

Sustainability of Sustainable Business Practices: A Literature Review

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Abstract

A heightened focus on harmful impact of many business and industrial activities on the society and environment is prompting many companies to incorporate sustainability into core business practices. But in order to sustain these practices, a business must have sufficient profits. A business can continue with these sustainability initiatives as long as these do not hamper its survival and growth. This gives rise to a pertinent question- how sustainable are the sustainable business practices? This paper aims to explore financial impact of corporate sustainability initiatives. The study is exploratory in nature and is based on secondary data collected from various published sources and internet. In order to assess business case for sustainability, an extensive review of literature has been done. Research studies on relationship between corporate sustainability performance (CSP) and corporate financial performance (CFP) conducted in different countries in the past 20 years (2001-2020) have been reviewed. The preponderance of research works has shown positive relationship in corporate sustainability performance and corporate financial performance. An analysis of current sustainability practices of some large corporations in India also revealed that these companies are innovating and making profits through sustainability initiatives. A strong business case for sustainability has been found in India. The study makes a useful contribution by providing an insight into the existing literature and indicating future research perspectives and policy implications

Keywords: Sustainability; Sustainable Business Practices; Corporate Social Responsibility (CSR); Corporate Sustainability Performance (CSP); Corporate Financial Performance (CFP); Triple Bottom-line (TBL); Environmental, Social and Governance (ESG) Factors; Sustainability Accounting and Reporting.

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1. INTRODUCTION

During the last few decades, there is a growing concern among policy makers, corporates, investors, consumers and society at large about the impact of business and industrial activities on the environment and society. It has been realized that intensive use of natural resources and generation of environmental pollutants and waste during industrial processes and business activities have caused escalating environmental degradation endangering health and survival of living organism on the Earth. It is now inevitable that Government as well as private players should join hands to deal with this grave situation and work towards betterment of this Planet. The emphasis these days is on environmentally and socially sustainable industrial development.

At corporate level, the concept of Sustainable Development says that a company should make decisions not only on the basis of financial/economic factors, but also after considering the social and environmental consequences of its activities. According to KPMG, “corporate sustainability is defined as: adopting business strategies that meet the needs of the enterprise and its stakeholders today while sustaining the resources, both human and natural, that will be needed in the future” (KPMG International, 2011). Adopting sustainability requires companies to incorporate economic, social and environmental factors into their business decision making, operations, policies, programs, systems and also in their interaction with the stakeholders. According to EY India, “integrating sustainability in business means redesigning and redefining of strategy and operational processes that meet the changes, needs and expectations of the market and society alike to support long-term value” (EY India, 2018). The concept of corporate sustainability requires that businesses should accomplish their profitability and growth objectives with green solutions and innovative technologies that support environmental conservation and social welfare.

Last two decades have witnessed significant increase in big corporations embracing triple bottom-line (TBL) thinking with a focus on 3Ps- profits, people and planet. Many of them are doing so not because it is compulsory or because it is the

right thing to do, but because they want to reap the business benefits of using sustainable business practices. There is a growing realization that investing in sustainable business practices makes good business sense. Companies across the world are thriving to find sustainable business solutions so as to deliver attractive returns to the shareholders as well as society. This paper tries to analyse the pressures from powerful stakeholders driving companies to embrace sustainability. Taking clue from the existing research in the area and examples of prevailing corporate practices, the paper aims to explore sustainability of sustainable business practices. An attempt has also been made to examine financial impact of corporate sustainability initiatives taken by some large corporations in India.

The paper has been structured into six sections. The first Section is introductory in nature. Section two explains stakeholders’ pressures on business to adopt sustainable practices. Section three analyses benefits of using sustainable business practices. Section four reviews existing literature on business case for sustainability. It also provides empirical evidence on sustainable business practices in India. Section five presents discussion and policy recommendations. Finally, Section six concludes the paper.

