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EVALUATION OF CORPORATE SUSTAINABILITY IN TERMS OF FINANCIAL PERFORMANCE: AN EMPIRICAL STUDY

Srijita Mandal*, Sarbani Mitra**

Abstract *Sustainability is the new popular expression, creating a need to change business procedures across all undertakings. The significance of sustainable and mindful assumption methodologies has fundamentally increased because of the rising perception concerning natural strength and financial advancement of nations. This article aims to deal with basic idea of sustainability, core elements and inter-relationships between different significant factors of a particular company. This study considers six parameters: social; economic; environmental; product responsibility; labour practices and decent work; and human rights. To analysis the result of the study, last five years (2017–2021) data of Gas Authority of India Limited (GAIL), a Maharatna Company, have been taken. For the purpose of the study, four financial factors—turnover of the company, profit after tax, earnings per share (EPS), return on capital employed have been considered dependent factors. On the contrary, five sustainable factors, that is, total environmental expenditure, GHG emission, GHG savings, energy consumption and energy savings—have been taken as independent factors. Based on the analysis of these factors, impact of the sustainable performance of GAIL on its financial performance has been assessed. During this study, the COVID-19 pandemic hit the world, which had a great impact on the business of every company as reflected in their financial performance. To evaluate the interrelationship between two considerable factors, it is found that, to some extent, financial factors are dependent on sustainable factors, or that it is quite evident that financial factors change due to the changing trends of sustainable factors.*

Keywords: *Sustainability, Environment, Financial Factors, Sustainability Factors, Maharatna Company*

INTRODUCTION

Due to globalisations in today's world, all business organisations are conducting their business activities throughout the ecosphere. Companies are expanding their business activities day by day to gain more and more popularity and earning profits. Nations all around the world are now becoming more aware of how the environment affects not only the earth but also people and the economy (Sunelwala et al., 2022). Considering the facts of earning more profits, no company can ignore their basic responsibilities towards society and the stakeholders of their concern (Mukherjee et al., 2010). Corporate sustainability is one of the major important terminologies that are associated with any global organisations as because they are doing their business activities in society and must retain the valuable resources for future activities and upliftment of the organisations as well as survival and sustainable growth for a long period (Garg, 2017). As more businesses become conscious of the environmental impact of their operations, they take actions that demonstrate their commitment to reducing such impacts (Gopal, 2021). The relationship between corporate sustainability and its financial performance is correlative and this article attempts to evaluate corporate sustainability in terms of financial performance.

The World Business Council for Sustainable Development (2002) defines corporate sustainability as "Corporate efforts to contribute towards sustainable economic development and work with employees, their families, communities and society as a whole to improve quality of life." Therefore, the concept of sustainability reporting has become very important. The Global Reporting Initiative (2011) (GRI) defines "Sustainability Reporting" as "the practice of measuring, disclosing and reporting to stakeholders inside and outside the organization's operations towards the goals of sustainability" (Aggarwal, 2013b). Investors' interest in the non-financial activities of the companies has increased significantly in recent years (Ernst and Young, 2009). With the rise of regulations and increasing awareness among stakeholders, the concept of corporate

* Research Scholar, Department of Commerce, University of Calcutta, College Street, Kolkata, West Bengal, India. Email: srijita.198tb@gmail.com

** Professor and Head, Department of Executive Management, Indian Institute of Social Welfare & Business Management (IISWBM), Management House, College Square West, Kolkata, West Bengal, India. Email: sarbani_iiswbm@yahoo.co.in

sustainability is becoming more and more important. Today, companies are held accountable for the various beneficial and harmful effects of their activities on the society and environment in which they exist. In addition, companies should reasonably disclose these impacts in an appropriate sustainability report, which provides a detailed description of their governance structure, participatory approach of stakeholders and performance of the triple bottom line (TBL) (Sen et al., 2013). The phrase "Triple Bottom Line," first used by John Elkington in 1994, refers to these three pillars of society on which commercial entities place a priority. In the age of globalisation, a company cannot ignore society and the environment and concentrate solely on making a profit. Sustainability is a long-term strategy to develop economic, social, and environmental principles that aid companies in forging their own niche in the market. A sustainable business makes sure that its objectives are met without sacrificing the three pillars (Mondal et al., 2020). The TBL concept emphasise three aspects: social, economic and environmental. It can also informally refer by 3P's, that is, people, profit and planet (Smith & Rootman, 2013).

GRI standards were also developed for the first time in the year 2000 to offer organisations a global, standardised language to report on their corporate sustainability efforts. That is, to be transparent about corporate effects, both good and bad, on aspects of the business's economy, society, and environment (Khan, 2016). The GRI (GRI, 2013) emphasised the significance of sustainability reporting by describing it as a potent instrument that aids in determining the present state and potential future of an organisation. Additionally, it has pleaded with authorities and stock exchanges to demand sustainability reporting (Das & Bhattacharjee, 2019). The GRI standards make it possible for any organisation, regardless of size, sector, public or private status, to comprehend and report on its effects on the economy, environment, and population in a comparable and reliable manner, increasing transparency on its contribution to sustainable development. The standards are extremely relevant to a wide range of stakeholders, including reporting firms and investors, governments, capital markets, and civil society (www.standardsglobalreporting.org). All organisations must follow the universal standards which have been updated to include reporting on human rights and environmental due diligence in line with intergovernmental requirements. The revised industry standards allow for more regular reporting on consequences that are specific to each sector (Garg, 2017).

