. For this purpose 35 variables (CSR-7, CG-18 and sustainability-10) were considered for the study. Sample firms where those that formed part of S&P CNX Nifty for the period of 2 years 2009-10 and 2010-11. The final sample stood to 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. The relationship between the three was examined through Spearman’s rank correlation, a nonparametric test. The findings of the study revealed that CSR and CG had a complex yet a strong relationship between them;
positive low and insignificant correlation between CG and sustainability; whereas significant correlation was found between CSR and sustainability.

- **Aggarwal (2013)** studied the impact of sustainability on the financial performance of Indian firms. It measures sustainability as whole as well as its 4 components: Community, Employees, Environment and Governance, obtained from the CSRHub database. While the financial performance was measured by Return on Assets (ROA), Return on Equity (ROE), Return on Capital Employed (ROCE), Profit before Tax (PBT) and Growth in Total Assets (GTA). The period of the study was of 2 years 2010-11 and 2011-12. Cross sectional analysis was performed on the average data of the two years; other statistical tools used for the purpose were multiple regression, correlation, t-test and F-test. 20 companies on NSE formed the sample of the study. The study found mixed results and concluded that overall sustainability had no significant impact on association on the financial performance of Indian firms. Out of the four components of sustainability, all except community performance had significant but varying impact on financial performance. Community and governance parameters had a positive impact, whereas employees and environmental indicators showed negative impact on financial performance of firms.

- **Daizy et. al. (2013)** reviewed the various initiatives and recent trends of corporate sustainability in India; along with the development of sustainability guidelines of India. The study found sustainability in its nascent stage in India but with growing importance, more and more companies have shown positive signs of acceptance to the concept of sustainability and the increasing internal and external pressures will make sustainability to spread and cover all companies in India in near future.

- **Eccles et. al. (2013)** studied the effect of corporate sustainability on organisational process and performance. For the purpose, a sample of 180 US companies were selected that were divided into two groups of 90 companies each; companies that adopted sustainability policies were termed as high sustainability companies, while those that do not were termed as low sustainability companies. The study revealed that the high sustainability companies outperform the low sustainability companies both in terms of stock market as well as accounting performance. Moreover, the high
sustainability companies have better organisational processes than the low sustainability companies.

- **Ghosh (2013)** examined the characteristics of the Indian companies that enable them to perform better as regards to sustainability which was measured by S&P ESG India Index. The study used top 200 NSE companies by market capitalization as on 31st March 2012 and the period of the study was 4 years from 2009 to 2012. Using probit specifications and panel regressions the study investigated whether Corporate Sustainability Performance (CSP) and reporting has an impact on corporate financial performance, measured by ROA, ROE, and Tobin’s Q. The study listed out the factors that lead to superior sustainability firms. The factors are large size of companies, less leverage, business group affiliation, higher R&D and advertisement expenses that lead to superior financial performance. To study whether the Indian market values CSP, Ohlson’s model (1995) was further used in this research and it positively confirmed the same, stating that market rewards companies that are superior in sustainability.

- **Goswami (2013)** attempted to study the trends and developments in the corporate reporting practices of Indian companies. For this purpose 10 leading companies of Bombay Stock Exchange (BSE) SENSEX were selected as sample. Their annual reports of 10 years from 2001-02 to 2010-11 were collected and studied on 6 types of disclosures. The study concluded stating that voluntary disclosures have emerged as a new trend in the corporate reporting. However, these voluntary disclosures vary and lack comparability and therefore suggested proper guidelines for the disclosure of such information.

- **Legendre et. al. (2013)** aimed to analyse the determinants for the adoption of the GRI G3 guidelines and its application levels. They used Content analysis to analyse the sustainability reports of the world's 500 largest companies in Fortune Global 500 for the year 2009. Binary and ordinal Logistic regressions were used for the purpose. The GRI G3 adoption and application level formed the dependent variables, while company size, profitability, industry type and business culture were the independent variables. The study revealed that the size of the company, profitability, business culture of a country and industry influenced the adoption of GRI G3 guidelines;
whereas its application level was influenced by the industry in which the firm operates. Moreover the application level was found more in high risk industries.

