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Evaluation of Sustainability Reporting Practices in Indian Banks – A Content Analysis Approach

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Abstract

In present times to achieve sustainable development, business organisations are required to disclose their socio-environmental contribution along with their financial results and to incorporate sustainability into their business practices. This paper with the help of content analysis seeks to analyse the sustainability disclosures of selected Indian banks listed on BSE for the year 2019-20. It further examines any significant difference in the sustainability disclosure of selected banks based on their sustainability disclosure according to the Global Reporting Initiatives (GRI) framework, foreign market presence and ownership pattern. As per the results of content analysis, the study finds that Sustainability Reporting (SR) is lowest for the 'Environment' dimension followed by 'Human Rights and Labour Practices' while reporting under the 'Governance' dimension is highest. The 'Social' dimension is also fairly reported by the sample banks. The results of Mann Whitney U test indicate that sustainability disclosure is significantly different among selected banks based on the adoption of the GRI framework for sustainability reporting and no difference in SR is found based on ownership pattern and foreign market presence.

Keywords: Banking Companies, Content Analysis, India, Sustainable Development, Sustainability Reporting

JEL Classification: : **G21, M140, Q01**

1. Introduction

In present times, the survival of a firm is determined not just by its economic or financial performance but it is also influenced by its performance on issues about 'Social' and 'Environment' dimensions like its work and contribution to society, reduction in carbon emissions and other greenhouse gases (GHGs) or sustainable utilisation of resources, etc. In India, while it has become mandatory for the top 1000 listed entities to report their socio-environment contribution in the form of Business Responsibility and Sustainability Report (BRSR) along with their financial results, it is still voluntary for non-listed entities. However, all business firms now embed sustainability into their business practices given increasing Environment, Social and Governance (ESG) considerations by the investors and society.

According to Klynveld Peat Marwick Goerdeler (KPMG)[1], India is included among the top ten nations in the world where corporations disclose sustainability-related information in their annual reports. The sustainability report of an organisation discloses its performance on parameters of environmental, social and governance issues and it shows its commitment towards contribution to and betterment of the economy, society, and environment.

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There is no direct linkage between the finance sector and sustainable development but they do affect sustainable development through their lending and investment activities[2,3]. According to Nwobu[4], though there is no direct influence of banks or financial institutions on the environment by their business operations in terms of GHG emissions, air and water pollution, hazardous disposal of waste products, etc., however, the entities in which their customers are engaged in business have an impact on the environment.

Banks are the most important part of the financial sector as they provide an interface between business firms and society. Banks can contribute towards sustainable development through socially responsible banking which includes socially responsible investing, micro-credit to disadvantaged sections of society and offering financial products aimed at reducing GHG emissions and energy consumption[5]. Hence, it has been well established in the literature that the role of banks in the sustainable development of an economy is significant[2]. Therefore, their sustainability reporting is important and cannot be overlooked.

To facilitate sustainability reporting, many frameworks have emerged over some time such as United Nations Global Compact (UNGC) principles, ISO 26000, UN Environment Program Finance Initiative (UNEP FI), Global Reporting Initiatives (GRI) guidelines and Equator Principles. However, GRI is the most popular and adopted framework around the world. In the global context, GRI standards and G4 guidelines (GRI issued new guidelines-"G4" in May 2013 to report on economic, environmental, and social performance while focussing on "materiality" concept) together with the Financial Services Sector Supplement form the framework for sustainability reporting in the finance sector.

1.1 Regulations for Corporate Social Responsibility and Sustainability Reporting in India

To increase disclosure of the sustainability performance of companies, the policymakers and regulators in India have taken various steps to mandate them to disclose it in their annual reports. In this regard, National Voluntary Guidelines (NVGs) were issued by the Ministry of Corporate Affairs in 2011 to report on the economic, social and environmental responsibilities of businesses. Later, in 2012 it was made mandatory for the top 100 listed companies by the Securities and Exchange Board of India to incorporate NVGs in a format called Business Responsibility Report (BRR) as part of the Annual Report (SEBI Circular, 2012)[a]. The introduction of the provision regarding Corporate Social Responsibility (CSR) in the Companies Act 2013 mandating particular companies meeting certain criteria to make an expenditure of at least 2 percent of their average net profits on CSR activities is yet another remarkable step contributing to CSR and Sustainability Reporting (SR) in India. Most recently in 2021, a new format called Business Responsibility and Sustainability Report (BRSR) has been issued by SEBI in place of the previous BRR format making it compulsory to report on sustainability performance for the top 1000 listed entities w.e.f. financial year 2022-23[6].

