International Journal for Multidisciplinary Research
International Conference on Commerce & Economics
Organized by R. V. Belose Education Foundation Dapoli
N. K. Varadkar Arts, R.V. Belose Commerce College, Dapoli
E-ISSN: 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Accounting for Sustainability with Special Reference to Business Responsibility and Sustainability Reporting (BRSR)

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Abstract

The is increasingly expected from the business to be more responsible towards larger social, economic and environmental goals specified in 17 Sustainable Development Goals (SDGs) In this research paper researcher has explored the evolving role of accounting in sustainability reporting while paying special attention to BRSR. Business responsibility and sustainability reporting (BRSR) is the well-defined process of measuring, disclosing, and communicating performance to its stakeholders in respect of environmental, social, and economic parameters. BRSR is also known as corporate sustainability reporting, corporate social responsibility (CSR) reporting, or triple bottom line reporting. The main purpose of BRSR is to provide clear transparency and accountability to stakeholders and to help any organization to manage their environmental, social, and economic impacts.

The research not only studied the significance, methodologies and challenges of sustainability reporting but also suggested accounting measures to enhances corporate accountability. The researcher has taken in to account challenges in sustainability reporting such as standardization, data reliability and cost constraints. Researcher has put forward conclusions after findings and recommendations to improve sustainability accounting practices.

Keywords: Sustainability Accounting, Corporate Social Responsibility, Financial Reporting, ESG, Sustainable Development Goals.

Introduction

The primary stakeholders of a business are shareholders of the company, customers who use the product of the company, employees working in the company, suppliers of the raw material, communities, and regulatory bodies. BRSR helps businesses to engage with these stakeholders by providing them with information about the organization's sustainability performance. Building Trust and credibility with their stakeholders and demonstrate their commitment to sustainable development is primary objective of BRSR

Problem Statement

Even after increasing emphasis on sustainability many organizations face challenges in effectively managing, integrating and reporting these aspects into accounting frameworks. This research investigates these challenges and explores possible solutions.

Objectives
1. To examine the role of accounting in sustainability and BRSR.
2. To evaluate existing sustainability reporting framework in BRSR and its principles
3. To articulate challenges faced in sustainability accounting.
4. To propose recommendations for improving sustainability accounting practices.

Hypothesis
H1: Sustainability accounting significantly impact corporate clear transparency and trust of the stakeholder on the organization.
H2: Standardization of sustainability accounting practices can enhance comparability and reliability in BRSR reporting.
H3: Additional and High cost of implementation is obstacle in the adoption of sustainability accounting at large.

Literature Review
Books
1. **"ESG & BRSR Reporting"** published in 2023 by Taxmann Publications Private Limited, an author Kishor M Parikh has shown clear picture of principles of Environmental, Social, and Governance (ESG). He has also shown light on Business Responsibility & Sustainability Reporting (BRSR). This book aid companies a lot in understanding format and scope of BRSR.
2. **"Environmental Accounting, Sustainability and Accountability" published in 2019 by** SAGE Publications India Pvt. Ltd. An author Somnath Debnath wrote about the interactions and integration between business organizations and their natural environments. He also shows light on how responsible accounting can serve as an effective tool in enhancing this relationship.
3. **"Business Responsibility and Sustainability in India: Sectoral Analysis of Voluntary Governance Initiatives"** Published in 2019 by Palgrave Macmillan an editor Bimal Arora, Pawan Budhwar, and Divya Jyoti has collected and examines data from the institutions. Editors has shown light on the institutionalization of corporate social responsibility (CSR). Editors have also provided empirical case studies for the implementation of standards in various sectors.
4. **"Sustainability Accounting and Accountability"** published by Routledge in 2014. An editors Jan Bebbington, Jeffrey Unerman, and Brendan O'Dwyer have provides with in-depth analysis. It helps organisation to identify how accounting and accountability processes can help in managing sustainability opportunities and deal with risk.
5. **"Beyond Sustainability Reporting: Integrated Thinking and Corporate Social Responsibility"** published by Business Expert Press in 2023. An author Ladislas Idot given the importance of integrated thinking approach in corporate social responsibility. It helps organisations to move beyond traditional sustainability reporting.

Research Methodology

This study employs a mixed-method approach by combining qualitative and quantitative data. Primary data is gathered through telephone surveys and personal interviews with accounting professionals. Secondary data has collected through academic journals, reports on corporate sustainability. Rregulatory guidelines issued by the concern authorities from time to time. The researcher also gained insight from different sustainability reporting frameworks such as GRI (Global Reporting Initiative), SASB (Sustainability Accounting Standards Board), and IFRS Sustainability Disclosure Standards.

