

## INTEGRATED REPORTING IN INDIA

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### **Abstract**

*Sustainability is the need of the hour especially for the developing countries like India. The government could achieve the ambitious goal of sustainable growth by joining hands with corporates. Government has passed various laws which make corporate world responsible towards environment and society. The study is about studying the various Integrated Reporting initiatives taken in India. The study summarizes the various papers that have studied Integrated Reporting with qualitative methods. The paper concludes that there is lack of literature in India about Integrated Reporting.*

**Keywords:** Integrated Reporting, BRR, GRI, Qualitative Research

### **1. Introduction**

Traditionally, the primary objective of business enterprise was maximization of profit and an overall reduction in various associated costs. Friedman (1962) states that the social responsibility of a corporation is nothing but just to earn profit. He propounded that increasing performance towards environment will lead to increase in the cost of the organisation and thus, negatively impacting the profit of the organisation and resulting in lower returns. However, over a period of time profit maximization ideology had witnessed a change. There has been a continuous worsening of the environment, climate change, global warming and fast depletion of natural resources. In 1976, the United Nations established Brudlant Commission which published Brundlant Report (also known as “Our common future”) highlighting Sustainable Development. “Sustainable Development is the development that meets the needs of the present times without compromising the ability of future generations to meet their own needs”. Various governments also responded to sustainable development by drafting and implementing various laws which required the corporations to reduce their carbon footprints. This has brought a revolutionary change in the business strategy as business houses started considering environmental aspects, expectation of society along with growth and profitability. The focus now drifted from being profitable to being sustainable. Complying with current regulation, direct pressure

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from investors, consumers and employees, responsive to the societal expectation and preserving & maintaining reputation are the motivations for an organisation to reduce carbon footprints (OECD Report, 2010). An organisation can achieve sustainable competitive advantage by focusing on three key factors highlighting development in a sustainable way i.e. economic development, social upliftment and ecological conservation (Gladwin et al., 1995). Sustainability reporting is defined as “the practice of measuring, disclosing and being accountable to internal and external stakeholders for organizational performance toward the goal of sustainable development” (Global Reporting Initiative, 2011). It is important for an organisation to communicate its action towards sustainability along with performing it. Jones and Bartlett, 2009 & Kim and Rader, 2010 have highlighted that Sustainability reporting can be used a tool to meet the various aspirations of stakeholders and to build strong association with stakeholders. Therefore, sustainability has become an integral part of corporate communication strategies.

Numerous reporting standards like GRI, SA8000, ISO 26000 have been developed at world level that a company can embrace to convey its impact towards economic, environmental and societal factors (Jain 2016). However, in emerging and developed nations Global Reporting Initiatives (GRI) is the extensive used framework (Carrot and Stick, 2013). Adopting GRI framework has many benefits like it is applicable to both small or large firm, applicable to private and public entities, helps in protecting the environment, betterment of society, enhances corporate governance and relationship with various stakeholder relations etc. For the coming years focus of GRI would be on development of principles and guidance for progression of sustainable development, balancing the landscape for sustainable development, to become a leader in effective and efficient sustainability reporting, improvement in performance through effective use of sustainability information.<sup>2</sup>

In particular, Latin America and Asia have witnessed low Sustainable reporting (Gill et al., 2008). Financial world was rocked by unveiling of various scam (TYCO, Enron, World com, Satyam) across the globe from the year 2001 to 2008 highlighting that companies need to provide information to the stakeholders’ apart from what is already there in the public domain. India took a lot steps for improving Sustainable Reporting in the country. In 2012, SEBI, the regulator of Indian stock market, mandated Business Responsibility Reporting (BRR) in accordance with the ‘National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business (NVGs)’ reported by the Ministry of Corporate Affairs, Government of India. Business Responsibility Report (BRR) is a report that is prepared by listed companies on a regular basis to communicate to its stakeholders about the pursuance

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<sup>2</sup> <https://www.globalreporting.org/information/about-gri/Pages/default.aspx>

of responsible business practices. The companies are obliged to prepare this report as they are using common public's funds and public interest is involved in it, hence they are advised to prepare BRR (BSE, BRR, FAQs)<sup>3</sup>. Top 100 listed companies on the basis of market capitalization, have to submit the BRR separately or upload it on website and provide the link in company's annual report.<sup>4</sup> Later, via its circular dated December 26, 2019, SEBI permitted the extension of the BRR obligation to the top 1000 listed entities, based on market capitalization. India responding to corporate governance scams, pressure from foreign investors and stakeholders' released new guidelines for corporate houses which mandated Indian companies' participation in sustainability (Government of India, 2013). Being first in world, India made corporate social responsibility (CSR) compulsory. The recent amendment in the Companies Act, 2013 requires that "companies having a net worth of INR 5 billion (US\$70 million) or more, or an annual turnover of INR 10 billion (US\$140 million) or more, or net profit of INR 50 million (US\$699,125) or more, to spend 2 percent of their average net profits of three years on CSR".

