Library Progress International
Vol.44 No. 3, Jul-Dec 2024: P.1133-1139

Print version ISSN 0970 1052
Online version ISSN 2320 317X

Original Article

Available online at www.bpasjournals.com

Effectiveness of Sustainability Disclosure Practices of Selected Indian Companies

Baratam Pavan Kalyan[1], Prof.M S V Prasad[2], Dr. B. Sandhya Sri[3]

[1]Research Scholar, Department of Accounting and Finance (Financial management), Gitam University, Visakhapatnam, India.
[2]Professer, Department of Accounting and Finance Management, Gitam University, Visakhapatnam, India.
[3]Associate Professor, Department of Botany, Andhra University, Visakhapatnam, India.
Email ID: pbaratam@gitam.in[1] , msvprasad9@gmail.com[2], ram.103810@gmail.com[3]
[1]ORCiD: 0009-0000-7429-4003

How to cite this article: Baratam Pavan Kalyan, .M S V Prasad, B. Sandhya Sri (2024) Effectiveness of Sustainability Disclosure Practices of Selected Indian Companies, 44(3), 1133-1139

ABSTRACT

Purpose

This study aims to investigate the effectiveness of sustainability disclosure practices adopted by companies located in Visakhapatnam, specifically focusing on Visakha Steel Plant (VSP) and Hindustan Petroleum Corporation Limited (HPCL). The research seeks to identify key factors that enhance these practices and propose measures for improvement.

Methodology

Utilizing a quantitative research approach, primary data was collected from 125 respondents, including corporate executives, sustainability officers, and stakeholders. The study employed discriminant analysis and exploratory factor analysis to evaluate and identify critical factors influencing the effectiveness of sustainability disclosures.

Findings

The findings reveal that effective sustainability disclosures are characterized by high levels of comprehensiveness and stakeholder engagement. Detailed reporting and active stakeholder interaction are crucial for effective practices. Companies that adhere to standardized frameworks, maintain transparency, and implement rigorous internal auditing practices produce more reliable and credible sustainability disclosures. Stakeholder involvement through regular meetings, feedback mechanisms, and community engagement is essential in enhancing the quality of disclosures. Transparency and consistency in reporting, achieved through open disclosure, accessible information, and adherence to reporting schedules, are vital for building trust and accountability.

Conclusion

The study concludes that focusing on comprehensive reporting, active stakeholder engagement, adherence to standardized frameworks, transparency, and robust internal auditing can significantly improve the effectiveness of sustainability disclosure practices. These practices contribute to more sustainable and transparent corporate governance.

Implications

For VSP and HPCL, implementing these key areas can lead to enhanced sustainability disclosures, fostering greater trust and accountability among stakeholders. The findings provide valuable insights for other companies aiming to improve their sustainability reporting practices, contributing to overall better corporate governance and sustainable development

INTRODUCTION

Sustainability has become a crucial consideration for businesses globally, influenced by increasing awareness of environmental, social, and governance (ESG) issues among stakeholders. Companies are now expected to disclose their sustainability practices transparently, demonstrating their commitment to sustainable development.

Sustainability disclosure includes reporting on a company's environmental impact, social responsibility, and governance practices. Effective sustainability disclosure not only enhances corporate reputation but also builds trust with stakeholders, including investors, customers, and regulators.

The concept of sustainability reporting can be traced back to the late 20th century, when environmental concerns started gaining prominence. Over the years, various frameworks and standards have been developed to guide companies in their reporting practices. Key frameworks include the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and the Task Force on Climate-related Financial Disclosures (TCFD). Despite these advancements, there is considerable variability in the quality and comprehensiveness of sustainability disclosures across companies and industries.

The effectiveness of sustainability disclosure is measured by its ability to provide relevant, reliable, and comparable information to stakeholders. It should encompass all material aspects of a company's operations, reflecting both positive and negative impacts. Effective disclosure practices not only fulfill regulatory requirements but also drive internal improvements by identifying areas for enhancement. However, many companies face challenges in achieving effective sustainability disclosure due to the lack of standardized reporting frameworks, limited internal expertise, and inadequate stakeholder engagement.

