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ESG

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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- **THE INSTITUTE OF COST ACCOUNTANTS OF INDIA** (erstwhile The Institute of Cost and Works Accountants of India) was established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy.
- On 28 May 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act 1959 as a statutory professional body for the regulation of the profession of cost and management accountancy.
- It has since been continuously contributing to the growth of the industrial and economic climate of the country.
- The Institute of Cost Accountants of India is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

MISSION STATEMENT

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

VISION STATEMENT

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

IDEALS THE INSTITUTE STANDS FOR

- *to develop the Cost and Management Accountancy profession*
- *to develop the body of members and properly equip them for functions*
- *to ensure sound professional ethics*
- *to keep abreast of new developments*

Behind every successful business decision, there is always a **CMA**

Headquarters
CMA Bhawan, 12 Sudder Street
Kolkata - 700016

Institute Motto

असतोमा सद्गमय
तमसोमा ज्योतिर् गमय
मृत्योर्मामृतं गमय
ॐ शान्ति शान्ति शान्तिः

From ignorance, lead me to truth
From darkness, lead me to light
From death, lead me to immortality
Peace, Peace, Peace

Delhi Office
CMA Bhawan, 3 Institutional Area
Lodhi Road, New Delhi - 110003

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MARCH 2022

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We have expanded our Readership from **1** to **94** Countries

Afghanistan, Algeria, Argentina, Australia, Azerbaijan, Bahrain, Bangladesh, Belgium, Benin, Botswana, Brazil, British Indian Ocean Territory, Bulgaria, Cambodia, Cameroon, Canada, Chile, China, Colombia, Croatia, Czech Republic, Djibouti, Egypt, France, Gambia, Germany, Ghana, Great Britain, Greece, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Kazakhstan, Kenya, Kuwait, Lebanon, Liberia, Lithuania, Malawi, Malaysia, Mauritius, Mexico, Morocco, Myanmar, Namibia, Nepal, Netherlands, New Zealand, Nigeria, Oman, Pakistan, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, Russia, Rwanda, Saudi Arabia, Serbia, Seychelles, Singapore, Slovakia, Slovenia, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Syria, Taiwan, Tanzania, Thailand, Turkey, Uganda, Ukraine, United Arab Emirates, United Kingdom, United States of America, Vietnam, Zaire, Zimbabwe.

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EDITOR - CMA (Dr.) Debaprosanna Nandy
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- **Articles/Publications/News/Contents/Letters/Book Review/Enlistment**
  editor@icmai.in
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EDITORIAL OFFICE

CMA Bhawan, 4th Floor, 84, Harish Mukherjee Road Kolkata - 700 025;
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EDITORIAL

Environmental, Social & Governance (ESG)

Environmental, Social and Governance (ESG) are three key factors used to measure a company's sustainability and social responsibility performance. ESG is more than good intentions. It's about creating a tangible, practical plan that achieves real results. Success is not about climate change, diversity and disclosures alone. It's about embedding these principles - and more across your business - from investment to sustainable innovation. Bringing together your best people and smartest technology so you can see more, go deeper and act swiftly. Enabling you to tackle the biggest challenges of today – and capture the best opportunities of tomorrow. Investing responsibly, or considering environmental, social and corporate governance (ESG) criteria in investment valuations and assessment, can generate long-term competitive financial returns and positive societal impact.

Hence, organizations worldwide are developing and embedding environmental, social and governance strategies to build sustainable businesses. Both global and Indian business operations have been undergoing significant changes amidst externalities such as climate change, finite resource availability, deteriorating ecosystems and evolving stakeholder expectations. The Covid-19 pandemic and associated business disruptions have only heightened and reinforced the need for action, making ESG a critical agenda for companies as they are focusing on long-term sustainable growth.

In 2013, India became the first country to mandate corporate social responsibility with the Companies Act of 2013. This tenet was previously suggested in the National Voluntary Guidelines (NVGs) on Social, Environmental and Economic Responsibilities of Business released in 2011 before being included in the Companies Act 2013. Additionally, the top 500 listed firms in India by market-cap were instructed by SEBI to disclose indicators of business responsibility and sustainability through Business Responsibility Reporting (BRR). SEBI in India plays the role of market regulator, regulating securities, and protecting the interests of the stakeholders in the market. SEBI is also responsible for the implementation of an efficient ESG policy mechanism. In 2021, SEBI issued a circular containing details of new sustainability-related reporting requirements called the Business Responsibility and Sustainability Report (BRSR), which brings India's sustainability reporting to global reporting standards.

The new Environment, Social, and Governance (ESG) reporting format outlines mandatory ESG policies and requirements for the top 1000 listed companies by market capitalization. The format is based on the nine principles stipulated in the "National Guidelines on Responsible Business Conduct" (RBC Guidelines). The RBC Guidelines addresses key sustainability matters, such as business ethics and transparency, human rights, environmental safety, and fair labour practices. The reporting format is mandatory from FY 2022-23 but is voluntary for FY 2021-22. This is to provide companies with sufficient time to adapt to the new reporting compliance. The BRSR is aimed at securing transparent and standardized disclosures by companies on their ESG parameters and sustainability-related risks. This approach is expected to help companies better demonstrate their sustainability objectives, position, and performance to the market, resulting in long-term value creation and increasing the ability of investors to make informed ESG-related decisions.

CMAs play a key role in the ESG adoption process. They are professionally competent enough to assess the environmental and social impact of investments; advise corporate governance practices that best matches the expectations of the investors and other stakeholders; suggest smart materials, energy-efficient processes and technologies for building construction in consultation with the functional specialists; propose effective and efficient ways of usage of water, electricity and also effective means of waste disposal; contribute towards the preservation of environmental quality and bio-diversity and ensuring that sustainability issues are factored into corporate strategies and capital allocation decisions. By enabling scientific ESG adoption, CMAs can ensure the sustainability of corporate performance.

We know, International Women's Day is celebrated this month (March 8) globally to mark the social, economic, cultural and political achievements of women around the world. Hence, it offers me an opportunity to pen down a few words on women's achievement in this month's editorial column. Influential women can be found leading us in 2022 in politics, business, sports, entertainment, philanthropy, science, environmental conservation, and even in space are: First Lady Dr. Jill Biden and Vice President Kamala Harris. Astronaut Kayla Barron is another woman of impact set to make history, as she was chosen by NASA to become the first woman to walk on the moon in just a few years. Athletes include Serena Williams, Naomi Osaka, and Simone Biles. Greta Thunberg is amongst the most famous women in the world as she continues to bring attention to the world's environmental issues. The entertainment realm is packed full of women with influence such as Oprah Winfrey, Rihanna, Lady Gaga, and Angelina Jolie. At this outset, we must mention India's first ESG-focused start-up venture program ONE in India formed by Nadine Bruder of Germany, and Pritika Kumar from India to support impact-driven founders who blend sustainability, disruptive technologies, and game-changing solutions to help solve India's most pressing challenges.

This issue presents a good number of articles on the cover story "Environmental, Social & Governance (ESG)" written by distinguished experts. We look forward to constructive feedback from our readers on the articles and overall development of the Journal. Please send your emails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers will enjoy the articles.

THE MANAGEMENT ACCOUNTANT

PAPERS INVITED

Cover Stories on the topics given below are invited for ***'The Management Accountant'*** for the four forthcoming months

Month	Theme	Subtopics
April 2022	Evidence-based Management (EBM)	⦿ Evidence-based Decision Making ⦿ Evidence-based Human Resource Management ⦿ Evidence-based Policy Making ⦿ Evidence -based Health Care ⦿ Evidence synthesis and Systematic review ⦿ Critical thinking on EBM ⦿ Creativity and Culture
May 2022	'Social Entrepreneurship': Catalyst for inclusive business growth	⦿ Social Entrepreneurship in India: Opportunities and Challenges ⦿ Frugal Innovation and Social Entrepreneurship ⦿ Re-inventing social entrepreneurship in the COVID era ⦿ Socialpreneur vs. Entrepreneur ⦿ Agritech and Social Entrepreneurship ⦿ Fintech: Driving force for Social good ⦿ Addressing present-day inequities and gaps: Why India needs Social Entrepreneurs? ⦿ Future of Entrepreneurship in Industry 4.0
June 2022	Revolutionizing Agriculture for Enhancing Food Security	⦿ Innovations for Resilient Agro-Food System ⦿ Food security and safety: Challenges and Opportunities ⦿ Doubling farmers' income by 2022: Progress so far and future course of action ⦿ Agri Cost Management & Profitability for Sustainable Food Security ⦿ Crop diversification: Significant way-out for Doubling Farmers' Income ⦿ Concerns and Policy Recommendations for building resilience in post-pandemic situation ⦿ Artificial Intelligence (AI) based Smart Agriculture for Sustainable Development ⦿ Agri Start-ups: Emerging backbone of Farm Value Chains ⦿ Agri Banking & Agri Entrepreneurship ⦿ Union Budget 2022-23: Measures to boost Farmers' Income ⦿ Technology Diffusion and R&D activities for Agricultural Sustainability in India
July 2022	Emerging Trends and Innovation in Internal Audit Practices	⦿ The Fundamentals of an effective Internal Audit Practice ⦿ Significance of Internal Audit in Corporate Governance ⦿ Managing the Impact of the Pandemic on Financial Crimes: Role of Internal Auditors ⦿ IT Risk Management & Cloud Security Audit ⦿ Use of RPA in Internal Auditing ⦿ Auditing Cyber: Operational Risks ⦿ Exploring Internal Auditor's role in ESG Reporting ⦿ Risk Assessment in Audit Planning

The above subtopics are only suggestive and hence the articles may not be limited to them only.

Articles on the above topics are invited from readers and authors along with scanned copies of their recent passport size photograph and scanned copy of declaration stating that the articles are their own original and have not been considered for anywhere else. Please send your articles by e-mail to editor@icmai.in latest by the 1st week of the previous month.

DIRECTORATE OF JOURNAL & PUBLICATIONS
CMA Bhawan, 4th Floor, 84 Harish Mukherjee Road, Kolkata - 700025, India
Board: +91 33 2454 0086 / 87 / 0184 Tel-Fax: +91 33 2454 0063
www.icmai.in

PRESIDENT'S COMMUNIQUÉ

CMA P. Raju Iyer
President
The Institute of Cost Accountants of India

"If you educate a man, you educate an individual, but if you educate a woman, you educate a whole family. Women empowered means mother India empowered."

- Pt. Jawaharlal Nehru

My Dear Professional Colleagues,

It gives me immense pleasure to inform that the Institute has set up a Book Stall (No. 430) at "The 45th International Kolkata Book Fair - 2022" at Central Park Mela Ground, Salt Lake, Kolkata. This year's focal theme country is Bangladesh to mark Bangabandhu Sheikh Mujibur Rahman's birth centenary and the golden jubilee of Bangladesh's independence. Our Stall was inaugurated on 28th February, 2022. The book fair will conclude on 13th March, 2022. The Institute is receiving an overwhelming response from the visitors who are showing interest in various publications, Journals, Study Materials and CMA course of the Institute. The Institute has also organized Quiz Fest with Quiz Master Shri Sabyasachi Ray which received a very good response from all the participants on all 3 sessions conducted. Hence, we are planning to hold few more Quiz Sessions in the forthcoming days. I convey my sincere gratitude to my Council Colleagues, Institute officials and support staffs for their kind support in making this endeavour a great success.

Results of December 2021 term examination

I take this opportunity to congratulate all the students who have passed the December 2021 term examinations of Foundation, Intermediate and Final Course. I wish all the newly qualified CMAs a bright and successful career.

Meetings with dignitaries

I am happy inform you that I along with CMA Vijender Sharma, Vice President, CMA Chittaranjan Chattopadhyay, Council Member and CMA Rakesh Singh, Past President of the Institute had an opportunity to meet Shri Mahesh Poddar, Hon'ble Member of Parliament (Rajya Sabha) on 14th February, 2022 at Ranchi to handover and discuss the proposal for implementation of CAT course of the Institute in Jharkhand State.