## **2. Literature Review**

Here are some of the studies that have been undertaken in recent years in developed in developing nations. A few authors have studied the sustainable reporting in Indian context. India in spite of its mounting significance and influence in the world has dearth of sustainable literature. Most of the previous studies were conducted before the implementation of amendment of Government of India (2013) (Jain 2016).

Jain (2016) was among the first to study the Corporate Social Responsibility (CSR) from a sustainable perspective. The study states that there is a positive shift when compared with literature as most of the top 100 companies disclose information about CSR and Sustainability on home page of website and some of them have interactive feature also.

Laskar (2016) studies the quality of report published by Indian companies and fulfilment of needs of shareholders. As per GRI framework, satisfactory quality of information (about) is being disclosed by Indian companies. The study suggests that a proper amalgamation of quantitative and qualitative methodologies. In 2016, researcher put this thought forward and studies the Sustainability Reporting in India from qualitative and quantitative perspective using multidimensional index having 80 components from several national and international standards. Mandatory BRR

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<sup>3</sup> [https://www.bseindia.com/downloads1/BRR\\_FAQs%2010052013.pdf](https://www.bseindia.com/downloads1/BRR_FAQs%2010052013.pdf)

<sup>4</sup> [https://www.bseindia.com/downloads1/Linkage\\_Doc\\_of\\_GRI\\_and\\_BSE.pdf](https://www.bseindia.com/downloads1/Linkage_Doc_of_GRI_and_BSE.pdf)

requirements of top 60 listed companies were under study and it was found that SR quality is significantly lesser than the SR quantity.

Indian companies mostly report information related to community and environment while employee- associated matters are minimally reported (Jain 2016, Aggarwal 2018). Only limited studies are in respect of India and other developing countries; however integrated reporting is an emerging topic of research in developed nation. Some of the latest research in the area of integrated reporting in developed countries is mentioned below -

Merve (2016) in one of its kind study investigates the factors of forward-looking disclosure in integrated reports using content analysis and classifies them into quantitative and qualitative. The study concluded that the most of the initial followers of integrated reporting provide qualitative forward looking disclosures instead of quantitative.

Haji (2016) studies the role played by Audit committee in Internal Reporting using integrated reports of 246 large companies of South Africa. The study establishes positive relationship between quality of Integrated Reporting and effectiveness of Audit committee.

Briem (2018) studies the motives for willingly procuring the Integrated Reporting assurance and the role that auditors plays in context of Germany. Archive materials along with 25 in-depth semi-structured interviews were used to conclude that stakeholders and auditors play an important role in the integrated assurance reporting assurance.

Eccles (2011) discussed the meaning of integrated reporting, state of adoption of integrated reporting snapshot of development of integrated reporting, policy for institutional change to fast-track the acceptance of integrated reporting. The study concludes with a urge to the reader for conveying institutional change.

Eccles (2019) studies the magnitude to which the countries around the globe are using IRR in their reports and difference in the content and quality of reports. For this purpose 5 companies were selected from each nation South Korea, Brazil, France, Italy, Japan, The Netherlands, Germany, South Africa, United Kingdom, and the United States. The author grouped the companies in three categories and cites reasons for the grouping.

Needles et al. (2016) tests the hypothesis that whether companies that lead the financial objectives, also lead in sustainability and integrated reporting? They conclude that high performance companies and GRI enterprises have equal performance on IR and sustainability.

Auditors play an important role in Integrated Reporting (Haji (2016), Briem (2018)).

Cohen (2015) states that existing integrated reporting framework is more suitable for private entity and devises new framework for public entity and named it as

“Integrated Popular Reporting”. IPR would show a complete view of the public entities and attract the interest of all the citizens.

Villiers (2017) develops a model for exploring the advancement of integrated reporting using a narrative style. The model shows the casual relationship and influences that affect integrated reporting.

Lai (2017) uses in-depth interviews to show that principle of materiality is implemented in integrated reporting. Materiality is reflected in constant interface among the board, users of the report and management.

Dutoit (2017) suggests that that regulators need to provide more detailed guidelines to companies as the study highlighted in integrated reports some information on ethical, environmental and social aspects are missing and some items are repeated. The researcher used interpretive case study method and thematic content analysis. The study suggests manners to improve the quality of integrated reports.

Feng (2017) uses in-depth, semi-structured interviews to study the meaning the meaning of integrated thinking in respect of key stakeholders and also to see if all organizations are implementing integrated thinking in practice. This highlights that an integrated definition of integrated thinking is missing.

Dumay and Dai (2017) observes the influence of including integrated thinking in organizational cultural using a case study approach. They find that integrated reporting helps managers in discovering limitations in their strategic plans. However, managers hold opposing views regarding integrated thinking.

Gibassier (2018) using a seven year long ethnographic method using semi-structured interviews, documentary evidence and observations to show that it is important for firms to recognize the mythical facet of management innovation. The study highlights that myths can be a useful factor in renovating business (reporting) practices. The study highlights that Integrated Reporting is indeed a myth.

Mcnally (2017) explores the challenges in preparing an integrated report by conducting detailed interviews of 26 integrated report makers at 9 South Africa related organisations. The study highlights concrete issues faced when creating an integrated report like integrated reporting is not consistently considered as a natural part of the business process, requires broad understanding of the purpose of integrated reporting, integrated reports are not taken seriously by investors etc.