1.1 Stakeholders’ pressures on business

Since early 1990s, companies across the world are under increasing legal pressure to take steps to reduce their environmental impacts. Many laws and regulations have been enacted at national and international levels imposing stringent requirements to use clean technologies, control pollution and conserve resources. Some countries have even mandated CSR spending by specified corporations. Violation of these laws and regulations may result in significant fines, penalties, liabilities and even risk of closure of business.

Pressures are there on companies from various internal and external stakeholders to become socially and environmentally responsible. An important stakeholder for business is its employees. Increasingly, many young people now place more emphasis on green companies. They

know that environment in the office or factory has direct impact on their health. Thus, before joining a new job, besides other factors, they also consider factors like safety, health and environmental policies, environmental management system, environmental risks, and green initiatives of the company to ensure that they work in environment-friendly and safe atmosphere. It may save them from various potential hazards like Union Carbide Bhopal Gas tragedy.

There has been a significant growth in ethical consumers these days who prefer buying green products even when these products are little expensive. Ethical consumers demand products which are produced in a sustainable manner, do not contain harmful toxic chemicals and which can be disposed-off in an eco-friendly manner. Sustainable product brands are gaining popularity among these consumers. Businesses have started recognizing the fact that to maintain or grow market share in future, greener products and processes will be required. Even at industry level, for sustainable supply chain, big corporations demand detailed environmental foot-print data from the suppliers.

Consideration of environmental, social and governance (ESG) factors in investment decision making has gained significance over years (FTSE Russell, 2018). Ethical/socially responsible investors look for socially responsible investment avenues. Companies with low ESG scores find it difficult to get investors for their projects. The financial community like banks and insurance companies are taking environmental risks, specifically carbon risk seriously. Several hedge funds are launching climate change funds as well. Stock exchange across the world have started establishing ESG/SRI indices to track performance of socially responsible companies or funds. Various NGOs along with media are also fighting against the devastating polluting activities and hazardous waste disposal practices of many industries. This has put even more pressure on the corporations to reduce adverse impact of their activities on the environment and the society.

Internally, sustainability practices have gained importance at all the levels of management.

Integrating sustainability into management requires a holistic approach where product, processes, plans, policies, projects etc. embrace environmental and social aspects in addition to profitability objective. From raw material procurement to production, distribution, marketing, services, consumption and even disposal of the used product, sustainability is being integrated at every stage of a product from cradle to grave. Mounting inflationary pressures have made it necessary to take steps for conservation of scarce resources and become eco-efficient. Efforts are being made by top management in many companies to encourage the employees to innovate and find ways to do more with lesser resources so as to set the company up for rapid growth and success in the long run.

Thus, there are pressures on business from various internal and external stakeholders to imbibe sustainability into managerial decision making and business practices. Need is there to measure and to report sustainability performance and its benefits to concerned stakeholders so as to help them in making informed decisions (Pahuja, 2010).

1.2 Benefits of being green

Business and industry cannot ignore increasing stakeholders' pressures for adopting sustainable business practices. The expectation from a company today is that it should not only create economic value for the shareholders, but also deliver benefits to society and the planet. Among rising awareness of the impact businesses can have on the environment and society, companies of every type and size have begun integrating sustainability issues into their business strategies. In this scenario, many questions are raised- Is it a right decision always to incorporate sustainability into business practices? Are sustainability goals and profitability objectives contradictory? How sustainable are the corporate sustainability practices?

Earlier the opinion was that greater attention to sustainability issues leads to an increase in costs and hence lowers profits of business organizations. But now it has been realized that sustainability and

profitability goals are not contradictory in nature. In fact, the financial gains from sustainability are long-term in nature. Many companies have already experienced how becoming sustainable makes good business sense also. Research has shown that a business can maximize shareholders' value by using sustainable business practices (Lagace, 2002). Eco-efficiency and sustainability are not only beneficial for the society, but can also lead to resource savings, cut in production costs and increase in profits for business in many ways. Companies are innovating in the realm of sustainability policy because it pays to be sustainable.

