

## **Triple bottom line reporting and its impact on financial performance of banks in India**

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**Abstract:** *Information requirements of diverse range of stakeholders has lead to dramatic shift in reporting practices from traditional financial reporting framework to encompass financial, environmental and social dimensions in performance measurement by adopting 'Triple Bottom Line' approach. Triple bottom line (TBL) endeavors at moving beyond conventional performance measurement systems based on profits to integrate environmental and social parameters to measure corporate performance. Considering the paramount role financial institutions play in an economy, banking sector must account for environmental and social impacts of their activities through triple bottom line approach. In this context, this paper attempts to identify triple bottom line reporting practices on a sample of 83 banks operating in India through content analysis. Further, Mann Whitney U test was conducted to analyze impact of triple bottom line reporting on financial performance of banks. Research provides an insight to banking sector on financial indicators that can lead to enhanced financial performance by adopting triple bottom line and drive towards sustainability.*

**Keywords:** Financial performance; performance measurement; triple bottom line; banking; financial reporting.

### **Introduction**

Sustainable development is a common agenda for global concern. According to the Brundtland's Report (1987), Sustainable Development is, 'To meet the needs of present without compromising the ability of future generations to meet their own needs'. It advocates the idea of 'Sustainable Growth'. Strong and ethical foundation is a prerequisite for long-term sustainable business growth (HDFC Life, 2018). This entails the business to consider impacts of wide range of sustainability issues, be more transparent about risks and opportunities to be faced (Global Reporting Initiative, 2018) and take into account social and environmental factors as well as the economic ones (Sharma, 2009). Need is to integrate 'Triple Bottom Line Reporting' into business strategy. Triple Bottom Line Reporting is synonymous with 'Sustainability Reporting', combines the analysis of financial and non-financial performance (Global Reporting Initiative, 2018). Triple Bottom Line coined by John Elkington (1998), is an accounting structure that takes into consideration social and environmental parameters besides incorporating only financial or economic dimension in reporting organizational performance. Dutta et al. (2011) claims that

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triple bottom line reflects an inclusive mechanism that assimilates conventional financial information along with non-financial information, to assist a firm to enhance economic value addition, besides putting it on a firm financial footing. Consequently, Triple bottom line framework measures the success of a business according to three parameters also known as 3P's: People, Planet and Profits (Elkington, 1998; Dixon, 2014); thereby it allows organizations to assess the ramifications of their decisions from a truly long-run perspective (Slaper and Hall, 2011). The more the organizations embrace their responsibility for triple bottom line, the more is the possibility of surviving into a sustainable future. (Elkington, 1998; Dixon, 2014).

### **Review of Literature**

#### **Triple Bottom Line and Banking**

Financial measures have long been foundation for measuring performance of banks. Yet, assessing banks' performance on financial parameter only exhibits a narrow view. Expectations that long term profitability in banking sector should go hand in hand with social justice and protecting the environment are gaining ground. Furthermore, considering the crucial role banking sector plays in economic and developmental activities of the world, contribution of banks to sustainable development is paramount. Hence, performance measurement of banks needs to be holistic financially, socially and environmentally to be sustainable in the long run by adopting triple bottom line approach. In the conducted research, it is reported that banks which take into perspective the needs of people and planet in decision making, outperform conventional banks (Global Alliance for Banking on Values, 2012). Besides, triple bottom line approach by banks facilitates enhanced lucidity that assists in building trust, integrity and visibility amongst diverse range of stakeholders, and leads to greater profitability for the bank (Climate Action in Financial Institutions, 2015). Prior research also underlines that communication of actions clearly through triple bottom line reporting in banking, not only help the larger community and environment, but foster the long term success and profitability of a bank (Watson and Larson, 2009).