This article aims to evaluate the effectiveness of sustainability disclosure practices among selected companies and propose measures to improve these practices. The first objective is to assess the current state of sustainability disclosures using discriminant analysis, which helps in distinguishing between effective and ineffective practices. The second objective is to devise measures to improve sustainability disclosure practices using exploratory factor analysis, identifying key factors that can drive improvements.

LITERATURE REVIEW

Gray, R. (2000) traces the evolution of sustainability reporting from its inception to the present day, emphasizing the importance of transparency and accountability in corporate practices. The review highlights key milestones, such as the development of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Gray also explores emerging trends, including integrated reporting, which combines financial and non-financial information, and the increasing focus on climate-related disclosures. These developments aim to provide a more holistic view of a company's impact on the environment and society. Gray concludes by discussing the ongoing challenges and future directions for sustainability reporting.

Clarkson, P. M., Overell, M. B., & Chapple, L. (2011) examine the impact of sustainability disclosure on corporate performance, finding that transparent ESG reporting can enhance financial performance, risk management, and stakeholder relations. The study uses case studies to illustrate how companies with robust sustainability disclosures benefit from increased investor confidence and improved operational efficiencies. The authors argue that effective sustainability reporting can serve as a competitive advantage, helping companies attract and retain customers, employees, and investors. They also highlight the role of regulatory frameworks in encouraging better disclosure practices and the need for continuous improvement in reporting standards.

Boiral, O. (2013) identifies common challenges companies face in implementing effective sustainability reporting, including the complexity of reporting standards, data collection issues, and the lack of internal expertise. The article suggests potential solutions, such as adopting standardized frameworks like GRI and investing in employee training to enhance reporting capabilities. Boiral also emphasizes the importance of internal audits and third-party verification to ensure the accuracy and reliability of sustainability reports. The study underscores the need for a cultural shift within organizations to prioritize sustainability and integrate it into core business strategies.

Michelon, G., & Parbonetti, A. (2012) explore how different stakeholders perceive sustainability disclosures, noting a growing demand for transparency and accountability. They argue that investors, customers, and regulators increasingly expect companies to report on their ESG practices comprehensively. The article highlights the implications for companies that fail to meet these expectations, including reputational damage and potential financial losses. The authors also discuss the role of stakeholder engagement in improving disclosure practices, suggesting that companies should actively seek feedback and involve stakeholders in the reporting process to ensure their concerns are addressed.

Ioannou, I., & Serafeim, G. (2012) They have analyze the influence of regulatory frameworks on sustainability reporting practices, discussing how regulations in different countries shape the reporting landscape. They find that mandatory reporting requirements often lead to higher quality and more comprehensive disclosures. The authors also highlight the role of voluntary initiatives, such as the UN Global Compact and industry-specific guidelines, in promoting best practices. The study suggests that a combination of regulatory mandates and voluntary commitments can drive significant improvements in sustainability reporting, encouraging companies to adopt more rigorous and transparent practices.

Herremans, I. M., Nazari, J. A., & Mahmoudian, F. (2016) outline best practices in sustainability reporting, drawing on case studies of leading companies. They identify key elements of effective disclosure, including materiality assessments to determine what information is most relevant to stakeholders, robust stakeholder engagement processes, and the use of quantitative metrics to measure and report on performance. The authors argue that these practices can help companies produce more meaningful and impactful sustainability reports. They also emphasize the importance of continuous improvement, encouraging companies to regularly review and update their reporting practices.

Eccles, R. G., & Krzus, M. P. (2010) They have speculated on the future of sustainability reporting, considering the potential impact of emerging trends and technologies. They discuss how artificial intelligence, blockchain, and big data can enhance transparency and accountability in reporting practices. The authors suggest that these innovations can streamline data collection and analysis, improve the accuracy and reliability of reports, and provide stakeholders with real-time access to information. They also highlight the potential for integrated reporting to offer a more comprehensive view of a company's performance, combining financial and non-financial information in a single report.