It is inevitable that in today's dynamic business environment, corporate sustainability has vast potential to affect a company's cost-effectiveness and to gain competitive advantage globally. It lays the groundwork for preserving and enhancing corporate value. Companies are safeguarding strategic benefits by integrating sustainability into their core strategies (Aggarwal, 2013b). Corporate sustainability and its impact on financial performance have become important research areas in recent years. Various studies have been undertaken over the past decade to examine this relationship. However, the results were different and were inconclusive (Alshehhi et al., 2018). In addition, most of the previous studies were conducted in the context of developed countries (such as the United States, Europe, the United Kingdom, Australia, etc.) (Aggarwal, 2013a).

In this study, under GRI guidelines, six parameters (economic, social, environmental, product responsibility, labour practices and decent work, human rights) have been taken into consideration for business and corporate sustainability, which have a direct impact on the financial performance of the concern. The GRI standards serve as a benchmark for the presentation and preparation of sustainability reporting by different organisations throughout the world (Garg, 2017). Accordingly, this article attempts to analyse the impact of overall sustainability and its components on the financial performance of GAIL, an Indian Corporate Entity.

Core Elements of Business/Corporate Sustainability

Sustainability is measured by judging the performance of social, environmental and economic principles (Maheswari et al., 2018). Other than these, in sustainability reporting, GRI standards have focused on important parameters that have great importance in today's environmental reporting. These are product responsibility, labour practices and decent work and human rights. The basics of these parameters are being explained for analytical purposes by researchers.

Social Pillar

The social pillar is related to social licence. Employees, shareholders and the community in which a firm operates should all be in favour of it. There are many ways to gain and keep this support, but ultimately it comes down to treating employees fairly and acting responsibly in both the local and global communities. Businesses are refocusing their efforts on employee retention and engagement methods, offering more flexible perquisites such as greater maternity and family benefits, flexible scheduling, and opportunities for learning and development, organisational ethics, a safety standard of work, community welfare. Companies have developed a variety of strategies to give back to the community, including fundraising, sponsorship, scholarships and investment in regional public initiatives (www.investopedia.

com). Important aspects include public policy positions and participation in public policy development and lobbying; political donations; anti-competitive behaviour; fines and sanctions for non-compliance with laws and regulations (www.td.com).

Environmental Pillar

Many businesses are working to minimise their water use, packaging waste, carbon footprints, and other environmental harm. These actions can benefit the economy and financial impact in addition to the environment (Maheswari et al., 2018). Reduced costs on packaging materials, for instance, and increased fuel efficiency also assist the company's budget. Due to the fact that businesses are not always held responsible for the garbage they make, it is difficult to estimate the total expenses of wastewater, carbon dioxide, land reclamation and waste in general (www.investopedia.com). Environmental performance indicators are direct and indirect energy consumption, energy conservation, renewable energy-based products or services, etc.; impacts on biodiversity; direct and indirect greenhouse gas emissions, reduced waste; moderate environmental impacts of products and services; compliance; and total environmental protection (www.td.com).

Economic Pillar

The economic pillar of sustainability is where most businesses feel on solid ground. To be sustainable, a business must be profitable. That shows profits cannot beat the other two pillars. In fact, profit at all costs is not the object of the economic pillar at all. This pillar denotes the application of business practices with the guarantee of future economic growth (Beheiry et al., 2006). Activities under the economic pillar include economic performance, including revenues, operating costs, employee compensation, donations and other community investments, etc.; compliance; good governance; market presence; financial benefits and risk management (www.td.com). It is the inclusion of economic and profit pillars that enables companies to engage in sustainable development strategies. The economic pillar provides a counterbalance to the extreme measures' companies is sometimes prompted to adopt, such as cutting out fossil fuels or chemical fertilisers instead of making incremental changes (www.investopedia.com).

Product Responsibility

Product responsibility performance indicators discourse regarding an organisation's products and services that directly affect their customers. Different aspects of product responsibilities are disclosure of management approaches, goals, performance, policies, etc.; customer health and safety; product and service labelling; marketing communication; incidence of non-compliance with laws and regulations and customer privacy (www.td.com).

Labour Practices and Decent Work

The specific aspects under this category of labour practices are based on internationally recognised universal standards, including the United Nations Universal Declaration of Human Rights and its Protocols; the United Nations Convention: International Covenant on Civil and Political Rights; United Nations Convention: International Covenant on Economic, Social, and Cultural Rights; the 1998 ILO Declaration on Fundamental Principles and Rights at Work (in particular the eight core conventions of the ILO) and the Vienna Declaration and Programme of Action. Labour practices and decent work emphasise the total workforce by employment details; labour and management relations; worker health and safety committees that help monitor and advise on occupational health and safety programs, rates of injury, occupational disease and absenteeism, etc.; training and education of employees (www.td.com).

Human Rights

The GRI clarifies that human rights are a subject area, like the environment, and it covers more than 30 specific subjects, as established by convincing intergovernmental tools. Previously, human rights were considered a "Social Topic" where companies were not bound to report on this particular topic. Under the revised GRI, human rights are now considered a material topic, so companies are expected to report on their impacts on human rights. Different aspects of human rights are disclosure of management approach, investment and procurement practices, incidents of discrimination and actions taken; freedom of association and collective bargaining, child labour, forced and compulsory labour and rights of indigenous people (www.td.com).

LITERATURE REVIEW

The literature review reveals different perspectives on companies involved in sustainability initiatives. Many quantitative and qualitative as well as empirical and theoretical studies have explored the relationship between eco-friendly responsibility and corporate financial performance over the past few decades. This segment gives a picture of various studies led in this field in India and abroad.

Time Oriented Study

A linear relationship has been found between sustainability and corporate financial performance in Moore's (2001) analysis on last 25 years' data. He also found a positive relationship between age and firm size and social performance. Nguyen et al. (2021) conducted a study to find the effect on the linkage between environmental performance, sustainability and financial performance using sample evidence from heavy pollution industries in China over a period of 5 years. This study used multiple regression analysis to establish a relationship between sustainable performance and financial performance.