#### **Triple Bottom Line and Financial Performance**

Extant literature reflects that research has been carried out on the impact of triple bottom line reporting on financial performance of the companies, despite the sector they belong (Whetman, 2018; Ching et al., 2017; Zyadat, 2017; Weber et al., 2008). Garg (2015) investigated relationship between sustainability reporting and financial performance of companies in India. Research reveals that sustainability reporting practices of a firm impact its financial performance negatively in short run while positively in long run. Whilst Loh et al., (2017) investigated relationship between sustainability reporting and firm value based on listed companies in Singapore. Empirical results suggest that sustainability reporting is positively related to firm's market value and relationship is independent of sector or firm status. With respect to banking sector, research indicates that banks operating on triple bottom line principles offer superior financial proceeds amid lesser instability (Korslund, 2016). Prior research also highlights that triple bottom line reporting by banks leads to recognition of environmental and social risks that can substantially influence financial performance (Birch, 2003) and offer reasonable financial returns whilst having a lower risk profile; thereby providing greater support for the real economy (Global Alliance for Banking on Values, 2012). On the contrary, it is also evident from prior

research that Triple bottom line reporting may not have any significant effect on the banking performance (Nobae and Ellili, 2017).

Literature review shows that ample research is available on triple bottom line reporting by companies and its impact on financial performance in India and various other countries viz. Singapore, Malaysia, UAE etc., but banking sector in India is not much explored area by practitioners and academicians. Relevant research on impact of implementation of triple bottom line reporting on financial performance by banks operating in India has not been carried out so far. Hence, this research is an endeavor to widen scope of traditional reporting which emphasizes financial profitability through Triple Bottom Line reporting to measure overall performance of banks. Furthermore, research is expected to provide an insight to banking sector on the financial indicators that can lead to enhanced financial performance by adopting triple bottom line and drive towards sustainability.

### Research Methodology

To identify the banks reporting on triple bottom line and not reporting on triple bottom line and to determine the impact of triple bottom line reporting practices on the financial performance of banks operating in India, a sample of 83 banks viz. 21 public sector banks, 23 private sector banks, 20 foreign banks, 3 state cooperative banks and 16 regional rural banks operating in India was selected. Research was confined to financial year 2016-17. Secondary data used for research was collected through published and audited annual financial reports of respective banks, official website of Reserve Bank of India, Business Responsibility Reports according to National Voluntary Guidelines/Corporate Social Responsibility Reports/Sustainability Reports/ Global Responsibility Initiative Reports obtained from official website of respective banks. To identify banks reporting and not reporting on triple bottom line, content analysis was applied where reporting practices of 83 sample banks were examined based on three parameters, viz. financial, environmental and social. Banks reporting on all three parameters, viz. financial, environmental and social were assigned ‘1’ and categorized as banks reporting on triple bottom line. Banks reporting only on one parameter or two parameters (not reporting on all three parameters) were assigned ‘0’ and categorized as banks not reporting on triple bottom line (Table 1).

**Table 1: List of banks and reporting status**

| Sector              | S.No. | Banks                     | Reporting on Financial Parameter | Reporting on Environmental Parameter | Reporting on Social Parameter |
|---------------------|-------|---------------------------|----------------------------------|--------------------------------------|-------------------------------|
| Public Sector Banks | 1     | Allahabad Bank            | Yes                              | Yes                                  | Yes                           |
|                     | 2     | Andhra Bank               | Yes                              | Yes                                  | Yes                           |
|                     | 3     | Bank of Baroda            | Yes                              | Yes                                  | Yes                           |
|                     | 4     | Bank of India             | Yes                              | Yes                                  | Yes                           |
|                     | 5     | Bank of Maharashtra       | Yes                              | Yes                                  | Yes                           |
|                     | 6     | Canara Bank               | Yes                              | Yes                                  | Yes                           |
|                     | 7     | Central Bank of India     | Yes                              | Yes                                  | Yes                           |
|                     | 8     | Corporation Bank          | Yes                              | Yes                                  | Yes                           |
|                     | 9     | Dena Bank                 | Yes                              | Yes                                  | Yes                           |
|                     | 10    | IDBI Bank                 | Yes                              | Yes                                  | Yes                           |
|                     | 11    | Indian Bank               | Yes                              | Yes                                  | Yes                           |
|                     | 12    | Indian Overseas Bank      | Yes                              | Yes                                  | Yes                           |
|                     | 13    | Oriental Bank of Commerce | Yes                              | Yes                                  | Yes                           |
|                     | 14    | Punjab and Sind Bank      | Yes                              | Yes                                  | Yes                           |
|                     | 15    | Punjab National Bank      | Yes                              | Yes                                  | Yes                           |