Some of the benefits of sustainable business practices are:

- Reduction in water, energy and raw material consumption leading to lower input costs.
- Saving costs associated with waste treatment and disposal through efficient waste management.
- Cost savings in the form of reduced annual operating costs.
- Reduced tax liability by receiving tax breaks and other tax incentives from government for energy efficiency, use of renewable energy and other environmental protection measures.
- Meeting government regulations leading to reduced governmental action and legal costs.
- Increase in income due to environmental actions like recycling paper, finding new applications for non-hazardous waste (e.g. using wood scraps to make toys, making manure by decomposition of dry leaves)
- Increase in sales due to enhanced corporate image: Research has shown consistent increase in number of ethical consumers who prefer green products and are even ready to pay more for green products.
- Competitive advantage due to reduced costs and increased revenue.
- Increase in employee productivity and reduced employee turnover
- Enhanced operations through new product innovations with a focus on sustainability.

- Reduced financing costs as companies can get loans at lower rates for green projects under environmental stimulus packages of various governmental and non-governmental agencies.

Thus, there may be huge profit opportunities in adopting sustainability goals. In addition, sustainability measures also lead to many non-monetary gains for the company and its stakeholders. Brand image, enhanced reputations and goodwill gives long-term advantages to responsible corporate citizens. Use of clean technologies and pollution free environment in factory and business premises can have huge, positive health impact on employees which leads to their increased productivity. It also helps in attraction and retention of talent in the organization as employees these days want to work in healthy and safe environment. Research has shown that firms with good sustainability performance are considered to be better employers and attract good quality human resources (Turban & Greening, 1997). Moreover, business can ensure improved customer health by providing green, eco-friendly and healthy products to customers. Using sustainability practices reduces risk of adverse stakeholders' reactions. It also mitigates risk of legal action and penalties. In addition, there are many social benefits of being sustainable like reduction in pollution levels, conservation of scarce natural resources and benefits to the society through CSR activities. All this helps the nation in achieving the ultimate goal of sustainable economic development.

2. REVIEW OF LITERATURE

In order to assess business case for sustainability, an extensive review of studies showing relationship between corporate social/ sustainability performance (CSP) and corporate financial performance (CFP) conducted in different countries in the past 20 years (from 2001 to 2020) has been done. Articles and reports on prevailing corporate sustainability practices in India have also been analyzed to check the financial impact of incorporating sustainability into business policies and strategies. The objective is to assess sustainability of sustainable business practices.

The relationship between CSP and CFP is heavily debated topic in research. There is preponderance of research works showing positive relationship between CSP and CFP (Callan & Thomas, 2009; Beurden & Gossling, 2008; Fauzi & Idris, 2010; Lin et al., 2009; Ameer & Othman, 2012; Mallin et al., 2014; Saeidi et al., 2015; Backstorm & Karlsson, 2015; Agan et al., 2014; Cornett et al., 2016; Maqbool & Zameer, 2018; Dalal & Thaker, 2019; Cho et al., 2019). This relationship is true in both the directions. Many studies explained how higher CSP leads to higher financial performance (Backstorm & Karlsson, 2015; Callan & Thomas, 2009; Maqbool & Zameer, 2018; Dalal & Thaker, 2019; Bodhanwala & Bodhanwala, 2018). Companies have started recognizing that meeting the needs of various stakeholders improves profitability of the concern, while failure to meet expectations of the stakeholders may adversely impact reputation of the company, leading to decreased sales and reduced profits. Saeidi et al. (2015) analyzed data from 205 Iranian manufacturing and consumer product firms to check the connection between CSR and firm performance. The findings of the study suggested that CSR activities help in providing satisfaction to the consumers, increase reputation and give competitive advantage to the firm. This leads to enhanced financial performance. Some papers (Moore, 2001; Cornett et al., 2016; Hategan et al., 2018) suggested that large size concerns with better financial performance do better on social and environmental fronts also.