Sample Size

Margolis and Walsh (2003) evaluated 127 studies published between 1972 and 2002 for investigating the relationship between corporate sustainability and the performance of the organisation. Of the 127 studies, four examined two-way relationships. A total number of 109 studies considered durability of performance as an independent variable, of which five showed a positive relationship, seven a negative relationship, 28 a non-significant relationship and 20 disclosed a mixture of results. In 22 studies, corporate sustainability was taken as a dependent variable, 16 of which showed a positive relationship. Dalal and Thaker (2019) used random effect panel data regression analysis to identify the effect of Environmental, Social and Governance (ESG) factors on profitability and firm value of Indian public limited companies. This study is based on the annual ESG data of 65 Indian firms listed on the NSE 100 ESG Index database, covering the period from 2015 to 2017.

Relationship between Sustainability and Financial Performance

Two schools of thought has been explored by Hassel et al. (2005) to derive relationship between environmental and financial performance. One is the 'cost-concerned approach,' which claims that high environmental activities need huge, costly investments and lead to decreases in firm earnings and a decline in market value. The other is the 'value-creation approach,' which argues that environmental (green) initiatives taken by firms provide them with an increased competitive advantage that contributes to higher profitability for the firm. SAM and Robeco (2011) stated that sustainability reporting will impact the financial performance of companies, either through cash flow or capital expenditure. Daizy et al. (2013) reviewed various corporate sustainability and recent trends in sustainability initiatives reporting in India. Aggarwal (2013b) emphasised her study on sustainability reporting and its impact on corporate financial performance. This study concludes positive, negative and mixed results, which depend on the choice of measure of sustainability reporting, financial performance, sample composition, time period and control variables. On a concluding note, it has been mentioned that companies should adopt the sustainability report as soon as possible to avoid future regulatory measures. Another important issue that needs to be addressed is the concern about the reliability of sustainability reports. Smith and Rootman (2013) examined perceptions regarding the sustainability of an organisation. For this study, three hypotheses were tested to find out the relationship between the two independent variables, like the TBL and greening, and the dependent variable, like sustainability outcomes. Alshehhi et al. (2018) dealt with an analysis of the literature concerning the impact of corporate sustainability on corporate financial performance. This article identified developing trends and issues obstructing agreement on this relationship. This study used content analysis to review the literature and establish the current status of the study.

Area of Study

Aerts et al. (2008) conducted a study on European, US and Canadian firms and showed that high-quality environmental disclosures make financial analysts' earnings predictions more precise and concrete. However, the impact gets diminished for firms belonging to environmentally sensitive industries and for those firms that are highly followed by analysts. Khan (2016) conducted a study on the disclosure of environmental reporting practices between select companies in the cement and mineral industries in Rajasthan, India. Maheswari et al. (2018) conducted a study on environmental, economic and social sustainability practices in small and medium enterprises (SMEs).

Statistical Tools

Mukherjee et al. (2010) aimed to identify influence on firm-specific characteristics like size of the firm, profitability, liquidity, etc., on corporate environmental disclosure practice in select Indian companies with the help of multiple regression analysis. Rajput et al. (2013) conducted an empirical study of the impact of environmental performance on financial performance, with special reference to the Indian banking sector. The objective of this article was to empirically find the association between environmental performance and financial performance by using the data panel regression method, taking financial variables like net income, expenses with profitability and variables of green banking exhibiting environmental performance. Output of the analysis showed that the relationship between net income and profitability is significant, but no significant relationship exists between the implementation of green banking and banks' profitability. These revelations make it evident that green banking and environmental initiatives are still in their early stages in the Indian banking sector, and a big push is required to reap the fruits of this model. Garg (2017) has developed a sustainability reporting index considering economic, social and environmental factors, in the context of Indian companies. It also checked the validity and reliability of the index and used the methodology of factor analysis. Centobelli et al. (2019) focused their study on Indian small and medium-sized enterprises. This article examined the relationships between lightness, process innovation, product innovation, environmental performance and financial performance of 374 SMEs in the Indian manufacturing sector. This article was based on structural equation modelling like confirmatory factor analysis which was used to test construction measures, and path model analysis to test assumptions about the structural model. The results of the study are in line with the hypothetical model and show a significant positive impact of leanness and innovation on financial performance and the environment. Keskin et al. (2020) used discriminant analysis to analyse financial variables of companies, including return on equity, return on assets, leverage ratios, and company size and market variables such as alpha, beta, volatility, EPS and the price-to book ratio for a three-year period. The result showed that the relationship between sustainability and performance is significantly influenced by the company's size, leverage, volatility and price to book ratio.

RESEARCH GAP

Following research gaps could be identified after reviewing existing literature:

- So far as is known, no research study has been conducted on a specific company in a specific industry. Hence, an attempt has been made in this current study to conduct research on the evaluation of corporate sustainability in terms of the financial performance of and oil and gas company.
- No research study has been conducted by considering over a period of the last five financial years sustainable and financial report. This article tries to bridge this gap.
- Most of the research papers considered the TBL concept, that is, economic, social and environmental factors. But no study has been conducted based on six main parameters of the GRI guidelines. Apart from TBL's three factors, other factors of sustainability have been considered in this study.

OBJECTIVES OF THE STUDY

The prime objectives of the study are as follows:

- To focus on the core elements of business sustainability.
- To review existing literature on the concept of business sustainability.
- To explore the current status of select industries in terms of sustainability.
- To empirically investigate the linkage between sustainable performance and financial performance in select industries and evaluate sustainability performance based on financial performance in the case of select industries.

