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Corporate Sustainability Reporting And Firm Performance Linkage-A Literature Review Approach

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ABSTRACT

The study uses a bibliometric approach to map the developments in the area of corporate sustainability reporting and firm performance relation. A sample of 96 articles extracted from Scopus database is used for attaining an overview regarding this relationship. The review will help the business in policymaking as well as in strategizing their sustainability reporting and sustainability initiatives. The study will help the investor in assessing the impact of a non-financial factor in firm performance for making a better decision in the investment. VOS viewer is used in extracting general information regarding sustainability reporting and firm performance relation. The paper found, healthy growth in the number of publications in the field of sustainability reporting and firm performance moreover its evolving especially in Indian context. The paper also found that further understanding of this relationship will aid academia and scholars for exploring the unidentified area in this field.

1. Introduction

Sustainability reporting is emerged as a new pillar in the business practice our time. Sustainability reporting means communicating social, economic, and economic activities carried out by the firm for the good of society. Earlier profit maximization was considered as the important objective of the firm but then nowadays, stakeholders are looking into the non-financial aspects of the firm. Sustainability disclosure is considered as communicating the social environmental and economic aspects of the firm to the general public. Hence sustainability reporting is taking the place of financial reporting due to its

inclusive coverage on various dimensions like economic, environmental, and social performance. By communicating environmental, social, and governance, performance gives full coverage on the performance of companies; this will, in turn, be useful for the investors in investing decisions [1]

2. Background Of The Study

Sustainability reporting is conveying the environmental social and economic impact caused by the firm to the society. Hence sustainability reporting is also termed as CSR reporting, triple bottom line reporting, non-financial reporting, and the like. Fast depletion of natural resources, increasing scarcity of resources are a serious issue which will make the future generation in trouble hence [2] emphasized "sustenance as the need of the hour. "The concept of sustainability reporting is still sprouting in India, whereas it is more advanced in developed countries [3]. Communicating all the elements as per GRI (Global reporting initiative) will not label a firm being sustainable in the minds of the investor; instead reporting needed information very precisely and objectively moreover maintaining transparency will only serve the purpose.

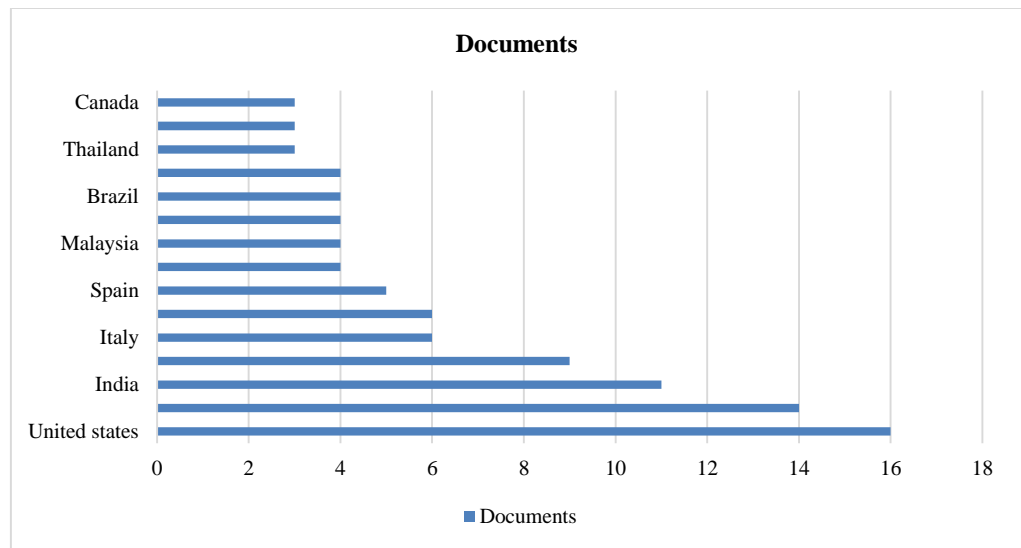
Sustainability reporting has three dimensions, namely environmental, social-economic aspects; however, governance disclosure is also considered as an element in sustainability reporting. In the case of environmental disclosure, environmental reporting was initially started by chemical and tobacco industries in the 1980s due to their serious image distraction. Initially, tobacco industries started reporting environmental aspects as a part of ethical investing [4]. The impact on non-living and living natural elements is emphasized in environmental disclosure. Whereas, social reporting emphasises the impact on society. Corporate reporting level (basically ESG disclosure) in China appears to be in the middle-of-the-road [5], results indicated forty percentage of the firms did not disclosed environmental aspects, however due to the increasing governmental and private initiatives to foster ESG reporting resulted in regularity and quality of ESG disclosure in China [6]. Many researchers discussed that adopting environmental disclosure initiatives involves a cost, and this cost will hurt the profitability of the firm [7]. Whereas, some authors argued, sustainability should not be viewed as a cost; hence it is an opportunity to sustain for the long-term [8].

