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The Impact of Sustainable Practices on Business Performance

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Abstract: The industrial revolution of the 18th century was rather a war between the industry and nature, and certainly not the path to sustainable business. Friedman (1970) says that "one and only one social responsibility of business is to maximize profits, of course without committing any fraud". Profit maximization and production were the sole significant aim of industries until 1970 when environmental issues were beginning to enter the scenario. As the industry began developing without any restrictions in the environmental or social domains, earlier on account of uncontrolled environmental contamination and other exploitation, the public wanted the laws of industry enacted for the environment's and the society's safety by mid-19th century. The intersection of resource limitations, climate change, and the need for greater transparency and governance means that the investor community will expect more information on social and environmental concerns. The global financial crisis highlighted sustainable business practices and the developed economy has been learning to adapt to it. In emerging economies such as India, there has been incessant pressure from investors and other stakeholders to respond to the above challenges to prevent loss of competitiveness and resilience. In responding to these challenges, we need to develop a mechanism for balancing economic growth as well as environmental and social challenges.

Keywords: International Market; Global Business Landscape; Sustainability; Stakeholders.

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1. Introduction

Today, in this period of the twenty-first century, progress in technology has transformed human life. Numerous advantages of economic development are being earned from technological growth (Raut et al., 2019). However, to expand, the economy also thrives at the expense of natural resources and human resources. Forgetting the aftereffect of these two, this unparallel economic advancement has drained this world of ecological resources with threatening risk factors following climate change effects and other large-scale social challenges such as extensive poverty (Younis et al., 2016). Emphasis is put on the explanation of why such commercial behaviors happened and what one can learn from them. This study employs a comparative case study approach. The writers describe and compare two company examples from different industries. a comparison of the elements that affect environmentally friendly company practices (Jan et al., 2019). Depending on their similarities and differences, different businesses use different methods to sustainability. One strategic tool that can help companies obtain a competitive advantage and thrive in the global marketplace is sustainability.

Miller, Thaddeus et al. (2014) In order to advance the discipline beyond the analysis of issues in linked systems and to explore the social, political, and technological components of connecting knowledge and action, this essay examines the constraints of sustainability science research (Muhmad & Muhamad, 2021). Over the next ten years, sustainability science can enhance its empirical, theoretical, and practical contributions by developing along four research trajectories focused on the role of values in science and sustainability decision-making. These trajectories include: fostering socio-technical transformation at different scales; fostering social and institutional learning for sustainable development; and how communities at different scales envision and pursue sustainable futures (Hami et al., 2015).

In their 2005 study, Bendell, & Kearins, explore the idea that companies are being forced to actively control their political impact and operations due to their often-stated obligation to promote sustainable development, which we refer to as controlling the "political bottom line." We argue that this change can be attributed to three main factors: first, the growing criticism of voluntary corporate responsibility programs;

second, the increased awareness and targeting of corporate political activities; and third, the realization by some corporate executives and financiers that a company's own voluntary responsibility may not generate sufficient financial returns unless societal norms change.

The purpose of the paper by Dyllick, & Hockerts, (2002) is to further the idea of corporate sustainability. In the business sector, eco-efficiency and sustainability are commonly linked. However, such a reduction ignores several important conditions that companies need to fulfill to become truly sustainable. With an emphasis on its potential applications at the corporate level, this essay examines the evolution of the concept of sustainable development during the previous three decades. The following is a description of the three types of capital that are crucial to the concept of business sustainability: Social, natural, and economic capital.

An paper titled "Global Sustainability: The Challenge Ahead" was authored by Johan Rockström et al. (2018). The article explains the necessity for global sustainability and its many problems. Sustainability science is interdisciplinary by definition. Integrating the social and natural sciences in an anthropogenic study of the routes to sustainable development may appear simple, but it is actually a scientific revolution. In addition to being a key component of cross-disciplinary, problem-focused scientific research for global sustainability, disciplinary science is and will continue to be crucial for knowledge expansion. However, various perspectives, conceptual frameworks, and theoretical orientations are incorporated in scientific disciplines spanning the social and natural sciences. This is one of the difficulties in carrying out interdisciplinary research. Furthermore, discipline study usually includes underlying worldviews and value systems (Pham et al., 2021).