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|                      |                         |  |     |     |     |
|----------------------|-------------------------|--|-----|-----|-----|
|                      | 16                      | State Bank of India                            | Yes | Yes | Yes |
|                      | 17                      | Syndicate Bank                                 | Yes | Yes | Yes |
|                      | 18                      | UCO Bank                                       | Yes | Yes | Yes |
|                      | 19                      | Union Bank of India                            | Yes | Yes | Yes |
|                      | 20                      | United Bank of India                           | Yes | Yes | Yes |
|                      | 21                      | Vijaya Bank                                    | Yes | Yes | Yes |
| Private Sector Banks | 22                      | AXIS Bank                                      | Yes | Yes | Yes |
|                      | 23                      | Bandhan Bank                                   | Yes | Yes | Yes |
|                      | 24                      | Capital Small Finance Bank                     | Yes | Yes | Yes |
|                      | 25                      | Catholic Syrian Bank                           | Yes | Yes | Yes |
|                      | 26                      | City Union Bank                                | Yes | Yes | Yes |
|                      | 27                      | Coastal Local Area Bank                        | Yes | No  | Yes |
|                      | 28                      | DCB Bank                                       | Yes | Yes | Yes |
|                      | 29                      | Dhanlaxmi Bank                                 | Yes | Yes | Yes |
|                      | 30                      | Federal Bank                                   | Yes | Yes | Yes |
|                      | 31                      | HDFC Bank                                      | Yes | Yes | Yes |
|                      | 32                      | ICICI Bank                                     | Yes | Yes | Yes |
|                      | 33                      | IDFC Bank                                      | Yes | Yes | Yes |
|                      | 34                      | IndusInd Bank                                  | Yes | Yes | Yes |
|                      | 35                      | Jammu & Kashmir Bank                           | Yes | Yes | Yes |
|                      | 36                      | Karnataka Bank                                 | Yes | Yes | Yes |
|                      | 37                      | Karur Vysya Bank                               | Yes | Yes | Yes |
|                      | 38                      | Kotak Mahindra Bank                            | Yes | Yes | Yes |
|                      | 39                      | Krishna Bhima Samruddhi local area bank        | Yes | No  | Yes |
|                      | 40                      | Lakshmi Vilas Bank                             | Yes | Yes | Yes |
|                      | 41                      | Nainital Bank                                  | Yes | No  | Yes |
| 42                   | RBL                     | Yes  | Yes | Yes |     |
| 43                   | South Indian bank       | Yes  | Yes | Yes |     |
| 44                   | Yes Bank                | Yes  | Yes | Yes |     |
| Foreign Banks        | 45                      | Abu Dhabi Commercial Bank                      | Yes | No  | Yes |
|                      | 46                      | Amercian Express Banking Corporation           | Yes | No  | Yes |
|                      | 47                      | Australia and Newzealand Banking Group Limited | Yes | No  | Yes |
|                      | 48                      | Bank of America                                | Yes | Yes | Yes |
|                      | 49                      | Bank of Bahrain                                | Yes | Yes | Yes |
|                      | 50                      | BNP Paribas                                    | Yes | No  | Yes |
|                      | 51                      | CITI Bank                                      | Yes | No  | Yes |
|                      | 52                      | Cooperatieve Rabobank                          | Yes | No  | Yes |
|                      | 53                      | Credit Agricole                                | Yes | No  | Yes |
|                      | 54                      | Credit Suisse                                  | Yes | No  | Yes |
|                      | 55                      | DBS Bank                                       | Yes | No  | Yes |
|                      | 56                      | Deutsche Bank                                  | Yes | No  | Yes |
|                      | 57                      | Doha Bank                                      | Yes | Yes | Yes |
|                      | 58                      | Hongkong And Shanghai Banking Corporation      | Yes | No  | Yes |
|                      | 59                      | Industrial And Commercial Bank of China        | Yes | No  | Yes |
| 60                   | Royal Bank of Scotland  | Yes  | Yes | Yes |     |
| 61                   | Societe Generale        | Yes  | Yes | Yes |     |
| 62                   | Standard Chartered Bank | Yes  | Yes | Yes |     |
| 63                   | United Overseas Bank    | Yes  | No  | Yes |     |