It has been found by many studies that profitability and sustainability goals are not contradictory in nature. Callan & Thomas (2009) used data taken from 441 firms and found empirical evidence of a positive CSP–CFP relationship. It was suggested that firms need not view social responsibility and profitability as competing goals. A firm can get significant benefits from its socially responsible decisions if stakeholders recognize and reward these decisions. They found inconsistency in financial returns of CSP across industries. Ameer & Othman (2012) took a sample of top 100 sustainable global companies in 2008 and tested the hypothesis that companies with superior sustainable practices have higher financial performance as compared to those that do not engage in such practices. During the study

period from 2006 to 2010, they found significant higher financial performance indicated by sales growth, return on assets, profit before taxation, and cash flows from operations in some sample companies when compared with other companies. The study also reported increase in financial performance of sustainable companies during this period. They found bi-directional relationship between CSP and CFP.

Chen et al. (2018) found positive relationship in green initiatives, green performance and financial performance, but there were cross country differences. Lourenco et al. (2021) found CSP to have positive impact on stock prices. The study established that investors in the market penalize firms having substantial profitability but a relatively lower level of CSP. Bodhanwala & Bodhanwala (2018) analyzed impact of corporate sustainability on profitability performance. Using a sample of 58 Indian firms on Thomson Reuters Asset 4 ESG database, the study found significant positive association between sustainability and profitability.

There are few works which found CSP having negative impact on CFP (Moore, 2001; Brammer et al., 2005; Tyagi & Sharma, 2013; Grisales & Aguilera, 2021; Jha & Rangarajan, 2020). Milton Friedman argued that “the only social responsibility of a business is to earn profits” (Friedman, 1970). The author felt that companies involved in sustainability initiatives have to incur more costs, which reduce their profitability leading to poor financial performance. Hence, through increased costs and prices, sustainability practices lead to competitive disadvantage for the firms. Jha & Rangarajan (2020) analyzed relationship between CSP and CFP for companies in India. They took data from top 500 Indian firms for a period from 2008 to 2010. At an aggregate level, the study did not find any significant association between CSP and CFP. At firm level, negative relationship was found between these two. The study indicated that firms in India might not be getting economic benefits from their sustainability related investments.

Some studies reviewed existing research works on association between CSP and CFP and found that though majority of the studies reported positive association between CSP and CFP, research in the

area is yet broadly inconclusive (McWilliams & Siegel, 2001; Orlitzky et al., 2003; Margolis et al., 2009; Beurden & Gosling, 2008; Alshehhi et al., 2018; Tuppura et al., 2016). Alshehhi (2018) found that out of 132 research papers analyzed by them, majority (more than three-fourth) found positive relationship between CSP and CFP. The authors felt that varying research techniques and different measurement might be possible reasons for different views on this relationship. Quazi & Richardson (2012) attributed the variation in relationship between CSR and CFP to different sample size and methodology. Callan & Thomas (2009) also found the need for more efforts to explore this relationship.

Some researchers found that while CSP may not have much impact on short-term performance of the firm; in the long-term, sustainability performance leads to higher financial results. Lin et al. (2009) examined data for 1000 Taiwanese companies for a period of 2002 to 2004 and found positive relationship between CSR and CFP. But after some modification in the model, it was found that while CSR did not have much positive impact on short-term financial performance, it significantly impacted financial results in the long-term. Lu & Taylor (2016) conducted a meta-analysis of 198 studies and found that a firm's performance on sustainability dimensions improves its financial performance in the long run. They suggested that environmental sustainability contributes to this positive relation more as compared to social sustainability. Delmas et al. (2015) used data for 1095 US corporations from 2004 to 2008 and found negative impact of better environmental performance on financial performance in the short term; however, over a long period, investors attached more value to firms showing better environmental performance.

Though majority of the existing studies were based on secondary data, there were some primary databased studies which collected opinions of the corporate executives on the business case of sustainability (Fauzi & Idris, 2010; Agan et al., 2014; KPMG International, 2011). Some of these primary data based studies even tried to seek opinions on costs and benefits of and drivers for sustainability practices. Bonini & Swartz (2014) reported in a survey conducted for McKinsey that about 44 percent

of the respondents considered business growth opportunities as the most significant reason for undertaking sustainability related measures. It was shown that companies are practicing sustainability in such a way so as to create value for the company as well its stakeholders. According to a survey of 185 global asset owners by (FTSE Russell, 2018), more than 50 percent of the respondents were found to be involving ESG considerations in their investment strategy.