3. Methodology

This study is an attempt to deal with deal with the developments in the field of corporate sustainability and firm performance. In this paper, the author aims to come across the current state of works of literature highlighting CS (Corporate sustainability), and firm performance relations. For this purpose, the authors collected papers by using keywords, TITLE-ABS-KEY("sustainability reporting" AND Firm AND Performance)AND DOCTYPE(ar OR re), Consequently, a sample of 94 articles extracted from Scopus database is used for mapping the developments in literature in the area of corporate sustainability and firm performance.

A. Classification based on number of publications

Fig no 1: Classification based on the country wise publication.



Source: Scopus database

This figure summaries the top fifteen countries having maximum number of publications. United states top the list by contributing (16%) followed by United Kingdom (14) India (11%).

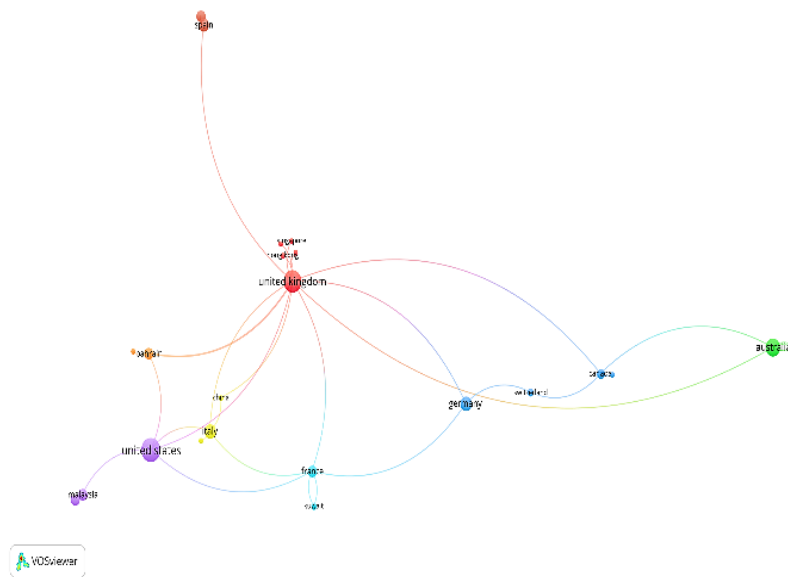
B. Classification based on citation

TABLE I. Classification based on the citation

| Sl no | Countries | Citation |
|-------|----------------|----------|
| 1 | Australia | 1309 |
| 2 | United Kingdom | 1155 |
| 3 | Canada | 997 |
| 4 | United states | 466 |
| 5 | Spain | 277 |
| 6 | Italy | 155 |
| 7 | Brazil | 142 |
| 8 | Germany | 139 |
| 9 | France | 134 |
| 10 | India | 31 |

Source: Scopus database

The above table summarises the list of countries based on the citation received. Australia received maximum number of citations followed by United Kingdom, Canada, United states.