I along with CMA Vijender Sharma, Vice President, Dr. J. D. Sharma, Chairperson, IPA of ICAI, Dr. Divya Sharma, Independent Director, IPA of ICAI, AVM Rakesh Kumar Khattri (Retd), MD of IPA of ICAI, CMA (Dr.) S.K. Gupta, MD of ICMAI RVO, CMA Nisha Dewan, CEO & CFO of IPA of ICAI had a meeting with Shri Ravi Mital, IAS, Chairperson, The Insolvency and Bankruptcy Board of India (IBBI) on 15th February, 2022.

On 16th February, 2022, I along with CMA Vijender Sharma, Vice President and CMA Rakesh Singh, Past President of the Institute extended greetings to Shri Manoj Joshi, IAS, Secretary, Ministry of Housing and Urban Affairs.

Follow-up meeting with DPIIT on PLI Schemes

As informed in my earlier communique that the Institute had made a presentation to PLI Ministries/ Departments in a meeting called by DPIIT wherein all participating PLI Ministries/ Departments were requested to share inputs/ comments on the representation of the Institute. I wish to inform that DPIIT called a follow-up meeting on 22nd February, 2022 through video-conferencing to have discussion on inputs provided by PLI Ministries/ Departments. The follow-up meeting was attended by me, CMA Vijender Sharma, Vice President, CMA Chandra Wadhwa, Past President and CMA B.B. Goyal, Former Addl. Chief Advisor (Cost), Ministry of Finance, Govt.

of India.

Representations submitted by the Institute

- The Institute has submitted a representation to Chairman, Tamil Nadu Public Service Commission on 8th February, 2022 to consider the Cost Accountant qualification for the post of Assistant Director of Co-operative Audit in the Tamil Nadu Co-operative Service.
- The Institute has submitted a representation to Chairperson, Competition Commission of India (CCI) on 15th February, 2022 for inclusion of Cost Accountant qualification for Engagement of Expert (Forensic Audit) in CCI.
- The Institute has submitted a representation to Commissioner of State Tax, Maharashtra State, Mumbai on 28th February, 2022 for inclusion of Cost Accountants (CMAs) in certification in case of difference in ITC claim per supplier is 2.5 lakhs or more.

Inauguration of Sonepat Chapter

I had the pleasure of inaugurating the Sonepat Chapter of the Institute on 13th February, 2022. The inauguration event was attended by CMA (Dr.) Balwinder Singh, Past President, CMA Rakesh Bhalla, Chairman, Direct Taxation Committee, CMA Shailendra Kr. Paliwal, Chairman-NIRC, CMA Manish Kandpal, Vice Chairman-NIRC, CMA Santosh Pant, Secretary & Treasurer-NIRC, CMA Harkesh Tara, RCM & Immediate Former Chairman-NIRC, CMA Anil Sharma, Former Chairman & RCM-NIRC along with other managing committee members of NIRC. The Sonepat Chapter also organised the members meet on this occasion in association with NIRC of the Institute. I congratulate CMA (Dr.) Jitendra Kumar Agarwal, Patron of Sonepat Chapter, CMA Dinesh Agarwal, Chairman, CMA Surender Kumar Goel, Vice Chairman, CMA Pawan Kumar, Secretary, CMA Manoj Kumar, Treasurer and other office bearers of the Sonepat Chapter. CMA Atul Kr Khattar and CMA Praveen Madan were the program coordinator. I convey my heartiest congratulation and best wishes to all members and students of the Sonepat Chapter on this occasion.

Meditation Retreat for the Finance Professionals by Brahma Kumaris

I am pleased to inform you that Brahma Kumaris has organised a Meditation Retreat for the Finance Professionals on the Grand Launching of campaign "Azadi ka Amrit Mahotsav Swarnim Bharat ki Ore" on 19 & 20 February, 2022 at Gurugram. This program was supported by the Ministry of Culture, Government of India and The Institute of Cost Accountants of India. I participated in this residential meditation retreat along with CMA Vijender Sharma, Vice President, CMA Shailendra Kr. Paliwal, Chairman-NIRC and officials of the Institute.

Seminar by Noida Chapter

I am pleased to inform that the Noida Chapter has successfully conducted a Seminar on Atmanirbhar Bharat - Role of CMAs on 5th February, 2022. I along with CMA Vijender Sharma, Vice President, CMA Rakesh Singh, Past President of the Institute, Former Chairman of NIRC, CMA Harkesh Tara and CMA Ravi Sahni participated in the event. Renowned speaker Dr. Sharad Kohli enlightened the audience on the role of CMAs in Atmanirbhar Bharat mission. More than 130 professionals from both Industry as well as practice actively participated in the program. Former Chairperson of the Noida Chapter CMA Anurag Goel, CMA Suraj Prakash, CMA Venkataraman, CMA RC Gupta, CMA Kamal Pande and CMA Swati Chaturvedi also attended the Seminar.

I now present a brief summary of the activities of various Departments/Committees/ Boards of the Institute, in addition to those detailed above:

BANKING, FINANCIAL SERVICES AND INSURANCE BOARD

The BFSI Board and BFSI department continued to plan and execute numerous activities during the month of February 2022 under the Chairmanship of CMA Chittaranjan Chattopadhyay. The summary of such activities and initiatives are as follows –

I. Certificate Course on General Insurance in association with National Insurance Academy (NIA):

The 2nd batch admissions of the course have already started for the members and students. The course being a unique one, every finance professional should avail the opportunity of enrolling in the course for skill development and capacity building in the Insurance Sector. BFSIB and NIA are developing the modalities of the Level-2 of the certificate course and I am sure that soon it would take off. Please fill up the Expression on Interest Form for joining such course if you are curious to join the course.

II. Investment Management Course in association with National Institute of Securities markets (NISM):

BFSIB and NISM conducted the inaugural session for the Batch No. 7 of Level-I of the Investment Management course organized by BFSIB in association with NISM which concluded on 13th February, 2022. The Batch No. 8 of Level-I admission has started along with Batch No. 4 of Level-II and Batch No. 3 of Level-III respectively.

III. Banking Courses:

BFSIB also started the admission process for the 5th batch of Certificate Course on Treasury and International Banking.

Like all other courses of the Institute, I am sure members and students who take up the three certificate courses on Banking will greatly benefit towards their skill development and knowledge enhancement. I call upon all members and readers to visit the BFSI section on the Institute's website for further information.

IV. Representation letters for inclusion of CMAs:

As a continuous effort for further development of the profession in the BFSI sector, BFSIB has represented to various authorities and employers for inclusion of CMAs in the sector as and when such scope has come to the notice of the Institute.

BOARD OF ADVANCED STUDIES & RESEARCH

I am pleased to share that an online event on "Budget Analysis - 2022" was organized by the Board of Advanced Studies & Research, Members in Industry & Placement Committee and Tax Research Department on 4th February 2022. This was the 3rd consecutive edition of 'Budget Analysis' event conducted in association with St. Xavier's College (Autonomous), Kolkata.

The Chief Guest and Keynote Speaker was CMA Subhash Chandra Garg, Former Secretary to the Government of India for Finance, Economic Affairs & Power. I was present in the inaugural session along with Rev. Dr. Dominic Savio S.J, Principal, St. Xavier's College (Autonomous), Kolkata and my Council colleagues CMA Debasish Mitra, CMA Chittaranjan Chattopadhyay and CMA Rakesh Bhalla. The eminent speakers graced the technical session were Prof. Saibal Kar, Economist, Centre for Studies in Social Sciences, Shri Sanjeev Nandwani, Former Addl. DGFT, CMA S Venkanna, Direct & Indirect Tax Expert, CA Ram Ratan Modi, Direct Tax Expert & Member SXCCAA. The vote of thanks was offered by Rev. Fr. Peter Arockiam S.J, Vice Principal, St. Xavier's College (Autonomous), Kolkata. This online event was viewed by more than 2000 viewers comprising students, members and professionals.

CONTINUING EDUCATION PROGRAMME COMMITTEE

Continuing Education Programme Committee alongwith Professional Development Committee organised webinar on "Discussion on Union Budget 2022". During the month, around eighty webinars and programmes were organised by the different committees of the Institute, Regional Councils and Chapters of the Institute on the topics of professional relevance and importance like Usage of Data Analysis Tools in Forensic Audit, Equalisation Levy and its impact on E-Commerce Operators, Amendments in Companies Act, 2013-Accounts & Audit, Strategic CFO - Complex Role of Integrating Corporate Strategy and Finance, Discussion on Gathering suggestion on Exposure Draft Multipurpose Empanelment Scheme for Practicing Cost Accountants and Firms, Risk Management and Insurance by MSMEs, Corporate Governance, Demystifying Union Budget 2022-23, Benami Prevention Act and so on. I am sure our members are immensely benefited from the deliberations in the sessions.

CORPORATE LAWS COMMITTEE

I am glad to inform that in continuation of the last year's initiative, the Corporate Laws Committee of the Institute is organizing a National Corporate Laws Month in the month of March 2022 on pan India basis. The theme of the month is "Environment Social Governance". The Committee has proposed to cover various activities. The Regional Councils and Chapters are requested to participate in this initiative. I also appeal to members to contribute to the growth of professions in the area of Corporate Laws. Many programs through online platforms will be offered by the Corporate Laws Committee, Regional Councils and chapters for our members and students. Also, where-ever possible, physical programs will be organized after following the protocol and guidelines issued by the respective State Governments from time to time. The Committee has been making constant endeavour to create awareness among members on Corporate and other related laws through various activities and programmes. Corporate Law Committee also has its Quarterly Bulletin 'Corporate Connect I urge members to contribute by way of Articles, Case Law Discussions, Updates in the same.

DIRECTORATE OF CAT

- **CAT Supplementary Examination: February 2022 Term**

  The revolutionary step being taken by team CAT, to give an opportunity to the students, who faced genuine issues in home-based online examination concluded on 23rd January, 2022, by conducting CAT Course Part I Supplementary Examination on 3rd February, 2022 is commendable.

  I would like to congratulate all the students who have passed the examination and urge them to now enroll for CMA Intermediate level. Team CAT in leadership of CMA H Padmanabhan, Chairman-Committee for Accounting Technicians (CAT ICAI) deserves all praises for going extra miles so as to benefit the students of CAT course.

- **WEBINT**

  The CAT Directorate continued the WEBINT on IND AS, in association with International Affairs Committee and Public Relations Committee for the benefit of students and Members of the Institute. I am grateful to resource person CMA Dr. Gopal Krishna Raju, for making this series immensely popular and a grand success.

  I am immensely thankful to Shri H Ramchandran, CFO, Hatsun Agro Product Ltd, Shri P Srinivasan, President- Finance & CFO, NOCIL Limited, Shri S Vasudevan, IAAS, Director (Direct Tax), Indian Audit & Accounts Department and Shri Narahari D, CFO Vimta Labs Limited for being the Chief Guest in this WEBINT series.

  I am equally grateful to my Council colleague CMA (Dr.) Ashish P Thatte for giving important insights to Members and Students about Cost Accounting Standards through series of WEBINTs on 24 Cost Accounting Standards issued by the Institute.

  I am also thankful to CMA Chittaranjan Chattopadhyay, Council Member, CMA Harshad Deshpande, RCM- WIRC, CMA Vijay Kiran A, Secretary- SIRC, CMA R Vishwanath Bhat, Vice- Chairman SIRC and CMA Sankar P Panicker RCM-SIRC for being the coordinator in the webint Series.

  CMA H Padmanabhan, Chairman-Committee for Accounting Technicians deserves all praises for his astute leadership and guidance to CAT Directorate in organising these WEBINTs.

- **New ROCCs**

  The CAT Directorate continued to expand through establishment of new ROCCs. I welcome on board two new ROCCs into the CAT family, one each in Southern and Western regions of India. The New ROCCs will be useful for the CAT aspirants of Pune region of Maharashtra and Ernakulam area of Kerala.

- **Career Counselling**

  A virtual Career counselling in association with Pune Chapter of the Institute was held on 9th February, 2022 for the aspirants from St. Mira's College for Girls, Pune. Faculty Members of the College, Members of Managing Committee of Pune Chapter and officials of CAT Directorate addressed the aspiring students about the CAT course.

