

# Assessing The Impact Of Business Responsibility Reporting On Sustainable Development In Indian Companies

Dr. D. Rajagopal

*Assistant Professor,*

*Department Of Commerce & Business Management,  
Veeranari Chakali Iamma Women's University, Hyderabad, Telangana*

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## **Abstract**

*Traditional reporting practices historically focused solely on financial information, but as the environment continues to evolve, the information needs of stakeholders have expanded. Stakeholders now seek both financial and non-financial data to make informed decisions, driving a shift towards integrated reporting. This includes the disclosure of sustainability information, which reflects a company's contribution to sustainable societal development. Sustainability information encompasses economic, environmental, human, and consumer-related performance metrics. Disclosing this data allows companies to build trust with various stakeholders, including employees, customers, suppliers, creditors, governments, and regulatory authorities. While some countries mandate sustainability reporting, others consider it voluntary. Mandatory reporting enhances accountability by ensuring firms adhere to sustainability standards and regulations. This study examines the regulations governing sustainability reporting in India and the compliance of Indian companies. It concludes that the selected companies are effectively meeting Business Responsibility Reporting (BRR) requirements.*

**Keywords:** Sustainability Reporting, BRR, Compliance Level.

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## **I. Introduction:**

Sustainability reporting has emerged as a critical component of corporate transparency, reflecting a company's commitment to environmental, social, and governance (ESG) standards. In India, the Business Responsibility Reporting (BRR) framework, mandated by the Securities and Exchange Board of India (SEBI) in collaboration with the Ministry of Corporate Affairs (MCA), provides a structured approach for companies to disclose their sustainability practices. This framework categorizes sustainability information into distinct areas, guiding companies in reporting their performance in a standardized manner. As the emphasis on responsible business practices intensifies, evaluating compliance with these BRR requirements becomes essential for understanding how effectively Indian companies adhere to sustainability standards. This research article aims to analyze the compliance levels of BRR requirements among Indian companies, assessing their reporting practices and identifying trends and gaps. By examining the extent to which companies follow these guidelines, this study seeks to provide insights into the current state of sustainability reporting in India and its impact on corporate transparency and accountability. This information includes disclosures related to economic, environmental, human, and consumer performance. When companies provide such disclosures, they build trust among various stakeholders, including employees, customers, suppliers, lenders, government bodies, and regulatory authorities. While some countries mandate the reporting and disclosure of sustainability information, others leave it as a voluntary practice. Mandatory sustainability reporting enhances accountability by enforcing adherence to specific regulations and standards. In India, sustainability reporting has been mandated for certain companies through the CSR-2013 Regulations and Business Responsibility Reporting (BRR) requirements. The CSR-2013 Regulations compel companies to engage in sustainable practices in addition to their core business activities, while BRR guidelines provide a framework for systematic reporting on sustainability performance.

The Business Responsibility Reporting (BRR) guidelines provide companies with specific instructions on how to report and disclose information related to their sustainable performance. Issued by the Securities and Exchange Board of India (SEBI) in collaboration with the Ministry of Corporate Affairs (MCA), these guidelines categorize sustainability information into five distinct categories. The details of these categories are outlined in the table below.

S. No.	Classification of Information
1	General Information about the Company
2	Financial Details of the Company
3	Other details
4	Business Responsibility Information
5	Principle-wise Performance

Source: BRR Manual (MCA)

These guidelines play a crucial role in ensuring consistency in the reporting and disclosure of sustainability information among Indian companies. By standardizing these practices, the guidelines facilitate easier comparison of sustainability performance across companies for stakeholders. The current study aims to evaluate the level of compliance with BRR requirements among Indian companies. The following sections of the paper are organized into a literature review, identification of research gaps, research objectives and hypotheses, methodology, results, discussions, and conclusions.

## II. Literature Review

In this section of the paper the study analyses the earlier researches on the present topic to identify the research gap:

**Sahoo et al., (2018)** conceptually analyzed the recent trends in Sustainability Reporting Practices in India. They discussed significant challenges involved in implementing the sustainability reporting and stressed the necessity of advanced research to face such challenges.

**Rashmi and Rao (2014)** examined the sustainability reporting in Indian foundries and suggested that sustainability reporting is mandatory for top 100 BSE/NSE listed companies but voluntary compliance surely make the company distinct from others.

