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ROLE OF SUSTAINABILITY ACCOUNTING IN ENHANCING CORPORATE TRANSPARENCY AND ACCOUNTABILITY

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ABSTRACT

This study explores how sustainability accounting improves corporate transparency and accountability, particularly in meeting Environmental, Social, and Governance (ESG) objectives. Using a quantitative research approach, the study examines the connection between awareness levels and the use of sustainability accounting through an ANOVA test. The results show a strong relationship, indicating that individuals with greater knowledge of sustainability accounting, its environmental advantages, and global standards are more likely to understand and apply it effectively. The study emphasizes the importance of educational programs, awareness campaigns, and corporate training to increase understanding and implementation. By strengthening transparency and accountability, sustainability accounting helps businesses align with ESG standards and promote long-term sustainable practices.

Keywords: Accountability, Awareness, ESG, Sustainability Accounting, Transparency

1. INTRODUCTION

Sustainability accounting includes environmental, social, and governance (ESG) factors in financial reporting to improve transparency, compliance, and trust among stakeholders. Unlike traditional accounting, it also considers non-financial aspects like carbon emissions, energy use, employee welfare, and ethical practices. Important principles include materiality, which focuses on key ESG issues for each industry, and stakeholder engagement, which ensures businesses consider the needs of employees, customers, and regulators. The Triple Bottom Line (TBL) framework measures company performance based on social impact (People), environmental responsibility (Planet), and financial stability (Profit). Global standards such as GRI, SASB, and TCFD help businesses report ESG activities, while carbon accounting tracks and reduces emissions. Advancements in technology, including AI, blockchain, and cloud systems, are making sustainability reporting more efficient. Investors now prioritize ESG performance, influencing funding opportunities. The concept of double materiality, which examines both financial and societal impacts, is becoming more significant. Strong corporate governance ensures ESG goals are part of business strategy, often linking executive pay to sustainability outcomes. With stricter regulations and rising stakeholder expectations, sustainability accounting is increasingly important for businesses to stay competitive, manage risks, and ensure long-term success.

2. REVIEW OF LITERATURE

Kaur and Lodhia (2018), in their study Stakeholder Engagement in Sustainability, Accounting, and Reporting, investigate the significant influence of stakeholder participation on sustainability accounting and reporting. By reviewing existing literature and analyzing case studies, they demonstrate how stakeholder involvement strengthens corporate accountability and transparency in sustainability reporting. The authors assert that engaging various stakeholders—including employees, investors, communities, and regulatory bodies—enhances the comprehensiveness and credibility of disclosures. They explore different strategies organizations use to facilitate stakeholder participation while addressing challenges in ensuring meaningful engagement. Kaur and Lodhia conclude that effective stakeholder involvement leads to higher-quality sustainability reporting and promotes ethical corporate conduct. Nonetheless, they stress the importance of further research to examine the complexities and power imbalances that shape stakeholder interactions.

Adams and Larrinaga's 2019 paper Progress: Engaging with Organisations in Pursuit of Improved Sustainability Accounting and Performance explores how companies can improve sustainability accounting to enhance environmental, social, and governance (ESG) outcomes. They stress the importance of stronger collaboration between businesses, researchers, and stakeholders to create better sustainability reporting systems. The paper discusses key challenges, such as regulatory demands, inconsistent reporting methods, and resistance to change, which slow progress in sustainability accounting. The authors highlight that involving stakeholders and integrating sustainability into business strategies can help improve transparency and accountability. They encourage continuous cooperation and innovation to ensure sustainability reporting is not just about compliance but also supports real improvements in sustainable business practices.