DATA COLLECTION AND RESEARCH METHODOLOGY

Data and its Source

For the present study, it was decided to focus on Gas Authority of India Limited (GAIL), which is one of the Maharatna companies of India. In 2009, the Government of India decided to establish Maharatna status for this central public sector enterprise (CPSE). There are certain conditions for Maharatna Public Sector Undertakings (PSUs). Maharatna CPSEs can invest from INR 1,000 crore to INR 5,000 crore. PSUs with Maharatna status can invest 15% of their net worth in a project without prior permission from the Government of India. The Maharatna status gives more autonomy and authority to a company than the other categories, such as Navratna or Miniratna.

The objective of this article was to empirically find the linkage between sustainable performance and financial performance of select industries by taking financial factors like turnover (gross), profit after tax (PAT), EPS, return on capital employed from GAIL's annual report and sustainability report, and sustainable factors like total environmental expenditure, Green House Gas (GHG) emission, GHG savings energy consumption, energy savings from GAIL's sustainability report. All other data were collected from various reliable sources.

Type of Research

This study is based on secondary data and is empirical in nature. In this study, all the theoretical information is collected from various journals, reports, articles, websites, annual reports and sustainability reports of select industries like GAIL. It also includes a few existing literature to determine the research gap and objectives of the study.

Sample Period

For this study, only five financial years' worth of data have been collected for a period of 2016–17 to 2020–21 to implement the association between sustainability strategies and financial performance. To collect the necessary data relating to this, the annual reports and sustainability reports of GAIL were considered.

Tools Used

To conduct this empirical study, we have considered different graphs, charts and descriptive statistics to analyse and interpret the results.

CURRENT STATUS OF SUSTAINABILITY OF GAIL

GAIL has taken on several projects to meet its commitments towards its society. GAIL has spent INR 147.67 crore in FY 2021, which exceeds the mandated 2% of INR 141.91 crore (Sustainability Report of GAIL, 2020-2021). Company has seven major focus areas of CSR programme which named "HRIDAY".

The company has spent a huge amount of money on SAKSHAM which is a programme for the care of elderly and disabled. GAIL has used its INR 3.08 crore for this noble purpose. UNNATI is another noble initiative for rural development that costs INR 4.19 crore. Environmental issues, which are also a considerable topic for the company, lead them to start a project called HARIT, which carries expenses of INR 1.11 crore. Other four important CSR activities are AROGYA for health, drinking water and sanitation, which requires spending of INR 40.26 crore, UJJAWAL for education purposes, whose spending requirement is INR 22.82 crore, SASHAKT for women's empowerment, which costs INR 1.86 crore and other important activities under the CSR movement include KAUSHAL for skill development and livelihood generation, which costs INR 13.76 crore.

Here researchers have tried to review the current status of economic, social, environmental, product responsibility, labour practice and decent work, as well as human rights in terms of sustainability for a period from 2016–17 to 2020–21.

Economic

GAIL has earned INR 4,890 crore profit after tax in their last financial year, which is absolutely remarkable in the current ongoing pandemic condition. The company also earned INR 56,738 crore revenue (gross sales). Natural gas pipeline network has expanded over 13,718 km total petrochemical production capacity has reached 1090 KTA.

Social

Corporate Social Responsibility is mandatory for all companies. GAIL has spent INR Rs 147.67 crore for CSR Project. The company has achieved an "HSE Score" of 96.98 against the internal target of 94.5 in FY 2021. The customer satisfaction index stood at a remarkable 96 in FY 21. GAIL has signed five investment agreements worth INR 15.30 crore with start-ups focused on compressed bio gas. Another reward achieved by the company is 'NIL' comments from the Comptroller and Auditor General. It is also noted that there are 78.2 lakh domestic piped natural gas connections in the country. GAIL has contributed INR 50 crore to the PM funds. Even in the fight against COVID-19, GAIL has contribution of INR 30 crore towards acquiring medical equipment, oxygen, etc.

Environment

Environmental initiatives by GAIL include the launch of a 130 MW—renewable energy portfolio (118 MW—wind and 12.26 MW—solar). Another environmental initiative taken by company is having 40% of its landholding covered by green belts and water bodies. INR 64.9 crore was spent on energy conservation equipment. The company has registered 64 sustainability projects. GAIL has generated renewable energy of 151354 MWh of electricity. GAIL has commissioned its first FGRU project that reduces emissions by 11,100 tCO2. The company engaged them in collaboration with RMC to setup compressed biogas plant with a capacity of 150 tonnes/day. Installations of HRSG to utilise heat from gas turbine exhaust were expected to save 1,171 kg/hr fuel, which is another milestone for GAIL.

Product Responsibility

GAIL is very concerned regarding their product responsibility, like disclosure of management approaches, goals, performance, policies, etc.; customer health and safety; product and service labelling; marketing communication; incidence of non-compliance with laws and regulations and customer privacy. Regassified Liquefied Natural Gas, the agreements with the customers, that is, General Services Administrations/ General Service and Purchase Agreements (GSPAs), contain a confidentiality clause wherein both the sellers and the buyers are obligated to keep the information.

Product labelling provides information about products to prospective customers. It is an efficient medium for consumers to access accurate information about the social, economic and environmental impacts of the products they consume. GAIL Polymer Technology Centre (GPTC) in Noida (Delhi NCR) is one of the endeavours of petrochemical business segment. Through this service, GPTC provides technical assistance to resolve product-related concerns of consumers on polymer grades.

Labour Practices and Decent Work

At GAIL, the company believes that employees of the concerned company have the right to have their voices heard while raising concerns, either openly or secretly, without any negative consequence. Even company policy allows their employees or workforce the freedom to join employee or worker associations and form labour unions within the territory of statutory provisions and a code of conduct. Organisational values ensure equitability and non-discrimination in the remuneration point of view, which is grounded on performance-based and competency-based principles. All the workers are covered under collective bargaining, also.