1.1. Scope of the Study

Studying the sustainability initiatives of the top Indian companies by market capitalization is crucial, as was indicated in the previous chapter and stressed in the Indian context by the New Company's Act (The Companies Act, 2013) and SEBI's (Securities and Exchange Board of India) mandatory regulations (SEBI Circular, 2012). Although it is still a relatively new issue in India, sustainability management is rapidly gaining momentum and attention. Since leading organizations are more likely to respond to local and global institutional pressures as well as sustainability concerns, the focus of our current research is restricted to Indian enterprises. In order to gain insights, we will thus try to identify India's sustainability leaders and examine the financial and non-financial performance that they have shown. The economic, social, and environmental performance of these businesses would demonstrate how non-financial risks could impact long-term operations (Abdul-Rashid et al., 2017).

1.2. Objectives of the Research

In the context of climate change regulatory hazards, the relationship between a company's views of risks and opportunities with regard to corporate sustainability will be examined. The following lists the precise goals of the study.:

1. To study and synthesize the status of corporate sustainability initiatives in India.
2. To ascertain the nature and dimensions of corporate sustainability and business performance indicators.
3. To examine whether corporate disclosures on climate change risks and opportunities are related to the companies' sustainability performance.
4. To develop and validate a conceptual model to assess corporate perceptions on climate change risks and opportunities.
5. To provide recommendations for government, corporations and investors, etc. for promoting balanced economic growth and sustainable future.

2. Methodology

Phase I and Phase II are the two stages during which the current investigation was conducted. The structure of the study environment and the research questions posed determine which approach should be used. As a result, qualitative or quasi-quantitative approaches are more appropriate for in-depth exploration of the complicated subject with the goal of concept generation rather than idea evaluation. However, qualitative methodologies do not fully understand variables, relationships between variables, and constructs in this particular research domain. The suitability of qualitative research methods to areas where the level of existing knowledge makes it difficult to find specific variables and constructs to test is highlighted by their ability to follow a more interpretive process that focuses on description and understanding meanings and implications (Bacinello et al., 2021). Therefore, attempting to answer the research questions through formal research methods like a survey may lead to the omission of important concerns, resulting in an incomplete understanding of the subject area. Surveys are likely to suffer from a high non-response rate because businesses that are either unaware of corporate sustainability or aware of it but continue to operate in a traditional manner are likely to be less receptive.

1. Designing

Starting with pre-existing theoretical frameworks and experiences that are pertinent to the study issue, the researcher should create the content analysis framework. The remaining six elements of the actual content analysis will then be guided by the design and research question.

2. Unitizing

In order to conduct this study, we looked at BSE-listed businesses that received sustainability awards between 2014 and 2015. It was found that some corporations employ terms of corporate sustainability and/or corporate social responsibility reporting for their reports. De-contextualization was therefore necessary in order to retrieve the relevant information that was shown. Before beginning the analysis, the researcher must develop a coding list if the study uses a deductive reasoning methodology. If not, the list could be made during the procedure (Catanzaro, 1988). Thus, using the deductive method, we examined all of the indicators mandated by sector supplements that businesses adopted in accordance with the GRI principles, as well as the indicators revealed in sustainability reports.

3. Sampling

Through sampling, all of the available objects of analysis are condensed into a manageable corpus that is representative of the entire set. One to thirty informants are typically used as the basis for sample size in qualitative research (Fridlund & Hildingh, 2000). There were no prior content analysis studies in the Indian context that could be consulted or relied upon to estimate an accurate sample size, according to the literature study. We determine the size of our initial sample of content analysis as a total of 25 sustainability award-winning organizations in order to respond to the question, "What is the information disclosure focus of the various sustainability award winning companies during the period 2014-15".

4. Coding/Recording

The processes of recording and coding are designed to capture the subject of the study in a way that allows for the possibility of looking for patterns in it. The research needs to be documented in a way that will make it robust and able to survive repeated reviews. Thus, recording or coding records the research in a certain method, allowing other researchers to consistently follow the same procedure and arrive at the same conclusions. Different types of variables, including binary, categorical, ordinal, interval, and ratio metrics, must be handled differently by researchers using descriptive devices.

5. Inferring

Using models or analytical constructs of the selected context to deduce contextual phenomena inductively. In other words, making inferences about specific phenomena based solely on statistical or probable certainty. The coding themes are used to analyze the disclosure from the sample of firms, and conclusions are made regarding the degree of disclosure associated with each theme.

