

## **Integrating Sustainability Accounting and Innovation in Business Growth Strategy: A Mixed-Methods Approach in the Indian Context**

**Satya Sivakumar Ghattamaneni,**

Assistant Professor,

TSR&TBK Degree College, Visakhapatnam

[gsatyasivakumar@gmail.com](mailto:gsatyasivakumar@gmail.com)

**Abstract:** This research explores the intersection of sustainability accounting and innovation as a strategic lever for business growth in the Indian industrial context. Employing a mixed-methods approach, it integrates qualitative insights from industry executives with quantitative analysis of ESG disclosures, innovation indices, and financial performance metrics of NSE-listed firms. Findings suggest that companies aligning sustainability accounting with innovation practices outperform peers in profitability, investor confidence, and regulatory resilience.

**Keywords: Sustainability Accounting, Innovation, ESG, Business Strategy, India, Mixed-Methods, Corporate Growth**

**1. Introduction** The global business landscape is undergoing a transformative shift with rising concerns around climate change, social equity, and governance. India, as a rapidly growing economy, is witnessing increased pressure from both global stakeholders and domestic regulators to adopt sustainable and transparent business

practices. At the same time, innovation remains a critical driver of competitiveness and economic growth. This research investigates how Indian companies are integrating sustainability accounting into innovation-led strategies and the resulting impact on corporate performance.

The concept of sustainability accounting involves the systematic measurement, analysis, and reporting of environmental, social, and governance (ESG) factors. When paired with innovation, particularly in R&D and product development, it creates a framework for sustainable value creation. This paper examines how such integration is taking place across Indian industries, with a focus on performance outcomes.

## **2. Literature Review**

**2.1 Sustainability Accounting in India** Sustainability accounting, often referred to as green accounting, has gained prominence in India with regulatory developments such as SEBI's Business Responsibility and Sustainability Reporting (BRSR) mandate for the top 1,000 listed companies. Trivedi (2021) highlighted the evolution of green accounting practices in Indian corporates, noting a gradual but steady shift from voluntary disclosures to mandated frameworks.

**2.2 Innovation and Sustainable Growth** Innovation is often viewed as a catalyst for sustainable economic development. Das & Das (2023) observed that technological innovations such as renewable energy, blockchain, and artificial intelligence are becoming integral to sustainable practices. In the Indian context, innovation is also being incentivized through government schemes such as the Atal Innovation Mission and the Production Linked Incentive (PLI) Scheme.

**2.3 Research Gap** While existing literature addresses sustainability and innovation separately, there is a dearth of research that explores their integration, especially using a mixed-methods approach in the Indian context. This study aims to fill this gap by combining qualitative and quantitative data to draw robust conclusions.

### **3. Methodology**

**3.1 Research Design** This study adopts a mixed-methods approach to capture both empirical and experiential dimensions of ESG-innovation integration.

**3.2 Qualitative Component** Semi-structured interviews were conducted with 15 senior executives from three sectors: manufacturing, FMCG, and IT. These interviews explored:

- Perceptions of sustainability accounting
- Strategic alignment of ESG with innovation
- Challenges and opportunities in implementation

**3.3 Quantitative Component** The quantitative dataset includes ESG scores, innovation indices (R&D spend, patent filings), and financial performance indicators (ROA, ROE) of 40 NSE-listed companies from 2021 to 2024.

Data sources:

- ESG scores from MSCI, Refinitiv
- Financial data from company annual reports
- Innovation data from DIPP, patent databases

## 4. Qualitative Findings

**4.1 Emerging Themes** From the interviews, four major themes emerged:

**Leadership Commitment:** Companies where leadership championed ESG goals showed higher levels of innovation. For example, Infosys has tied CEO compensation to ESG performance.

**Resource Constraints:** Especially in SMEs, budget limitations and lack of ESG-trained personnel were common barriers.

**Policy and Incentives:** Executives cited government policies, including the PLI scheme and tax rebates for R&D, as significant enablers.

**Integrated Strategy:** Leading firms are embedding ESG KPIs into their innovation frameworks. For instance, ITC has included carbon efficiency and social impact in its innovation evaluation metrics.

## 5. Quantitative Analysis

**5.1 Correlation and Regression** Statistical analysis revealed:

- Positive correlation ( $r = 0.63$ ) between ESG score and innovation index
- Firms in the top ESG quartile had:
  - 18% higher ROA
  - 12% higher ROE
- Regression analysis showed ESG score as a significant predictor of innovation performance ( $p < 0.01$ )

5.2 Sectoral Insights

Sector	Avg ESG Score	Avg ROA (%)	Avg R&D Spend (% of revenue)
IT Services	82	14.5	3.2
FMCG	76	13.2	1.8
Manufacturing	69	10.7	2.5
Energy	64	9.4	2.0

6. Discussion

**6.1 ESG as Innovation Enabler** The integration of ESG metrics into business operations enables structured decision-making in innovation. Companies that track carbon footprint, social impact, and governance risks are better positioned to identify inefficiencies and develop innovative solutions.

**6.2 Investor and Stakeholder Confidence** Firms with high ESG and innovation performance attract more long-term investors and enjoy better brand loyalty. This creates a virtuous cycle of sustainable investment and innovation.

**6.3 Policy Alignment** Indian government policies such as the National Innovation Policy, Atmanirbhar Bharat Abhiyan, and BRSR have created an ecosystem conducive to ESG-integrated innovation.

## **7. Implications for Practice**

### **For Corporate Leaders:**

- Integrate ESG metrics into innovation scorecards
- Foster cross-functional ESG-innovation teams

### **For Policymakers:**

- Provide tax and R&D credits for ESG-aligned innovations
- Expand PLI schemes to include sustainability-driven startups

### **For Investors:**

- Use ESG-Innovation alignment as a proxy for future growth
- Encourage disclosure standardization across industries

## **8. Conclusion**

Finally, research confirms that the integration of sustainability accounting and innovation is a critical success factor for modern businesses in India. Companies aligning ESG frameworks with innovation strategies not only enhance their financial performance but also contribute to national and global sustainability goals. The findings underscore the importance of strategic leadership, supportive policy frameworks, and data-driven decision-making in achieving sustainable growth.

## References

- Das, S., & Das, S. (2023). Technological Innovations Promoting Sustainability Through Strategic Management Accounting. *The Management Accountant*.
- Trivedi, S. (2021). Green Accounting in India. *International Journal of Trend in Scientific Research and Development (IJTSRD)*.
- Khanna, P. (2024). Carbon Accountability and Entrepreneurship. *IJISRT*.
- Sharma, A., & Swami, M. (2024). Green Disclosure Practices in Global Corporations. *Indian Journal of Accounting*.
- SEBI (2021). Business Responsibility and Sustainability Report (BRSR) Framework.
- Ministry of Commerce and Industry (2023). Performance Linked Incentive (PLI) Scheme Guidelines.
- DIPP (2022). Annual Report on Innovation and Startups in India.