

Impact of TBL Reporting System on Corporate Sustainability: An Empirical Study in Leather Industry

Ms.P.Kalai Selvi

M.Com., NET., M.Phil.,
[Part-time Research Scholar, GTN Arts College
Assistant Professor
Research Centre of Commerce
Fatima College
Madurai – 625 018

Dr.M.Inbalakshmi

M.Com,MBA,M.Phil,PGDCA,Ph.D.,
Associate Professor,
PG and Research Department of
Commerce GTN Arts College,
Dindigul – 624 005

ABSTRACT

The Triple Bottom Line is an accounting framework with three parts: social, environmental and financial. Some organizations have adopted the TBL framework to evaluate their performance in a broader perspective to create greater business value. The motto of every business is to earn more money and the main focus of traditional business leaders was the higher profit. But today the business leaders have begun to think sustainability. The concept TBL Reporting System paves the way to find ways and means for sustainability. The triple bottom line concept insist the companies to realize that they can do more. The reporting system which measures and reports business performance is known as Triple Bottom Line Reporting System.

Introduction

The corporate reporting system provide information about the organization to all stakeholders. The traditional reporting system mainly focus on financial aspects only. After the introduction of corporate social responsibility, this system is subjected to depart from the traditional reporting system. The new system focus on three important focuses namely Economic, Social and Environmental aspects since the organizations are consuming resources from the nature and society in and around the organization. It is highly essential for the sustainability of the organization [Theo and Peter, 2008]. It is coined as Triple Bottom Line Reporting System [Nancy, 2007].

Concepts Clarification:

The Triple Bottom Line [TBL] was coined by John Elkington [1994]. It is defined as the reporting system seeks for economic prosperity, environmental quality and social equality. In the TBL reporting system the sustainability of the organization is evaluated by three important measures namely economic, environment and social [Dave, 2002]. The economic measures

include all monetary aspects in accounting whereas the environmental measures focuses on the impact of the functioning of organization on environmental development. The third measure 'social' focuses on the contribution of organization to the society [Deepak etc., 2013]

Leather Industry in India:

The Leather Industry in India plays an inevitable role in Indian economy since it earns higher foreign exchange, provide more employment and the utilization of natural resources as raw materials. The Leather industry are converting the putrescible skin into a usable utility products. In Tamilnadu, the Leather industries are concentrated at Ambur, Ranipet, Vaniyambadi and Dindigul. These industries reported their financial growth and its contribution to the society by providing employment. But in reality, the social cost incurred by the industries are not properly estimated. It is mainly caused by the poor implementation of TBL reporting system.

Corporate Sustainability:

The Corporate Sustainability is essential for the survival of an organization and the future generations. The sustainability is not only based on the financial performance of the organization, but also the corporate interest showed on the stakeholders namely suppliers, customers, employees, investors, local communities, public, business groups, media, social activist groups and Governments. The TBL reporting system is highly helpful to enrich the corporate sustainability. TBL reporting system is a prominent tool in measuring and managing corporate responsibility performance in a holistic manner.

Review of previous studies:

Dutta [2012] and Garnea etc.,[2011] identified the significant positive impact of TBL reporting system for the Corporate performance. It was also proved by Gorden and Reddy[2010]; Fauzi etc[2010] and Dhurian[2008]. In the Indian context, the corporate sustainability achieved through the implementation of TBL reporting system of the corporation is pointed out by Basu[2010], Singh [2010], Mallick etc.,[2011], Tiwani[2011] and Chopra [2012] and Tripathi etal., [2013].

Eventhough, there are so many research works were carried out, in TBL reporting system, but the TBL reporting system in Leather industry at Dindigul is nil. Hence, the present study has made an attempt to fill up the research gap with the help of the following objectives:

1. To reveal the implementation of TBL reporting system in Leather Units;
2. To measure the corporate sustainability in the Units; and
3. To evaluate the impact of TBL reporting system on the corporate sustainability

Methodology:

The applied research design of the study is descriptive and diagnostic study. In total, there are 48 Leather Units are operating in Dindigul. All the units are included for the study. The Questionnaire was used to collect the primary data from the units. The Questionnaire consists of two parts. The first part focuses on TBL reporting system whereas the second part deals with the corporate sustainability. The Triple Bottom Line Score card has been used to measure the implementation of TBL reporting system. It includes focus on economic prosperity, social justice and environmental Quality which consists of 5,5 and 6 variables in each. The Cronbach Alpha were computed to test the internal consistency in each factor. The collected data were processed with the help of appropriate Statistical tools.

Results and Discussion:

The rate of implementation of TBL reporting by the Leather Units and its corporate sustainability are examined by the mean, standard deviation and coefficient of variation of the aforesaid items. The results are given in the table.

Table 1. Implementation of TBL system and its sustainability

S.No	Items	Mean	Standard Deviation	Coefficient of variation [in percentage]
1	Economic prosperity	2.8142	0.5949	16.74
2	Environment Quality	2.4646	0.5088	20.64
3	Social Equality	2.7089	0.6239	23.03
4	Corporate Sustainability	2.5193	0.5249	20.84

The rate of implementation of TBL reporting system in leather industry is weak. It is very lesser especially in the case of environmental Quality focus since its mean score is 2.4646. It is followed by social quality focus since its mean score is 2.7089. The corporate sustainability is also viewed as weaker since its mean score is only 2.5193. But the economic prosperity of the Units is viewed as better since its mean score is 2.8142. The above said results are replicating the findings of Ajmee et al., [2011] and Rogers and Roberta [2001].

Impact of TBL reporting on Corporate sustainability:

The present analysis has made an attempt to examine the important all three focuses of TBL reporting system on the Corporate Sustainability with the help of Multiple Regression analysis, The fitted Regression model is

$$Y = a + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Whereas Y = Score on Corporate Sustainability

X₁ = Score on Economic prosperity

X_2 = Score on Environmental Quality

X_3 = Score on Social Quality

b_1, b_2, b_3 - regression coefficient of independent variables

a - intercept ; and

e – error term

The results of Multiple Regression analysis is given in the table 2:

Table 2 :Impact of TBL Reporting System on Corporate Sustainability

S.No	Variables	Standardised Regression Co-efficient	Unstandardised Regression coefficient	Standard error	'F' Statistics'	'P' Value
1	Economic Prosperity	0.1632	0.1971	0.673	2.9287	0.0345
2	Environmental Quality	0.1345	0.1703	0.971	1.7539	0.1886
3	Social Quality	0.1806	0.2117	0.0549	3.8561	0.0177
	Constant	0.3949				
	R ²	0.7848				
	F Statistics	8.9171				0.0249

The significantly and positively influencing components of TBL reporting system on Corporate Sustainability in Leather Industry are social Quality and Economic Prosperity since its regression coefficients are significant at 5% level. A unit increase in the implementation of above two components of TBL reporting system result in an increase in the corporate sustainability by 0.1806 and 0.1632 units respectively. The changes in the implementation of TBL reporting system explain the changes in the Corporate sustainability to an extent of 78.48 percent, since its R^2 is 0.7848. The results indicate the importance of implementation of TBL reporting system to enrich the Corporate Sustainability in Leather industry which is similar to the findings of Skouloudis, et al .,[2009] and Ho and Taylor[2007].

Conclusion

The present study include that the level of implementation of TBL reporting system in Leather industry is very poor. These units are mainly focusing on their economic prosperity in the accounting reporting system. Their focus on environment and society is very poor which results in poor sustainability . The lesser consideration on the social cost incurred by the leather industry in the study area result in poor sustainability. It is imperative to teach the TBL