Vysochan et al. (2021), in their study Sustainability Accounting: A Systematic Literature Review and Bibliometric Analysis, conduct an extensive examination of the field of sustainability accounting by utilizing bibliometric techniques to analyse trends, influential research, and key contributors. They explore essential aspects such as sustainability reporting, environmental accounting, and the integration of social and environmental factors into traditional financial practices. The authors emphasize the growing relevance of sustainability accounting for businesses aiming to manage environmental, social, and governance (ESG) concerns. Despite its increasing importance, they note the lack of standardized frameworks and methodologies in the field, stressing the need for further empirical research and theoretical advancements. Vysochan et al. suggest that future research should focus on refining sustainability accounting practices to help organizations achieve their sustainability objectives while improving transparency.

Schaltegger, Christ, Wenzig, and Burritt's (2022) paper explores how sustainability management accounting (SMA) supports corporate sustainability. They review existing research to understand how SMA helps businesses track, report, and manage environmental and social impacts while maintaining financial stability. The authors discuss different SMA methods, such as performance measurement, sustainability reporting, and cost-benefit analysis, which assist companies in making responsible decisions. However, they point out that SMA is not widely used due to challenges like inconsistent guidelines, a lack of standardized approaches, and varying levels of commitment from organizations. The paper also examines SMA from multiple perspectives, looking at how it functions at individual, business, and societal levels. The authors stress that sustainability should be a key part of corporate strategies rather than an afterthought. They highlight the need for further research to improve SMA frameworks and make them more practical for businesses. Additionally, they encourage stronger collaboration between researchers, industries, and policymakers to develop better sustainability accounting practices. Ultimately, the study calls for more institutional support and innovative solutions to help companies integrate sustainability into their long-term goals and create lasting environmental and social benefits.

Mahajan and Singh (2024), in their study Sustainability Accounting and Integrated Reporting Practices of Selected Indian Companies: An Empirical Analysis, explore how Indian corporations incorporate sustainability accounting and integrated reporting into their business practices. They assess corporate disclosures on environmental, social, and governance (ESG) factors and evaluate adherence to international reporting standards. The research underscores the growing importance of sustainability accounting in corporate decision-making and examines the extent to which Indian companies align with frameworks such as the Global Reporting Initiative (GRI) and Integrated Reporting (IR). The study finds that while some companies have adopted sustainability reporting, there are inconsistencies in disclosure quality and comprehensiveness. The authors also highlight key challenges, including ambiguous guidelines, limited awareness, and insufficient government support for sustainability initiatives. They argue that integrated reporting strengthens transparency by linking financial and non-financial performance metrics. Mahajan and Singh advocate for a more structured approach to sustainability accounting to enhance corporate credibility and attract responsible investors. Furthermore, they emphasize the need for stronger regulatory frameworks and active stakeholder participation to embed sustainability into corporate governance. The study sheds light on both progress and ongoing challenges in sustainability reporting among Indian firms, calling for more effective integrated reporting practices.

De Silva et al. (2024), in their study Exploring the Impact of Digital Knowledge, Integration, and Performance on Sustainable Accounting, Reporting, and Assurance, examine the role of digital technologies in transforming sustainability accounting practices. They explore how tools such as artificial intelligence, blockchain, and data analytics contribute to improving the precision and transparency of sustainability reports. These advancements enable businesses to monitor environmental, social, and governance (ESG) performance in real-time, fostering greater accountability and informed decision-making. However, the authors also highlight several challenges, including data security concerns, the complexity of adopting new technologies, and inconsistencies in reporting standards. Additionally, the study investigates the influence of digital innovations on the quality of sustainability reporting and assurance, suggesting that organizations with well-developed digital infrastructures are more likely to comply with regulatory requirements and meet stakeholder expectations. The authors advocate for the integration of digital tools with traditional accounting practices to enhance the credibility of sustainability reports and reduce misinformation. Furthermore, they stress the importance of businesses investing in digital competencies and infrastructure to maximize the potential benefits of technology in sustainability accounting. The paper concludes by emphasizing the need for ongoing research and collaboration among businesses, regulators,

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Research Gap

Sustainability accounting is known for enhancing transparency, but there is still not much research on its direct impact on corporate accountability, especially regarding internal decisions and long-term strategies. Most studies concentrate on reporting, leaving a gap in understanding if companies are genuinely held accountable for their environmental and social practices. Furthermore, while frameworks like GRI and SASB are available, it remains uncertain how consistent and comparable sustainability reports are across various industries, complicating fair assessments of companies. There is also a lack of research on how sustainability accounting functions in specific industries with distinct challenges and how regulations affect its use. Addressing these gaps would provide better insights into how sustainability accounting can truly enhance both transparency and accountability in businesses.