- **Milne et. al. (2013)** examined sustainability critically; considering it to be the urgent issue of the era and life supporting. The paper argued that Triple Bottom Line and Global Reporting Initiatives are insufficient for organisations contributing to sustainability.

- **Mitra and Ghosh (2013)** attempted to study the present status of sustainability reporting of chemical industries of India; with special reference to the chemical industries of Gujarat. It studied the perception and beliefs of the industry about sustainability. Primary data was collected through questionnaires from higher level managers; from 520 respondents from different chemical industries across Gujarat. The study concluded stating that the industry does not have much knowledge about sustainability but regarding perception of sustainability a wide acceptance was observed. The industry also believed that sustainability reporting must be done and it is the need of the hour and therefore suggested a common framework for reporting on sustainability issues.

- **Sharma (2013)** conducted an exploratory research to examine the role of Indian companies in sustainable development. 50 companies engaged in sustainability activities were selected as sample. Data were collected through informal interviews and discussions. The study advanced the understanding of sustainability. The study helps in routing the issues and challenges faced by the Indian Corporates.

- **Van et. al. (2013)** proposed a sustainability reporting assessment checklist of 10 questions that can be used as a functional told by the stakeholders to evaluate the content of sustainability reports (SRs). To illustrate the checklist the study demonstrates its effectiveness by applying it to a real but anonymous company. This checklist however lacks the effective mechanism to evaluate its reporting. This checklist can be used to reveal the strengths and weaknesses of a firm. Thus, it will enable the stakeholders if the sustainability reports contain credible claims or are nothing but a corporate spin.
Nagdaseva (2013) in his paper titled “Corporate social responsibility & sustainability reporting: creating value for shareholders and society”, surveyed 30 Dow Jones Industrial Average companies to study if corporate social responsibility reporting has any impact on the shareholder value creation as measured by share prices. A historical analysis of the share prices was done and it found a positive impact of corporate social responsibility reporting on the share prices of the highly reporting companies than those firms who do not report or are slow in reporting about corporate social responsibility reporting. The survey was conducted by email and phones, to the persons responsible for CSR and sustainability (the chief sustainability officers).

Thadathil (2013) examined the sustainability reporting trends i.e. the extent of adapting the Global Reporting Guidelines (GRI) by the IT companies in Pune. The study also made a comparative analysis of reporting on selected performance indicators by the IT companies. The study found that only a few IT companies reported on GRI; however the one that did not resorted to GRI showed a steady improvement. Where India has shown a drastic increase in reporting as per GRI but majority IT companies still lag behind in GRI reporting.

Adams et. al. (2012) aimed to examine the impact of sustainability on firm’s financial performance. This study examines if highly sustainable firms are better able to achieve superior stock performances in short run. More specifically it examines if sustainability has an impact on the change in stock prices of firms in Standard and Poor 500 and the Dow Jones Sustainability Index. The study was in context of US firms of the Dow Jones Sustainability US Index (DJSI US). The period of the study was 2008 and 2009. The study revealed that there is no statistical significant difference in the mean percent change in stock prices between the two groups. Thus, it proves that sustainability has no impact on stock prices in short run. However, it predicted that in the long run it may affect stock prices positively.

Barlett (2012) studied the effect of sustainability reporting on firm value using a normalised sustainability scoring system- Pacific Scoring Index (PSI), with three components environmental, social and human rights; during the great recession 2007 to 2009 for 10 various industries. The study stated that superior sustainability reporting increased the firm’s value but in stable economic times, whereas in
recession it does not. The study used a linear information model based on Ohlson’s model (1995) and Crouse (2007). To study the impact of sustainability on market value overtime (for 5 years 2006 to 2010) for 62 companies chosen as sample panel data analysis was used. Environmental and social components of sustainability significantly and positively correlated with the market value of the firms. The study also revealed that pharmaceuticals and automobile industry have high sustainability.

- **Burhan & Rahmanti (2012)** studied the impact of Sustainability Reporting (SR) on company’s performance using multiple regression analysis. They measured SR as a whole, as well as its three elements viz: Economic performance, Environmental performance and Social performance; these sustainability variables were measured by means of GRI based disclosure index score. To measure Company’s economic performance Return on Assets (ROA) was used as dependent variable. Their study exclusively focused on companies listed on Indonesian stock exchange for the period of year 2006 to 2009. 32 companies formed its sample size. The study concluded that SR had an impact on company’s performance and among the three elements of sustainability only social performance disclosure influenced the companies’ performance.