1.2 Research Objectives

In India, there is little research on CSR and SR with special reference to banking companies, therefore, the present study is an attempt to bridge this research gap. The present study is unique as it evaluates the SR practices of the listed Indian banks using a Sustainability Disclosure Index developed for the banking sector having fifty (50) indicators with necessary adjustments. The index has been developed via comprehensive assessment of pertinent literature, while also considering the national and international standards in this regard. Appropriate modifications have been made to ensure the applicability of the index to the banking sector. A large number of the previous studies on SR have based their analysis of sustainability disclosure primarily on GRI indicators but in this study, we have used other indicators of SR as well. The present research has the following objectives:

1. Assessment of SR practices of Indian banks listed on BSE Bankex during 2019-20 under 5 broad dimensions of sustainability disclosure.
2. To find any significant difference in SR between banks adopting GRI guidelines and banks not following the GRI framework.
3. To know any significant variation in SR between state-owned banks and private banks.
4. To analyse any significant difference in SR between banks operating in foreign markets with those in domestic markets.

[a]For details see- https://www.sebi.gov.in/media/press-releases/may-2013/sebi-issues-frequently-asked-questions-on-business-responsibility-reports-_24741.html

The study is organised as follows. Section 2 discussed the literature review. Section 3 provides a theoretical framework for hypothesis development. The data and research methodology are explained in Section 4. Section 5 discusses the results based on data analysis. Finally, Section 6 presents the conclusion and implications while giving scope for future research.

2. Review of Literature

Although several studies have been undertaken to study sustainability reporting in the banking sector and financial institutions across the world, the research on the same is scanty in India. Most of the empirical studies on CSR reporting and SR in India have used a sample consisting of firms from listed companies excluding banking and finance companies. They cited reasons like their different regulatory and disclosure requirements, capital structure, or comparatively less influence on the environment[7-11].

In the finance sector, as discussed earlier, there are sustainability reporting guidelines such as GRI G4 guidelines and the Financial Services Sector Supplement (FSSI). Many studies in India and abroad found that banks are lagging in adopting global SR standards such as GRI G4 guidelines and FSSI. In India, Kumar and Prakash[12] concluded that banks are slow in adopting sustainability reporting practices while stressing the need to follow GRI G4 guidelines and publish their standalone sustainability reports externally assured by a third party. Similarly a study on the Turkish banking sector[13], found that FSSI has the lowest disclosure in comparison to other dimensions. Khan *et al.,*[14] is of the same view about banks in Bangladesh and concludes that they need to improve in certain areas like verification by third party, feedback from stakeholders and hence their sustainability reporting practices cannot be regarded as fully 'substantive'.

Various researchers have tried to compare the CSR-SR performance of banks with other sectors. While comparing manufacturing and banking sectors regarding their sustainability reporting practices, it was found that SR in terms of environmental, social and governance parameters has a positive influence on all kinds of market performance in the manufacturing sector, whereas, in the case of the banking sector its impact was found to be negative[15]. Weber *et al.,*[3] found the financial sector to be relatively weak in SR performance as compared to other industrial sectors concerning reporting on business ethics product responsibility, and labour issues but community relations were found to have great disclosure.

Tunisian Banks disclose more 'Community' related information on their websites[16]. Similarly, Khan *et al.,*[17] also found full reporting relating to 'society' by banks in Bangladesh while there were scant disclosures on 'product responsibility' and 'human rights'. Conversely, Hamid[18] found product-related reporting to be highest in the financial sector of Malaysia. In contrast, Chakroun *et al.,*[16] found that 'human resources' is the most disclosed category in Tunisia while the environment is least reported. Similarly, Ramdhony[19] found 'human resources' as the most disclosed category under CSR reporting in Mauritian banks.

Nwobu[4] while examining SR practices of the banking sector in Nigeria suggested that reporting environmental issues requires more attention from banks. Similarly in India, Kumar and Prakash[12] found that commercial banks did not report on the environmental dimension adequately. Weber *et al.,*[3] found comparatively better environmental performance by the financial sector given environmental regulations among firms belonging to different sectors in Europe, Asia Pacific and North America.