Human Rights

GAIL strictly adheres to the rules of no child labour and no forced labour. The company strictly follows a zero-tolerance policy towards any act that leads to the violation of human rights. They also comply with presidential directives and other instructions and guidelines issued by the Government of India for providing reservation relaxation. GAIL follows the rules of the International Labour Organization (ILO) conventions, which also include a code of conduct, Conduct Discipline and Appeal rules, standing orders, a fraud prevention policy, a whistleblower policy and training sessions for their employees to make them aware of their rights and duties. GAIL has arranged a training session that comprises 1.9% of employees, 5000 hours of training. Furthermore, 100% of security personnel have been trained on specific human rights procedures related to security services. The company has arranged an awareness programme on the subject of sexual harassment against women at the workplace at NCR (O & M), Noida. During COVID-19 pandemic, this company has made a tie-up with Apollo Group of Hospitals for home treatment services for their employees under the project named “KAVACH”. Other than this project, they have initiated two other employee care projects named “SPARCH” and “HUM-KUDUM”.

ANALYSIS AND INTERPRETATION OF DATA

To analyse the impact of sustainable performance on GAIL’s financial performance, different financial as well as sustainable factors have been considered over the last five years.

Financial Factors

Fig. 1 presents that important financial factors are turnover (gross), profit after tax (PAT), EPS, return on capital employed (%). Performance of the company and trend of their different financial factors, which are considered for this study, can be identified to know the efforts made by the concern to serve the society and help future generations by way of environmental sustainability.

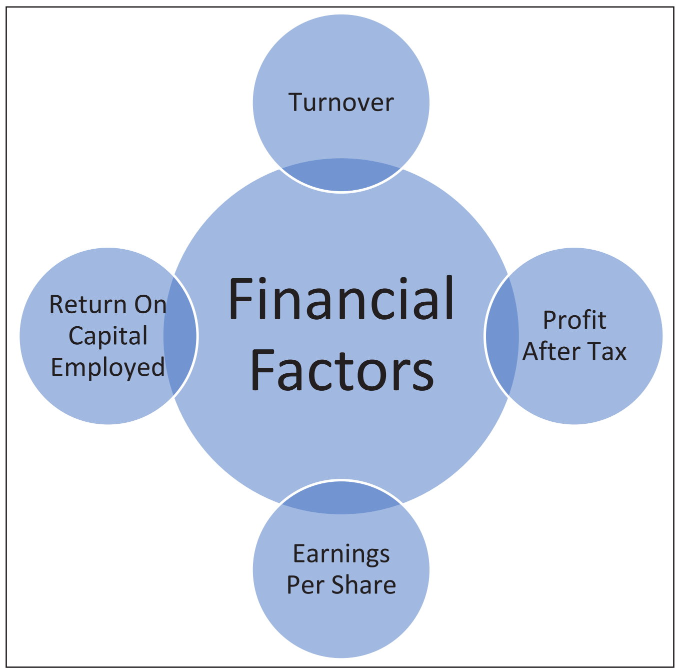

Fig. 1: Different Financial Factors

Turnover

In Fig. 2, GAIL has registered a gross turnover of INR 48,789 crores in 2017, which has been raised to INR 74,808 crores in 2019. The pandemic situation throughout the year further caused a decline in turnover in 2020, and in 2021, gross turnover has decreased to INR 56,738 crore due to the decline in natural gas marketing and transmission volume.

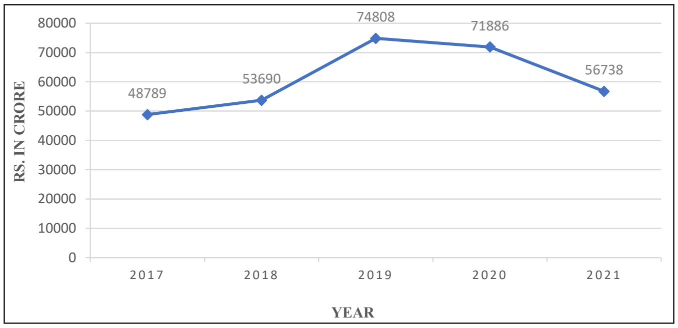

Fig. 2: Year Wise Distribution of Turnover of GAIL (2017-2021)

Profit after Tax (PAT)

Another financial factor for reflecting the performance of the company is profit after tax (PAT), which was registered at INR 3,503 crores in 2017 and has increased every year during this study, reaching that amount about double (INR 6,621 crores) in 2020. After that, PAT decreased to INR 4,890 crores because of lower gas marketing spread (Fig. 3).

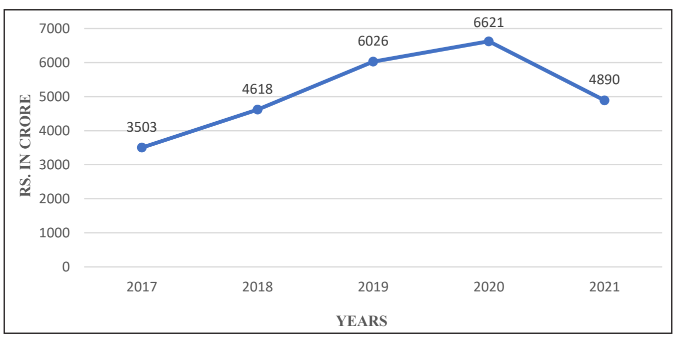

Fig. 3: Year Wise Distribution of Profit after Tax of GAIL (2017-2021)

Earnings Per Share (EPS)

Fig. 4 represents EPS. It is another yardstick of the performance of the company that is directly influencing shareholders. Investors always justify their eagerness for proposed investment intentions on the basis of them. In 2017, EPS was INR 8, and it has increased like other financial factors during the study period and will reach INR 15 in 2020. In 2021, it will decrease to INR 11 for the global pandemic.