- **Colon and Glavas (2012)** in their paper titled “The relationship between corporate sustainability and firm’s financial performance” studied the effect of sustainability on firm’s financial performance. This was done by comparing the financial performance in 494 facilities of a large financial firm and comparing it with LEED certified (Leadership in Energy & Environmental Design) and non LEED certified firms. Thus, the study focused on whether the business performance of LEED certified workplace exceeds the non LEED certified workplaces. The period of the study was from 2008 to 2010. The study revealed that environmental practices are positively related to an increase of household consumer business and that it has stronger impact on consumer accounts than business accounts.

- **Dragu et. al. (2012)** aimed to investigate the correlation between the organisation’s size of companies and the GRI and CSR adoption practices, as well as the level of sustainability disclosure. Statistical analysis was done using SPSS. The sample companies where those that reported on sustainability for the period of 2009-10. To
measure sustainability Deloitte sustainability score card was used. The sustainability disclosure was taken as dependent variable, while the GRI, CSR practices, sales, number of employees and year of reporting where the independent variables. The study found a high correlation between the dependent and the independent variables.

- **Ioannou & Serafeim (2012)** examined the effect of mandating the sustainability reporting on measures of socially responsible management practices. They collected data from 58 countries and also surveyed the top and middle management executives. The study used panel data from 1995 to 2008. The study found a positive impact of mandatory sustainability reporting on socially responsible management practices, especially in countries where laws are strict. The study therefore suggested mandating the sustainability reporting to derive the benefits received from it.

- **Peloza et. al. (2012)** examined the stakeholders’ perceptions of sustainability activities of firms, and compared that perception with the reality of a firm’s investment in sustainability. They conducted a global survey of three key stakeholder groups. These three key stakeholder groups consisted of investment professionals, purchasing managers and graduating students. The samples consisted of stakeholders from 6 different countries which included: China, Germany, India, Japan, the United Kingdom, and the United States. The survey required to rate companies on a 1 to 5 point scale, on the basis of which an aggregate score was developed. The perceptions of the stakeholders were compared with the actual firm’s sustainability performance. In order to know as to how stakeholders form perceptions; they also examined the communications process between the firms and the stakeholders. They study found a gap between the perception and the reality and therefore suggested opportunities for the firms to overcome the gap between the perception and the reality and recommended some suggestions for the firms to improve their sustainability communication.

- **Manetti & Toccafondi (2012)** studied through an empirical research if the practice of stakeholder assurance by e-corporations that adopt the GRI guidelines to report on sustainability is actually widespread or not; in other words whether the stakeholders are significantly consulted or not by assurance providers during the assurance services. For the purpose of the study content analysis was used. 161 assurance
statements of international corporations with the highest level of accordance as per GRI (A+) were selected as samples. Sustainability reports were collected from the respective company’s website. The period of the study was 2009. The study revealed that the stakeholders were consulted, although there were still many difficulties and obstacles in full stakeholder engagement, which was suggested to be improved by their study.

- **Mitra (2012)** provided an overview of the development of sustainability reporting practices in emerging economy ‘India’. The study revealed that sustainability has gained importance in India and more companies are reporting on global parameters of sustainability. Some Indian companies have taken strong initiatives in reporting about their non financial performances.

- **Oza and Patel (2012)** studied the environmental reporting practices of 50 ISO certified companies of India. Content analysis was used for the purpose. It studied the type of the information disclosed by the selected companies, the quantity of disclosure measured by the number of words and the location of the respective disclosure in the annual reports for the accounting year 2007-08 published in 2008-09. The study revealed that the oil and gas industry had the highest disclosures. The disclosures of 40% companies were higher than the average. The study suggested that the Indian companies have to be proactive in reporting about the environmental practices to attract the socially responsible investment.

