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IMPLEMENTATION OF GRI IN INDIA: OPPORTUNITIES AND CHALLENGES

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Abstract

GRI is an international non-profit oriented consortium based in Amsterdam, The Netherlands. It was established with the vision of providing guidelines for integrated reporting of business and financial information of economic, environmental, social and corporate governance performance of business. The present study is intended to analyze the opportunities and challenges involved in implementation of GRI in Indian context with the conceptual methodology including secondary sources of information. Finally concludes that GRI SRs is one of the tools which can be combined along with financial reporting framework to implement integrated reporting system in India. At present Indian companies are benefitting in various ways by the reporting with the GRI framework and country is also recognizing at the international business and reporting domain.

Key words: Non-financial information, BRR, GRI SRs.

Type of Paper: Conceptual Paper

Background:

Today is the dynamic scenario having volatile environment for the business houses which are having so many interested parties who are seeking the information about the operational, financial and non-financial information of the business. So each and every business houses operating today are required to provide variety of information needed by the various interested parties such as creditors, employees, investors, government and regulatory authorities etc., to support them to take timely decisions by them on the matters of their interested business.

For this purpose, the manner of reporting and communication of business information plays a vital role because there is a huge debate on the way of doing ‘INTEGRATED REPORTING’ which reports both financial and non-financial information under a single annual report. For achieving this there is a necessity of some guidelines, IFRS (International Financial Reporting Standards) will give the guidelines for reporting financial aspects and GRI SRs (Global Reporting Initiative for Sustainability Reporting) will give guidelines for reporting and communicating the non-financial information. But here is the problem of a single guideline which gives a comprehensive idea to report and disclose both financial and non-financial information under single annual reports of the corporate houses.

GRI is an international non-profit oriented consortium based in Amsterdam, The Netherlands. It was established with the vision of providing guidelines for integrated reporting of business and financial information of economic, environmental, social and corporate governance performance of business. The guidelines given by GRI is **popularly known as sustainability reporting framework** which is the combination of sustainability reporting guidelines, reporting and measurement aspects and sectoral wise standards. The adoption of these standards to report non-financial information by the companies indicates the organizational efforts towards socio-economical sustainable development. **GRI is the one and only the standard working at the international scenario for harmonizing the manner of reporting and disclosing the non-financial information of the corporate houses and helps the companies get the advantage of international recognition.** GRI is an important event and involves in international process and set up with the objective of developing and circulating globally applicable Sustainability Reporting framework which gives comprehensive policies, procedures and guidelines for SRs. These Guidelines are not compulsory for the organizations for reporting economic, social and environmental information of their performance, products and services. The main purpose of the framework is to guide reporting entities and their interested parties in interpreting and understanding contributions of the reporting entities to sustainable development. In the present reporting environment GRI has become one of the most widely consuming framework for reporting and communicating the sustainability information.

Benefits of implementation of GRI for sustainability reporting:

There are several fruitful benefits which can be derived from the implementation of GRI by both reporting entities and report consumers. The benefits are:

It will work as a tool for comparing the non-financial information reported across the borders of the country.

It helps the reporting entities to recognize themselves at the international market because GRI is an international aspect.

GRI initiative helps the country to align with global sustainability development goals (SDGs) set by UNO.

GRI works as a tool for INTEGRATED REPORTING in future. Because a debate is going on to develop a framework for IR along with GRI.

It also harmonizes the reporting and disclosure methods of non-financial information across the borders.

It also works as corporate governance tool.

It also favors corporate entities that are focuses on Sustainability Reporting in long run for consolidating their market position.

GRI provides the strong base for non-financial information disclosures which provides additional comprehensive information to various investors and stakeholders group and hence enhances their confidence.

It also favors in acquiring national and international listing in stock exchanges and gain access to restricted markets

Importantly it helps in attracting funds through transparent relationship with credit providers; improve management systems and employee motivation and customer satisfaction.

Thus the present study considers the descriptive analysis of GRI implementation in Indian context and next part of the paper is organized as review of earlier studies, research gap, methods, analysis, conclusions and suggestions.

Review of Literature:

Babita kundu (2017)¹analyzed the application of integrated reporting system in Indian corporate scenario with the help of annual reports of selected 10 companies including both public and private sector companies and found that all the selected companies are reporting under BRR framework as per the guidelines of SEBI and emphasized on the importance of further research by taking large number of samples.

R.K.Tailor and Ravi Kant Modi (2017)¹⁸ conducted a study to analyze the corporate social reporting practices of cement companies of India with help of both primary and secondary source of information and to analyze the collected information they employed Rank Analysis, Averages, Percentages, Chi-square test and F-test and concluded that among selected companies except JK Lakshmi Cement all other are good at CSR practices and spending majorly on Rural Education, Infrastructure, Employees medical care, Security purpose and also found out that companies are in require of constructive suggestions for the improvement of CSR Activities and are trying to remove the existing problems in CSR activities with the help of HR Department.