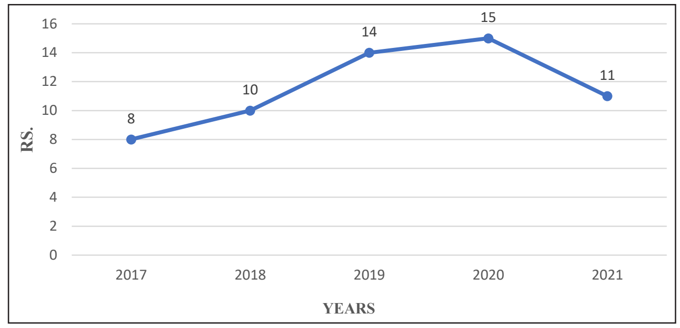

Fig. 4: Year Wise Distribution of Earning Per Share of GAIL (2017-2021)

Return in Capital Employed

Return on capital employed (percentage), shown in Fig. 5, is a financial ratio that measures a company's profitability in terms of all of its capital. It is the ratio that can help all stakeholders understand how well a company is generating profits from its capital as it is put to use. In 2017, it was 13%, which has increased to 18% in 2019. But as the pandemic situation hit the flow of getting a better return on capital employed (ROCE), it decreased to 11% in 2021.

(2017-2021)

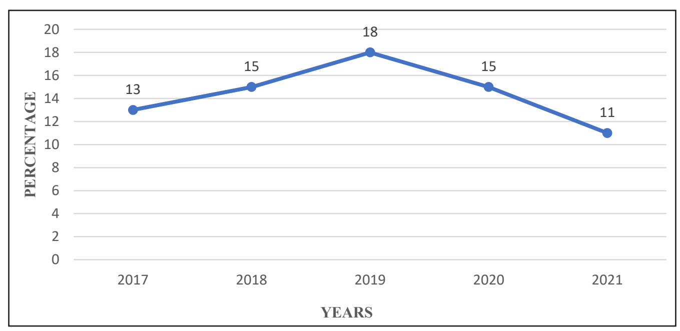

Fig. 5: Year Wise Distribution of Return on Capital Employed of GAIL

From Table 1, it is clear that turnover has increased by 53.33% in 2019 as compared to 2017, though it has declined by 24.16% in 2021 as compared to 2019, which is impactful for the concern and its financial status in the industry. Another financial factor, that is, profit after tax, is also increased by 89% in 2020 as compared to 2017, though in 2021 it has been declined by 26.14% as compared to 2020. Another financial performance indicator from the viewpoint of capital market is EPS. It is also in the same trend, which means in 2020, EPS has increased by 87.5% as compared to 2017, though in 2021, it has declined by 26.67% as compared to 2020. The performance of return on capital employed increased by 38.46% in 2019, but during the pandemic year in 2021 it deceased by 38.89% as compared to 2019.

Table 1: Different Financial Performance Indicators of Last 5 Years including Absolute and Percentage Increase/Decrease

Year	2017	2018	2019	2020	2021
Turnover (Gross) (Rs in crore)	48,789	53,690	74,808	71,886	56,738
Absolute increase /decrease	----	4,901	21,118	(2,922)	(15,148)
Percentage increase/decrease (%)	----	10.05	39.33	(3.91)	(21.07)
Profit after tax (PAT) (Rs in crore)	3,503	4,618	6,026	6,621	4,890
Absolute increase /decrease	----	1,115	1,408	595	(1,731)
Percentage increase/decrease (%)	----	31.83	30.49	9.87	(26.14)
EPS (Earning per share)	8	10	14	15	11
Absolute increase /decrease	----	2	4	1	(4)
Percentage increase/decrease (%)	----	25	40	7.14	(26.67)
Return on capital Employed (Percentage)	13	15	18	15	11
Absolute increase /decrease	----	2	3	(3)	(4)
Percentage increase/decrease (%)	----	15.38	20	(16.67)	(26.67)

Figures in parenthesis () shows declining figure of the respective item.

Source: www.gailonline.com/SB and www.gailonline.com/IZ, GAIL, 2019-20 and 2020-2021, Results computed.

SUSTAINABLE FACTORS

Fig. 6 presents the important sustainable factors that were considered for this study. The factors are total environmental expenditure, GHG emissions, GHG savings, energy consumption, and energy savings. These factors leads the company towards achieving environmental sustainability.