3. Theory Perspectives and Hypotheses Formulation

3.1 Stakeholder Theory

This theory suggests that business corporations have accountability towards various other stakeholders like investors, customers, creditors, employees, government, community, environment and society apart from shareholders. Sustainability reporting is one of the important activities used by companies to gain stakeholders' trust and build healthy relationships with them for survival and growth[20].

3.2 Legitimacy Theory

It requires companies to legitimise their existence in society as if they are in a social contract to perform in conformity with the rules and norms of society to secure a 'license to operate' to use resources from society for conducting business successfully[21]. However, legitimacy is lost when the company doesn't work in an acceptable manner or in conformity with accepted rules, norms and boundaries of the society[22,23]. Companies might want to report proactively on their activities relating to sustainability to ensure legitimacy in the society[22,24,25,26].

3.3 Hypotheses Development

In less developed countries, companies doing greater business in foreign locations are supposed to face different types of pressures and demands from stakeholders along with the international community[27]. Given this, it is interesting to find out any difference in sustainability disclosure of banks having foreign branches with banks operating only through domestic branches to test stakeholder theory. The present empirical study seeks to examine the variation in SR disclosure among Indian listed banks based on reporting according to the GRI framework, ownership pattern and foreign market experience. Based on the theoretical framework and literature review, the following research hypotheses have been developed:

H1: There is a significant variation in the sustainability disclosure of banks following the GRI framework with banks not following GRI.

H2: There is a significant variation in sustainability disclosure of government or state-owned banks and banks with private ownership.

H3: There is a significant variation in sustainability disclosure of banks having a foreign presence and banks with a domestic presence.

4. Data and Methodology

4.1 Data

The population of the study constitutes all 10 banking companies listed on the Bombay Stock Exchange S&P BSE Bankex in India. The justification for taking this index lies in the fact that it comprises the top 10 banking stocks that form a part of the BSE 500 Index and account for more than 90 percent of the total market capitalization of the Indian banking sector. It includes the State Bank of India, ICICI Bank, Bank of Baroda, Kotak Mahindra, IndusInd, HDFC Bank, AU Small Finance Bank, Federal Bank, Bandhan Bank and Axis Bank.

This study is entirely based on analysis of secondary data in terms of sustainability reports, annual reports, CSR reports and BRRs of the sampled banks during FY 2019-20. This study was conducted in the year 2019-20 which was marked by the advent of the COVID-19 pandemic in the last quarter from January–March 2020. So we found it intriguing to study the sustainability disclosure of listed banks during this period, in terms of social and environmental activities performed by the banks.

4.2 Methodology

4.2.1 Content Analysis Technique

Content analysis using a dichotomous scale of 0 and 1 is an extensively used technique in research to analyse any kind of report or document to know if some information is present or not and its extent[17,26,28]. So, the content analysis method using a binary scale was used to analyse the key sustainability indicators from these reports.

4.2.2 Sustainability Disclosure Index (SDI)

A comprehensive Sustainability Disclosure Index (SDI) has been formulated based on a review of various recent empirical studies in this area[28-32]. To develop an index of SR indicators, various national standards like National Voluntary guidelines, GRI guidelines, FSSI and global standards such as UNGC and Equator principles were also considered apart from the review of the literature. Finally, a SDI under five broad dimensions of sustainability disclosure has been developed to assess the SR practices of selected banks. It consists of a total of fifty indicators in five broad categories as presented in Table 1.

For developing SDI, we have used the scoring method used by Khan[33] and Kiliç[34] by which we assign a score of ‘1’ for presence for each indicator of disclosure otherwise ‘0’ is marked. Further, a score of ‘0’ has been assigned for items disclosed as ‘not applicable or irrelevant’ to penalise banks for non-disclosure of such items as the same items have been reported by other banks. Thus, a sustainability disclosure score is computed for every dimension of SR by summing up the score of each item to arrive at the SDI. The aggregate SDI is computed as:

$$\mathbf{SDI} = \sum ri^{50}/ni$$

ri = 1, if the item ri is reported and 0 otherwise,

ni is the maximum no. of items for ith entity $ni <= 50$

4.2.3 Statistical Tests/Techniques Used

The present study used the Kolmogorov-Smirnov test and Shapiro-Wilk tests to check the normality of the data. To test research hypotheses, the Mann Whitney-U test which is a non-parametric test applied in the case of non-normal data, is used to examine existence of any significant differences in sustainability disclosure based on GRI reporting, ownership and foreign market presence among the selected banks.