- **Mertens et. al. (2012)** analyzed the SR practices of 50 largest Dutch publicly listed firms of Netherlands listed on Euronext Amsterdam Stock Exchange on 31st May 2011. It also attempted to investigate the extent of the disclosures made in the sustainability reporting of the firms, to see how it fulfills the expectation and needs of the users of sustainability information. Further, it examined how the information contained in the sustainability report can be improved. For the purpose of the study different approaches and methods of research where employed they are: desk study, survey, interviews and literature study. Data from annual reports and sustainability reports was derived for the financial year 2010. The study found a positive correlation between high GRI scores and the amount of sustainability reporting.
Rajagopal (2012) analysed the reporting practices of 191 listed companies of BSE that fall under group ‘A’, with regard to sustainability and related aspects. The selected firms were from varied sectors. The study aimed to analyse whether firms had a propensity to report on sustainability; more precisely it analysed only the reporting behaviour and pattern and not on the aspects or intensity of reporting. A simple summation score was used to analyse. The study found that the sustainability efforts by the Indian firms are much less as compared to the benchmarks set by the Global 250 firms although a good number of firms have published reports on CSR and sustainability.

Patel and Rayner (2012) use a Transactional Culture Analysis (TCA) of Corporate Sustainability (CS) to explain the voluntary reporting on corporate sustainability by some Indian firms. The study conducted a qualitative exploration of 6 Indian firms using Mary Douglas’s Cultural Framework (DCF). The study brings out the forms of social accountability in the firms and the reasons for voluntarily reporting or not reporting on sustainability.

Perez-Batres et. al. (2012) investigated as to why some firms opt to join to join a voluntary national sustainability program. For the purpose of the study they assessed the largest 448 foreign and local Mexican firms, and collected data from 44812 large foreign and local Mexican firms. They also assessed the extent of sustainability reporting in terms of transparency of the 267 Mexican firms. Transparency was used as the dependent variable. The study found a high relation of transparent sustainability reporting of large sized Mexican firms with the type of the industry and its affiliation to a national sustainability program.

Tewari & Dave (2012) compared the corporate social responsibility communication made through the sustainability reports of Indian IT companies with the multinational companies (MNCs). 100 top IT companies of India were chosen as sample and used for comparison with the help of content analysis. GRI framework was used as a base to measure the sustainability communication made in the form of sustainability reports. The study found few IT Indian companies communicating its sustainability as compared to the MNCs.
Buy et. al. (2011) explored the differences in the economic performances of companies that report on sustainability and those that do not report on sustainability, with regard to South African companies. The companies that reported on sustainability formed the test group, while that do not report and sustainability formed the control group. The sample companies where the South African publicly listed companies, listed on JSE limited and the period of the study was from 2002 to 2009. T-test was used to study the significance of the average differences between the financial indicators (ROA and ROE) of the two groups. An evaluation was also done to study the difference of positive or negative EVA and MVA between the two groups. It stated that although the economic performance measured by Return on Assets of companies reporting on sustainability is better but statistically it is not significant. The companies that report on sustainability are not significantly profitable when measured by Return on Equity. In both case when performance in measured by economic value added and market value added, the sustainable firms out-perform the non sustainable firms. Thus, the study reveals no definite positive relationship between sustainability reporting and economic performance.

Cortez and Cudia (2011) studied the impact of sustainability on firm’s performance and vice versa; with regard to Japanese electronics companies. 10 large electronic manufacturers from the Tokyo Stock Exchange (TSE) were taken as sample. The period of the study covered 9 years from 2001 to 2009. Sustainability was measured by environment investment using panel regression analysis the impact of environmental investments. Using panel regression analysis the impact of environmental investments on financial performance and vice versa was studied. The study revealed the following results: environmental costs positively and significantly affect revenue generation (sales); environmental cost had a positive impact on profitability, firm size had a significant negative impact on liabilities. Environmental cost also had more positive impact on shareholders while the reciprocal causality financial performance impacts next periods’ environmental cost. The findings showed that current revenue significantly impacts investment in environmental cost, whereas current revenue, firm size, liabilities and current shareholders wealth does not positively affects environmental costs.
Dhaliwal et. al. (2011) examined the associated benefit with initiating the corporate social responsibility (CSR) activities voluntarily and the cost of capital. The study revealed that firms that initiate CSR activities tend to experience reduced cost of capital in the next year. Further, the firms superior in CSR activities attract institutional investors and analyst coverage.