- **Implementation of CAT Course in Government of India schemes and other States/ Universities:**

  As I informed in my previous Communique about a project for capacity building training programs under National SC-ST Hub (an initiative of the Ministry of MSME, Government of India) to impart CAT course to the SC/ST candidates, the CAT Directorate held a Chapters Meet on 17th February, 2022 and gave a detailed presentation to the Chapters w.r.t. execution of the scheme. I urge the Chapters who have been earmarked for the purpose to endeavour with vigour to make the scheme grand success. I am sure the success of the scheme will enhance the reputation of the Institute in the eyes of the Government of India.

DIRECTORATE OF STUDIES

I am pleased to share that the students' admission in the Institute has increased tremendously in the year 2021-2022 even during the pandemic. We have seen an unprecedented growth of students strength of more than 30% in this year as compared to last year. The awareness level of CMA Course is on the rise as more students are considering Cost and Management Accounting as a profession and a preferred career destination. I express my heartfelt gratitude to CMA Dr. Balwinder Singh, Chairman, Training & Educational Facilities Committee, for taking timely and innovative initiatives to facilitate the students community with best academic and professional support; online coaching classes have become very popular amongst the students.

I urge the students community to make maximum use of those academic facilities and support extended by the Institute to develop a successful career.

INTERNATIONAL AFFAIRS COMMITTEE

I am pleased to inform that the International Affairs Committee jointly with Dubai Overseas Centre of Cost Accountants has successfully organized a WEBINT on Strategic CFO - Complex Role of Integrating Corporate Strategy and Finance on 19th February, 2022. CMA Tamil Selvan Ramadoss, Managing Committee Member, Dubai Overseas Centre of Cost Accountants was the Technical Speaker. The Webint witnesses the participation of CMA H. Padmanabhan, Chairman, International Affairs Committee, CMA Michael Samuel, Chairman, Dubai Overseas Centre of Cost Accountants, CMA Majeed Akbar, Secretary, CMA Mini Kuttan, Treasurer and CMA Devarajan, Chairman Professional Development of Dubai Overseas Centre of Cost Accountants. I am sure the participants benefited immensely from the detailed and interactive deliberations during the Webint.

MEMBERSHIP DEPARTMENT

During the month of February 2022, 103 new Associate memberships were granted and 27 Associate members were upgraded to Fellowship. I congratulate all the members and extend a warm and hearty welcome.

As in all years, esteemed members are kindly aware that annual membership fees for the year 2022-23 falls due on and from 1st April 2022 and CoP renewal also falls due on and from the same date for members in practice. I request all practising members to avail of the Institute's online facilities for renewal of their CoP at an early date to avoid last moment rush. As mentioned in my February 2023 communique, an advisory for CoP renewal for 2022-23 has been uploaded on the Institute's website and for ready reference the same will continue to be published in the Management Accountant in this issue and also for the next few months.

Practising members may kindly take note of CEP requirements for CoP renewal: https://eicmai.in/external/PublicPages/WebsiteDisplay/docs/CEP_Guidelines_280520.pdf.

Mandatory Capacity Building Training requirements for renewal and application of new CoP issued on & after 1st Feb, 2019 is available at: https://icmai.in/icmai/news/5435.php

MEMBERS IN INDUSTRY & PLACEMENT COMMITTEE

I am pleased to share that the 12 days Pre-Placement Orientation Programme for the Newly Qualified CMA candidates of December 2021 batch will be conducted in physical mode at Kolkata, Delhi, Mumbai, Chennai, Pune, Bangalore, Ahmedabad, Vijayawada, Hyderabad, Bhubaneswar and Jaipur followed by Campus Placement drives.

The Placement wing of the Institute has been successfully conducting these Campus Placement programmes since long. It provides a unique opportunity to corporate and business houses to peruse the profiles of newly qualified young and energetic CMAs, interview them and select those deserving candidates whoever suits their requirements.

We request your whole-hearted participation and continued support to make this Campus Placement engagement highly successful. I am thankful to CMA Debasish Mitra, Chairman, Members in Industry & Placement Committee for this noble initiative.

PROFESSIONAL DEVELOPMENT COMMITTEE

I am delighted to inform you that the Professional Development Committee of the Institute has released the Exposure Draft on the Multipurpose Empanelment Scheme (MES) seeking Public Comments in order to have wider consultations with regulators, industry associations and stakeholders. Please refer the link for complete details which is available at https://icmai.in/upload/pd/Exposure_Draft_MES_new.pdf

I urge the members and other stakeholders to submit their views / comments / suggestions on the Exposure Draft latest by March 17, 2022 through email at pd@icmai.in

Further, the Institute has also planned to organise Industry Specific Panel Discussions wherein the CMAs & other professionals holding senior positions in the respective industry will participate. You all are welcome to send your consent to the Professional Development Directorate at the earliest.

I am pleased to inform you that on Institute's representation, Cement Corporation of India Limited prescribed a minimum fee to the tender for conducting Cost Audit by the Cost Accountants Firm and issued Corrigendum in this regard.

PD Directorate submitted representations to various organizations for inclusion of cost accountants for providing professional services.

Please visit the PD Portal for Tenders/EOIs issued during the month of February 2022, where services of the Cost Accountants are required in Office of Commissioner of CGST & Central Excise (Audit) Raigad, Punjab

National Bank, Mineral Exploration Corporation Limited, Madhya Pradesh Poorv Kshetra Vidyut Vitaran Co Ltd., SJVN Limited, Dakshin Haryana Bijli Vitran Nigam, Madhya Pradesh Poorv Kshetra Vidyut Vitaran Co Ltd., National Fertilizers Limited, SJVN Limited, Hindustan Shipyard Limited, THDC India Ltd., National Health Mission Idukki, Shri Saibaba Sansthan Trust, Shirdi, etc.,

Professional Development Committee organised a webinar on "Aatmanirbhar Bharat-MSMEs: Growth Engines of the Indian Economy" and also associated with the PHD Chamber of Commerce and Industry to conduct webinars on "Recent Changes in GST Law & Procedures (including proposed budgetary changes) and Recent changes in GST IT Systems & way forward", "Post Budget Interactive Session on Implications of Union Budget 2022-23" and "India Inc. Speaks: Union Budget 2022-23".

TASK FORCE ON MSME AND START-UP

I am pleased to inform that the Task Force on MSME & Start-up under the Chairmanship of CMA Chittaranjan Chattopadhyay, Council Member of the Institute called a special meeting on 25th February 2022 to discuss on the suggestions/ comments to be forwarded to the Ministry of Micro, Small and Medium Enterprises, Government of India on the Draft National Policy for MSMEs released on February 18, 2022. The Institute has submitted 20 points of suggestions with justifications on the Draft National Policy for MSMEs to the Ministry of Micro, Small and Medium Enterprises, Government of India on 28th February, 2022.

TAX RESEARCH DEPARTMENT

The Tax Research Department organized a grand webint on 7th February, 2022 on "Demystifying Union Budget 2022-23". Shri Kalyan Nath, Commissioner, Income Tax Appeals, Guwahati graced the occasion as Chief Guest. The session also had enriching deliberations from Dr. Biswajit Mandal, Faculty, Economics, Viswa Bharati University, Santiniketan, CMA B B Goyal, Former Addl Chief Advisor (Cost), Ministry of Finance, Govt of India among other eminent personalities. Another seminar 'Budget Analysis - 2022' was conducted with participation of the Tax Research Department along with other departments of the Institute in association with St. Xavier's College, Kolkata on 4th February, 2022. This webinar had CMA Subhash Chnadra Garg, IAS, Former Finance, Economic Affairs and Power Secretary, Government of India as Chief Guest and Keynote speaker. In this endeavour to keep the knowledge of the members updated, the department also organised a webinar on Equalization Levy and its impact on E-Commerce Operators on the 25th February. GST course for colleges and universities has commenced in Padmashri Babasaheb Vengurlekar Mahavidhyalaya, Pandurtitha, Sindhudurg, Maharashtra. This course has also been successfully completed in Scottish Church College, Kolkata. The 105th & 106th Tax Bulletin has been released. Classes for all the Taxation Courses are being conducted seamlessly. The Taxation Portal is being updated from time to time with the latest amendments and changes in Direct and Indirect Tax.

ICMAI REGISTERED VALUERS ORGANISATION (RVO)

I am pleased to inform that ICMAI RVO has successfully organized Focused Learning Program on Case Studies, Certificate Course on Practical Aspects of Valuation, Executive Development Program, Certificate Master Course on enhancing the effectiveness of Valuation Professionals, Learning Session on Emerging Business and Economic Environment, Power Learning Session on Valuation under Companies Act, 2013, 14th Online Batch of Seven Days Program on Plant & Machinery and Land & Building and 20th Online Batch of Seven Days Program on Securities or Financial Assets during the month.

I wish prosperity and happiness to members, students and their family on the occasion of Maha Shivratri & Holi Festival and pray for the success in all of their endeavours.

Stay safe and healthy!

With warm regards,

CMA P. Raju Iyer

March 3, 2022

CMA P. Raju Iyer, President along with CMA Vijender Sharma, Vice President of the Institute, CMA B.B. Goyal, Former Addl. Chief Advisor (Cost), Ministry of Finance, Govt. of India called on Shri Ravi Shankar Prasad, Hon'ble Member of Parliament (Lok Sabha) & Member, Parliamentary Standing Committee on Finance on 4th March, 2022 at New Delhi

CMA P. Raju Iyer, President along with CMA Vijender Sharma, Vice President, CMA Chittaranjan Chattopadhyay, Council Member and CMA Rakesh Singh, Past President of the Institute called on Shri Mahesh Poddar, Hon'ble Member of Parliament (Rajya Sabha) on 14.02.2022 at Ranchi to handover the proposal for implementation of CAT course of the Institute in Jharkhand State

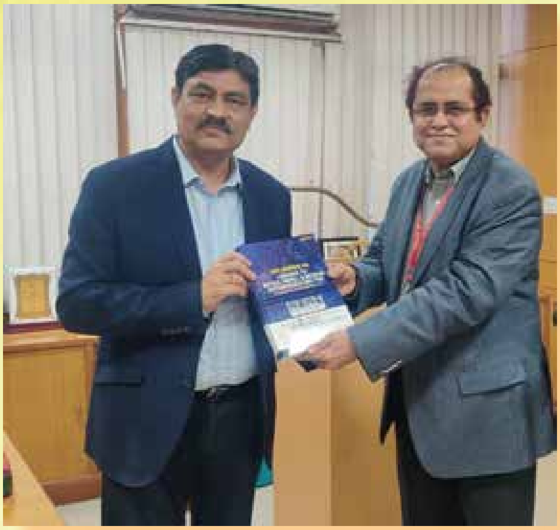
CMA P. Raju Iyer, President along with CMA Vijender Sharma, Vice President and CMA Rakesh Singh, Past President of the Institute extending greetings to Shri Manoj Joshi, IAS, Secretary, Ministry of Housing and Urban Affairs on 16th February, 2022

Glimpses of the Seminar organised by the Noida Chapter of the Institute on 'Atmanirbhar Bharat - Role of CMAs' on 5th February, 2022

Glimpses of the Inauguration Ceremony of the Sonepat Chapter of the Institute on 13th February, 2022

Glimpses of the National Launching & Residential Program for Finance Professionals - "Reconnect , Recharge & Rejuvenate" organised by Brahma Kumaris Om Shanti Retreat Centre Gurugram on 19 & 20 February, 2022

Corporate Laws Committee ICAI under the Chairmanship of CMA Dr Ashish P Thatte met today (hybrid meet) alongwith CMA Vijender Sharma VP, CS Makarand Lele, Govt Nominee, CMA P Siva Kumar, CMA Vinayak Kulkarni and CS Vibhu Agarwal, Secretary CLC ICAI Committee has decided to Celebrate MARCH 2022 as "Corporate Law Month"

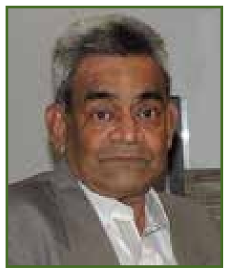


CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board presented a copy of the publication titled Aide Memoire on Lending to Micro, Small and Medium Enterprises Sector (including restructuring of MSME Credit) to Shri Nabin Kumar Dash, CGM, ZO, Punjab National Bank, Kolkata and discussed the various activities of Banking, Financial Services and Insurance Board of the Institute

ESG -
MARCHING TOWARDS SUSTAINABLE DEVELOPMENT GOALS

Abstract

The SDGs 2030 is a global initiative by 193 Member Nations of the United Nations (UN) calling for bold initiatives towards sustainable development focusing on people, planet, peace and prosperity. It is in this context that the Environment Social Governance (ESG) initiative to reach the SDG goals assume significance. It is noted that some less prominent nations have silently taken meaningful initiatives. India has also taken significant steps and the new Business Responsibility and Sustainability Report (BRSR) framework is effective from FY 2022-23. The way forward is a holistic humane approach backed by sheer professionalism having a multi-disciplinary base in using ESG as the framework to attain the SDGs.