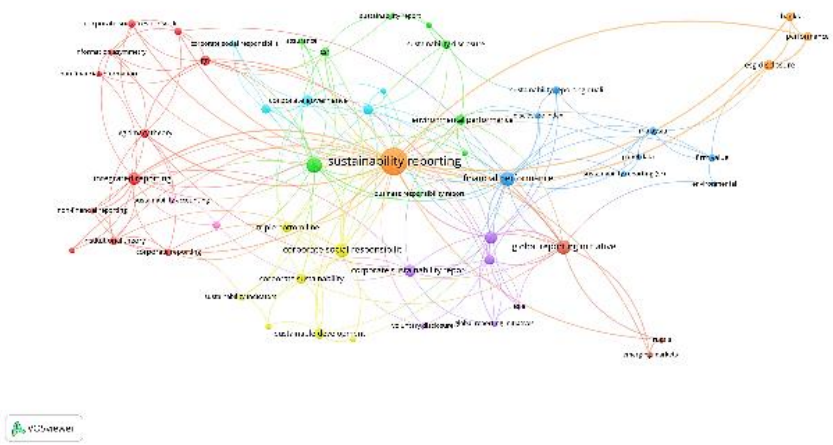


Source: Scopus database

Fig: 2 Co-author collaboration networks based on countries.

Classification based on the occurrence of keywords

Fig 3 Based on the occurrence of keywords.



Source: Scopus database

Fig:3 Summarises the co-occurrence of author indexed keywords. By putting the threshold by 2 (minimum number of occurrences of keyword by 2), out of 270 author keyword 55 met the threshold. A total of nine clusters identified out of which the ninth cluster explore the environmental, social and governance

disclosure and its impact on firm's performance especially with special reference to banking sector. Whereas fifth cluster elaborate the role of GRI (Global reporting Initiative) voluntary reporting in practise in Asian countries and the methodological aspects. While taking the case of first cluster (RED) basically clustered the theoretical aspects in this relation as well as the information asymmetry, and the emergence of integrated reporting. Green cluster elaborates the role of governance in sustainability reporting and firm performance.

By assessing the occurrences of keywords, the author identified "information asymmetry", "non-financial information", "corporate reporting" "Voluntary reporting", "Asian context" and "emerging markets as the dry area which needs further exploration in connection with sustainability reporting.

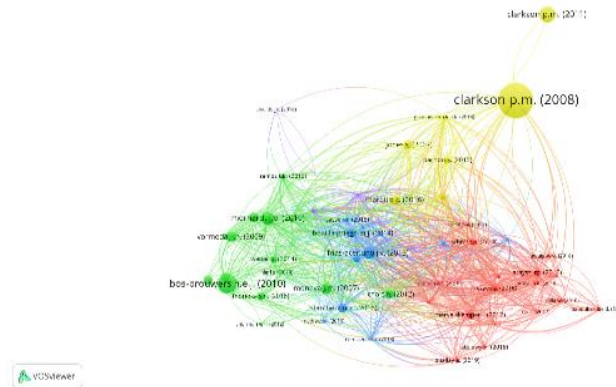
TABLE II. Citation collaboration networks based on the sources.

| Source | Doc | Citations |
|--|-----|-----------|
| Business strategy and the environment | 5 | 546 |
| Journal of cleaner production | 5 | 286 |
| Business and society | 4 | 104 |
| Social responsibility journal | 4 | 14 |
| Sustainability accounting, management and policy journal | 4 | 53 |
| Cogent business and management | 3 | 11 |
| Journal of business ethics | 3 | 25 |
| Test engineering and management | 3 | 0 |
| Australian accounting review | 2 | 101 |
| Environmental science and pollution research | 2 | 6 |
| International journal of accounting and information management | 2 | 19 |
| Journal of business economics | 2 | 19 |
| Polish journal of management studies | 2 | 0 |
| Sustainability (Switzerland) | 2 | 14 |

Source: Scopus database

The above table summarizes the top 10 journals published the maximum number of documents along with their citations. Business strategy and the environment and Journal of cleaner production contributed a greater number of publications followed by Business and society (9%), Social responsibility journal (9%), Sustainability accounting, management and policy journal (9%). The minimum number of sources selected is 2, out of sixty-eight sources fourteen articles met the threshold.

Bibliometric coupling of documents.