5. Results and Discussion

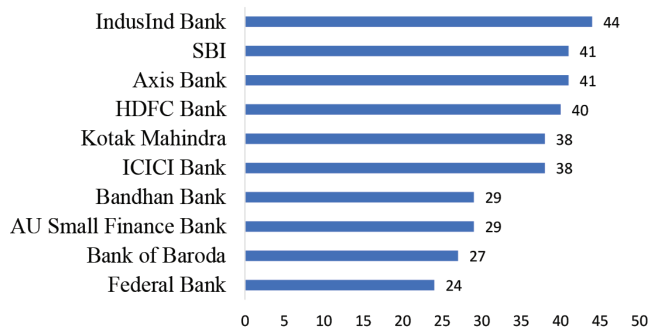
5.1 Analysis of SR Practices

It is found from the results of the study that 6 out of 10 banks were not publishing standalone Sustainability Reports based on the GRI framework so more than 50 percent of the banks in our sample do not follow GRI guidelines. Only 33 percent of banks in our sample were found to have published externally assured sustainability reports by a third party or an independent agency. Though it is encouraging to find that 70 percent of the selected banks are publishing integrated reports as per the International Integrated Reporting Council (IIRC) framework it is mainly due to regulatory measures in the form of a direction by SEBI recommending the top 500 listed companies to draft their annual report in an integrated manner as per IIRC framework in 2017.

5.2 Sustainability Reporting/Disclosure

5.2.1 Overall Performance

As is evident from Figure 1, IndusInd bank is the leading bank in sustainability reporting among the sample with an aggregate sustainability score of 44 followed by SBI and Axis Bank, both having a total sustainability score of 41 out of 50, i.e., 82 percent. HDFC Bank is also doing fairly well with a score of 40. It is interesting to note that the State Bank of India is the only government or state-owned bank which prepared its SR in line with Global Reporting Initiatives standards externally assured by an independent agency, a Business Responsibility Report and an integrated report. Federal Bank has the worst performance with a poor score of 24, the smallest in our sample. So there is ample scope for improvement in the SR practices of Federal banks. Kotak Mahindra and ICICI Bank are found to be at par with a score of 38 and performing well in terms of SR. AU Small Finance Bank competes with one of the biggest banks in the public sector, i.e., Bank of Baroda (BOB) as both have an equal score of 29 out of 50 though it is much smaller in size and scale of operations than BOB.



Source: Authors' compilation

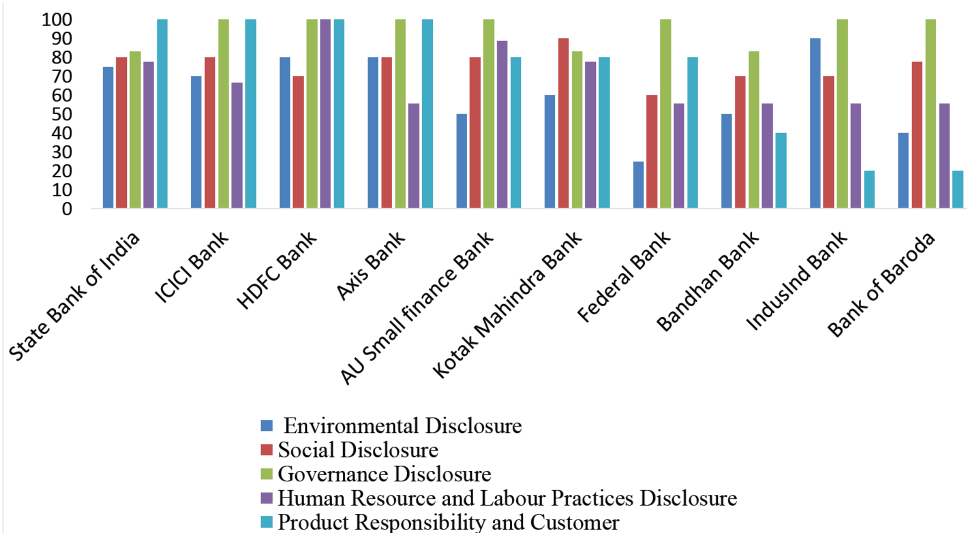
Figure 1. Overall Sustainability Disclosure Score.