CMA (CS) A Sekar
Practising Company Secretary
Mumbai
a.sekar.cs@gmail.com

Ranjith Krishnan
Assistant Professor & Industry Liaison Officer & Head
Academic Programme Unit & ILO
National Institute of Securities Markets
Rasayani
ilo@nism.ac.in

"Sustainable development refers to a mode of human development in which resource use aims to meet human needs while preserving the environment so that these needs can be met not only in the present, but also for the generations to come." –

Dr. A P J Abdul Kalam, Former President of India

INTRODUCTION

While globally there is an apparent sense of all-round progress and economic development during the last three decades, there are three main concerns namely rising inequalities and gulf between the haves and have-nots, damage to the planet and environment and in the wake of rapid pace of growth, there are many unique challenges requiring to be addressed. If we do not address the current problems facing the planet and the environment, they will quickly grow into such proportion and magnitude that it will become more difficult to deal with them now. The Sustainable Development Goals (SDGs) are to be viewed as targets that require a concrete plan to overcome these challenges[1].

India's population is estimated at 17 per cent of the world's population, with only about 2.4 per cent of its land being arable, while its water and forest resources are depleting. Further, India is on course to become the most populous nation of the world by 2025. India's future society is sustainable only if the country can at least provide basic necessities of life to have a reasonable living for its entire population. According to a UN estimate in 2019, 28 per cent of India's population is poor and add to this the new additions of poor persons consequent to the impact of COVID-19 pandemic, the challenges of addressing critical social issues such as poverty and jobs are now uppermost in the minds of the Government.

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[1] https://sdgzone.com/learn/why-do-we-need-sdgs/

** The views expressed are the personal views of the authors and do not reflect the views of the organisations they work for or are associated with*

The current developments underline the imperatives for countries to make this planet a better place to live. The harsh truth for all countries, whether rich or poor, is that as long as society is economically unbalanced as well as unstable, fuelling sustainable economic and social growth addressing all sections of the society and the environmental concerns is a pipe dream. The requirement is a sincere, open and inclusive mind set as well as gigantic effort, calling for a new model of development that will simultaneously give a push to positive economic advancement, provide a framework for sustainability in decent living for all in an inclusive manner and reverse the damage already caused to the environment at the least, failing which any endeavour towards SDG's are bound to be piecemeal and / or exclusive and / or inadequate. In this context, ESG through crystal clear policy measures is suggested as the route to be pursued for marching towards attaining Sustainable Development Goals (SDG's).

THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The SDGs 2030 is a global initiative by 193 Member Nations of the United Nations (UN) calling for bold initiatives towards sustainable development focusing on people, planet, peace and prosperity and they offer a globally accepted framework with uniform metrics for all countries against which to measure and compare progress[2]. The SDGs identify 17 fields across 163 inter-connected indicators and push for alignment and collaborative as well as co-ordinated action among the stakeholders. It can be seen that the SDGs are ambitious goals targeting elimination, rather than reduction of malnutrition, poverty and the like. From an Indian perspective, there is a need to review and re-work the its development narrative so that no one is left behind as the country seeks to truly grow into a leadership position as an emerging world power.

The impact of COVID-19 pandemic, the challenges of addressing critical social issues such as poverty and jobs are now uppermost in the minds of the Government

CONCEPTUAL FRAMEWORK OF ESG

Whenever the sustainability of any business or company is evaluated from an investor perspective, the financial as well as the non-financial aspects are considered and analysed. With respect to non-financial aspects, there are three important aspects for measuring and evaluating the sustainability of any investment in a business or a company. ESG is all about integrating social and ecological concerns into business activities and adopting a long-term vision as opposed to short-term opportunism[3]. It is widely believed that any business or company which adhere to ESG standards have demonstrated their agreement to conduct themselves ethically in these three important aspects.

Given the global as well as the domestic scenario in which huge importance is assigned to ESG parameters by investors and all other stakeholders such as Suppliers, Employees, Society, Regulator and the business itself, committing to ESG obligations in sum and substance is inevitable for long term sustainability.

ESG - GLOBAL SCENARIO

The 2015 Paris Climate Agreement has perhaps been the starting point for this serious pursuit in the direction of ESG. The landmark agreement featured a commitment from the signatory countries to achieve reduction in the quantum of carbon emissions by 55 gigatons by 2030. Given the enormity of the effort required, this requires collective effort by all countries.

An estimate of the extent of sustainable investments in 2020 according to the Global Sustainable Investment Review Report is around US$35.3 trillion, which covers the financial markets in the regions of United States, Canada, Japan, Europe and Australia. Across these regions these sustainable investments represent 36 per cent of the assets under management.[4] Compared to the position two years before, investments in sustainable assets was estimated at US$30.7 trillion, indicating a growth of 15 per cent in this period. Going forward, this increasing trend is expected to continue as both institutional as well as individual demand is expected to increase.

In this context, it is praiseworthy to note that quite a few less prominent countries have made a silent yet significant impact with respect to ESG initiatives, some of which are briefly covered in the ensuing paragraphs.

Japan

The noted trend in Japan is that investors are attaching great importance to ESG criteria when assessing investment proposals. This has driven the listed entities in Japan to disclose more ESG-related information and activities. Following this trend, especially overseas entities have published frameworks, standards, as well as guidance on ESG disclosure, but listed companies are struggling in the process.[5]

The guidance on ESG disclosure published in "https://www.jpx.co.jp/english/corporate/sustainability/esginvestment/handbook/index.html prescribes four steps as per the following chart:

[2] https://www.bain.com/contentassets/069bf9cf144e4b8bbdda8a85386a5611/bain_brief_india_philanthropy_report_2019.pdf

[3] https://youmatter.world/en/definition/definitions-esg-what-is-it-definition-principles-and-examples/

[4] http://www.gsi-alliance.org/trends-report-2020/

[5] https://www.jpx.co.jp/english/corporate/sustainability/esg-investment/handbook/index.html

Norway

Norway has ushered in a new ESG code this year which is expected to enhance the already significant impact it has made. The ESG code contains certain regulations that are applicable to all industries and some are applicable to specific industries. For instance, regulations such as Company Act, Human Rights Act, Working Environment Act, Gender Equality and discrimination Act, Biodiversity Act, Pollution Control Act, Penal Code and the National regulation incorporating the international commitments of Norway are generally applicable irrespective of the industry. The highlight of the new regulation is that Norway is probably the only Government which has considered COVID-19 pandemic not as a threat for ESG, but an opportunity to pursue ESG more vigorously[6].

Botswana

Botswana Stock Exchange (BSE), which happens to be one of the partner exchanges of the United Nations Sustainable Stock Exchanges initiative (SSE) since 2016, has taken initiative early on by issuing concrete guidance to the listed companies on ESG reporting to stakeholders. The BSE has recognised the importance of SSE's intention to bridge the gaps in the disclosures relating to ESG. As per the BSE's website, "it is the 28th exchange to publish such guidance since the beginning of the campaign. In total there are now 42 stock exchanges with guidance on ESG reporting, with a further 7 having made commitments to do so in the future. Whilst ESG reporting remains voluntary for BSE issuers, the availability of guidance will make transparency on ESG issues easier to achieve and should increase the incidence of companies choosing to disclose such information."

[6] https://iclg.com/practice-areas/environmental-social-and-governance-law/norway

Source: Guidance for Listed Companies on reporting ESG Information to Investors by Botswana Stock Exchange

Trinidad and Tobago

The country is committed to the 2030 SDG's as is evident from the 2030 vision which incorporates the SDG's. The Voluntary National Review (VNR)[7] is the Government's commitment to inclusive growth and development which engages stakeholders for concrete measures leading to sustainable development. The commitment of the Government has been seen to be evident during the pandemic period, as borne out by the number of online consultations.

Other Carribean Nations

Like Trinidad and Tobago, most of the Governments of the other about 20 nations constituting the Carribean islands have clearly communicated to the stakeholders the importance of ESG highlighting that investors may find those businesses without track record not worthy for being considered for

[7] https://www.esgenterprise.com/esg-news/state-esg-caribbean/

investments. Of particular mention is the "Blue Economic policies that tap the potential of the local ecosystems to add to a widening ESG investment menu and considering the competition for international capital, this trend could provide Caribbean countries with a wider platform to attract foreign and domestic investment."[8].

GLOBAL REPORTING FRAMEWORK

There are quite a few Global reporting frameworks that are in place as regards ESG. The most prominent among them are those of GRI and VRF, which are briefly discussed in the following paragraphs.

Global Reporting Initiative (GRI)

The GRI is an international independent standards organization with headquarters in Amsterdam. GRI plays a major role in helping business entities, Governments and other organizations understand and communicate their impacts on issues concerning climate change, human rights and corruption. It is estimated that about 100 countries use the GRI guidelines. It is necessary that business entities and other organizations are accountable and take responsibility for their impacts. GRI Standards provide the business entities and other organisations with the global common language to communicate those impacts to the stakeholders.[9]

Value Reporting Foundation (VRF)

The VRF is a global non-profit organization that offers a suite of resources on a single window basis, which is designed to help business entities, investors and stakeholders develop a shared understanding of enterprise value.[10] VRF offers three different resources as under: -

- *Integrated Thinking Principles,* which are useful inputs for Board strategy as well as management planning and decision making.
- *Integrated Reporting Framework,* which provides valuable guidance based on principles for comprehensive ESG reporting.
- *Sustainable Accounting Standards Board* (SASB), which has evolved 77 industry-specific standards each of which helps in identifying the subset of ESG issues that are of great relevance to the financial performance in each industry so that the integrated reporting can provide valuable insights into various sustainability issues from the point of view of investors.

It is estimated that about 75 countries use the Integrated Reporting Framework.

INDIA'S ESG FRAMEWORK

Starting with the earliest visible initiative in 2009, India has travelled quite a distance with respect to ESG, though a lot more needs to be done in supersonic speed to meet the SDG's by 2030.

Corporate Social Responsibility (CSR)

CSR is already an existing framework under the provisions of Companies Act, 2013 applicable to both listed companies as well as unlisted companies. CSR provisions are mandatorily applicable to a company based on thresholds of Profits, Turnover and Net Worth.

Every company which fulfils any one of the following three criteria namely

- Net profits of Rs. 5 Crores or more in the preceding financial year or
- Turnover in the preceding financial year of Rs. 1000 Crores or more or
- Net worth as at the end of the preceding financial year of Rs. 500 Crores or more

is mandatorily required to have in place a CSR policy outlining the areas in which the company will spend for CSR related activities. The mandatory required quantum of CSR spend is 2 per cent of average net profits made in the preceding three financial years or for if it has not completed three years since its incorporation, then since incorporation. There are detailed provisions in the Companies Act, 2013 and the rules prescribed thereunder namely Companies (Corporate Social Responsibility Policy) Rules, 2014 to regulate the CSR spends by the companies.

Social Stock Exchange (SSE)

In the case of SSE, the Technical Group constituted by SEBI has issued a consultation paper in May 2021 inviting comments from stakeholders. The regulatory provisions for setting up of SSE and other related matters including Social Audit and reporting are yet to be prescribed. SSE is expected to create a major impact on the ESG scenario in India.

Business Responsibility Report (BRR) converging to Business Responsibility and Sustainable Report (BRSR)

BRR, which was prescribed to be effective from the financial years ending on or after 31st December, 2012 for 100 listed entities initially is currently applicable mandatorily to the top 1000 listed entities by market capitalisation. SEBI has extended the scope of this report by including the concepts of "Sustainability" under the framework of "Business Responsibility and Sustainability Reporting". For the FY 2021-22, the reporting under the BRSR framework for the top 1000 listed entities and other entities is voluntary, but from FY 2022-23 onwards, BRSR reporting is mandatorily applicable to top 1000 listed entities and reporting under BRR framework will be discontinued from FY 2022-23,

[8] Ibid .7
[9] https://www.globalreporting.org/
[10] https://www.valuereportingfoundation.org/

being replaced by the enhanced framework of BRSR therefrom. For entities other than the top 1000 listed entities, reporting under the BRSR framework is voluntary.