3. Statistical Analysis

Understanding the broad characteristics of company disclosures, both with and without regulatory requirements, is crucial at the outset. First, Figure 1 displays the distribution of the enterprises in our sample according to the Prowess database's sector-wise classification. The harmonized methodology and National Industry Classification (NIC) schedules serve as the basis for Prowess's classification of products and sectors. The economic sector has the greatest number of businesses (77), followed by the services and construction sectors.

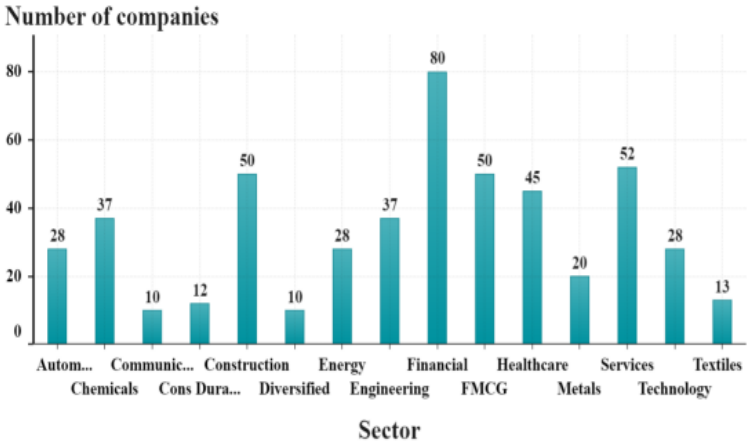
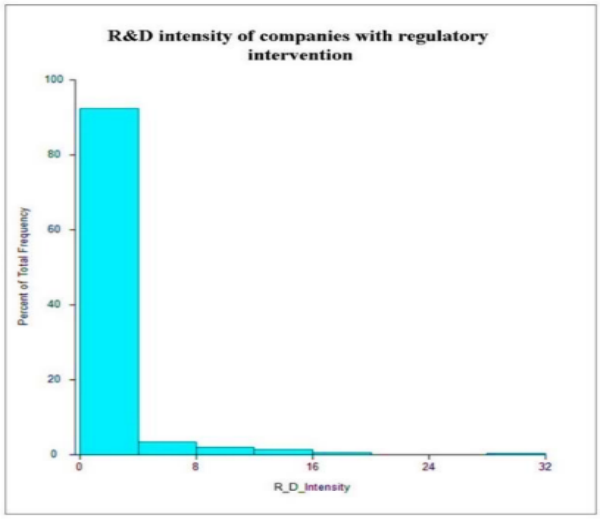


Figure 1: Sector Wise Classification of the Sample

One-Way ANOVA tests quantitatively assess whether there are statistical differences between subgroups in the dependent variable's mean values.



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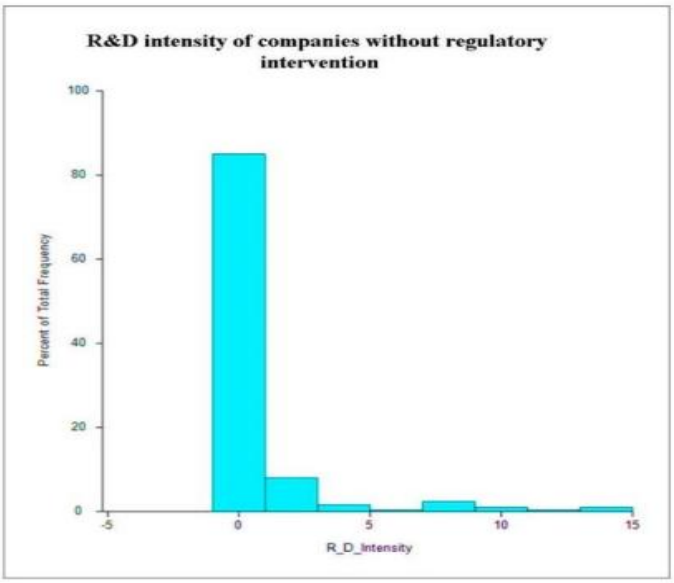
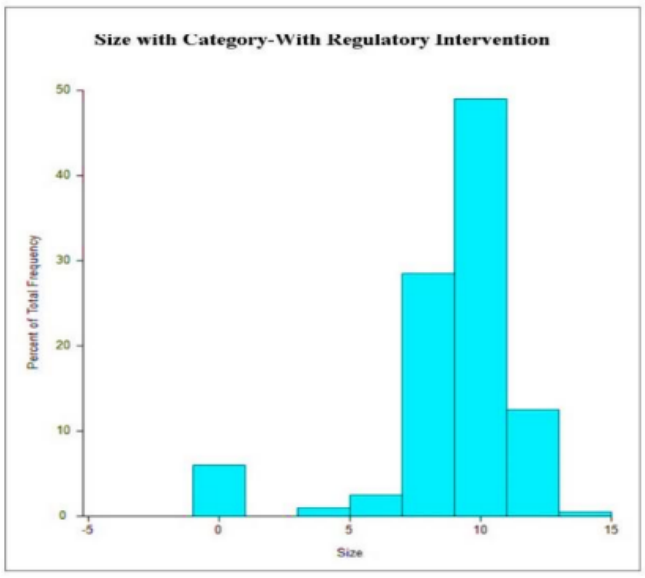