5.2.2 SR Performance of Banks in Different Dimensions

As we can see from Figure 2, 'Governance' is the most disclosed category of SR by all reporting banks with half of them reporting 100 percent disclosure, probably due to strict norms of corporate governance for banks. Both 'Social' and 'Environmental' dimensions of sustainability disclosure are least reported by the Federal bank with 60 percent and 25 percent disclosure respectively. We found that indicators in the 'Human Resource and Labour Practices' dimension were not reported adequately as half of the sample banks disclosed only 55.56 percent of their items. It is surprising to find that IndusInd bank has reported least on 'Product Responsibility and Customer' dimension with just 20 percent disclosure.

5.3 Nature and Extent of Sustainability Disclosure

From the results presented in Table 1, 'Governance' is the most disclosed dimension as stated earlier, with around 97 percent disclosure rate and 100 percent reporting for almost all of its sub-items by the entire sample. The only exception is on policy on anti-corruption which has slightly less disclosure. It is worth mentioning that this policy was merged under 'Code of Ethical Conduct' in the SR reports of a few banks. Full reporting under the governance dimension is primarily due to the regulatory pressure from SEBI and Ministry of Corporate Affairs (MCA) coupled with stricter norms of corporate governance for listed banking companies. The 'Social' dimension is the next highly disclosed category by the banks in our sample with 76 percent disclosure. All the banks reported on programs for community



Source: Research compilation from Annual/Sustainability reports

Figure 2. Disclosure of Banks in Different SR Dimensions**.**

development, disabled and weaker sections, education awareness and empowerment of women. Most of the banks reported on programs for healthcare (90 percent) and donations during disasters particularly during the pandemic time due to the coronavirus (70 percent). Also, most of the banks disclosed programmes relating to financial inclusion or literacy having a disclosure rate of 90 percent.

We found a very high disclosure on all other indicators of social dimension except on the 'ISO 26000' standard which is a very significant standard for achieving sustainable development but none of the banks reported about it. However, our findings indicate that banks are giving full disclosure on only those items which are either mandatory to disclose due to regulations by different bodies or to establish their reputation and goodwill in society. So, the results of content analysis seem to support legitimacy and stakeholder theories. It is quite disappointing to find out that just one bank reported receiving a CSR award out of the whole sample.

'Product Responsibility and Customer' is the next highly disclosed dimension with an average disclosure rate of 68 percent with only product and service labelling being underreported. Only 40 percent of banks disclosed it and many banks did not report on it by saying it does not apply to them. Therefore, we have penalised such banks by giving a score of 0 for non-disclosure who cited 'non-applicability' as a pretext for non-disclosure while other banks were reporting it.

'Human Rights and Labour Practices' is also a comparatively less reported category having about 64 percent disclosure, with no reporting at all on benefits provided to temporary or casual employees by any of the banks in our sample. We found 50 percent and 40 percent disclosure respectively for 'Employee Associations Recognised by the Management' and 'Diversity in Work' which is very low. It is encouraging to observe that all banks reported about policies on non-discrimination and sexual harassment and 70 percent of banks reported on grievance mechanisms in labour relations.

It is overwhelming to find that the banks in India are adopting eco-friendly technology to a large extent as all the banks of our sample reported the same in the 'Environmental Dimension'. Particularly during Covid 19 pandemic, by operating digitally through mobile applications, net banking, mobile banking, green PINs, smart kiosks, and ATMs for depositing and withdrawing money. Similarly, 90 percent of banks reported a reduction in energy consumption and 80 percent of banks reported a reduction in carbon emissions by taking initiatives for renewable and clean energy like installation of solar panels, financing projects which are using solar energy etc.