Overview of BRSR framework

The new BRSR framework is covered by SEBI Circular dated May 10, 2021, which seeks to connect the financial performance of a listed entity with its ESG performance in such a manner that the regulators, investors and other stakeholders are in a position to assess and evaluate the overall business stability, growth and sustainability on all parameters not just financial parameters alone. SEBI has been at the forefront in the adoption of ESG disclosures way back in 2012 through the introduction of BRR framework. However, keeping pace with the new developments globally notably the adoption of the Paris Agreement in 2015 and the time clock clicking rapidly towards 2030 for the accomplishment of SDG targets, SEBI responded to the scenario on sustainability by introducing the BRSR framework which lays far greater emphasis on sustainability initiatives and their disclosures by the listed entity. In addition to prescribing the format of the BRSR report in the said circular vide Annexure I, SEBI has also prescribed a guidance note vide Annexure II to enable the companies to comprehend and interpret the scope of disclosures.[11]

The BRSR format is divided into three sections namely:

<u>Section A – General Disclosures</u>

Under this section, the detailed disclosures are prescribed for the following: -

- Details of the Listed Entity
- Products / Services
- Operations
- Employees
- Holding, Subsidiary and Associate Companies (including Joint Ventures)
- CSR Details
- Transparency and Disclosures Compliances

<u>Section B - Management and Process Disclosures</u>

Under this section, disclosures are sought aimed at helping entities to demonstrate the structures, policies and processes put in place towards adopting the NGRBC (National Guidelines on Responsible Business Conduct) Principles and Core Elements.

<u>Section C – Principles wise Performance Disclosures</u>

Under this section in the cited SEBI circular, "disclosures are sought that are aimed at helping entities demonstrate their performance in integrating the principles and core elements with key processes and decisions. The information sought with respect to indicators that are categorized as "Essential" and "Leadership". While the essential indicators are expected to be disclosed by every entity that is mandated to file this report, the leadership indicators may be voluntarily disclosed by entities which aspire to progress to a higher level in their quest to be socially, environmentally and ethically responsible."

The nine principles under which disclosures are sought distinctly under two heads (Essential Indicators and Leadership Indicators) are detailed in the cited Annexure I to the SEBI circular.

THE WAY FORWARD

Though the pandemic has created a greater awareness about the importance of ESG amongst all nations, it has created a gap in the fulfilment of individual SDG targets amongst most of them, which calls for a greater involvement of developed nations to help and bail out the smaller and less developed nations, failing which fulfilment of SDG targets globally may only be quoted as a utopian dream without anything concrete in terms of achievement. It also requires nations to bury their individual political agenda for the larger good of the world at large. This requires a holistic humane approach backed by sheer professionalism having a multi-disciplinary base always keeping in mind the big picture. The responsibility for travelling this path towards attainment of the SDG's is not just with the governments, but also all the stakeholders in each of the member nations and the large corporates and fund houses that are sitting on a huge pile of funds which can be better channelised towards ESG goals benefiting not just some stakeholders selectively but all the stakeholders in a balanced and inclusive manner. In our endeavours it should be ensured that pure economic development and sustainability should not be at crossroads. Here members of academia and professionals have a great role to play in highlighting the need to ensure that the world is a better place to live[12]. At this stage it is stated that if our children are happy, then the world is a happy place. This is what is required to be imbibed from the Norway model[13] and this could well be the ultimate SDG for every country and the world at large. It is hoped that ESG initiatives will take the necessary shape to take us there! MA

[11] SEBI Circular Ref.No SEBI/HO/CFD/CMD-2/P/CIR/2021/562

[12] https://time.com/collection/guide-to-happiness/4706590/scandinavia-world-happiness-report-nordics/

[13] https://norwaytoday.info/everyday/norwegian-children-feel-healthy-happy/

SUSTAINABILITY REPORTING PRACTICES OF INDIAN OIL AND GAS INDUSTRY: AN EMPIRICAL ANALYSIS

Abstract

Sustainability Reporting as per the Global Reporting Initiatives (GRI) Guidelines represent economic, environmental and social performance of an organization together in a single report. This study aims to identify the Sustainability Reporting Practices of Oil and Gas Industry in India. With the help of narrative disclosure and descriptive statistics, it is found that the companies belonging to this industry are absolutely aware of the significance of sustainability reporting practices and hence they have been following such practices in line with the globally accepted GRI guidelines.

Dr. Ashish Kumar Sana
Professor
Department of Commerce
University of Calcutta, Kolkata
akscom@caluniv.ac.in

CMA Sandip Basak
State Aided College Teacher
Department of Commerce
Surendranath College for Women, Kolkata
sandipb84@yahoo.com

BACKGROUND OF THE STUDY

After witnessing the importance of stakeholders' association as a way to boost up the performance of business organizations, the corporates need to discharge some sort of responsibilities in order to protect their interest. Each and every corporate needs to disclose to its stakeholders all the facts and figures relating to its contributions made towards the protection of environment and society and also, all economic information. In India, there are several reports like Annual Report (AR), Business Responsibility Report (BRR) and Corporate Social Responsibility Report (CSR) to reveal all such information, but there is not a single report made mandatory by the Government or SEBI to disclose all the information together in a single report. Here lies the significance of 'Sustainability Reporting'. SEBI had issued circulars on the introduction of Business Responsibility & Sustainability Report (BRSR) in May 10, 2021 (Pr. No. 18/2021) as an initiative towards ensuring investors' access to standardized disclosures on ESG parameters. Moreover, there are no uniform guidelines to prepare such a report. GRI[1] organization came up with globally accepted GRI guidelines containing three distinct segments inclusive of specific standards related to economic, environmental and social performance of the organization.

Oil and gas industry is one of the most vibrant industry in India and plays a significant role in influencing decision making for all the other important sectors of the economy. According to IEA[2] (*India Energy Outlook, 2021*), primary energy demand is expected to rise to 1123 million tonnes of oil equivalent, as the country's GDP [3]is expected to increase to USD 8.6 trillion by 2040. Besides that, in order to cope up with the continuous rise in the demand level, the Government has allowed 100 per cent foreign direct investment (FDI) in many segments of this sector. Keeping in mind the significance of this sector, this study analyzes the sustainability reporting practices of Indian oil and gas industry.

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[1] Global Reporting Initiative
[2] International Energy Agency
[3] Gross Domestic Product

REVIEW OF LITERATURE AND RESEARCH GAP

A large number of research studies have been conducted in the context of sustainability reporting practices during the last couple of years. Most of the research studies across the whole world pointed out that sustainability reporting practices of the corporates have significant influence on their performance. Different studies like *Caesaria et.al. (2017), Hong et.al (2017), Lawrence et.al. (2017), Agarwal (2014), Burhan (2012), Ameer et.al. (2012) have* found a positive influence of sustainability reporting practices on the performance of the corporates. A substantial number of studies like *Bhatia (2017), Bhalla et.al (2014), Kumar (2014), Rajput et.al. (2014)* showed that several companies have reported their sustainability disclosures before their stakeholders.

Depending on the available literatures, most of the studies have been done on the aspects of relationship between sustainability reporting practices and the financial performance of the concerns but there is dearth of literature in the Indian context. Further, there is absence of any sector specific study in the Indian context relating to their sustainability reporting practices according to the GRI guidelines. This study makes an attempt to bridge the gap.

RESEARCH OBJECTIVES

The objectives of the study are:

- To identify how oil and gas companies listed in NSE have been following the sustainability reporting practices over the years.
- To examine which parameters are mostly preferred by the NSE listed oil and gas companies for reporting purpose.

DATABASE AND METHODOLOGY

Source of Data

Secondary data have been collected from the sustainability reports as well as other reports published by different organizations.

Sample Size

Seven NSE listed oil and gas companies which have been following sustainability reporting practices as per GRI guidelines have been considered by the study. These sample companies are –(a) ONGC, (b) HPCL, (c) IOCL, (d) GAIL, (e) Oil India, (f) BPCL and (g) Reliance.

Period of Study

We have collected data for the period from 2017-18 to 2019-20.

Parameters

- All seven economic parameters (GRI 201 – 207)
- All eight environmental Standards (GRI 301 – 308)
- Only five social parameters (GRI 401 – 405)

These are shown in the following Table.

TABLE 1

SELECTED PARAMETERS FOR THE STUDY

GRI Standard	Economic Parameters
201	Economic Performance
202	Market Presence
203	Indirect Economic Impacts
204	Procurement Practices
205	Anti-Corruption
206	Anti-Competitive Behaviour
207	Tax
GRI Standard	**Environmental Parameters**
301	Materials
302	Energy
303	Water and Effluents
304	Biodiversity
305	Emissions
306	Waste
307	Environmental Compliance
308	Supplier Environmental Assessment
GRI Standard	**Social Parameters**
401	Employment
402	Labour Management Relations
403	Occupational Health & Safety
404	Training and Education
405	Diversity & Equal Opportunity

Source: https://www.globalreporting.org/standards/

METHODOLOGY

This study used both Narrative Disclosure Method and Content Analysis Method for measuring the level of sustainability disclosures. An un-weighted disclosure index was formed to measure the level of corporate narratives and each item in index of disclosure was assigned a score of ‘1’ based on its availability in SR, otherwise ‘0’. The column-wise grand total of those score presents item-wise and year-wise disclosure level by the reporting companies.

ANALYSIS AND FINDINGS

Item-wise Narrative Disclosures (NDS) measured the way in which the selected companies disclosed their economic, environmental and social position to their stakeholders. It also indicated the pattern of the performance of the reporting companies. Item-wise Narrative Disclosure also measures the percentage of sample companies which maintained the selected economic, environmental and social parameters as per GRI Guidelines for the study period. The relevant data is reflected in the following tables.

TABLE 2:

NARRATIVE DISCLOSURES OF ECONOMIC SERIES

ITEMS	2019-20			2018-19			2017-18		
	NDS	(%)	Rank	NDS	(%)	Rank	NDS	(%)	Rank
Economic Performance (201)	6	85.71	2	6	85.71	1	6	85.71	1
Market Presence (202)	4	57.14	4	4	57.14	3	1	57.14	3
Indirect Economic Impacts (203)	5	71.43	3	5	71.43	2	5	71.43	2
Procurement Practices (204)	4	57.14	4	4	57.14	3	5	71.43	2
Anti-Corruption (205)	7	100	1	6	85.71	1	6	85.71	1
Anti-Competitive Behaviour (206)	6	85.71	2	5	71.43	2	3	42.85	4
Tax (207)	0	0	5	0	0	4	0	0	5

Source: Calculated by the Researchers

Over the three-year period, it appears from the above Table that companies preferred to report their economic performance and anti-corruption strategies over other existing economic parameters and hence both the parameters got highest rank. Most significantly they are absolutely least bothered to disclose their tax policies to their stakeholders.

TABLE 3:

DESCRIPTIVE STATISTICS OF ECONOMIC DISCLOSURES

Items	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	*Statistic*	*Statistic*	*Statistic*	*Std. Error*	*Statistic*
201	3	86	86	85.71	0	0
202	3	57	57	57.14	0	0
203	3	71	71	71.43	0	0
204	3	57	71	61.9	4.763	8.25
205	3	86	100	90.47	4.763	8.25
206	3	43	86	66.66	12.6	21.824
207	3	0	0	0	0	0

Source: Calculated by the Researchers

It is observed from the above table that over the three-year period, companies mostly reported GRI – 205 parameters followed by GRI 201 and GRI 203 respectively. Highest variability in reporting parameters is observed in case of GRI 206. Zero variability is found in case of four parameters as their maximum and minimum value remain same.