|                      |    |   |     |     |     |
|----------------------|----|---|-----|-----|-----|
|                      | 64 | Westpac Banking Corporation                 | Yes | No  | Yes |
| Co-operative Banks   | 65 | Andaman and Nicobar State Co-operative Bank | Yes | No  | Yes |
|                      | 66 | Goa State Co-operative Bank                 | Yes | No  | Yes |
|                      | 67 | Orissa State Co-operative Bank              | Yes | No  | Yes |
| Regional Rural Banks | 68 | Andhra Pradesh Grameena Vikas Bank          | Yes | Yes | Yes |
|                      | 69 | Andhra Pragathi Grameena Bank               | Yes | Yes | Yes |
|                      | 70 | Arunachal Pradesh Rural Bank                | Yes | No  | Yes |
|                      | 71 | Assam Gramin Vikash Bank                    | Yes | No  | Yes |
|                      | 72 | Baroda Gujarat Gramin Bank                  | Yes | No  | Yes |
|                      | 73 | Baroda UP Gramin Bank                       | Yes | No  | Yes |
|                      | 74 | Chaitanya Godavari Grameena Bank            | Yes | Yes | Yes |
|                      | 75 | Kaveri Gramin Bank                          | Yes | Yes | Yes |
|                      | 76 | Langpi Dehangi Rural Bank                   | Yes | No  | Yes |
|                      | 77 | Malwa Gramin Bank                           | Yes | No  | Yes |
|                      | 78 | Meghalaya Rural Bank                        | Yes | Yes | Yes |
|                      | 79 | Pandyan Grama Bank                          | Yes | Yes | Yes |
|                      | 80 | Paschim Banga Gramin Bank                   | Yes | No  | Yes |
|                      | 81 | Saurashtra Gramin Bank                      | Yes | No  | Yes |
|                      | 82 | Telangana Grameena Bank                     | Yes | No  | Yes |
|                      | 83 | Tripura Gramin Bank                         | Yes | No  | Yes |

Subsequently, to determine the impact of triple bottom line reporting on financial performance of banks operating in India, CAMEL (Capital Adequacy, Asset Quality, Management, Earnings and Liquidity) model has been applied for this research. Financial performance indicators under each parameter of CAMEL model selected are as follows

**Table 2: Financial Performance Indicators based on CAMEL Model**

| Parameters of CAMEL Model | Significance   | Financial Performance Indicators  |
|---------------------------|--|---|
| Capital Adequacy          | <ul style="list-style-type: none"> <li>To determine risk bearing capability</li> </ul>   | <ul style="list-style-type: none"> <li>Capital to Risk Weighted Assets Ratio</li> <li>Advances to Total Assets Ratio</li> </ul>   |
| Asset Quality             | <ul style="list-style-type: none"> <li>To determine healthiness of banks against loss of value in the assets</li> </ul>                        | <ul style="list-style-type: none"> <li>Net NPAs to Net Advances Ratio</li> <li>Total Investments to Total Assets Ratio</li> </ul> |
| Management                | <ul style="list-style-type: none"> <li>To determine soundness of management of a bank</li> </ul>   | <ul style="list-style-type: none"> <li>Return on Advances</li> <li>Credit Deposit Ratio</li> </ul>                                |
| Earnings                  | <ul style="list-style-type: none"> <li>To determine sustainability and growth of future earnings</li> </ul>                                    | <ul style="list-style-type: none"> <li>Return on Assets</li> <li>Ratio of Interest Income to Total Assets</li> </ul>              |
| Liquidity                 | <ul style="list-style-type: none"> <li>To determine institution's ability to meet unanticipated funds that is claimed by depositors</li> </ul> | <ul style="list-style-type: none"> <li>Cash Deposit Ratio</li> <li>Liquid Assets to Total Assets Ratio</li> </ul>                 |

After collecting data required for research, Kolmogorov-Smirnov and Shapiro-Wilk tests were applied to test normal distribution of data. In consequence of tests, it was found that data

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was not normally distributed ( $p < 0.05$ ). Consequently, a non-parametric Mann Whitney U test was conducted using statistical software SPSS 23.