Findings

1) Sustainability accounting significantly impact corporate transparency and stakeholder trust:

There are several benefits of BRSR for businesses. Following benefits can be summarised as:

a) BRSR helps businesses to identify areas where they can improve their sustainability performance. By measuring and reporting on their sustainability performance, businesses can identify areas where they need to take action to reduce their environmental impacts, improve their social performance, and enhance their economic performance.

b) BRSR helps businesses to build trust and credibility with their stakeholders. By providing transparent and reliable information about their sustainability performance, businesses can demonstrate their commitment to sustainable development and build trust with their stakeholders.

c) BRSR helps businesses to comply with regulatory requirements. Many countries and jurisdictions require businesses to report on their sustainability performance, and BRSR provides a standardized framework that businesses can use to comply with these requirements.

Thus, researcher fails to reject the first hypothesis **:** Sustainability accounting significantly impact corporate transparency and stakeholder trust and it is accepted.

2) Standardization of sustainability accounting practices can enhance comparability and reliability in BRSR reporting:

Researcher has studied basic key principles of BRSR format. These basic key principles has standardised sustainability accounting at great extent. The basic key principles of BRSR are as follows:

Section A – General Disclosure. This section deals with basic information of the organization with includes i) Details of the listed entity ii) Product/services iii) Operations iv) Employees v) Holding, subsidiary and associated companies (including joint venture) vi) CSR details vii) Transparency and disclosure compliances

Section B – Management and process disclosure

Section C - Principle wise performance disclosure

Principle 1. – Business should conduct and govern themselves with integrity and in a manner that is ethical, transparent and accountable.

Principle 2. - Business should provide goods and services in a manner that is sustainable and safe

Principle 3. – Business should respect and promote the well being of all employees, including those in their value chain

Principle 4. – Business should respect the interests of and be responsive to all its stakeholders

Principle 5. – Business should respect and promote human rights

Principle 6. – Business should respect and make efforts to protect and restore the environment

Principle 7. – Business when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent
Principle 8. – Business should promote inclusive growth and equitable development
Principle 9. – Business should engage with and provide value to their customer in a responsible manner.
Thus, researcher has failed to reject this hypothesis that Standardization of sustainability accounting practices can enhance comparability and reliability in BRSR reporting and thus the hypothesis is accepted.

3) **High implementation costs become obstacle in the widespread adoption of sustainability accounting:**

Research has studied this hypothesis in the light of the challenges faced by the organizations in actual implementation and reporting of sustainability accounting and it was found that high implementation costs can indeed pose a significant obstacle to the widespread adoption of sustainability accounting. Small organizations, especially small and medium enterprises (SMEs), struggle with the financial burden. It become difficult for them to integrate sustainability reporting into their existing accounting frameworks. These costs arise out of following factors:

1. **Infrastructure and Technology** – sustainability metrics need to track with specialized software and data management systems which call for additional investment.
2. **Training and Expertise of staff**– Employees need to understand principles and guidelines of BRSR which requires special training cost to be incurred by the organization. Hiring sustainability experts or consultants can further increase costs.
3. **Compliance and Reporting** – Adhering to various global standards (e.g., GRI, IFRS Sustainability Standards) requires extensive data collection and external auditing, which can be costly.
4. **Operational Adjustments** – While implementing sustainability accounting may lead to changes in business practices, supply chain management, and product design, which can require huge investment initially.

Thus, researcher has failed to reject this hypothesis that Standardization of sustainability accounting practices can enhance comparability and reliability in BRSR reporting and thus the hypothesis is accepted.

Limitations of the study

1. Limited scope of availability of empirical data of sustainability reporting. The truthfulness of data available online is also questionable in some cases.
2. Possibility of creative accounting and creating better picture of an organisation in the eyes of stakeholders is one of the big concern. The possibility of these practices and manipulating the data accordingly is possible and in some case affect the accuracy of this research. Differences in sustainability reporting regulations across countries affect comparability.
3. Potential biases in primary data due to corporate interests and secrecy and privacy policy of different companies. Some data is half filled or partially expressed create limitation to the researcher.

Suggestions

1. Regulatory bodies should enforce standardized sustainability reporting guidelines and made it mandatory with provision of some penal actions.
2. Companies should identify and invest in digital tools like better data management systems for accurate

ESG data collection and reporting.

3. Training and development programs are utmost necessary for the accounting professionals who only know traditional accounting practices and possess no idea of sustainability accounting.
4. Governments and financial institutions should incentivize businesses to adopt sustainability accounting practices and motivate them with various ways.

Conclusion

From stakeholders point of view accounting for sustainability and BRSR is essential for corporate transparency. It boosts trust and creditability of the business. Customers also like to associate with the company and products which stand right on sustainability standards. Although there are some challenges like additional cost and lack of training and development about sustainability reporting, the advantages are surely worth considering. By adopting structured reporting approach and finding out digital innovations, organizations can surely contribute significantly to sustainable development as a part of larger SDG goals.

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