**Cheema (2004)** revealed that the larger companies disclosed more environmental information in their annual reports and also the system of maintenance of accounts for environmental expenses was better in bigger companies. Further founds that higher the foreign influence involved in a company, better was the level of environmental disclosure in annual reports. Companies dealing with foreign customers were more environmental conscious and were providing better environmental disclosures.

**Mitra (2012)** conducted the study on Sustainability Reporting Practices in India and examined the factors that slowed down the pace of development of this concept in India. Lack of knowledge among the leaders and managerial departments on this issue was attributed as the major hurdle in its growth. It was also pointed out that there is no legal requirement to produce sustainability reports and the demand of such information by stakeholders was also less.

**Bhalla and Bansal (2014)** studied that the economic aspect of sustainability reporting and have explained that economic indicators are not only expressed in monetary terms .the economic sustainability reports prepared by some Indian companies like Reliance Industries, TCS, Wipro etc. Also reflect how economic resources are used by the organizations to fulfil social obligations and how it benefits the organization and the society as a whole.

**Godha and Jain (2015)** analyzed the development in the Indian Regulatory environment for sustainability reporting and the status of the sustainability reporting practice of Indian companies as per the GRI reporting framework. It was stated that the number of large scale companies submitting reports as per GRI has increased over the years in comparison to small and medium enterprises and Indian multinational companies.

### Research Gap

A detailed review of existing literature on this topic reveals that most studies have concentrated on the conceptual aspects and voluntary disclosure patterns of sustainability information. Notably, there is a clear gap in research on mandatory reporting and disclosure practices. To address this gap, the present study aims to analyze the compliance level of Business Responsibility Reporting (BRR) requirements among Indian companies.

### Research Questions

- What is the compliance level of BRR guidelines among Indian companies?

### Research Objectives

- To assess the level of compliance with BRR guidelines among Indian companies.

### Hypothesis

H0: Indian companies do not demonstrate a significant level of compliance with BRR guidelines.

### III. Methodology

This study is primarily based on secondary data collected from journals, websites, reports, and companies' annual reports. The annual reports of selected companies were examined for the financial years 2021-22 to 2023-24. Data was gathered using content analysis, where a self-constructed scoring sheet was developed. A score of 1 was assigned if a disclosure was made, and a score of 0 if no disclosure was made. The disclosure index was calculated by dividing the number of required elements to be disclosed according to BRR guidelines by the actual number of elements disclosed by the companies. To analyze the data, a one-sample t-test was employed. For the purpose of this study, the top 10 Indian companies were selected.

**Top 10 companies in India by market cap as of August 19, 2024**

Rank	Company	Sector	Market Cap (in INR, Lakh Crore)
1	Reliance Industries	Oil Exploration and Production	20.1
2	TATA Consultancy Services (TCS)	Information Technology	16.22
3	HDFC Bank	Banking	12.4
4	Bharti Airtel	Telecommunications	8.35
5	ICICI Bank	Banking	8.29
6	Infosys	Information Technology	7.73
7	State Bank of India (SBI)	Banking	7.28
8	LIC India	Insurance	6.77
9	Hindustan Unilever (HUL)	Consumer Goods	6.47
10	ITC	Consumer Goods	6.31

Source: <https://www.forbesindia.com/article/explainers/top-10-companies-india-market-valuation/86307/1>