Lueg (2016) states that CSR standards and guidelines can assist an enterprise in integrated reporting. The author conducted a study at EGE a Danish carpet producing firm and suggests that consistent approaches to CSR may be apt for planning internal matters and for control purposes companies must move forward of CSR measures to accomplish IR.

Ghosh (2019) studied the integration of non-financial and financial information in reporting with a sample size of 102 Indian Companies. The companies were selected

on the basis of market capitalization and Longitudinal Qualitative Document Analysis was applied. The study involved the analysis of annual reports for a period 2010-2016. Using Integrated Reporting Index (IRI) companies were classified as high integrated, low integrated, progressive integrated and moderate integrated. The study concluded that India needs to promote and encourage corporate houses for adoption of “Integrated Reporting”. The study also highlighted that Indian firms are fortified for Integrated Reporting.

Cortesi (2019) highlighted that Integrated Reporting augments the transparency by removing information asymmetries. IR combines Corporate Social Responsibility with traditional reporting. The study focuses on the voluntary adoption of IR from a sample of 636 companies from 57 countries for a time period of 15 years.

(Abhishek et al. 2020) conducts an empirical study with respect to India to analyse the awareness level of Integrated Reporting among the accountants, academicians, and auditors. Statistical tools such as t-test, levene’s test and reliability analysis were used to analyse the data which was both primary and secondary in nature. The study concluded that the participants positively perceive the Integrated Reporting and there is a compliance difference in IR Reporting in Indian companies in comparison to GRI.

A survey of literature has highlighted that in India we are following the Sustainable Reporting framework and yet to adopt the Integrated Reporting, which the western world has already adopted. India is required to explore integrated reporting, a path forward of SR, which is still a budding concept (Aggarwal 2018). Global Sustainability Standard Board (GSSB), GRI and BSE have conducted a study to highlight disclosures from the GRI Standards that relate to each requirement from the SEBI BRR Framework.<sup>5</sup>

### **3. Objective**

The present paper aims to present summary of the integrated studies conducted in India and around the world with a special focus on qualitative techniques.

Integrated reporting is mostly studied with the help of quantitative techniques and only few authors have studied Integrated Reporting with a qualitative lens and the paper aims to highlight the same.

### **4. Methodology**

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<sup>5</sup> [https://www.bseindia.com/downloads1/Linkage\\_Doc\\_of\\_GRI\\_and\\_BSE.pdf](https://www.bseindia.com/downloads1/Linkage_Doc_of_GRI_and_BSE.pdf)

For the purpose of meeting the objective, the studies conducted in last five years were selected. The special focus was on the studies that studied Integrated Reporting with qualitative methods. The study includes research paper from India and other countries. The methodology is to review the paper and highlight the technique used for studying Integrated Reporting.

## **5. Analysis**

*Research Gap:* The survey of literature has highlighted that there is limited study in India in context of Integrated Reporting. Various studies have highlighted this point. (Jain 2016) states India regardless of its developing significance and influence has been neglected in the literature on CSR/Sustainable. Developed and developing economies of world have plenty of studies on CSR/Sustainable reporting of organizations, India has dearth of research in this area. Also, there is lack of literature studying the relationship between culture and integrated reporting. Jain 2016 mentions that in respect of India, there is dilemma that why companies are adopting Integrated Reporting because of cultural traditions or they are acting as per the regulations and reporting guidelines framed by the government. Furthermore, Aggarwal 2018 highlights that essential insight could be provided by studying cross-cultural relationship between numerous countries. Most of the studies discussed above have studied the large corporations, in future research could be conducted by studying small firms in India and around the world. As Jain 2016 in his paper highlights that he has studied only big companies of India, which is a limitation. The study could be repeated on small firms in India. Research could also be focused about studying the authenticity of expenditure of company shown towards integrated reporting as most of the researches are focused only upon the data that is supplied by the companies as highlighted by (Aggarwal 2018). Merve (2018) suggests that a future research could focus on longitudinal analysis to study the dynamics of entity characteristics and future research could explore the relationship between firm characteristics and forward-thinking revelations in integrated reports. Cohen (2015) suggests that Integrated Reporting framework could be developed in future with the help of qualitative analysis to come up with a framework and sketch that would be a mixture of comprehensiveness and enlightenment.

## **5. Conclusion**

In the 21<sup>st</sup> century, it is important for the corporations to focus on environment and society needs along with meeting the shareholders' expectation of maximum profit. There are various laws that govern a company and direct them to earn profit along

with focus on environment, corporate governance and societal needs. This requires that the organisation need to take various steps for ESG parameters and communicate the same to the various stakeholders. One of the tools for communication is to include all information about the measures taken for ESG parameters in the annual reports prepared by company. The Annual report will provide the qualitative as well as quantitate information about the corporation. The study aims as tracking the various Integrated Reporting efforts taken up by India. Various papers that have studied Integrated Reporting from qualitative methods are summarised. The study highlights that Integrated Reporting in India is in its initial stage. We need to motivate companies for adopting Integrated Reporting.

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