In 2011, KPMG in cooperation with the Economist Intelligence Unit presented a report based on a global survey of 378 senior executives from a wide range of industries from different countries. About half of the responding executives agreed that implementing sustainability practices can lead to improved financial benefits either by cost reduction or by increasing revenue. Legal requirements, brand enhancement and managing risk were found to be key drivers of sustainability. The respondents were of the view that sustainability presents a source of innovation and new business opportunities for the concerns. In another survey, KPMG & FICCI (2014) found that the main drivers of sustainability globally are: "regulations, access to capital, expanded consumer base, social licence to operate, innovation, brand and reputation and operational efficiency".

In a report by Accenture & United Nations Global Compact (2013), 84 percent of the 1,000 global CEOs surveyed agreed that business "should lead efforts to define and deliver new goals on global priority issues". But only one third of them were convinced about the efforts of the business to deal with global sustainability challenges. Climate change, health, poverty, sanitation etc. were among some of the key sustainability issues which businesses should consider as per the executives. Majority of the executives were of the view that embracing sustainability into core business strategies can lead to enhanced revenue and growth opportunities.

There were few articles which explicitly focused on reasons for profitability of sustainability initiatives. An article by Gurnami (2020) titled "sustainability and profitability can co-exist-

here's how" emphasized on the immediate need for companies to look beyond the financial bottom-line and build ESG considerations into their strategies in order to reduce risk and improve profitability and growth. Haanaes et al. (2013) showed how companies with successful sustainability practices in developing countries used strategies like long-term view in sustainable investment, conservation of resources, sustainability chain management etc. to reduce cost and improve profits. Ambec & Lanoie (2008) in their article "does it pay to be green? A systematic overview" analyzed reasons for increase in revenue and decrease in cost due to better environmental practices. They found that organizations most likely get benefit from better environmental performance. Giving examples from corporate practices and existing literature in each of the situation, they found that "better access to certain markets, differentiating products and selling pollution control technologies provide opportunity for increasing revenues, while risk management and relations with external stakeholders, reduced cost of material, energy and resources, lower cost of capital and labour leads to cost reductions".

Matching with the global trend, many large Indian companies are actively implementing sustainability principles into their strategies and goals and are earning good financial returns also. An analysis of annual and/or sustainability reports of some of these companies revealed how these companies are working to meet their sustainability goals along with profitability and growth objectives. According to a report by Sanghvi (2020) in Economic Times, "Havells India and Godrej Consumer Products are among the 12 Indian companies that are going to be included in the Dow Jones Sustainability Index (DJSI) 2019, used for assessing environmental, social and governance (ESG) performance". Explaining importance of sustainability in organizations, the report cautioned that even when a company is making huge profits, but if it is not performing well in terms of ESG, it may lose its significance over a period of time. It would be difficult for such firms to raise capital from the market. The report showed how sustainable companies are showing good financial performance also. 123 year old Godrej, the largest FMCG brand shines ahead of its peers for its sustainability strategy

and targets (Godrej Interio, 2020). Company has taken sustainability measures like reducing gender inequality, employee safety, resource conservation, energy, water and carbon management, life cycle approach, and CSR spends. Ranked sixth in DJSI, Havells is one of the India's leading fast moving and consumer durable company (Sanghvi, 2020). In order to create long-term value for the key stakeholders, Havells uses sustainability initiatives through innovation in all its activities like production, distribution, marketing, branding etc. "Havells' philosophy of 'shubh Labh' is centered on the holistic development of the society" (Havells, 2020).