TABLE 4

NARRATIVE DISCLOSURES OF ENVIRONMENTAL SERIES

ITEMS	2019-20			2018-19			2017-18		
	NDS	(%)	Rank	NDS	(%)	Rank	NDS	(%)	Rank
Materials (301)	4	57.14	4	4	57.14	2	5	71.43	2
Energy (302)	7	100	1	7	100	1	7	100	1
Water and Effluents (303)	7	100	1	7	100	1	7	100	1
Biodiversity (304)	5	71.43	3	4	57.14	2	5	71.43	2
Emissions (305)	6	85.71	2	7	100	1	7	100	1
Waste (306)	6	85.71	2	7	100	1	7	100	1

Environmental Compliance (307)	6	85.71	2	7	100	1	7	100	1
Supplier Environmental Assessment (308)	3	42.86	5	3	42.86	3	2	28.57	3

Source: Calculated by the Researchers

It is found that companies mostly preferred to report their performance as to conservation of energy, protection of water and effluents, management of emissions and waste and environmental compliances. Hence, during most of the years under consideration these parameters got the highest rank with maximum score. Companies are least interested to show their supplier-environmental assessment.

TABLE 5:

DESCRIPTIVE STATISTICS OF ENVIRONMENTAL DISCLOSURES

Items	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic
301	3	57	71	61.9033	4.763	8.25
302	3	100	100	100	0	0
303	3	100	100	100	0	0
304	3	57	71	66.6667	4.763	8.25
305	3	86	100	95.2367	4.763	8.25
306	3	86	100	95.2367	4.763	8.25
307	3	86	100	95.2367	4.763	8.25
308	3	29	43	38.0967	4.763	8.25

Source: Calculated by the Researchers

From the above table, it appears that over the three-year period, companies mostly reported GRI 305, 306 and 307 parameters as their mean score are maximum. Except, GRI 302 and 303, variability is observed in case of reporting the remaining six parameters.

TABLE 6

NARRATIVE DISCLOSURES OF SOCIAL SERIES

ITEMS	2019-20			2018-19			2017-18		
	NDS	(%)	Rank	NDS	(%)	Rank	NDS	(%)	Rank
Employment (GRI - 401)	6	85.71	2	5	71.43	3	6	85.71	1
Labour Management Relations (GRI - 402)	6	85.71	2	6	85.71	2	5	71.43	2
Occupational Health & Safety (GRI - 403)	7	100	1	7	100	1	6	85.71	1
Training and Education (GRI - 404)	6	85.71	2	5	71.43	3	6	85.71	1
Diversity & Equal Opportunity (GRI - 405)	5	71.43	3	6	85.71	2	5	71.43	2

Source: Calculated by the Researchers

The above table indicates that out of selected five social parameters, companies mostly preferred to report occupational health and safety measures and thereby this parameter got the highest rank with maximum score since last two years. Remaining parameters are also followed by the sample companies with some fluctuations.

TABLE 7

DESCRIPTIVE STATISTICS OF SOCIAL DISCLOSURES

Items	N	Minimum	Maximum	Mean		Std. Deviation
	Statistic	*Statistic*	*Statistic*	*Statistic*	*Std. Error*	*Statistic*
401	3	71	86	80.95	4.76	8.245

402	3	71	86	80.95	4.76	8.245
403	3	86	100	95.24	0.76	8.245
404	3	71	86	80.95	4.76	8.245
405	3	71	86	76.19	4.76	8.245

Source: Calculated by the Researchers

Table 7 represents the maximum preference given by the companies on GRI 403 parameter as its mean score is highest as compared to the other social parameters. Some variations have been found among the companies.

TABLE 8

COMPANY – WISE NARRATIVE DISCLOSURES

Reporting Companies	NDS	(%)	Rank
ONGC	35	58.33	5
HPCL	24	40	6
IOCL	56	93.33	2
GAIL	57	95	1
Oil India	51	85	3
BPCL	46	76.67	4
Reliance	46	76.67	4

Source: Computed by the Researchers

Table –8 shows the company-wise ranking over the three-year period 2017-18 to 2019-20. GAIL got the highest rank with 95 per cent score followed by IOCL and Oil India respectively. But HPCL scored least during this period while BPCL and Reliance occupied the same position. On the basis of company-wise narrative disclosure, it can be stated that GAIL and IOCL are really good performers on sustainability reporting practices compared to other reporting companies. ONGC and HPCL have not properly considered the value of such reporting practices.

CONCLUSION

Based on the Item-wise Narrative Disclosures, it can be stated that the Indian oil and gas industry is quite aware of reporting their economic, environmental and social performance to their stakeholders through sustainability reporting practices though it is not mandatory as yet. Over the three consecutive year period from 2017-18 to 2019-20, almost all the parameters have been disproportionately followed by the oil and gas industry but surprisingly they are silent regarding reporting of tax policies which needs to be taken care of with immediate effect. This study also identified that ONGC and HPCL are not good performers regarding sustainability reporting practices while GAIL and IOCL really considered such reporting practices as a means to prosperous and sustainable future.

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At the Helm

Our heartiest congratulations to CMA Ramesh Chandra Joshi for taking the charge as Director (Finance) of National Aluminium Company (NALCO) Limited, a Navaratna PSU under the Ministry of Mines, on 04th February 2022. Before elevated to his present assignment as Director (Finance), he was working as Group General Manager (Finance) at NALCO. He has over 3 decades of expertise and exposure in various domains of Finance & Accounts at different levels of his career.

We wish CMA Ramesh Chandra Joshi the very best for all his future endeavours.

FINANCING ESG INITIATIVES - AN INSIGHT INTO SOCIAL STOCK EXCHANGE

Abstract

ESG is the next revolution after corporate governance and will have a greater impact globally. Time is of essence as the underlying changes envisaged by ESG reforms don't intend to merely make strategic management changes but actually save the earth and the human race against adversities like climate change. As the corporates constitute a major contributor for any economy it becomes imperative that they consider the importance of the ESG components to safeguard their own existence and protect their stakeholders. This article attempts to summarize the concept of ESG and highlights how the Social Stock Exchange platform as proposed by the Indian regulators can have a positive impact in ushering new avenues for ESG funding primarily by enhancing the credibility, transparency, disclosure and governance of the participants who will list on such an exchange.

Prof. Subhrangshu S Sarkar
Professor
Department of Business Administration
Tezpur University, Tezpur
subh16@gmail.com

CS Amitava Banerjee
Visiting Faculty
NRCVEE, IIT Delhi
Delhi
amitbanerjee1979@gmail.com

INTRODUCTION

It has not been long since the world became conscious about the concept of corporate governance which unfortunately owed its emergence to corporate failures. Yet with the conflict of interest as a recognised concept of corporate business, the focus has since moved on from the shareholders to the stakeholders. Much of the initial work was aimed at understanding who could be the stakeholders and how their interest is to be taken care of. However, it took some time for consolidating the efforts the world over to identify the environment as one of the stakeholders. Unlike other stakeholders like customers, employees the concept of the environment as a stakeholder was altogether a different one. If a corporation were to work in this direction, then it would be its conscience to take care of the needs of this stakeholder. The contribution to the environment would be grossly voluntary but needed to be impactful. It was also difficult to enumerate the requirements that needed to be fulfilled for making a material contribution towards the environment as no uniform standards existed nor was there any parameter for making a business case for contribution to the environment.

THE ADVENT AND ESSENCE OF ESG

Given the dilemma as to how businesses could balance between their duty towards the environment and create wealth or generate profit, it was becoming difficult to justify any contribution towards environmental well-being. In 2000 a significant initiative by the then United Nations Secretary-General Kofi Annan, on how to better integrate environmental, social and corporate governance (ESG) issues in asset management laid the foundation for the modern-day ESG movement. The outcome was the UN Global Compact initiative which created a platform where corporates could come together and contribute as responsible corporate citizens in finding solutions to the challenges posed by them as a result of globalization. In this background, the UN Global Compact and other stakeholders primarily from the financial market put together the report called "Who Cares Wins - Connecting Financial Markets to a Changing World,"[1]. The report aimed at instilling ten principles in business activities under four thematic areas such as Human Rights, Labour, Environment and Anti-corruption. The thematic area of the environment is aimed at inducing businesses to support a precautionary approach to environmental challenges; promote greater environmental responsibility, develop environmentally friendly technologies and promote their dissemination.

The rationale of choosing the term ESG was based on the fact that both corporate governance and risk management form an integral part of measures that could be put in place for addressing environmental and social challenges. Furthermore, it was recognised by the investment community that the success of any investment rests on the economic condition and the state of the civil society which together depend on the single most important factor of a sustainable planet or environment. Therefore, if ESG factors are considered while investing then a more stable market could be ensured as it will automatically take care of the economy and the society at large.

To further elucidate on each aspect of ESG some factors under each could be summarised as follows:

Environmental factors	Social factors	Governance factors
Climate change, Reduction of toxic waste, Extending environmental liability for products and services and emphasis on emerging markets for environment-friendly products	Workplace safety, Human rights issues, Government and community relations and Increasing pressure by civil society for being more, transparent and accountable.	Board structure, Accounting and Audit, Auditor's independence, Executive remuneration and corruption and bribery issues.

The ESG factors as enumerated above show that they can impact any industry and hence what commenced as consideration for only specific industries like energy, automobile, pharmaceutical and chemicals is now being considered as an important factor by all. For example, the traditional issue for an oil company used to be an oil spill but in the context of ESG, it now expands to the impact of its operations to socio-economic activities. Similarly, a company engaged in the production of food products was only worried about complying with food safety standards as mandated by law but now it needs to take care of the nutritional component of its products in the ESG regime.

However, the success of ESG is largely dependent on adequate disclosure by companies and would require reforms in the regulatory frameworks mandating a minimum standard of disclosure and accountability. Furthermore, the accounting norms specified by organisations like FASB, IASB also need to be well aligned to meet the purpose.

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ROLE OF STAKEHOLDERS IN ESG

ESG has now become an important indicator for most investment decisions and involves almost every component of the economy from the Regulator to the civil society. All these acts as stakeholders have some specific contributions to make in the fulfilment of the cause. The category wise roles of such stakeholders may be summarised as follows to understand how important they are in ensuring the success of this concept of "Green Governance".

Companies: Companies are at the core of the ESG movement as they create the significant wealth for any economy. However, their participation in ESG has to be made part of their business principles and governance policies. They are also required to present their reports on ESG related performance in a standard format and to provide information and reports on related performance in a more consistent and standardised format in the annual report or any communication with investors.

Investors: At the institutional level, asset managers could integrate research on ESG aspects while taking investment decisions.

Regulators: They shape the legal frameworks mandating the minimum degree of disclosure on ESG so that it could facilitate financial analysis by investors. The standards of the disclosure have also taken into consideration the existing initiatives in this direction like the Global Reporting Initiative or Standards set by Sustainability Accounting Standards Board. Further Stock exchanges can also be going forward by including ESG criteria for listing.

Analysts: They are expected to evaluate ESG factors and create tools and models based on existing know-how to include new industry sectors and asset classes. Academia and other research organisations also need to support the efforts of ESG analysts by providing high-level research and thought leadership.

Civil society: Non-Governmental organisations have been a very powerful driver of social reforms and could play an immense role in the enforcement of ESG standards. Many such agencies have been fighting for survivors of Industrial disasters across the world and could become instrumental in sharing their experience with both companies and regulators for strengthening the ESG regime.

SETTING THE STAGE FOR SOCIAL STOCK EXCHANGES

In 2007, the term 'impact investing' was coined to facilitate ESG oriented financing. Impact investing which integrates philanthropy and investing has become the rationale for ESG investments today as they ensure doing good to the society while delivering a financial return. The intent is to make investments that lead to measurable social impact. Organisations into which such investments are made could be not for profit, for-profit or hybrid organisations. It could also be achieved by furthering the CSR objectives of an entity which is a combined endeavour of legal norms and achievement of social good.

The advent of compulsory CSR in India and the substantial population of our country has opened up avenues for investments in sectors like healthcare, housing, sanitation, education to name a few which are great facilitators of ESG. Further the securities market regulator SEBI also recognised social ventures with social performance criteria as an alternative investment[2]. Such social venture is aligned towards environmental and socially relevant sectors which have an immediate impact on the area of operation of the portfolio companies. The possibility of the phenomenal growth of such social venture funds or ESG oriented investing has unfortunately attracted negative intent with misleading information for investors through "Greenwashing". Investors are conveyed misleading information or given a false impression that a company's products are environmentally sound or a technology, service is actually environment friendly. Greenwashing could also be an outcome of not having a standard framework for transparency and disclosures.