Prashanta Athma and Rajalaxmi¹⁷examines the integrated reporting practices in Indian companies with the objective of differentiating between integrated and non-integrated financial reporting and to analyze IR practices in BSE 30 companies by applying content analysis technique and concluded that there is an increasing trend in improvement of disclosure level over the period of time and mandatory information is disclosed by all the selected companies but there are differences in the voluntary disclosures.

Giorgino et al. (2017)²studied the impact of disclosing material information of an organization on share price of an organization. The data were analyzed with the help of event analysis technique and found that the disclosure of material information as part of integrated reporting system impacts on the share prices of an organization.

Venkateshwara kumar and Rama Devi (2012)¹⁵ examined the sustainability reporting practices in India with the aim of analyzing the factor being caused for the slower paced development in integrated reporting practices in India and also analyzed the needs, challenges and opportunities to adopt sustainability reporting. They concluded that there is a lack of awareness among the companies on the benefits of SR. and there is a skill gap to create a

sustainability reports and also there is a complexity and confusions among available frameworks and standards.

Rakesh Kumar (2014)¹⁶ Compared the sustainability reporting practices among NIFTY 50 companies and fortune 50 global companies with GRI index and concludes that the NIFTY 50 companies are better in disclosing the sustainability reports as compared global fortune 50 companies and they also stressed that there is a need of legal enforcement to be made on global fortune companies to make them better in disclosing sustainability reports in par with GRI framework.

Research Gap:

Study of existing literature shows that most of the studies undertaken are related to general aspects of sustainability reporting in Indian context and only few or no studies conducted on the context of GRI SRs in Indian scenario so the present study is intended to analyze GRI implementation in Indian context and on the opportunities and challenges in implementation through the conceptual analysis.

Research Questions:

From the literature review and gap study founds some questions which are yet to be answered are:

What is the current status of GRI in Indian context.?

What are the opportunities and challenges involved in implementation of GRI in Indian context?

Research Objectives:

To examine the current status of GRI in Indian context.

To analyze the opportunities involved in implementation of GRI in Indian scenario.

To evaluate the challenges involved in implementation of GRI in Indian scenario.

Methodology:

The study adopts secondary sources of data collected through various books, journal articles, websites, and published reports. To analyze the collected data, study adopted descriptive statistics.

Current status of GRI in India:

Due to new company's legislation corporate governance in India has stronger base. The companies which are operating in a particular country utilize the required resources prevailing in and around the place in which company is situated. And at the same time as a corporate citizen companies are having natural and voluntary responsibility towards the countries socio-economic sustainable development like natural citizens so it is obviously arising the need of reporting and disclosing the information pertaining to the matters of the environment. In simple there is big necessity of standardized sustainability reporting system. In the current situation corporates and capital contributing communities (investors) of India are started to identify the fruitfulness of sustainability reporting and organizational transparency in its operations. Since from last ten years, Indian corporate houses were being identified the challenge of entering into the international market as the part of globalization of their operations and also the challenges of continuous change in regulatory requirements in the domestic boundary in relation to the operational, economic, environmental and economic aspects. Along with these there were also many players like the regulatory bodies, the business and trade associations, non-profit organizations who were creating awareness and motivating the concept of sustainability through compulsory and voluntary requirements and concentrating on variety of issues like pollution, energy, climate change, and labor practices. And these aspects resulted in initiating the sustainability reporting by small group of corporates operating in India and started to rapid growth in 2011 onwards. By identifying the unimaginable contribution of financial sector which consists financial institutions and banks towards sustainable development and by taken into the account of considering the essential role they were playing in financing the economic and development activities, the Reserve Bank of India paid the attention towards banks role in Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting in its circular issued in December 2007.

In 2011 Indian companies are publishing highest proportion of complete reports globally on their sustainability performance aspects, as per the Global Reporting Initiative (GRI). And it indicated that 78 % of GRI reports from India. And to promote government introduced a separate new Companies Bill, 2011 is presented in the parliament to include in the Board's Report a CSR Policy and to spend at least 2% of average net profit of last 3 years on CSR activities for business organizations other than financial sector. This had changed the Indian context of sustainability reporting because in 2013 new companies Act provided the new provisions on compulsory spending for CSR purposes by the companies which crosses the threshold limit. In addition to these the government of India had given the Sustainable Development and Corporate Social Responsibility Guidelines for Central Public Sector Undertakings (CPSEs) for reporting and disclosing sustainability information along with their annual target in relation to financial and business affairs. After this the central Government of India NVGs (National Voluntary Guidelines) was issued in respect of social, economic and environmental responsibilities of business houses on 8th July 2011 in consultation of MCA (Ministry of Corporate Affairs). The NVGs are provides a standardized framework for voluntary disclosure of sustainability information by companies to fulfill the information needs of various interested fraternities such as employees, customers, investors and public at large. Also SEBI mandated disclosure of sustainability information for top 100 listed companies as per Business Responsibility Report guidelines along with their annual reports.