Hypotheses were formulated as follows based on financial indicators of CAMEL model:

### **Capital to Risk Weighted Assets Ratio (CRAR)**

Capital to risk weighted assets ratio is arrived at by dividing capital of the bank with aggregated risk weighted assets for credit risk, market risk and operational risk. The higher the CRAR of a bank, the better capitalized it is (Reserve Bank of India, 2018).

**H<sub>0a</sub>:** There exists no significant difference in capital to risk weighted assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1a</sub>:** There exists significant difference in capital to risk weighted assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Advances to Total Assets Ratio**

This ratio indicates bank's aggressiveness in lending which ultimately leads to better profitability. It is arrived by dividing total advances by total assets. Higher the ratio, better it is (Aspal and Dhawan, 2014).

**H<sub>0b</sub>:** There exists no significant difference in advances to total assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1b</sub>:** There exists significant difference in advances to total assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Net Non Performing Assets (NPA) to Net Advances Ratio**

It is the most standard measure of assets quality measuring the net non-performing assets as a percentage to net advances (Prasad and Ravinder, 2012).

**H<sub>0c</sub>:** There exists no significant difference in net NPA to net advances ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1c</sub>:** There exists significant difference in net NPA to net advances ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Total Investments to Total Assets Ratio**

It indicates the extent to which assets are employed in investment as against advances (Prasad and Ravinder, 2012).

**H<sub>0d</sub>:** There exists no significant difference in total investments to total assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1d</sub>:** There exists significant difference in total investments to total assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Return on Advances**

It is a value obtained by dividing interest earned on advances and bills by advances (Reserve Bank of India, 2018).

**H<sub>0e</sub>:** There exists no significant difference in return on advances of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1e</sub>:** There exists significant difference in return on advances of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Credit Deposit Ratio**

The credit deposit (CD) ratio is the portion of loan assets generated by banks from the deposits received. Higher the ratio, higher the loan assets are generated from the deposits, hence leading to more income generation options for the banks (Biswal and Gopalakrishna, 2014).

**H<sub>0f</sub>:** There exists no significant difference in credit deposit ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1f</sub>:** There exists significant difference in credit deposit ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Return on Assets**

Return on Assets (ROA) is a profitability ratio which indicates the net profit (net income) generated on total assets. It is computed by dividing net income by average total assets (Reserve Bank of India, 2018).

**H<sub>0g</sub>:** There exists no significant difference in return on assets of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1g</sub>:** There exists significant difference in return on assets of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Ratio of Interest Income to Total Assets**

This ratio indicates the interest earned on total assets. Higher the ratio, better it is (Reserve Bank of India, 2018).

**H<sub>0h</sub>:** There exists no significant difference in ratio of interest income to total assets of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1h</sub>:** There exists significant difference in ratio of interest income to total assets of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Cash Deposit Ratio**

It is calculated by dividing total of cash in hand and balances with RBI by the deposits (Reserve Bank of India, 2018).

**H<sub>0i</sub>:** There exists no significant difference in cash deposit ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1i</sub>:** There exists significant difference in cash deposit ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Liquid Assets to Total Assets Ratio**

It measures overall liquidity position of the bank. Liquid asset includes cash in hand, balance with RBI and financial institutions in current account and money at call and short notice. It is arrived by dividing liquid assets to total assets (Aspal and Dhawan, 2014).

**H<sub>0j</sub>:** There exists no significant difference in liquid assets to total assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

**H<sub>1j</sub>:** There exists significant difference in liquid assets to total assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line.

### **Results and Discussion**

Results of Mann Whitney U test carried out to compare capital to risk weighted assets ratio (CRAR) of two groups of banks viz. banks reporting on triple bottom line and banks not

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reporting on triple bottom line, demonstrate no significant differences ( $p = 0.061 > 0.05$ ). It is likely to conclude from Table 3 that triple bottom line reporting does not have a dramatic effect on CRAR of sample banks which are reporting on triple bottom line and banks not reporting on triple bottom line.