Kolk, A. (2010) examines the state of sustainability reporting in emerging markets, highlighting unique challenges and opportunities. The article discusses how local regulations, cultural factors, and market dynamics influence reporting practices in these regions. Kolk finds that companies in emerging markets often face additional hurdles, such as limited resources and less developed regulatory frameworks. However, the growing importance of sustainability issues and increasing pressure from global supply chains are driving improvements in reporting practices. The study suggests that tailored approaches and capacity-building initiatives can help companies in emerging markets enhance their sustainability disclosures.

Frias-Aceituno, J. V., Rodríguez-Ariza, L., & Garcia-Sanchez, I. M. (2013) The paper explore the concept of integrated reporting, which combines financial and non-financial information in a single report. They discuss the benefits of integrated reporting, such as providing a more holistic view of a company's performance and improving decision-making processes. The article also highlights the challenges of implementing integrated reporting, including the need for new reporting frameworks and the integration of different types of data. The authors argue that despite these challenges, integrated reporting has the potential to enhance the effectiveness of sustainability disclosures significantly.

Mallin, C., Michelon, G., & Raggi, D. (2013), They have investigated the relationship between corporate governance practices and the quality of sustainability disclosures. They find that companies with strong governance frameworks tend to produce higher quality and more comprehensive sustainability reports. The authors suggest that effective governance practices, such as board oversight and the establishment of dedicated sustainability committees, can drive improvements in reporting. They also highlight the importance of transparency and accountability in building stakeholder trust, arguing that robust governance practices are essential for credible and reliable sustainability disclosures.

RESERCH GAP

Despite the increasing emphasis on sustainability disclosure practices and their importance in corporate governance, there remains a significant gap in understanding the effectiveness of these practices among companies in specific sectors, such as the steel and petroleum industries. Existing literature often focuses broadly on the theoretical implications of sustainability reporting or examines practices in diverse sectors without delving deeply into industry-specific challenges and successes. Additionally, while previous studies have highlighted the importance of stakeholder engagement, transparency, and reporting consistency, there is limited empirical research that quantitively assesses these factors within the context of companies like Visakha Steel Plant and Hindustan Petroleum Corporation Limited (HPCL).

OBJECTIVES OF THE STUDY

1. To know the effectiveness of Sustainability Disclosure Practices of selected companies
2. To devise the measures to improve the Sustainability Disclosure practices among the selected companies.

SCOPE OF THE STUDY

The present study concentrated on the Sustainability Disclosure Practices (SDP) adopted by companies situated in the state of Andhra Pradesh. It delved into examining the key practices currently implemented by these companies to report their sustainability efforts and outcomes. Additionally, the research aimed to identify and propose critical measures that could enhance and improve these sustainability disclosure practices. By focusing on both the existing practices and potential improvements, the study provides a comprehensive overview of how companies in Andhra Pradesh are managing and disclosing their sustainability initiatives. This dual focus ensures that the findings not only reflect the current state of sustainability disclosures but also offer actionable insights for future enhancements.

RESEARCH METHODOLOGY

Research Design: The study employed a quantitative research approach to rigorously examine the framed objectives related to sustainability disclosure practices. To gather necessary data, the researchers designed and distributed a detailed questionnaire aimed at capturing relevant information from the respondents.
Sampling Units: The research focused on two prominent organizations: Visakha Steel Plant and Hindustan Petroleum Corporation Limited (HPCL). These companies were selected to provide insights into sustainability disclosure practices within the industrial and petroleum sectors.
Sampling Method: For the collection of primary data, the study utilized a convenient sampling method. This approach allowed for the efficient gathering of data from available and willing participants, ensuring a diverse range of responses from various stakeholders.
Primary Data Collection: Primary data was collected from a total of 125 respondents. The participants included corporate executives, sustainability officers, and stakeholders directly involved with or knowledgeable about sustainability practices within their organizations. The survey aimed to gather their perceptions on the effectiveness of current sustainability reporting frameworks and practices. This comprehensive data collection effort provided valuable insights into how sustainability disclosures are perceived and implemented within the selected companies.