Despite these encouraging results, the environmental dimension is the least reported category of SR with 62

Table 1. Sustainability Disclosure for All Indicators of SDI

	Indicators on Sustainability Dimensions	No. of banks (N = 10)	Percentage
	A. Environmental		
i)	Environment policy	8	80
ii)	Initiatives for renewable energy	9	90
iii)	Re-cycle and re-use	8	80
iv)	Reducing the consumption of energy	9	90
v)	Adopting eco-friendly technology	10	100
vi)	Waste management	8	80
vii)	Reducing water consumption	7	70
viii)	Reducing carbon emission	8	80
ix)	Adopting equator principles	4	40
x)	Impact of products and services on the environment	8	80
xi)	Impact on biodiversity	5	50
xii)	Framework for environmental risk assessment	7	70
xiii)	Reducing indirect GHG emissions	7	70
xiv)	Green/sustainable banking Practices	7	70
xv)	Listing in any ESG index	3	30
xvi)	Environmental protection award	2	20
xvii)	Follower of carbon disclosure project	3	30
xviii)	Adopting the IIRC	7	70
xix)	Adopting EMS	2	20
xx)	Environmental audit	0	0
	Average disclosure of dimension A	**12.4**	**62**
	B. Social		
i)	Community development programs	10	100
ii)	Programs on education and awareness	10	100
iii)	Training and development programs	10	100
iv)	Women empowerment program	10	100
v)	Programs on healthcare	9	90
vi)	Donations during disaster/charity and sponsorships	7	70
viii)	Programs on financial inclusion and financial literacy	9	90
ix)	Programs for weaker and disabled	10	100
x)	ISO 26000 certification	0	0.0
xi)	Award for CSR activities	1	10
	Average disclosure of dimension B	**7.6**	**76**
	C. Governance		
i)	Policy on sustainability and CSR	10	100
ii)	Appointment of executive-level sustainability officer	10	100

	Indicators on Sustainability Dimensions	No. of banks (N = 10)	Percentage
iii)	Sustainability/business responsibility committee	10	100
iv)	Policy on anti-corruption/anti-bribery	8	80
v)	Code of Ethical Conduct	10	100
vi)	Mechanism for reporting unlawful behaviour	10	100
	Average disclosure of dimension C	**5.8**	**96.7**
D. Human Rights and Labour Practices			
i)	Employees' health and safety	7	70
ii)	Human rights grievance redressal system	7	70
iii)	Mechanism for grievance on labour relations	7	70
iv)	Prevention of sexual harassment	10	100
v)	Diversity in the workforce	4	40
vi)	Policy on forced and child labour	8	80
vii)	Non-discrimination	12	100.0
viii)	Employee associations recognised by the management	6	50.0
ix)	Benefits given to temporary or casual employees	0	0
	Average disclosure of dimension D	**5.8**	**64.4**
E. Product Responsibility and Customer			
i)	Labelling of product and service	4	40
ii)	Health and safety of the customer	6	60
iii)	Green marketing practices	7	70
iv)	Customer grievance mechanism	10	100
v)	Customer privacy	7	70
	Average disclosure of dimension E	**3.4**	**68**

Source: Authors' Compilation from Annual/Sustainability reports

percent disclosure among the selected banks. A large number of banks did not report the adoption of an environment management system, any award received for protecting the environment, following CDP and equator principles and listing in any ESG index as only 20-30 percent of banks reported the same. Only half of the sample engaged in activities relating to biodiversity and water conservation. It is important to note that none of the banks reported on environmental audits. Therefore the results indicate that there is ample scope for improved disclosure in the environmental dimension by Indian banks. Our findings are in consonance with other studies undertaken for India[12] and Turkey[34].

5.4 Results of Hypotheses Testing

To test whether the data of our study is normally distributed we have performed the Kolmogorov-Smirnov test and the Shapiro-Wilk test. The results of these tests indicated that the data is not normally distributed. Then to test our research hypotheses, we divided the sample into different groups based on their GRI reporting status, ownership structure and international presence. Thus, we compared the mean total SR disclosure as well as category-wise SR disclosure of six groups which are: banks following the GRI framework with non-followers of GRI, public with private sector banks and banks having foreign branches with banks having national branches only.