**Table 3: Impact of triple bottom line reporting practices by banks on capital to risk weighted assets ratio (CRAR)**

| Ranks and Test Statistics |                  |           |           |              |                |            |        |                                  |
|---------------------------|------------------|-----------|-----------|--------------|----------------|------------|--------|----------------------------------|
|                           | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z      | Asymp. Sig. (2-tailed) (p value) |
| CRAR                      | Reporting        | 52        | 35.69     | 1856.00      | 478.000        | 1.856E3    | -1.871 | .061                             |
|                           | Not Reporting    | 25        | 45.88     | 1147.00      |                |            |        |                                  |
|                           | <b>Total</b>     | <b>77</b> |           |              |                |            |        |                                  |

Statistical results in Table 4 provide evidence to reject the null hypothesis. There exists significant difference ( $p = 0.000 < 0.05$ ) in the advances to total assets ratio of banks reporting on triple bottom line and banks not reporting on triple bottom line. Since mean ranks of advances to total assets ratio of banks reporting on triple bottom line is 46.98 which is higher than 25.77 mean rank of banks not reporting on triple bottom line, it can be inferred that banks reporting on triple bottom line are performing better than banks not reporting on triple bottom line with respect to advances to total assets ratio.

**Table 4: Impact of triple bottom line reporting practices by banks on advances to total assets ratio**

| Ranks and Test Statistics      |                  |           |           |              |                |            |        |                                  |
|--------------------------------|------------------|-----------|-----------|--------------|----------------|------------|--------|----------------------------------|
|                                | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z      | Asymp. Sig. (2-tailed) (p value) |
| Advances to Total Assets Ratio | Reporting        | 53        | 46.98     | 2490.00      | 319.000        | 670.000    | -3.860 | .000                             |
|                                | Not Reporting    | 26        | 25.77     | 670.00       |                |            |        |                                  |
|                                | <b>Total</b>     | <b>79</b> |           |              |                |            |        |                                  |

Mann Whitney U test results in Table 5 indicate that there is statistical significant difference ( $p = 0.013 < 0.05$ ) in net NPA to net advances ratio of banks reporting on triple bottom line and not reporting on triple bottom line with mean ranks of 43.89 and 30.20 respectively. Since lower NPAs assert better asset quality of banks, banks not reporting on triple bottom line demonstrate better performance than the banks reporting on triple bottom line. Hence, null hypothesis is rejected.

**Table 5: Impact of triple bottom line reporting practices by banks on Net NPA to Net advances ratio**

| Ranks and Test Statistics     |                  |           |           |              |                |            |        |                                  |
|-------------------------------|------------------|-----------|-----------|--------------|----------------|------------|--------|----------------------------------|
|                               | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z      | Asymp. Sig. (2-tailed) (p value) |
| Net NPA to Net Advances Ratio | Reporting        | 53        | 43.89     | 2326.00      |                |            |        |                                  |
|                               | Not Reporting    | 25        | 30.20     | 755.00       | 430.000        | 755.000    | -2.494 | .013                             |
|                               | <b>Total</b>     | <b>78</b> |           |              |                |            |        |                                  |

As it is apparent in Table 6, statistical results fail to reject the null hypothesis. Mann Whitney U test found no meaningful differences ( $p = 0.194 > 0.05$ ) in total investments to total assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line with mean ranks of 37.65 and 44.79 respectively.

**Table 6: Impact of triple bottom line reporting practices by banks on total investments to total assets ratio**

| Ranks and Test Statistics               |                  |           |           |              |                |            |        |                                  |
|---|------------------|-----------|-----------|--------------|----------------|------------|--------|----------------------------------|
|   | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z      | Asymp. Sig. (2-tailed) (p value) |
| Total Investments to Total Assets Ratio | Yes              | 53        | 37.65     | 1995.50      |                |            |        |                                  |
|   | Not Reporting    | 26        | 44.79     | 1164.50      | 564.500        | 1995.500   | -1.299 | .194                             |
|   | <b>Total</b>     | <b>79</b> |           |              |                |            |        |                                  |

Results of Mann Whitney U test in Table 7 demonstrate no significant difference ( $p = 0.115 > 0.05$ ) in return on advances of banks reporting on triple bottom line and banks not reporting on triple bottom line with mean ranks of 42.36 and 33.79 respectively. Hence, statistical results fail to reject null hypothesis and return on advances of two groups of banks is same.