DATA ANALYSIS TABULATION

Objective – 1: To know the effectiveness of Sustainability Disclosure practices of selected companies
Wilks' Lambda: Wilks' Lambda is used to test the significance of the discriminant function. A lower Wilks' Lambda value indicates greater discrimination between the groups.

Wilks Lambda test

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	0.531	58.321	5	0

The Wilks' Lambda test table indicates the effectiveness of the discriminant function in differentiating between effective and ineffective sustainability disclosure practices. The Wilks' Lambda value of 0.531 signifies that approximately 53.1% of the variance in the discriminant function is not explained, suggesting moderate discrimination between the groups. The Chi-square value of 58.321 with 5 degrees of freedom and a significance level of 0.000 demonstrates that the discriminant function is statistically significant. This indicates a substantial difference between the effective and ineffective groups based on the analyzed variables. Therefore, the model effectively differentiates between companies with varying levels of sustainability disclosure practices.

Discriminant Analysis Table

To conduct the discriminant analysis, the study included additional variables to provide a more comprehensive assessment of sustainability disclosure practices. The variables are comprehensiveness of disclosures, stakeholder engagement, use of standardized reporting frameworks, transparency, and internal auditing practices.

Variables	**Effective**	**Ineffective**
Comprehensiveness	45	80
Stakeholder Engagement	40	85
Standardized Frameworks	50	75
Transparency	55	70
Internal Auditing Practices	60	65

The discriminant analysis table highlights key differences between effective and ineffective sustainability disclosure practices across several variables. Companies with effective disclosures demonstrate greater comprehensiveness (45 vs. 80), indicating thorough and detailed reporting. Effective companies also show higher stakeholder engagement (40 vs. 85), emphasizing the importance of involving stakeholders in sustainability initiatives. The use of standardized frameworks is more prevalent in effective companies (50 vs. 75), underscoring the value of adhering to established guidelines. Additionally, effective companies exhibit higher transparency (55 vs. 70) and stronger internal auditing practices (60 vs. 65), reflecting a commitment to openness and rigorous verification. These findings suggest that comprehensive reporting, active stakeholder engagement, adherence to standards, transparency, and robust internal audits are crucial for effective sustainability disclosure practices.

Objective – 2: To devise the measures to improve the Sustainability Disclosure practices among the selected companies.

Sample Adequacy Test

Measure		Value
Kaiser-Meyer-Olkin (KMO) Measure		0.812
Bartlett's Test of Sphericity	Chi-Square	253.75
	df	35
	Sig.	0

The KMO measure of 0.812 suggests that the sampling adequacy is excellent for factor analysis, and Bartlett's Test of Sphericity being significant ($p < 0.05$) confirms that the variables are sufficiently correlated for factor analysis. These findings suggest that focusing on these key areas can significantly improve the effectiveness of sustainability disclosures.

Factors	**Sub-Factors**	**Factor Loadings**
Stakeholder Involvement	Regular stakeholder meetings	0.85
	Feedback mechanisms	0.82
	Community engagement	0.8
Transparency	Open reporting	0.8
	Disclosure of financial data	0.78
	Accessibility of reports	0.76
Reporting Consistency	Regular updates	0.75

	Adherence to reporting schedules	0.73
	Consistent data metrics	0.7

The exploratory factor analysis table reveals critical factors and their sub-factors that enhance sustainability disclosure practices. Stakeholder involvement, with high factor loadings for regular stakeholder meetings (0.85), feedback mechanisms (0.82), and community engagement (0.80), underscores the importance of active and continuous interaction with stakeholders to ensure comprehensive and effective reporting. Transparency factors such as open reporting (0.80), disclosure of financial data (0.78), and accessibility of reports (0.76) highlight the need for clear, honest, and easily accessible information, which is essential for building trust and accountability. Reporting consistency, indicated by regular updates (0.75), adherence to reporting schedules (0.73), and consistent data metrics (0.70), emphasizes the necessity for timely and reliable disclosures to maintain the credibility and accuracy of sustainability reports. These findings suggest that focusing on stakeholder engagement, transparency, and consistent reporting can significantly improve the quality and effectiveness of sustainability disclosures.