Table 2. **Mann Whitney Test statistics for SR disclosure based on GRI reporting status**

	Scores			
	Total Sustainability Disclosure	**Environmental**	**Social**	**Governance**
Mann-Whitney U	.000	9.500	5.000	10.000
Wilcoxon W	15.000	24.500	20.000	25.000
Z	-2.643	-.631	-1.643	-.655
Asymp. Sig. (2-tailed)	.008*	.528	.100	.513
Exact Sig. [2*(1-tailed Sig.)]	.008*	.548	.151	.690

*Significant at 5 percent level
Source: Authors' Calculations

Table 3. **Mann-Whitney Test statistics for SR disclosure based on the ownership status**

	Total Sustainability Disclosure	**Environmental**	**Social**	**Governance**
Mann-Whitney U	7.500	2.000	1.000	5.500
Wilcoxon W	10.500	5.000	4.000	8.500
Z	-.132	-1.571	-1.984	-.747
Asymp. Sig. (2-tailed)	.895	.116	.047	.455
Exact Sig. [2*(1-tailed Sig.)]	.889	.178	.089	.533

*Significant at 5 percent level
Source: Authors' Calculations

Table 4. **Mann-Whitney Test statistics for SR disclosure based on the foreign presence**

	Total Sustainability Disclosure	**Environmental**	**Social**	**Governance**
Mann-Whitney U	3.500	10.500	10.000	11.500
Wilcoxon W	13.500	20.500	20.000	21.500
Z	-1.829	-.321	-.463	-.122
Asymp. Sig. (2-tailed)	.067	.748	.643	.903
Exact Sig. [2*(1-tailed Sig.)]	.067	.762	.762	.914

*Significant at 5 percent level
Source: Authors' Calculations

Finally, the Mann- Whitney U test was conducted to know any significant variation in SR disclosure as a whole and category-wise among the groups of banks classified as above. The results of the same are reported in Table 2 supporting our first research hypothesis (H1). As per the results, the level of total sustainability disclosure by banks following GRI standards having mean = 8 is significantly greater than banks not reporting as per GRI with mean = 3, at 5 percent significance level. Hence, we do not reject H1. However, we found no significant difference in sustainability disclosure of different categories such as environment, social and governance between GRI and non-GRI reporting banks.

Further as shown in Table 3, we found that H2 is not supported by the results from the Man-Whitney U test implying that there is no significant variation in total sustainability disclosure score between state or government owned banks[2] In our sample, banks with private ownership[8] and government owned banks[2] have an average total sustainability disclosure equal to 5.56 and 5.25 respectively.

The overall Mann-Whitney U = 7.5. There also appears to be no significant variation for the different dimensions of SR- environment, social as well as governance.

Similarly, as per the results presented in Table 4, H3 also is supported indicating that there is no significant difference in SR disclosure score between banks with foreign branches (6) with mean = 6.92 and banks with only national branches[4] with mean = 3.38. Moreover, no significant difference is found between such banks concerning different dimensions of SR disclosure as their respective p values (0.762, 0.762 and 0.914) are insignificant at the 5 percent level.

6. Conclusion, Implications and Recommendations

The present study is an attempt to provide insight into sustainability disclosure practices of listed banking companies, thus, contributing to the scarce literature on SR on the banking sector in India. In this study, a sustainability disclosure index comprising fifty sustainability items is formulated especially for the finance sector based on a review of available literature and various national and global standards of SR/CSR. It is used for assessing the sustainability reporting disclosure of Indian banks.

As per the findings from the study, more than 50 percent of banks in our sample do not follow GRI guidelines and are not preparing separate sustainability reports. Only one-third of the banks in our sample were found to have published externally assured SR by any independent agency. So, it is recommended that banks should publish sustainability reports assured by some independent third party to increase the reliability and authenticity of SR. An encouraging finding from the study is that 70 percent of the sample banks are publishing integrated reports as per the IIRC framework during the study period as per SEBI's 2017 directive. Finally, it can be concluded that sustainability reporting by Indian listed banks is still in the evolutionary stage and this calls for improving disclosures on sustainability by banks in India.

Looking at the individual performance of banks in our study, in terms of sustainability disclosure, IndusInd bank is the leading bank with an aggregate SDI of 88 percent followed by State Bank of India and Axis Bank, each having an SDI of 82 percent. Another notable point is that SBI is the only bank in the public sector which prepared a sustainability report in line with the GRI framework externally assured by an independent agency, the Business Responsibility Report and an integrated report as per the IIRC framework. Federal Bank demonstrates the weakest performance with the smallest SDI of 48 percent. So it needs to improve upon its SR practices significantly.

Based on the results of an in-depth content analysis on all 50 indicators under five major dimensions of SR as discussed earlier, 'Governance' is found to be the highest reported dimension with full reporting for all its indicators except for policy against corruption. It may be due to the strict regulations and tighter norms for disclosure on corporate governance for banks.