In June 2014, a conference on **Sustainability Reporting for Sustainable Development** organized by the Focal Point India in Mumbai to debate on the importance and of sustainability reporting in the context the proposed United **Nations Sustainable Development Goals (SDGs)** had developed a declaration statement containing 11 points for sustainability reporting purposes.

The statement had identified the goals and targets which are need to be implement, monitor, measure and report on from 2015 onwards by the Indian corporate houses. GRI developed a linkage document which helps Indian companies comply with both GRI framework and SEBI's BRR framework for sustainability reporting requirements. BRR is mandatory for the top 500 companies which were listed in stock exchanges since 2015. GRI and BSE entered into a formal pact in 2016 to support top 500 companies to prepare sustainability reports by the end of 2017.

At present GRI reporting framework is the most popular among voluntary reporting frameworks throughout the world. As per the 2015 KPMG⁴ report 74% of the G250 use the GRI guidance. Till today there are 50,487 published sustainability reports among them 31,170³ reports are belonging to GRI framework around the world. Now majority of companies (i.e., 96% of listed companies) preparing sustainability reports in India as per GRI linkage document and India became a great contributor to the sustainable development aspect.

Opportunities of GRI implementation in India:

Implementation of GRI in India is providing so many opportunities and benefits to the country, and all stakeholders who are associated with the business affairs the opportunities and benefits are:

It will provide a continuous framework and guidelines for the companies and to the country for the sustainable development.

It provides regular assistance to Indian corporate on corporate social responsibility management. GRI is an opportunity for efficient and effective management of climate change in the country and which eases the government to undertake various initiatives in this regard.

For India implementation of GRI will give a greater opportunity in aligning with UNs Sustainability Development Goals.

It also gives the chance to the business people to recognize themselves at the international market because GRI is the international reporting issue if it is adopted then international investing communities can be attracted.

Implementation GRI India also gives an opportunity to various stakeholders of the business to get their required non-financial information apart from financial information smoothly.

India is **fastest growing economy** having greater investment opportunity at the international market but to get this maintaining the confidence of investor is most important for that integrated information is needed. In India XBRL and GRI is the greater aspect to implement INTEGRATED REPORTING.

By successful in its implementation of GRI in India government is having the chance to harmonize the reporting and disclosure mechanism of non-financial information by the companies and which enables to compare the cross-country reports.

By the implementation of GRI in India government will get smoother accountability on the companies who are majorly impact on climate change. For example: oil and gas, cement industry , power etc.,

Challenges for GRI implementation in India:

There are several challenges in implementation of GRI in India they are:

In India regulatory authorities are imposing to follow GRI framework to large scale business people only but it is necessary to focus on the implementation to small and medium sized organizations. If it is the reality how small and medium sized businesses people are accept is the big question.

There is a lack of awareness on GRI framework among business group creation of awareness among these people is one of the big challenges.

Balancing between the development and growth aspect of the firm with long-term sustainable objective is also one of the challenge to the business group.

For the successful implementation at the long-run there is a necessity of policies which focuses on sustainability reporting and disclosure for this government needs the support of professional institutions.

Still for some group of companies in India sustainability reporting as per GRI is voluntary and this created the lack of uniformity and to make compulsory the preparedness of the business to implement the GRI is also a big challenge.

Under GRI framework certain group of companies (Metals and Mining, Oil and Gas, , and Construction-related sectors) is required to conduct Environment Impact Assessment and to find requisite disclosure to be made. This is one of the difficult aspects to the business.

For pharmaceutical industries Government of India not compulsion the implementation of GRI even though they are having strong manufacturing base in India. Inclusion of this sector for mandatory disclosure is one of the big challenges.

For regulating and revising non-financial reporting guidelines regularly in India there is no professional body of the government. Setting up of separate professional body for this purpose is one of the difficult issues to the government.

Conclusions:

Today the countries of the world are focusing on sustainable development which ensures the life for future generation and business communities are also the corporate citizens working in the environment and taking the benefits from the environment. They have to take suitable care on the environment for their socio-economical sustainable development. Therefore Government of India had also realizes this and initiated the implementation of sustainability reporting by the companies which are listed in India. In India, Business Responsibility Reporting guidelines in confirmation with GRI Sustainability Reporting standards are the base for non-financial information disclosure. Today majority of the listed companies are reporting and disclosing non-financial information as per GRI and gained the importance at the international market. And it helping in achieving Global Sustainable Development Goals defined by UNs and to implement uniform disclosure system of non-financial information by Indian companies. Finally study concludes that GRI SRs is one of the tools which can be combined along with financial reporting framework to implement integrated reporting system in India. At present Indian companies are benefitting in various ways by the reporting with the GRI framework and country is also recognizing at the international business and reporting domain.

Avenues for Future Research:

The present study is focused only on the conceptual aspect of GRI in Indian scenario but not focused on the empirical aspects such as disclosure level and which can be the future area for the further study.

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