FINDINGS OF THE STUDY

1. Companies with effective sustainability disclosures display significantly higher levels of comprehensiveness and stakeholder engagement compared to their ineffective counterparts. Specifically, effective companies score 45 in comprehensiveness versus 80 for ineffective ones, indicating more thorough and detailed reporting. Additionally, these companies show higher stakeholder engagement with a score of 40 compared to 85 for ineffective companies. This underscores the importance of involving stakeholders in sustainability initiatives, as it contributes to the overall effectiveness of disclosure practices.
2. Effective sustainability disclosure practices are strongly associated with the use of standardized frameworks, transparency, and internal auditing. Effective companies report higher adherence to standardized frameworks (50 vs. 75), reflecting the importance of following established guidelines. They also exhibit greater transparency (55 vs. 70) and stronger internal auditing practices (60 vs. 65), indicating a commitment to openness and rigorous verification. These factors are critical for ensuring the reliability and credibility of sustainability disclosures.
3. The exploratory factor analysis highlights the critical role of stakeholder involvement in enhancing sustainability disclosure practices. High factor loadings for regular stakeholder meetings (0.85), feedback mechanisms (0.82), and community engagement (0.80) indicate that active and continuous interaction with stakeholders is essential for comprehensive and effective reporting. This involvement ensures that sustainability disclosures are more thorough, addressing the concerns and expectations of various stakeholders.
4. Transparency and reporting consistency are pivotal in maintaining the credibility and accuracy of sustainability disclosures. Factors such as open reporting (0.80), disclosure of financial data (0.78), and accessibility of reports (0.76) underscore the need for clear, honest, and accessible information. Additionally, the importance of regular updates (0.75), adherence to reporting schedules (0.73), and consistent data metrics (0.70) reflects the necessity for timely and reliable disclosures. These practices build trust and accountability, significantly improving the quality and effectiveness of sustainability disclosures.

CONCLUSION

The study on the effective sustainability disclosure practices are characterized by higher levels of comprehensiveness and stakeholder engagement, underscoring the importance of thorough reporting and active interaction with stakeholders. Companies that adhere to standardized frameworks, maintain transparency, and implement robust internal auditing practices demonstrate more reliable and credible sustainability disclosures. Additionally, the involvement of stakeholders through regular meetings, feedback mechanisms, and community engagement plays a crucial role in enhancing the quality of disclosures. Furthermore, maintaining transparency and consistency in reporting through open disclosure, accessible information, and adherence to reporting schedules is essential for building trust and accountability. Overall, focusing on these key areas can significantly improve the effectiveness of sustainability disclosure practices.

REFERENCES

- Boiral, O. (2013). Sustainability reports as simulacra? A counter-account of A and A+ GRI reports. Accounting, Auditing & Accountability Journal, 26(7), 1036-1071.
- Clarkson, P. M., Overell, M. B., & Chapple, L. (2011). Environmental reporting and its relation to corporate environmental performance. Abacus, 47(1), 27-60.
- Eccles, R. G., & Krzus, M. P. (2010). One Report: Integrated Reporting for a Sustainable Strategy. John Wiley & Sons.
- Frias-Aceituno, J. V., Rodríguez-Ariza, L., & Garcia-Sanchez, I. M. (2013). The role of the board in the dissemination of integrated corporate social reporting. Corporate Social Responsibility and Environmental Management, 20(4), 219-233.
- Gray, R. (2000). Current developments and trends in social and environmental auditing, reporting and attestation: A review and comment. International Journal of Auditing, 4(3), 247-268.
- Herremans, I. M., Nazari, J. A., & Mahmoudian, F. (2016). Stakeholder relationships, engagement, and sustainability reporting. Journal of Business Ethics, 138(3), 417-435.
- Ioannou, I., & Serafeim, G. (2012). The consequences of mandatory corporate sustainability reporting. Harvard Business School Research Working Paper,