All banks gave disclosures on social programs like on training and development and women empowerment. A large number of banks in our sample disclosed community-related items like donations in times of disaster like a pandemic due to Coronavirus, charity and sponsorships, programs for differently abled or weaker sections and financial inclusion and literacy. This indicates that banks in India are largely observing legitimacy theory to ensure their existence in society.

It is encouraging to find that 90 percent of banks reported reduction in energy consumption through adopting green practices and 80 percent banks reported a reduction in carbon emission by taking initiatives for renewable and clean energy like installation of solar panels, financing of projects which are using solar energy etc. Still 'Environment' is found to be the least disclosed category with 62 percent disclosure. Most of the banks did not report on indicators like environmental audits, adoption of environmental management systems, any award received for protecting the environment, following CDP and equator principles and listing in any sustainability index. A very small number of banks were found to be undertaking activities for water conservation and biodiversity. Thus, the findings from the study call for significant improvement in the disclosure of the environmental dimension of sustainability.

'Human Rights and Labour Practices' is also a comparatively less reported category having about 64 percent disclosure, with no reporting at all on benefits provided to temporary or casual employees by any of the banks in our sample. It is encouraging to observe that all banks reported about policies on non-discrimination and sexual harassment and 70 percent of banks reported on grievance mechanisms in labour relations. But other items like management recognised employee associations and diversity in the workforce are underreported in this dimension with 50 percent and 40 percent disclosure hence, leaving a scope for improving disclosure in this category.

The results from the Mann-Whitney U test support only H1 which suggests that sustainability disclosure differs significantly based on reporting as per the GRI framework. However, H2 and H3 are not supported by the results of the study indicating that there is no significant difference based on type of ownership and foreign market presence among the selected banking companies. Thus, the results from the study are in support of legitimacy theory but not the stakeholder theory which may be because the number of public sector banks is small in the sample of the study.

Our study contributes to the scanty literature on sustainability reporting in banking and financial institutions in a developing nation like India. The study is probably the first attempt to develop an index to assess SR in the banking sector in India. This study offers various managerial and policy implications for regulators and other stakeholders. Firstly, the study provides a comprehensive SDI for the management of the banks to gauge their sustainability reporting practices in line with global practices, particularly developed for the banking-finance sector. Secondly, banks with lower sustainability disclosure scores are required to substantially improve their SR practices to cater to the demands of various stakeholders including employees, investors and regulators. It has been already pointed out that the banks in India are largely driven by the legitimacy theory rather than the stakeholder theory of sustainability reporting. Banks must equally consider the requirements of different stakeholders by properly disclosing information on all SR categories, particularly regarding the environment as it was the most underreported of all dimensions. Banks must also make disclosures related to employees, the temporary ones. Further, banks in India require standardisation in their non-financial reporting and should not provide BRR disclosures only limited to regulatory requirements. They need to think beyond and report adequately on all sustainability dimensions to attract ESG investors.

With the growing significance of sustainable development globally and in India, it becomes necessary for Indian banks to incorporate sustainability in their business models and to communicate the same through enhanced voluntary disclosure of sustainability performance. For this purpose, they need to follow various international SR standards and principles as well such as Global Reporting Initiatives, United Nations Global Compact principles, United Nations Environment Program Finance Initiative and Equator principles etc. apart from the national framework. Suitable changes should be made in the format of BRSR by SEBI to promote particular quantifiable disclosures suitable for banks to get sustainability-related information properly.

7. Limitations and Future Directions for Research

Our study suffers from a few limitations as we have taken a small sample of just 10 banks listed on the BSE Bank Index consisting of only private and public sector banks excluding other kinds of commercial banks such as foreign banks and regional rural banks. Hence the results of this study cannot be generalised for all Indian banks. The study provides valuable insights for SR disclosure of selected companies in the Indian banking sector. Moreover, this study analyses the SR practices for just one year, i.e., financial year 2019-20 only. The results may be different if a longer period is taken into consideration. Therefore, a longitudinal study with a larger sample would bring out more detailed observations regarding practices on sustainability disclosure of the banking sector in India[12]. The indicators on the economic dimension of sustainability were also not studied here. To address these issues, more studies should be undertaken in future on the entire Indian banking sector with a longer study period.

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