Asian paints holds more than a third of the market share and have a ROE of as high as 26.39 percent and it is doing well on ESG parameters also (Sanghvi, 2020). Asian Paints has launched a scheme 'NEW' focusing on conservation of natural resources, reduction of energy and emissions, and waste management (Asian paints, 2018). HUL, India's largest FMCG company was awarded top rank in 2019 sustainability leaders' survey as per the report. Launched in 2010, Unilever sustainable living plan (ULSP) India aims at achieving sustainable growth through reduced environmental footprint and positive social impact (Uniliver, 2020). The focus of the plan is on improving health and well-being of people, reducing environmental impact and enhancing livelihoods.

At Hero motors, sustainability and responsible growth is the way of life (Hero Motocorp Limited, 2020). The company has used sustainable policies and strategies to earn and retain a position of world's largest manufacturer of motor cycles and scooters for about two decades. At PI industries, sustainability is embedded in the core business strategy. The company strives to create and share holistic, long term fair value for all the stakeholders. With the strong belief in business case for sustainability, PI industries is steadily increasing investments in social and environmental initiatives which is making PI a sustainability champion (PI Industries, 2020). The company sets an example of use of TBL by striving to maintain right balance in economic

growth, environmental conservation and social welfare.

Wipro, India's big technology company is managing responsibility with profitability. Wipro spent Rs. 1669 million towards CSR in 2020 (Business World, 2020). Its key sustainability initiatives included reducing carbon footprint, GHG emission reduction mitigation plan, use of renewable energy sources, water conservation, waste management, gender equality and supply chain management. Bonini & Swartz (2014) cited examples of companies like Du Pont and Bayer which made quantifiable financial benefits through their sustainability initiatives. Investments in research and development, innovation, and technology led to improved resource management, cutting of costs, reducing environmental footprint and managing waste. All this gave environmental as well as financial benefits to these concerns. In a study by Hardcastle (2017), it was reported that Walmart stores is a good example of business case for sustainability. Walmart is taking sustainability initiatives to reduce its carbon footprint, but its reasons for going sustainable are purely economic. "The company saves \$1 billion a year on its improved fleet efficiency alone". Whelan and Kronthal-Sacco (2019) found that products marketed on the basis of sustainability grew faster than their counterparts.

A review of literature in the area has shown that there is sufficient evidence of positive relationship between CSP and CFP. The sustainability performance may not have significant impact on financial returns in the short run, but in the long run, it helps in improving economic results. The success stories of sustainable business practices in India have shown that it is economically feasible and in fact, very sensible to do business in an environmentally and socially responsible way.

3. DISCUSSION AND POLICY RECOMMENDATIONS

In the past few decades, there is a growing realization that businesses should look beyond financial bottom-line to focus on ESG considerations. Mounting social and legal pressures have made large companies across the world to embrace the concept of triple bottom line. Historically, the thinking was

that the concept of sustainability focuses more on people and planet. Investments in sustainability initiatives were thought to be quite expensive leading to decline in overall profitability of the concern. But now, it has been recognized that sustainability and profitability goals are not contradictory in nature. The application of the concept of sustainability requires a balance between people, planet and profits- the three pillars of sustainability. Hence, improving economic performance is an equally important dimension of sustainability.

In 21st century, corporate managers have started considering sustainability as an opportunity and not as an obstacle which hinders company's financial gains and growth. Research in the area has shown two way linkages in CSP and CFP. Good sustainability performance leads to good financial performance and companies showing good financial results can spend more on social and environmental initiatives. Sustainable companies attract more consumer demand, lead to higher productivity of human resources and find it easier to raise capital from the ethical investors. In order to create a sustainable brand image, many companies have started taking sustainability initiatives voluntarily, even where there was no legal compulsion to do so. Banks and other financial institutions are putting more focus on the impact and design of sustainability programs to understand a company's ability to manage risks and generate returns to meet repayment schedules. Some studies have found that in the short term, sustainability may appear to be an expensive affair as most of the benefits emerging out of these practices are basically long term in nature. But incorporating ESG principles into long-term growth strategy can enable a business to mitigate its environmental and other risks and drive long-term profitable growth. A right balance between business profitability and sustainability concerns can create enhanced long term value for the company and for its stakeholders.