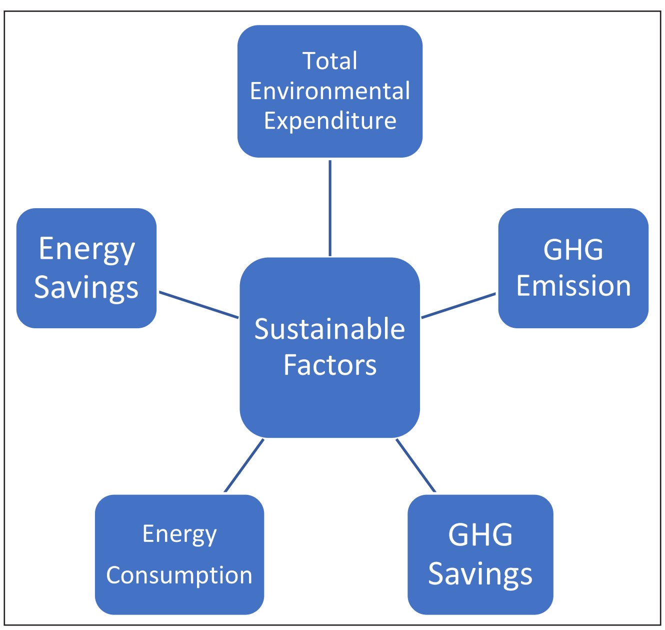

Fig. 6: Different Sustainable Factors

Total Environmental Expenditure

GAIL invests heavily in environmental projects, which are critical to creating a sustainable environment. Fig. 7 represents that the company has spent INR 13.4 crores in 2017, which has been increased to INR 27.30 crores in 2019, but in 2020 it has been decreased to INR 24.8 crores due to the pandemic situation, but in 2021 the amount of expenditure has again increased to INR 36.5 crores, which is quite satisfactory for the sustainability aspect.

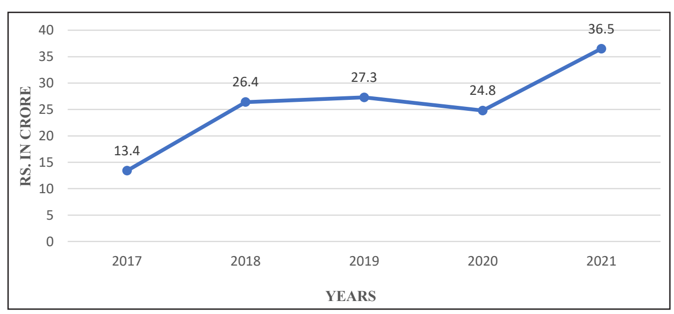

Fig. 7: Year Wise Distribution of Total Environmental Expenditure of GAIL (2017-2021)

GHG Emission

The key impactful areas from an emission point of view within gas transmission, liquid hydrocarbon processing, natural gas processing and polymer production are primarily air emissions and greenhouse gas emissions. To ensure effective emission control, companies monitor and regulate emissions in line with the Greenhouse Gas Reporting Standards developed by the World Business Council for Sustainable Development (WBCSD), ISO 14064- 2006 and the American Petroleum Institute (API), a compendium of GHG emissions methodologies for the oil and natural gas industry—2009. Direct emissions are primarily from the burning of natural gas, diesel and LPG. Natural gas and LPG are also vented out in tiny quantities in some processes causing methane emissions. Electricity purchased for operational purposes, including manufacturing and transmission, contributes to indirect emissions. In Fig. 8, it is clearly visible that GHG emission is in increasing trends from 2017, that is, 35,49,335 tCO2e to 2020, that is, 43,45,358 tCO2e, but in the year 2021 it has decreased to 37,01,662 tCO2e as compared to earlier years.

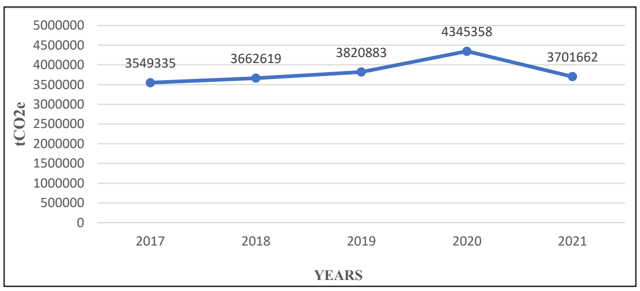

Fig. 8: Year Wise Trend of GHG Emission of GAIL (2017-2021)

GHG Savings

For GHG savings, the company takes different initiatives like monitoring and tracking energy savings, setting internal targets to reduce consumption and energy generation through renewable sources like solar, wind etc. In 2018, GHG savings were 12,955 tCO2e but they increased by nearly two times, that is, 23,224 tCO2e in 2021 as compared to 2018 (Fig. 9).

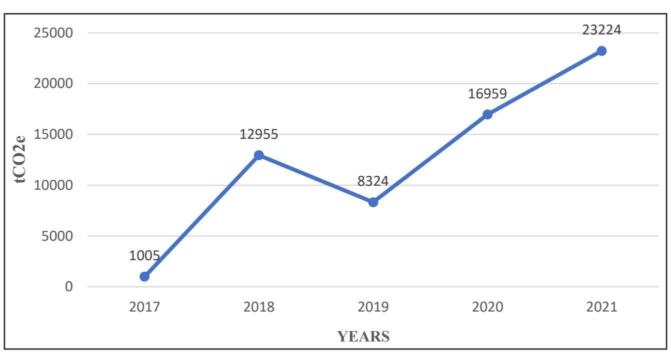

Fig. 9: Year Wise Status of GHG Savings of GAIL (2017-2021)

Energy Consumption

Energy consumption is important for sustainability purposes. The GAIL has adopted a number of initiatives to control energy consumption, which grows by 4.6% per annum in India, which is the highest amongst all major economies in the world. In Fig. 10, it is clearly reflected that energy consumption has declined by 4.12% in 2021 as compared to 2018.

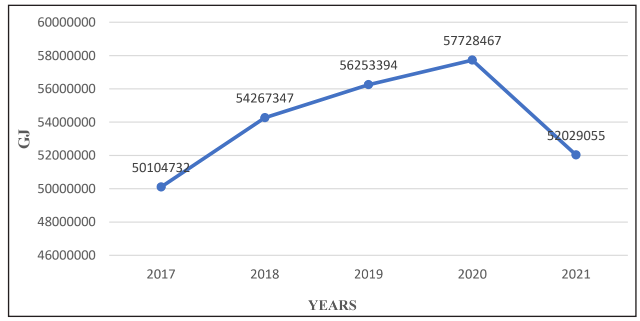

Fig. 10: Year Wise Status of Energy Consumption of GAIL (2017-2021)

Energy Savings

GAIL has developed random strategies to regulate the process of control for sustainability parameters like energy savings. This also includes the selection of valid assumptions and a base line for reporting. Fig. 11 presents a huge fluctuation in the graphical presentation of the energy savings diagram. In 2021, there is 87.13% increase in energy savings as compared to 2018.