Videen (2011) performed an event study to test the impact of corporate environmental announcements (both positive and negative) on the firm’s financial value. For this purpose a set of US firms listed on Dow Jones industrial average from 1998 to 2008 were selected as sample. To track the announcements two major news sources- The Wall Street Journal and The New York Times were used. Stock valuation was used to measure firm’s financial performance. The studies found no correlation between positive environmental announcement and changes in stock prices.

Gautam and Singh (2010) made a cross sectional exploratory study about corporate social responsibility (CSR). It studied the development of CSR in India, as well as the current practices adopted by Indian companies. Top 500 Indian companies where examined to study the CSR activities. Content analysis was used for the purpose. The study found that out of 500 firms only 49% reported on CSR and that their CSR activities vary with their turnover and profits of the companies. It also stated that CSR activities not only affect the firm's reputation but also affects its financial performance.

Mishra and Saur (2010) examined the influence of CSR towards primary stakeholders on the financial and nonfinancial performances of firms of India. A questionnaire survey for stakeholders group was developed and used to collect data from 150 senior level Indian managers which included the CEO’s. Data was collected from CMIE Prowess database. The study found that the stock listed firms proved to be more responsible and better with regard to their business practices and financial performance than the non listed firms. They concluded stating that for Indian firms responsible business practices towards primary stakeholders can be profitable as well as beneficial.
Tng (2010) surveys a few popular reporting standards used by the companies to report on sustainability. The study detailed the GRI structure, which is considered as one of the leading reporting guideline of sustainability. The study also examined on SMEs has used the GRI guidelines for sustainability reporting and made further recommendations for the same.

Ars and Crowther (2009) argued in their article that the use of terms such as CSR and sustainability has a modifying effect on the real situations. It effects the external environment of the business and its subsequent implications for the future. One such effect of sustainability is the reduced cost of capital of the firms. This is due to the fact that the investors are mislead to think that the level of risks involved in their investment is lower than it actually is. The study also investigated and analysed the effects of such misrepresentations, and found that the concept is more rhetorical.

Hubbard (2009) studied the present status of sustainability reporting. He described the development of sustainability reporting, as also the approaches and models of reporting on sustainability. To address the issues of sustainability he proposed the plans for research looking at the current practices of sustainability by large organizations worldwide. The sustainability practices of these organizations have huge impacts on the external stakeholders. He finally stated that all firms can draw insights from these large organizations and their sustainability practices.

Ngwakwe (2009) aimed to study the relationship between sustainability and firm’s performance with regard to Nigeria by conducting a field survey of 60 manufacturing companies of Nigeria as sample. This study measured firm’s performance by Return on Total Assets (ROTA), whereas sustainability was measured by 3 indicators: Employee Health and Safety (EHS), Waste Management (WM) and Community Development (CD). It also studied the association of sustainability with fines and penalties. The paper concluded that the firm's performance was significantly affected by sustainability in Nigerian context, whereas an inverse relation was found between sustainability practices and fines and penalties.

Roy and Chatterjee (2009) suggested a methodology to construct a single index, namely the ‘Composite Sustainability Index’ (CSI) and evaluated the performance of
the states and union territories of India with regards to their sustainability progress. The study also identified the policies that can further lead to sustainability development of the firms. Secondary sources were used to collect data like abstracts, census reports, human development reports and a host of other reports, journals and periodicals of different years. The study helps to identify the issues of concern of each state and union territory of India. The study stated that judicious and different combinations of policies for different states could help in moving closer to achieving sustainability by moving on or beyond the benchmark.

- **Pohle and Hittner (2008)** surveyed more than 250 business executives worldwide to know how deep rooted is the concept of CSR. The survey found that firms use CSR as an opportunity for growth. Their study made certain recommendations that will help the firms in their way to sustainable growth. They are: Align and incorporate CSR with business strategy, Implement an open information strategy for more transparent information, Leverage transparency to increase the level of engagement.

- **Karcagi-kovats, A. (2007)** attempted to identify indicators used to report on CSR and Sustainability Reporting (SR) in Hungary, the concept being new and at an emerging stage. For this purpose he analyzed 70 CSR and SR of 9 years of Hungary. He found that the GRI Framework’s version G3 was the most acceptable and used to report on CSR and sustainability reporting. However the study found the absence of ecological approach in the sustainability reporting of Hungarian firms.