Though large number of studies conducted across the world have shown positive relationship in CSP and CFP, it has been pointed out by many researchers that the empirical evidence on this relationship is yet not conclusive. Lack of theory,

improper definition of key terms, varying sampling, data collection and measurement techniques were cited as main reasons by the researchers for this inconclusive relationship. Some studies have also indicated cross-industry and cross-country differences in financial returns from CSP. More work is needed to understand the identification and measurement of corporate sustainability performance indicators. Some studies showed that earlier meeting regulatory requirements and managing risks were considered to be the main drivers for adopting sustainability. But over the years, cost reduction, brand enhancement and business growth opportunities are also becoming important drivers of corporate sustainability. Further research can be conducted to identify key drivers of corporate sustainability.

An analysis of recent corporate practices revealed that large corporations in India are using sustainable business policies and strategies very efficiently and profitably. These companies are undertaking many environmental and social initiatives and performing well in economic terms also. But this may not always be the case. The financial impact of sustainability strategies may differ from company to company depending upon its origin, nature, size and profitability. In fact, analysing impact of corporate characteristics on the relationship between CSP and CFP provides scope of future research in the area in India.

Following examples of sustainable large companies, small and medium enterprises (SMEs) can also incorporate sustainability and business responsibility to make their business grow and become profitable. But implementing sustainability in the SMEs may involve many obstacles. Creating and running sustainability programs requires technical and professional expertise which may be lacking in these enterprises. Moreover, finding finances for the sustainability projects is difficult for these concerns. Adequate long-term funding of sustainability programs of these concerns by banks and financial institutions is required. Creating awareness about green financial avenues among SMEs is also needed. More needs to be done by policy makers and regulators to encourage SMEs to embrace sustainability. Though there are many studies on sustainability practices of large

companies across the world, not much research evidence is there showing sustainability practices of small and medium enterprises (SMEs). Hence, there lies a research gap in this area.

With growing awareness about the importance of sustainable development, stakeholders have started demanding more and more credible information on the impact of sustainable business practices. It has become imperative that companies should measure, recognize and record sustainability related costs and benefits in the books of accounts. But in the absence of accounting guidelines and standards in this regard, companies are finding it difficult to assess social and financial impact of their sustainability initiatives and to build a business case for their sustainability programs. An urgent need is there to develop accounting standards and guidelines for sustainability accounting and reporting in order to provide credibility, uniformity and consistency in sustainability disclosure practices of various companies (Pahuja, 2009). Professional accounting bodies should come up with sustainability accounting and reporting framework for the benefit of users of corporate sustainability reports.

4. CONCLUSION

In 21st century, sustainability is becoming a strategic priority for the business organisations all over the world. Integrating sustainability into business strategies and practices has become imperative for every organisation, large or small. A review of literature in the area has suggested that sustainable business practices can be beneficial for the company as well as for its stakeholders. There is a strong business case for incorporating sustainability into core business activities in India. It has been realized that a well-designed sustainability approach offers opportunity for innovation to reduce resource consumption, cut GHG emissions and waste, save costs, increase productivity, gain competitive advantage and thereby enhance profitability. A long-term orientation in sustainable plans and investments helps firms to manage risks and improve growth and financial gains. Understanding significance of sustainable business practices from social,

environmental and financial perspectives is the core consideration for a successful business today. Using an integrated and proactive approach to sustainability, companies in India can convert global sustainability challenges into profitable business opportunities. In order to understand sustainability of these sustainable business practices, credible information on the financial impact of social and environmental initiatives is needed. Sustainability accounting and reporting can be used as a management tool to establish business case for sustainability. The study found the scope of future research to identify and measure sustainability performance indicators and to recognize sustainability related costs and benefits in the books of accounts. Analyzing determinants of corporate sustainability performance is another area to be explored by the researchers in India. A further study can also be conducted to analyze sustainability practices of SMEs in India.

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