3. STATEMENT OF THE PROBLEM

Many companies are struggling to report clearly and responsibly on their sustainability efforts, even as environmental, social, and governance (ESG) factors gain importance in business. Traditional accounting methods often miss important details about a company's environmental and social effects, creating transparency issues that can weaken trust among stakeholders. Without consistent sustainability accounting practices, it is hard for investors, regulators, and consumers to understand a company's real dedication to sustainability. This study looks into how sustainability accounting can improve corporate transparency and accountability by offering a clearer and more complete view of a company's sustainability performance.

4. OBJECTIVES

- To assess the awareness of sustainability accounting contributing to ESG goals.

Hypothesis

H0: There is no significant relationship between awareness levels and sustainability accounting.

H1: There is a significant relationship between awareness levels and sustainability accounting.

Scope of the study

This study examines how sustainability accounting helps improve corporate transparency and accountability, especially in achieving Environmental, Social, and Governance (ESG) goals. It focuses on understanding how aware businesses and stakeholders are of sustainability accounting and its role in responsible and ethical reporting. The research explores whether awareness levels affect the adoption and effectiveness of sustainability accounting practices. By testing the proposed hypothesis, the study aims to determine if there is a significant connection between awareness and the use of sustainability accounting. The results will offer insights into how companies can enhance transparency, comply with ESG standards, and integrate sustainability into both financial and non-financial reporting. This study will be useful for businesses, policymakers, and researchers in recognizing the importance of sustainability accounting in promoting accountability and long-term success.

5. RESEARCH METHODOLOGY

This study adopts a quantitative research approach to analyze how sustainability accounting enhances corporate transparency and accountability. It aims to evaluate the level of awareness about sustainability accounting and its role in achieving Environmental, Social, and Governance (ESG) goals. The study follows an analytical research design to examine the connection between awareness and the adoption of sustainability accounting practices.

Data Collection

The study will rely on both **primary and secondary data**:

- **Primary Data:** A structured survey will be conducted among corporate professionals, financial analysts, sustainability officers, and employees involved in sustainability accounting practices. The survey will focus on their awareness, adoption, and perception of sustainability accounting.
- **Secondary Data :** Secondary data refers to information that has already been collected, compiled, and published by others for purposes other than the current research. Academic Journals and Case Studies: Review of published papers, case studies, and sustainability benchmarking studies

Sampling Method and Size

- A purposive sampling method will be used to select participants from organizations that practice or are influenced by sustainability accounting.
- Sample Size: The study will include 100 individuals who work under the companies which practice sustainability accounting.

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6. DATA ANALYSIS TECHNIQUE

The study will use **Analysis of Variance (ANOVA)** to examine the relationship between awareness levels and the adoption of sustainability accounting:

- **ANOVA will compare the means** of different awareness groups to assess its impact on sustainability accounting practices.

Data Analysis

ANOVA

Table 4.3.1 ANOVA Table showing relationship Between Awareness Levels and Sustainability Accounting

		Sum of Squares	df	Mean Square	F	Sig.
Resources understanding Sustainability accounting	Between Groups	35.507	4	8.877	11.364	.000
	Within Groups	77.329	99	.781		
	Total	112.837	103			
I understand how sustainability accounting contributes to ESG goals.	Between Groups	25.441	4	6.360	8.757	.000
	Within Groups	71.905	99	.726		
	Total	97.346	103			
Aware global standards	Between Groups	20.573	4	5.143	4.747	.002
	Within Groups	107.263	99	1.083		
	Total	127.837	103			

INTERPRETATION

The ANOVA test results show a strong link between awareness levels and sustainability accounting. The p-values for the three factors—understanding resources related to sustainability accounting (p = .000), knowing how sustainability accounting benefits the environment (p = .000), and awareness of global standards (p = .002)—are all below the 0.05 significance level. This indicates notable differences in awareness levels among various groups. The F-values (11.364, 8.757, and 4.747) also suggest that the differences between groups are much greater than those within groups, supporting the idea that awareness levels greatly influence understanding of sustainability accounting.