- **Lopez et al (2007)** aimed to examine the relationship between business performance and the adoption of corporate social responsibility practices by European firms. 110 firms, divided into two groups of 55 firms each formed the sample of the research. These two groups were those firms belonging to the Dow Jones Sustainability Index (DJSI) and Dow Jones Global Index (DJGI). The period of the study was 1998-2004. Performance was measured by growth in profit before tax and growth in revenue. Multiple linear regression analysis was used to test the association between business performance and sustainability. The study found a short term negative impact of sustainability on business performances. The performances of firms of the two groups were found different and the difference was due to corporate social responsibility practices.
Perrini and Tencati (2006) aimed to study the need for a change in the performance evaluation and the reporting system. The study proposed the need of a new sustainability accounting systems and stated the Sustainability Evaluation and Reporting System (SERS), as the one which is according to the stakeholder framework and fulfils the need of the stakeholders.

Owen (2005) in his article titled “Corporate Social Reporting and Stakeholder Accountability: The Missing Link”, examined and evaluated the extent of the institutional reforms that increase the corporate accountability together with the potentially resulting from proposed regulations for mandatory publication of an Operating and Financial Review by UK quoted companies. For the purpose of the study reports were drawn that were short-listed for the Social and Sustainability categories of the 2003 ACCA UK. The study concluded that both the disclosure forms of social and environmental information prove to be ineffective in enhancing the stakeholder accountability.

Willis (2003) summarised the Global Reporting Initiative, its purpose and nature as well as its Sustainability Reporting Guidelines. He also described how these standards can prove beneficial in the investment screening of investments that are socially responsible. He concluded stating that the GRI plays a significant role and that the socially responsible investors’ community should play a role in the future of the GRI as well in the evolution of its guidelines.

Zalewski (2003) developed a new standard of corporate performance-social equity that aims to maintain a balance between fairness and economic justice and the traditional financial goals. He suggested a modification of the tax code such that a firm's income tax liability reflects its contribution to society. He concluded stating that the firm's tax liability should be determined by the firm’s contribution to society as against the traditional way of designing tax systems on the ability to pay or the benefit principle. Such a tax structure would require the socially responsible firms to pay less tax than those that are not.
Uwlomawa in his paper titled “Corporate social environmental sustainability reporting and firms’ performance: A study of selected firms in Nigeria” investigated the association between firms performance and sustainability reporting of the firm in the agricultural and manufacturing industry of Nigerian stock exchange. 30 such firms were selected as sample and the period of the study was 2004 to 2008. Content analysis was used as a method of data analysis. An index to measure sustainability Environmental Disclosure Index (EDI) was used to measure sustainability, while Return on Total Assets (ROTA) was used to measure firms performance. Multiple regression analysis was used to study the relation between sustainability and firm’s performance. The studies found significant relationship between firm’s performance and sustainability reporting as the ROTA had a positive impact on extent of sustainability reporting. Thus, the study recommended the Nigerian companies to focus on sustainability and that certain guiding principles should be framed to improve the disclosures of the companies.

2.2 Research Gap

Sustainability reporting is a new concept for Indian companies. The concept of sustainability being new, less has been studied regarding it, especially with regard to Indian perspective; especially when the research was in its initial stage; however, as the research progressed a number of research work were done on sustainability and also with Indian prospects. In spite of the many researches done on the topic, there is a lack of a comprehensive work, which is attempted to be fulfilled by the present research. The measures of sustainability are varied by nature and the framework mandated in India (BRR) is a simplified one, while the global framework (GRI) is a detailed one. Also very few Indian companies have been identified to be reporting as per the global standards, and hence, it is difficult to evaluate and compare the companies as regards a common sustainability measure. Majority of the past studies concentrate upon only one standard, mainly GRI framework. No comprehensive study has been conducted to compare the sustainability performance of Indian corporates and their impact on firms’ characteristics. Thus there is a dearth to conduct a comparative study of sustainability performance of Indian corporates as regards various sustainability measures.
On the basis of the review of the literature it is found that various measures of sustainability are developed by different organisations; they also provide guidelines or principles for sustainability. These conceptual frameworks are discussed in detail in the next chapter.

References


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