**Table 7: Impact of triple bottom line reporting practices by banks on return on advances**

| Ranks and Test Statistics |                  |           |           |              |                |            |        |                                  |
|---------------------------|------------------|-----------|-----------|--------------|----------------|------------|--------|----------------------------------|
|                           | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z      | Asymp. Sig. (2-tailed) (p value) |
| Return on Advances        | Yes              | 52        | 42.36     | 2202.50      |                |            |        |                                  |
|                           | Not Reporting    | 26        | 33.79     | 878.50       | 527.500        | 878.500    | -1.574 | .115                             |
|                           | <b>Total</b>     | <b>78</b> |           |              |                |            |        |                                  |

Test results in Table 8 assert that there exists no statistically significant difference ( $p = 0.146 > 0.05$ ) in credit deposit ratio of banks reporting on triple bottom line and not reporting on triple bottom line with mean ranks of 41.08 and 33.34. Statistical results fail to reject null

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hypothesis and triple bottom line has no impact on the credit deposit ratio of two groups of banks.

**Table 8: Impact of triple bottom line reporting practices by banks on credit deposit ratio**

| Ranks and Test Statistics |                  |           |           |              |                |            |        |                                  |
|---------------------------|------------------|-----------|-----------|--------------|----------------|------------|--------|----------------------------------|
|                           | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z      | Asymp. Sig. (2-tailed) (p value) |
| Credit Deposit Ratio      | Yes              | 51        | 41.08     | 2095.00      |                |            |        |                                  |
|                           | Not Reporting    | 25        | 33.24     | 831.00       | 506.000        | 831.000    | -1.454 | .146                             |
|                           | <b>Total</b>     | <b>76</b> |           |              |                |            |        |                                  |

Test results of Table 9 fail to reject the null hypothesis. No statistical differences ( $p = 0.422 > 0.05$ ) were found in return on assets of banks reporting on triple bottom line and not reporting on triple bottom line with mean ranks of 38.55 and 42.96 respectively. It can be inferred that triple bottom line has no impact on return on assets of two groups of banks.

**Table 9: Impact of triple bottom line reporting practices by banks on return on assets**

| Ranks and Test Statistics |                  |           |           |              |                |            |       |                                  |
|---------------------------|------------------|-----------|-----------|--------------|----------------|------------|-------|----------------------------------|
|                           | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z     | Asymp. Sig. (2-tailed) (p value) |
| Return On Assets          | Yes              | 53        | 38.55     | 2043.00      |                |            |       |                                  |
|                           | Not Reporting    | 26        | 42.96     | 1117.00      | 612.000        | 2043.000   | -.803 | .422                             |
|                           | <b>Total</b>     | <b>79</b> |           |              |                |            |       |                                  |

Results in Table 10 provide an evidence to reject null hypothesis ( $p = 0.000 < 0.05$ ). The mean rank of banks reporting on triple bottom line is 47.32 which is higher than the mean rank of 25.08 of the banks not reporting on triple bottom line. It can be concluded that ratio of interest income to total assets of banks reporting on triple bottom line was statistically significantly higher and are performing better than the banks not reporting on triple bottom line.

**Table 10: Impact of triple bottom line reporting practices by banks on ratio of interest income to total assets**

| Ranks and Test Statistics                |                  |           |           |              |                |            |        |                                  |
|--|------------------|-----------|-----------|--------------|----------------|------------|--------|----------------------------------|
|  | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z      | Asymp. Sig. (2-tailed) (p value) |
| Ratio of Interest Income to Total Assets | Yes              | 53        | 47.32     | 2508.00      |                |            |        |                                  |
|  | Not Reporting    | 26        | 25.08     | 652.00       | 301.000        | 652.000    | -4.048 | .000                             |
|  | <b>Total</b>     | <b>79</b> |           |              |                |            |        |                                  |

Results in Table 11 fail to reject the null hypothesis. No statistical differences ( $p = 0.839 > 0.05$ ) were found in cash deposit ratio following Mann Whitney U test which was conducted to compare banks reporting on triple bottom line and not reporting on triple bottom line with mean ranks of 37.65 and 44.79 respectively.