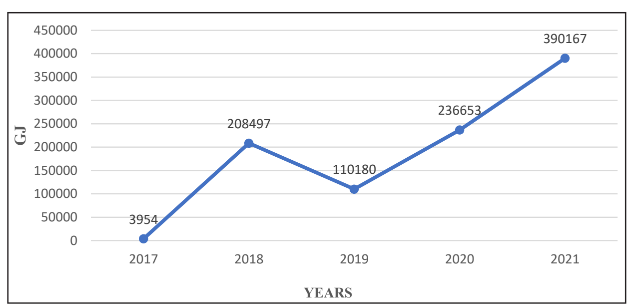

Fig. 11: Year Wise Status of Energy Savings of GAIL (2017-2021)

From Table 2, it can be seen that total environmental expenditure has increased by more than two times in 2019 against 2017, and has further increased by 33.70% in 2021 against 2019. Another parameter of sustainability, GHG emissions (tCO2e) has decreased by 14.81% in 2021 compared with 2020. Automatically, GHG savings (tCO2e) have increased by 36.94% in 2021 compared to

2020. Other two important parameters for sustainability are energy consumption and energy savings, which have been fluctuating for the last five years. Energy consumption (GJ) has decreased by 9.87% in 2021 compared with 2020. Energy savings (GJ) in 2021 have increased more than 3.5-fold against 2019.

Table 2: Different Sustainable Performance Indicators of Last 5 Years Including Absolute and Percentage Increase/Decrease

Year	2017	2018	2019	2020	2021
Total environmental expenditure (Rs in crore)	13.4	26.4	27.3	24.8	36.5
Absolute increase /decrease	----	13	0.9	(2.47)	11.67
Percentage increase/decrease (%)	----	97.01	3.40	(9.04)	46.99
GHG emission (tCO2e)	35,49,335	36,62,619	38,20,883	43,45,358	37,01,662
Absolute increase /decrease	----	1,13,284	1,58,264	5,24,475	(6,43,696)
Percentage increase/decrease (%)	----	3.19	4.32	13.73	(14.81)
GHG savings (tCO2e)	1,005	12,955	8,324	16,959	23,224
Absolute increase /decrease	----	11,950	(4,671)	8,635	6,265
Percentage increase/decrease (%)	----	1,189.05	(36.05)	103.73	36.94
Energy consumption (GJ)	5,01,04,732	5,42,67,347	5,62,53,394	5,77,28,467	5,20,29,055
Absolute increase /decrease	----	4,162,615	1,986,047	1,475,073	5,699,412
Percentage increase/decrease (%)	----	8.30	3.66	2.62	9.87
Energy savings (GJ)	3,954	2,08,497	1,10,180	2,36,653	3,90,167
Absolute increase /decrease	----	2,04,543	(98,317)	1,26,473	1,53,514
Percentage increase/decrease (%)	----	5,173.06	(47.15)	114.79	64.87

Figures in parenthesis () shows declining figure of the respective item.

Source: www.gailonline.com/SB, GAIL, 2018-19, 2019-20 and 2020-2021, Results computed.

To find out impact of financial performance of select industry towards sustainability, different corporate initiatives have been focussed under sustainable development to explore its social responsibility towards society. Furthermore, it can be stated that the analysis made in Tables 1 and 2 also shows an absolute increase or decrease of different sustainable factors during the last five years, which has had a remarkable impact on financial performance. Stakeholders of the company, including shareholders, are also aware of the company's sustainable initiative, which has had a significant positive impact on the share price and financial performance of the company.

LIMITATIONS OF THE STUDY

The following are the limitations of the study:

- This study is based on secondary data.
- In this study, only five financial years' worth of data have been collected and taken into account until the year 2021 due to the unavailability of the current data.
- The study is based on a select industry, that is, oil and gas industry.
- Our study considered only six parameters as per the GRI guidelines.
- Time constraint is also a factor in undertaking more extensive study.

FURTHER SCOPE OF THE STUDY

From this research work, researcher can step forward towards following further research study:

- Sustainable and financial performance can also be evaluated through other dimensions or by considering some firm-specific factors that are not considered in this study.
- Inclusion of more than one company or collection of primary data may enlighten the research findings.
- Use of different statistical tools may broaden the dimension of the study.

CONCLUSION OF THE STUDY

This article aims to evaluate the corporate sustainability in terms of financial performance and to get a recent scenario of sustainability initiatives taken by the company. GAIL has taken a lot of sustainable initiatives over the last five years. To analyse the inter-relationship between financial as well as sustainable factors, the researcher considered four financial dependent factors (turnover, profit after tax, EPS and percentage on return on capital employed) and five independent sustainability factors (total environmental expenditure, GHG emission, GHG savings, energy consumption and energy savings) of the last five financial years (2017–2021). This study has been concluded by using absolute changes and percentage changes of individual factors which helps to analyse the performance of the company. Line chart of each and every factor shows the performance status of GAIL during the study period. COVID-19 pandemic plays a vital role on company's financial performance, considering the facts, sustainability is the main concern of the company. This study identifies that sustainability initiatives taken by companies have a positive impact on financial performance. Due to the fluctuation of sustainable performance indicators, financial performance may be change. It can be concluded that all stakeholders, including shareholders, are aware of the company's movement towards sustainability, which is greatly useful for prospective investors and society as well.

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