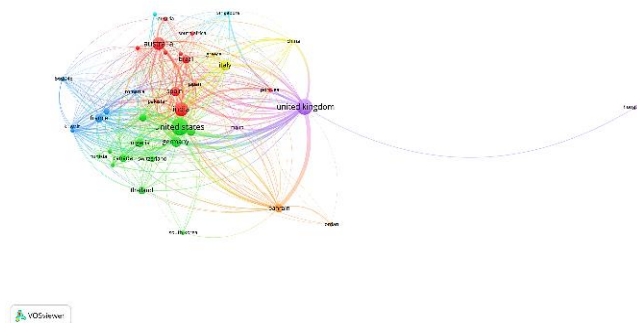


Source: Scopus database

Fig :4 depicts the bibliometric coupling of sources. By fixing the threshold (Minimum number of citations by 5), out of 97 documents,56 met the threshold. A total of five clusters formed out of which mostly cited works explicitly focused on the environmental reporting (cluster 1 represented by yellow) Red cluster mainly focused on impact of sustainability reporting on financial performance as well as the sustainability performance of the corporates. While taking the case of cluster 2, articles mainly focused on innovation sustainable development practices, in case of cluster 3(blue), articles basically highlighted corporate integrated reporting, assessment of sustainability reporting practice, business ethics, governance role, and other issues were highlighted. While the final cluster represented by violet color examined the comparative study of different countries.

Additionally, by examining the bibliometric coupling we found Clarkson 2008, Bos browsers 2010 has got the maximum citation in this area for their contribution in assessing the sustainability issues.

Bibliometric coupling of countries



Source: Scopus database

Fig :5 cluster network of bibliometric coupling of countries identifies a total of seven clusters. It's evident from the graph that most of the article regarding sustainability and firm performance relations carried out by the developed countries, the article shows a faster rapidity in emerging countries. Sustainability issues gained momentum and pace.

4. Various Findings Based On Literature

The association between sustainability reporting and firm performance tested by Asian countries, namely India, South Korea, Japan, and Indonesia, and the study confirms that corporate sustainability disclosure improves transparency and this will increase stakeholders' trust in the company [9]. Whereas [4] evaluated the various factors determining the sustainability disclosure practice of eighty-five Japanese companies, and they couldn't find any strong association between sustainability reporting and various performance indicators, namely profitability and firm size. On the other hand [10] found a bidirectional linkage between sustainability reporting and firm performance; moreover, the author found sustainability reporting had a significant favourable influence on the revenue generation of sampled deposit money banks in Nigeria. Additionally,[11] found most of the sampled banking industry in Bangladesh discloses the general aspects than the specific material aspects of G4.

While taking the case of Indian firms,[3] addressed the quality of sustainability reporting practiced by Indian firms in addition to find the various guidelines followed by the Indian firms, and they found that sustainability reporting in the Indian context is not a fairy-tale, and it's moving towards reality. However, [12] found sustainability reporting in India is steered by the regulatory pressure, rather than being in regulatory pressure the companies should focus on approaching sustainability reporting through stakeholder's approach where they should identify the various dimensions the stakeholders are expecting to be disclosed by the company. Accordingly, the employee-related aspects were less disclosed in the sampled firms.

When sustainability firm performance is assessed different authors found varied results. [3] found a positive association between corporate sustainability performance and firm performance concerning Indian companies. [4] found a significant positive impact of CSP (Corporate sustainability performance) on financial performance (financial performance is proxied by the market to book ratio) of Asian countries. However, [2] found sustainability reporting score was negatively influenced by profitability (ROA used as a proxy measure for profitability) whereas according to [10] sustainability reporting is negatively influenced by the market price per share.

5. Discussion Conclusion

This study is to extract the general information regarding sustainability and firm performance with the help of VOS viewer and also to highlight the various

results of different studies in this field. Authors found that developed countries contributed more to the literature, moreover it gained momentum and pace in developing countries too.

Our study also identified dry areas in sustainability which can explore further for future research. Additionally, Business strategy and the environment journal and Clarkson, 2008 contributed more in this field. However, the sampled articles highlighted varied results in the field of sustainability reporting and firm performance. Hence, this relationship needs to be further explored moreover understanding this relationship will aid both the business as well as investors in strategizing their decision.

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