**Table 11: Impact of Triple Bottom Line Reporting Practices by Banks on Cash Deposit Ratio**

| Ranks and Test Statistics |                  |           |           |              |                |            |       |                                  |
|---------------------------|------------------|-----------|-----------|--------------|----------------|------------|-------|----------------------------------|
|                           | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z     | Asymp. Sig. (2-tailed) (p value) |
| Cash Deposit Ratio        | Yes              | 53        | 40.12     | 2126.50      |                |            |       |                                  |
|                           | Not Reporting    | 27        | 41.24     | 1113.50      | 695.500        | 2126.500   | -.204 | .839                             |
|                           | <b>Total</b>     | <b>80</b> |           |              |                |            |       |                                  |

Results in Table 12 fail to reject the null hypothesis. No statistical differences ( $p = 0.367 > 0.05$ ) were found in liquid assets to total assets ratio of banks reporting on triple bottom line and not reporting on triple bottom line with mean ranks of 36.49 and 41.41 respectively. It can be inferred that triple bottom line has no impact on liquid assets to total assets ratio of two groups of banks.

**Table 12: Impact of triple bottom line reporting practices by banks on liquid assets to total assets ratio**

| Ranks and Test Statistics           |                  |           |           |              |                |            |       |                                  |
|-------------------------------------|------------------|-----------|-----------|--------------|----------------|------------|-------|----------------------------------|
|                                     | Reporting Status | N         | Mean Rank | Sum of Ranks | Mann-Whitney U | Wilcoxon W | Z     | Asymp. Sig. (2-tailed) (p value) |
| Liquid Assets to Total Assets Ratio | Yes              | 52        | 36.49     | 1897.50      |                |            |       |                                  |
|                                     | Not Reporting    | 23        | 41.41     | 952.50       | 519.500        | 1897.500   | -.902 | .367                             |
|                                     | <b>Total</b>     | <b>75</b> |           |              |                |            |       |                                  |

### Findings

Based on this research, it is observed that 53 banks are reporting on all three parameters viz. financial, environmental and social and are categorized as banks reporting on triple bottom line. Rest 30 banks are grouped under not reporting category. Findings of research disclose a substantial variation between advances to total assets ratio, net NPA to net advances ratio and ratio of interest income to total assets of the two groups of banks. Results exhibit that banks reporting on triple bottom line have positive impact on advances to total assets ratio and ratio of interest income to total assets and are performing better than the banks not reporting on triple bottom line. Findings validate previous studies which reported positive relation between triple bottom line and financial performance (Palmer, 2012; Weber et al., 2008). However, banks not reporting on triple bottom line exhibit better performance in terms of net NPA to net advances ratio. On the contrary, there exists no meaningful difference between banks reporting on triple bottom line and not reporting on triple bottom line in terms of capital to risk weighted assets ratio (CRAR), total investments to total assets ratio, return on advances, credit deposit ratio, return on assets, cash deposit ratio and liquid assets to total assets ratio.

### **Conclusion**

Triple bottom line plays a vital role in determining sustainability of business in the long run. No single bottom line can sustain a business alone. Need is to integrate triple bottom line reporting into business strategy. As in other sectors, triple bottom line reporting in banking sector too offers new and innovative ways to gauge success besides satisfying needs of diverse group of stakeholders. This research highlights that impact of triple bottom line reporting on financial performance is not considerable. There exists no meaningful difference in financial performance of banks reporting on triple bottom line and not reporting on triple bottom line in terms of capital to risk weighted assets ratio (CRAR), total investments to total assets ratio, return on advances, credit deposit ratio, return on assets, cash deposit ratio and liquid assets to total assets ratio. However, banks reporting on triple bottom line reflect superior performance in terms of advances to total assets ratio and ratio of interest income to total assets. On the contrary, lesser net NPA to Net Advances Ratio reflects better asset quality of banks not reporting on triple bottom line.

### **Managerial Implications**

Since triple bottom line reporting impacts net NPA to net advances ratio, advances to total assets ratio and ratio of interest income to total assets, this research suggests banks to adopt triple bottom line reporting as a tool to enhance their competitiveness.

### **Limitations and Directions for Future Research**

This research is limited to a sample of 83 banks only operating in India for which secondary data was readily available. Current research focused only on banking sector. Since, triple bottom line vary across industries due to nature of their operations, future research can be conducted by comparing triple bottom line reporting in banking industry with other industries. Besides, triple bottom line reporting practices being followed in banking sector and their impact on financial performance can be explored.

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