One effective remedy lies in the establishment of a Social Stock Exchange (SSE) for raising capital by organisations working towards social welfare objectives. Such an SSE could be regulated by a market regulator like SEBI. An SSE would operate like any other stock exchange and allow listing, trading, settlement of shares and other securities mandating the companies listed on it to disclose social and environmental impact reporting along with financial reporting.

HOW SSES COULD FACILITATE ESG FUNDING

The legislative intent for establishing such an SSE found favour in the budget speech for FY 2019 -20 where the intent to establish an electronic fund-raising platform for listing social enterprises was mentioned. Another impetus for establishing an SSE lies in the fact that the deadline for the UN-mandated Sustainable Development Goals (SDGs) of 2030 is just 8 years away.

To this end, the recommendations in the report[3] of June 2020 made by the SEBI constituted working group for the participation of both non-profit organisations (NPO) and for-profit enterprises (FPE) on the SSEs which would be subjected to minimum reporting requirements. The onboarding of such NPOs and FPEs on the SSE will require compliance to disclosure requirements on financials, governance, performance and social impact thereby eliminating chances of misleading investors through "Greenwashing" to a great extent.

Later a more crystallised set of recommendations were made by a SEBI constituted Technical Group on Social Stock Exchange[4] in May 2021. The Group observed that FPEs could be identified as For-Profit Social Enterprise (FPSE) by the SSE, as a distinct entity from other commercial enterprises. However, they could follow the existing guidelines under various SEBI Regulations for listing securities such as equity and debt as may be provided under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Therefore, the NPOs which primarily comprise Trusts, Societies and Section 8 companies under the Companies Act, 2013 need to be regulated. More so, the regulation of NPOs need to ensure a common framework of legal requirements, inculcates a disclosure driven system and creates a second tier of aspiring NPOs that wish to access the SSE in future, with certain basic quality of governance and transparency. Therefore, we may summarize some of the requirements for getting listed and operating on SSEs to understand how they facilitate credible entities offering avenues for ESG investments.

Eligible and ineligible enterprises: Any enterprise that intends to be listed on an SSE has to fulfil the social impact objectives based on 15 thematic areas that include promoting gender equality, empowerment of women and LGBTQIA+ communities, disaster management, including relief, rehabilitation and reconstruction activities and bridging the digital divide in internet and mobile phone access, addressing issues of misinformation and data protection. It is worth noting that these areas extend beyond the items in Schedule VII of the Companies Act 2013 and include some selective Sustainable Development Goals (SDGs) also. Further, the enterprise can provide products, give services, conduct programs or research, create awareness or do capacity building activities. The activities will be aimed at a target group in less privileged regions which, for example, may include the elderly, children, migrants and displaced persons to name a few. To ensure further objectivity, the enterprise must have at least 67 per cent of its revenue, expenses or customer base from the eligible activities or the target group as the case may be.

Ineligible enterprises, on the other hand, include corporate foundations forming part of a corporate group, political or religious organisations, professional or trade associations and infrastructure and housing companies except for affordable housing companies.

Registration of NPOs: The Group has recommended a set of mandatory criteria that shall be met for registering an NPO. Certain requirements like the constitution documents, income tax registrations and receipts and payments have been made mandatory. However, one must note that the categories of NPOs that possess the real potential and the reliability have already taken a significant step closer to fulfilling this requirement. The amendment in the Companies (Corporate Social Responsibility Policy) Rules, 2014 made in January 2021[5] requires every Trust, Society or Section 8 Company facilitating CSR activities to get registered with the Ministry of Corporate Affairs in e form CSR 1 and obtain a unique CSR Registration Number. The form itself requires almost the same requirements to be fulfilled that were made a prerequisite for onboarding of NPOs. This means, India has already created a credible verified pool of eligible NPOs from the legal perspective at least, which can access the SSE.

Key differentiators in the offer document of NPOs and FPEs: The offer document apart from stating the audited financials for three previous years will be required to inter alia mention details about the following:

i. Its vision stating details of its activities.
ii. Target segment, whereby it should highlight how its intervention shall ensure inclusion for its customers/ recipients.
iii. Strategy towards fulfilling its goal.
iv. Details of its governance structure comprising of its Board, its meetings etc.
v. Details of key managerial staff in Fundraising, MarCom, Finance, HR functions.
vi. Address where it operates from.
vii. Disclosures on risks.

Capacity Building Fund (CBF) - The CBF which will be constituted from the very initial stage of establishing the SSE shall help NPOs to primarily understand the registration, listing and disclosure requirements and about the instruments that may be issued. Aspiring NPOs which intend to list in future on the other hand will be trained about structural aspects of the SSE, strategy planning, fundraising and its utilization, use of technology, capacity building for reporting systems and MIS and Succession planning.

Social Impact reporting – One of the integral aspects of ESG is impact Investing. To meet this end some standards of measurement should be present for the various players in the ESG space. The NPOs or FPEs that access the SSE route will need to report both qualitative and quantitative aspects of the social impact generated by them. Some of the important areas which the impact report will highlight can be summarised as under:

I. ***The social or environmental challenge:*** The problem statement shall explain the causes, extent, and consequences of the issue being addressed. Another factor that is required to be reported is the resultant change and the proportion of target group who have benefited from the intervention by the NPO/ FPE as the case may be.

II. ***The target segment:*** The beneficiaries who will be covered may be determined based on Income, geography, population density or thematic like conservation of resources like land, wildlife etc, waste reduction, waste reduction.

III. ***Programme outcome:*** A very important aspect that has been proposed for reporting is that both the positive and potential unintended negative outcomes should be reported.

CONCLUSION

The concept of ESG has gained prominence and will dominate the global agenda for the near future. As we take new vows of being carbon neutral, carbon zero or fulfilling SDGs one thing is eminent countries like India need to embrace such changes on a war footing. The mandatory compliance for the top 1000 listed companies by market capitalization to Business Responsibility and Sustainability Reporting (BRSR) from the financial year 2022 -2023[6] or the launch of NSE Prime by the National Stock Exchange where companies can report standards of corporate governance that exceed current regulations or recent SEBI consultation paper on ESG reporting and ESG rating providers (ERPs) are constructive efforts towards meeting the ESG demands. However, it cannot be ignored that as time elapses for the SDGs or carbon zero commitments, India needs work on creating a more robust and prominent framework for ESG wherein the setting up of the SSE will open new avenues for ESG compliance and change the way how people look at ESG in India. MA

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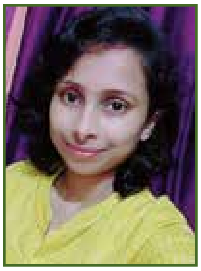
REDEFINING THE PATHWAY TOWARDS SUSTAINABLE GROWTH: THE ESG WAY

Abstract

The rise in environmental and social issues worldwide has turned the corporate stakeholders' attention towards addressing the needs of people and the planet besides focusing on profits. Therefore, much hope is centered on the environmental, social, and governance (ESG) factors. ESG performance of an enterprise reflects its commitment towards incorporating environmentally and socially conscious corporate activities in tandem with a robust governance structure. Moreover, the Covid 19 pandemic has magnified the significance of ESG factors. Corporate stakeholders are now more eager to know how an enterprise integrates ESG practices into business strategy and demand greater transparency in ESG reporting. In India also companies' ESG performance has started gaining momentum. This study provides insights into the ESG issues describing its importance and current scenario in India.

CMA (Dr.) Debdas Rakshit
Professor
Department of Commerce
The University of Burdwan, Bardhaman
drakshit@com.buruniv.ac.in



Ananya Paul
Research Scholar
Department of Commerce
The University of Burdwan, Bardhaman
ananyapaul95@gmail.com

BACKGROUND

The ever-increasing social and environmental challenges in this highly complicated and interconnected world are redefining the way businesses operate, investors think, Governments function and banking institutions mobilize capital. These countless challenges have intensified the focus of corporate stakeholders on the environmental, social, and governance (ESG) performance of an organization. ESG helps in gauging an organization's environmental and social impact, governance practices, and overall sustainability. It mainly reflects the way business interacts or connects with the stakeholders and the community at large. However, ESG not only relates to socially responsible business but captures a much broader concept as to how enterprises embrace sustainable practices as part of their core business process. Moreover, it helps in explaining an organization's contribution and added value in these three domains namely environmental, social and governance.

Each ESG element, i.e. 'E', 'S', and 'G' is considered as distinct pillar that further comprises sub-parameters (outlined in Figure -1 below) that helps us to measure the non-financial performance of an organization in these three broad areas. The environmental factor (E) captures how enterprises use energy and resources and manage and control their environmental effects as stewards of the mother earth. This mainly involves a company's contribution and efforts towards curbing adverse environmental impacts. The social factor (S) covers the way enterprises foster their people and culture and how that has ripple effects on the society at large. It involves how companies treat and value their people and the impact they have on their employees, customers, suppliers, and the broader community. The governance factor (G) captures the internal policies and principles that enterprises adopt to govern themselves, comply with the law to avoid infringement, make effective decisions and serve the needs of stakeholders. It helps to ensure industry best practices and transparency and also to be in dialogue with regulators.

FIGURE 1.

ESG ASSESSMENT SUB-PARAMETERS FOR EACH ESG PILLAR

Environmental Parameters	Social Parameters	Governance Parameters
Waste management	Workplace & board diversity	Internal control
Energy efficiency	Gender equity	Board composition
Water usage	Labour standards	Shareholder rights
Climate change	Health & safety	Company's leadership
Deforestation	Social & racial justice	Audit committee structure
Pollution mitigation	Human rights	Executive pay
Carbon footprint	Employee engagements	Political contribution
Biodiversity	Privacy & data protection	Bribery and corruption
	Pay equity	Whistle blower programs
	Customer satisfaction	Lobbying
	Community relationship through philanthropy & corporate citizenship	

Source: CRISIL ESG Report, https://corpgov.law.harvard.edu/, https://ethixbase.com/

In recent times, world economies are facing numerous social and environmental challenges, ranging from global warming, climate change and pollution to poverty and unemployment, which demand immediate attention. Now, the time has come when the conventional economic growth models are at a crossroads and require a new perspective where economic growth can be reconciled with the overall well-being of society. Such paradigm shift in the economic process can only be brought into fruition with the collective and cooperative action of all stakeholders so that every aspect of the decision-making process and investment analysis can better integrate with ESG factors. Moreover, during the past few years, ESG parameters have cut through from the periphery and have made inroads into the crux of the investment decision-making process throughout the world. Therefore, the interest of investors and other stakeholders in ESG issues has surged over the last few years. Consequently, the ESG landscape has evolved considerably in recent times.

WHY ESG PERFORMANCE MAKES A DIFFERENCE

At the heart of ESG-based performance and investing is an increasing awareness that enterprises cannot operate in a vacuum. They make use of the surrounding in which they operate, take resources from the environment, and impact the lives of people beyond those they directly serve. So, every business is highly intertwined with ESG issues. However, the very functioning of an enterprise, so far, evaluated based on the financial measures, affects both corporate sustainability and the society it functions in. Hence, it is imperative that a firm's non-financial performance involving ethical, responsible, sustainable and eco-friendly practices are assessed in the same way as its financial performance. Moreover, a significant part of these social and environmental problems emerge from the activities of the corporate world, and hence their ESG-based performance is critical to the solution. On this ground, investors are also giving more weightage to the firm's ESG activities. They are now evaluating enterprises concerning their holistic performance, environmental and social impact, and long-term sustainability. ESG is therefore, becoming indispensable for companies to follow and it cannot be overlooked. However, addressing the environmental and social issues demands in-depth knowledge, understanding, embedding, and mainstreaming of ESG-based activities in core corporate strategy.