(b)

Figure 2: Distribution of R&D Intensity

We then conducted experiments to determine the elements that influence corporate disclosure of climate change opportunities and hazards. In all models, R&D intensity did not provide any noteworthy outcomes. In order to examine the corporate reaction to climate change risks and possibilities, we lastly constructed a comparison between the logistic regression and random forest models. Random forests had a far simpler variable selection process than logistic regression, even though the variables chosen by these two approaches were identical. This is particularly true when using a sizable dataset. On the other hand, logistic regression provides additional information on the "causal effect" or "marginal effect" of significant predictor variables such beta coefficients, exponent of beta, etc. Random forests on the other hand, cannot classify the positive or negative impact of predictor variables, making it less suitable to make a “causal inference” as opposed to “predictive inference”.



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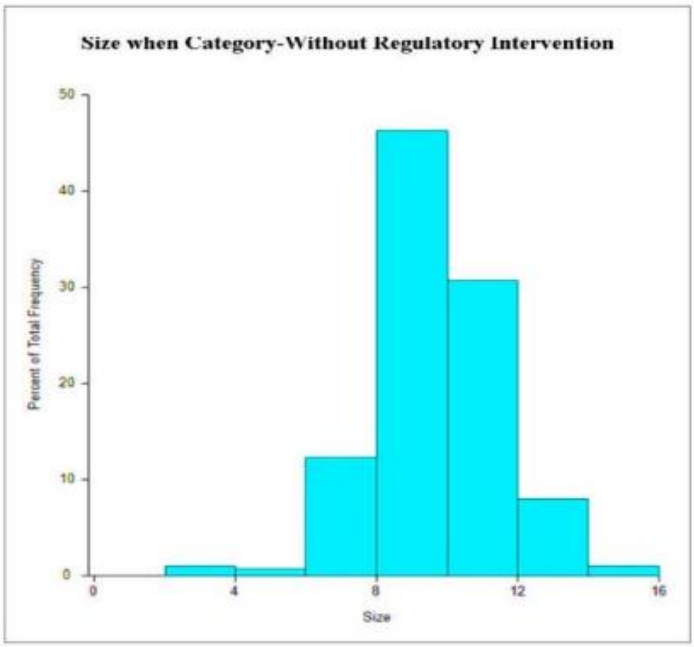

(b)

Figure 3: Distribution of Size of Companies

The conclusion that random forests are superior to logistic regression depends, in part, on the distinctions between the variable selection techniques because stepwise variable selection is subject to criticism. It would be interesting to build the logistic regression model using chosen variables and utilize random forests as an automatic variable selection technique. Then, compare the accurate classification rate from the logistic model that is produced with that from random forests.

4. Conclusion

This risk would be significantly reduced by establishing a structured procedure with precise reporting guidelines and standards that would require an internal corporate sustainability committee to examine the company's disclosure of climate risks and opportunities. As a result, the sustainability committee has emerged as a key player in determining climate change risks across all categories and opportunities across the entire model. The R&D intensity variable, however, was found to be negligible across all categories. Because businesses that see climate change prospects don't exhibit any proactive traits, market rewards for climate-conscious businesses may be modest. This suggests that the majority of the sample of businesses exhibit reactive strategies that are more in line with legal and compliance requirements and have less of an emphasis on the environment.

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