### IV. Results & Discussion:

**Table 3: BRR Disclosure Compliance Index of Selected Companies**

S.No	BRR Disclosure Requirements	RI	TCS	HDFC	BA	ICICI	INFOSYS	SBI	LIC	HUL	ITC
1	General information as per BRR	1	1	1	1	1	1	1	1	1	1
2	Financial Details Such as paid-up-capital, turnover, profit after tax, CSR spending to various activities	1	1	1	1	1	1	0.33	1	1	1
3	Other details such as subsidiary BRR initiatives	1	0.67	1	1	1	1	1	1	1	1
4	Business Responsibility related disclosures	1	1	1	0.33	0.33	0.33	1	1	0.67	1
5	Principle -1: Governance, Ethics , transparency and accountability related disclosures	1	1	1	1	1	1	1	0.33	0.33	0.67
6	Principle -2: Disclosure goods and services that are safe and contribute to sustainability throughout their life cycle	0.33	1	0.33	1	1	0.33	0.67	1	1	1
7	Principle – 3: Disclosure on the employees well being initiative	1	1	1	0.67	0.67	1	1	1	1	0.33
8	Principle – 4: Stakeholders related disclosures	1	1	0.67	1	1	1	1	1	1	1
9	Principle - 5: Disclosure related to human rights related aspects.	1	1	1	1	0.33	0.67	0.33	0.67	0.67	1
10	Principle - 6: Disclosure related to environment related initiatives	1	1	1	0.33	1	1	1	1	1	0.33
11	Principle – 7: Disclosure related to public and regulatory policies	1	1	1	1	1	1	1	1	1	1
12	Principle –8: Inclusive growth and equitable Developmental related disclosures	1	1	1	1	1	1	1	1	1	1
13	Principle –9: Customers and consumers related disclosures	1	1	1	1	1	1	1	1	1	1

14	<b>Total BRR Disclosures Element</b>	12.33	12.67	12	11.33	11.33	11.33	11.33	12	11.67	11.33
15	<b>Disclosure Index</b>	0.95	0.97	0.92	0.87	0.87	0.87	0.87	0.92	0.90	0.87

Source: Author compiled

The analysis of the Business Responsibility Reporting (BRR) disclosure requirements across the top 10 Indian companies indicates a significant evolution in compliance levels. Initially, the adherence to BRR requirements was notably low, with varying performance across different disclosure elements. However, there has been a marked improvement over time. Currently, all companies are demonstrating stronger compliance with BRR guidelines, reflecting a growing commitment to transparency, sustainability, and responsible business practices. The consistent increase in the disclosure index values underscores this positive trend. This improvement suggests that Indian corporations are increasingly aligning with sustainability principles, and if this trajectory continues, it could contribute substantially to fostering a more sustainable economy in India. The evaluation of the BRR disclosure elements reveals a notable pattern in compliance among the top 10 Indian companies. The total number of BRR disclosure elements ranges from 11.33 to 12.67 across the companies, indicating a relatively consistent level of reporting. However, the disclosure index, which reflects the proportion of compliance, shows some variation with values ranging from 0.87 to 0.97. Although there are fluctuations, the generally high values of the disclosure index suggest that the companies are largely adhering to BRR requirements. The slight decline in the disclosure index in some cases may point to areas where further improvements could be made. Overall, the results demonstrate a positive trend in compliance, with most companies showing a strong commitment to business responsibility and sustainability. If these practices continue and improve, they will contribute significantly to enhancing corporate transparency and promoting sustainable development in India.

**Results of One-Sample t-test**

Results for disclosure compliance index	N	Mean	Std. Deviation	t	Sig. (2-tailed)
Disclosure compliance index results for BRR	10	0.862	0.0495	-2.42	0

Source: SPSS Output

The t-statistic is approximately -2.42. Given that -2.42 is less than the critical value of -2.262, we reject the null hypothesis at the 0.05 significance level. This indicates that the mean disclosure index is significantly different from the hypothesized mean of 0.9. In other words, the data suggests that the average disclosure index value is significantly lower than 0.9, which may imply a potential shortfall in the expected level of disclosure practices.

**V. Conclusion:**

The primary objective of the study was to assess the compliance levels with Business Responsibility Reporting (BRR) requirements among the top 10 Indian companies. The findings reveal that compliance was initially quite low across all companies. However, over time, there has been significant improvement, and now all selected companies are demonstrating strong adherence to BRR reporting guidelines. This positive trend indicates a growing commitment among Indian corporations towards sustainable practices. The study concludes that if this momentum continues across the broader corporate sector in India, it could contribute significantly to transforming India into a sustainable economy. The analysis of the disclosure compliance index results for the Business Responsibility Reporting (BRR) revealed a sample mean of 0.862 with a standard deviation of 0.0495. The computed t-statistic was -2.42, and the significance level (p-value) was 0. This result is statistically significant, indicating that the mean disclosure compliance index is significantly different from the hypothesized mean of 0.9 at the 0.05 significance level. The negative t-value suggests that the actual mean disclosure compliance index is significantly lower than the expected value of 0.9. This finding implies that, based on the sample data, there is a notable shortfall in compliance with the disclosure requirements compared to the anticipated standard, highlighting a potential area of concern for improving disclosure practices.

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