Based on these findings, we reject the null hypothesis (H_0) and accept the alternative hypothesis (H_1), confirming that awareness levels significantly relate to sustainability accounting. The results imply that people with different levels of exposure to resources, knowledge of environmental impacts, and awareness of global standards have varying degrees of understanding of sustainability accounting. This underscores the need for focused educational programs and awareness campaigns to improve sustainability accounting knowledge among different groups.

7. FINDINGS

- People who are more aware of sustainability accounting better understand its role in achieving ESG goals.
- Greater awareness helps in recognizing the environmental benefits of sustainability accounting.
- Knowing global sustainability standards is crucial for effective application.
- The ANOVA test shows clear differences in awareness levels among various groups.
- The low p-values (.000, .000, and .002) confirm that awareness significantly impacts understanding of sustainability accounting.
- High F-values (11.364, 8.757, and 4.747) indicate strong variations in knowledge across different groups.
- The results reject the null hypothesis (H_0) and confirm that awareness strongly influences sustainability accounting.
- People with varying exposure to sustainability knowledge and standards have different levels of understanding.
- Specialized training can help improve awareness of sustainability accounting.
- Companies should organize workshops and provide resources to enhance knowledge of sustainability reporting and ESG goals.
- Increasing awareness can lead to better sustainability practices and greater environmental responsibility.

8. SUGGESTIONS

- Offer specialized training programs on sustainability accounting and ESG principles.
- Integrate sustainability accounting into university curriculums and professional certifications.

- Host virtual workshops and webinars to make learning more accessible.
- Use social media, industry conferences, and corporate events to spread awareness.
- Work with sustainability experts to create informative content.
- Share real-life examples of how sustainability accounting benefits businesses and the environment.
- Provide free access to sustainability accounting guidelines and best practices.
- Create user-friendly learning materials like videos and infographics.
- Set up in-house resource centers to help employees understand sustainability accounting.
- Require key employees to undergo sustainability accounting training.
- Offer incentives for employees who complete relevant training programs.
- Establish mentorship initiatives where experienced professionals guide newcomers.

9. LIMITATIONS OF THE STUDY

- Limited Sample Size: The findings are based on a specific group of respondents, which may not fully represent the broader population.
- **Geographical Constraints**: The study may be limited to a particular region or industry, affecting the generalizability of the results.
- **Self-Reported Data:** Responses rely on participants' self-assessment, which may introduce bias or inaccuracies.
- **Variability in Knowledge Levels:** Participants may have differing levels of prior exposure to sustainability concepts, affecting response consistency.
- **Potential Response Bias:** Participants may overestimate or underestimate their awareness levels due to social desirability or lack of precise knowledge.

10. CONCLUSION

This study confirms a significant relationship between awareness levels and sustainability accounting, as demonstrated by the ANOVA test results. The findings indicate that individuals with higher exposure to sustainability accounting resources, better knowledge of its environmental benefits, and greater awareness of global standards have a stronger understanding of sustainability accounting practices. The rejection of the null hypothesis (H_0) and acceptance of the alternative hypothesis (H_1) highlight the importance of education and awareness in driving sustainability accounting adoption. The study emphasizes the need for targeted training programs and awareness campaigns to enhance understanding and implementation of sustainability accounting across various sectors. Strengthening awareness can improve corporate transparency, accountability, and alignment with ESG goals, ultimately fostering sustainable business practices.

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