ESG not only relates to socially responsible business but captures a much broader concept as to how enterprises embrace sustainable practices as part of their core business process

With growing relevance of ESG activities for investors, investment in ESG funds and ESG assets has also increased in recent years. Investors tend to incorporate ESG factors into their investment decision-making process and are looking to the ESG performance of a firm as a value-based measure. According to the *CRISIL ESG Report* (June 2021), globally, the total value of ESG assets amounted to around $37 trillion on March 31, 2021 and over an amount of $100 billion flowed into ESG funds between the year 2018 and 2020. Also, in Asia (excluding Japan), net inflows in sustainable funds rose from around $810 million in 2019 to $7.9 billion in 2020. The percentage of global institutional and retail investors employing ESG principles to at least one-fourth of their portfolios mounted to 75 per cent in 2019 from 48 per cent in 2017 (*Deloitte Report, 2020).*

A report based on ESG in *The Economic Times* (February 9, 2021) claims that the motto of '3Ps' i.e. People, Planet and Profit has been reinforced by the Covid 19 pandemic situation with rising demand from asset managers and investors to invest in enterprises with high ESG scores. Further, ESG scores play a vital role in the lending decisions of commercial lenders. Financial institutions have started integrating ESG factors into their credit appraisal process for lending purposes. Thus, firms' ESG performance can aid in unlocking access to huge pools of capital, fostering sustainable growth, and building strong corporate brands. This also tends to lessen social and environmental risks, alleviate borrowing costs and enhance cash flows.

A robust ESG proposition aids enterprises to expand their existing market share and tap new markets. The governing and other regulatory bodies are more likely to provide licenses, access, and approvals to the corporate players when they trust them. Accordingly, this offers businesses new opportunities for growth (*Dorobantu et al., 2014*). Good ESG practices also enable enterprises to ease regulatory pressure, enhance Government support and mitigate adverse government action. Focus on environmental activities render positive outcomes to enterprises by reducing costs owing to better energy efficiency and resource use thereby boosting the profitability and lowering reputational risks. Further, ESG performance drives consumer preference, helps to retain quality employees, attracts new ones and enhances overall employee productivity. Prior researches depict that when enterprises "give back" through social activities, employees respond with enthusiasm, raising job satisfaction (*Edmans, 2012; Henisz et al., 2019).*

Enterprises with integrated and proactive ESG practices are better able to adapt to changing environmental and socio-economic conditions preparing for the adverse effects of emerging issues and are better capable of identifying strategic opportunities, developing resiliency, and taking on competitive challenges, thus helping to control and manage risk and maintain robust governance structure. Institutional and other investors are mainly inclined towards putting their massive pools of funds in businesses that proactively govern themselves and function in a responsible, sustainable, and ethical manner. The rising evidence that a firm's ESG activities are closely linked to performance is drawing the attention of not only investors but also acquirers on ESG scores. ESG factors are playing a growing role in firms' decisions regarding acquisitions, mergers, demergers, and divestitures (*McKinsey Report, May 2020).* Also, regulatory authorities have determined that the growing level of disclosures regarding sustainability and ESG practices can attract foreign investment (*Deloitte Report, 2020).*

Moreover, in the current scenario, where environmental and social issues have become a concern for the entire society, there is an increasing awareness of ESG practices, their effect on enterprises, and their risks and challenges. Therefore, several stakeholders, including investors, financial intermediaries, Governments and regulators, are demanding improved transparency levels in the ESG reporting of a firm. So, it has become pivotal for enterprises to indulge in ESG activities to augment their ESG scores to survive and flourish in the long run.

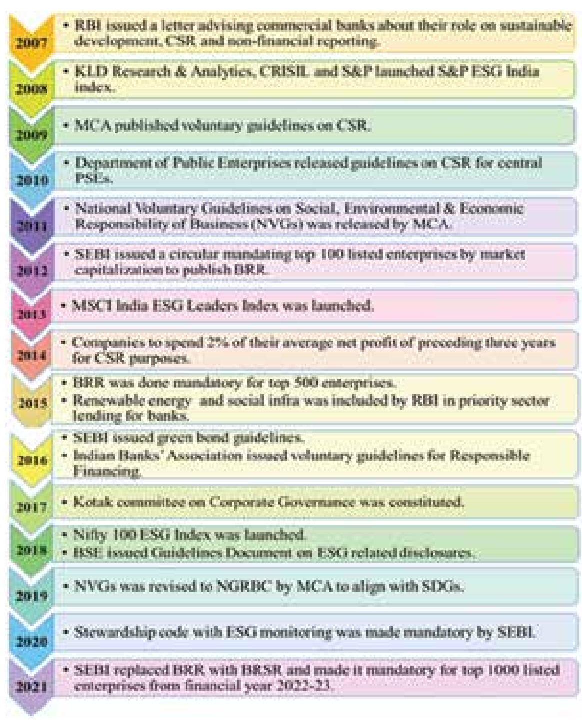
INDIA'S ESG LANDSCAPE

Evolution of ESG in India

The emphasis on ESG factors embarked in India in 2007 with the issuance of a letter by the Reserve Bank of India (RBI) advising all scheduled commercial banks regarding their role and responsibility on sustainable development, corporate social responsibility (CSR), and non-financial disclosure. This was the initial move towards integrating the notion of business responsibility and sustainability into business activities. Subsequently, in 2009, the Ministry of Corporate Affairs (MCA) pioneered ESG reporting in India by issuing voluntary guidelines on CSR. Henceforth, the ESG reporting scenario in India has come a long way with the release of several other guidelines, including Business Responsibility Report (BRR), Integrated Reporting (IR), National Guidelines on Responsible Business Conduct (NGRBC), and recently, the Securities and Exchange Board of India (SEBI) introduced Business Responsibility and Sustainability Report (BRSR) in May 2021. Top 1000 listed enterprises (by market capitalization) shall file BRSR mandatorily from the financial year 2022-23 and voluntarily for the financial year 2021-22. This BRSR will replace BRR. BRSR is the communication and disclosure of a company's ESG goals and the progress made towards achieving them. The evolution of ESG in India is summarized in Figure-2 below.

FIGURE-2.

TRACKING THE GROWTH OF ESG IN INDIA.



Source: MCA, SEBI, Companies Act, 2013, and CRISIL ESG report, 2021.

ESG BASED INITIATIVES

With growing awareness of ESG issues, the pace of adopting ESG-based initiatives, disclosure and reporting in India has been expedited over the last few years with support from regulatory bodies, investors, Government, corporates, and shareholders. On the environmental front, Government support through incentives and subsidies has accelerated the adoption of renewable energy and electric vehicles in India. Also, the introduction of standards on pollution emission and industry effluent and regulations on waste management is playing a vital role in tackling environmental problems. On the social front, Government policies like free education for children, affordable housing scheme, women empowerment activities and rural area development by providing telecom and internet connectivity and electric facilities are helping to address social issues. Likewise, on the Governance front, forming committees like Kotak Committee on corporate governance and tightening the norms along with BRSR disclosures are aiding enterprises to embrace a more plausible and transparent approach for disclosures and management conduct.

Several enterprises are also gradually making headway towards adopting ESG-based strategies and initiatives. Recently, in June 2021, Reliance Industries vowed to invest Rs. 75000 crore in clean energy to achieve net-zero carbon status by 2035. The company planned to set up four green energy Giga factories on 5000 acres of land in Jamnagar, Gujarat, and develop partnerships, value chain, and futuristic technologies. JSW Steel, in July 2021, issued sustainability bonds in the overseas market and set a target to combat carbon emission 40 per cent by 2030 along with becoming carbon-neutral at the plant, recycling all solid wastes generated and replacing thermal energy with renewable energy to lower carbon footprint. Moreover, for all the enterprises using thermal energy, the Government has mandated to source at least 21 per cent of their total energy requirement from renewable resources by 2030. NTPC Ltd, in August 2021, began preliminary work to hold initial share sale of NTPC Renewable Energy Ltd and NTPC Vidyut Vyapar Nigam Ltd. Both will play a significant role in aiding NTPC to reach 60GW renewable energy capacity by 2032 from 4GW capacity presently. Also, with a target to become a 130GW renewable power producer by 2032, it plans to invest ₹1 trillion between 2019 and 2024. NTPC Renewable Energy Ltd. is currently building India's largest solar park (4.75GW capacity) in the Rann of Kutch to generate green hydrogen on a commercial scale.

ESG parameters have cut through from the periphery and have made inroads into the crux of the investment decision-making process throughout the world

ITC, as part of its sustainability 2.0 Vision, will lessen GHG intensity, meet its entire electricity requirement from renewable resources, escalate renewable energy usage to 50 per cent, and enhance sequestration by 2030. It has also taken steps towards women empowerment, primary education, vocational training, mother and child care, sustainable agriculture, and biodiversity. ITC has been the only company on the planet to attain the distinction of being solid waste recycling positive, carbon positive, and water positive for more than a decade. Similarly, Dalmia Cement is driving itself to a carbon-negative roadmap. Ashok Leyland, a commercial vehicle major, consolidated its electric vehicle business into a new company named 'Switch Mobility', which was expected to launch electric light commercial vehicles by the end of 2021. Also, the new company disclosed its strategic steps to develop net-zero carbon mobility. Adani Green Energy Ltd., with the objective to be the largest solar player in the world by 2025 and subsequently the largest renewable company by 2030, acquired the portfolio of Soft Bank in May 2021 at a value of $3.5 billion.

ESG investment in India

In India, ESG investing has started gaining momentum but is still at a nascent stage with only two asset management enterprises i.e. Kotak Mutual Fund and SBI Mutual Fund, signatories to United Nations' Principles for Responsible Investment (UNPRI) compared to hundreds of ESG funds in the developed markets that are in accordance with UNPRI. In the past, Indian investors played a limited role in ESG investing. However, with rising concern about and recognition of ESG issues, ESG investments have increased in recent years. Moreover, following Covid-19 turmoil, India's renewable energy sector has experienced a surge in investment with above $6.6 billion worth in the first four months of the financial year 2021-22. The growing significance of ESG factors for investors has catalyzed the emergence of multiple ESG dedicated funds in India. These funds are incorporating ESG issues into the investment decision-making process, diverging from the common notion that they should be considered in investment policies as a mere compliance-based exercise. Mainly issuance of sustainable bonds has grown rapidly over the past few years. Also, few ESG indices have emanated in India. Recently, in June 2021, CRISIL published an ESG report using an indigenous appraisal framework to provide ESG ratings for 225 enterprises. All these developments from the part of Government and corporates have fueled responsible behavior from corporates' and investors' sides, leading to the ESG factor gaining ground in India.

CONCLUSION

The corporate sector can play a significant role in addressing the environmental and social issues faced by the entire world. Much importance is now placed by the corporate stakeholders on the ESG performance of companies. The push from investors and other stakeholders has expedited the adoption of ESG practices along with business practices, and it has presently become necessary for enterprises to report their ESG performance to maintain transparency and convey non-financial performance to stakeholders. Moreover, ESG reporting helps stakeholders to understand how enterprises are effecting and are being affected by sustainable issues. The Government initiatives and subsidies have also helped companies to involve more in ESG practices. Several enterprises are also actively progressing in ESG activities. Thus, sustainability issues being a major concern, the involvement of companies in ESG activities will not only help companies to survive and flourish in the long run but will also help to address the needs of the people and the planet. MA

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Inviting Research Articles/Case Studies for CMA Agri Bulletin - April 2022 Issue

The Institute of Cost Accountants of India has constituted an Agriculture Task Force viz. '**Task Force on Agri Cost Management'** for the purpose of evolving ways and means of augmenting the farmer's income. The Institute looks forward in extending support to the Government initiatives by way of preparing concept papers and research monographs on Agricultural Costing & Pricing, conducting awareness programmes, courses and discussion sessions on pan India basis to come out with an advisory on the steps to be taken in order to achieve the objectives set by the Government in this regard and extending support to the farmers.

Publication of 'CMA Agri Bulletin' in a regular interval is an initiative of this Task Force to encourage the researchers to write research based articles and case studies on various areas of **Agriculture Cost Management** with a view to *'Educating, Empowering, Enhancing and Enriching'* the famers.

CMA Agri Bulletin: April 2022 Issue, Vol. 2, No. 1

Theme: Farmer First

Topics for Articles (not limited to):

- Agri Cost Management: The Key Driver for Agri Productivity
- Ways and Means of Reducing Cost of Cultivation
- Evolving Viable Prices for Farmers
- FPOs Paving the Way for Augmentation of Farmers' Income
- Micro Agri Enterprises facilitating Balanced Rural Development

We are inviting research articles and case studies on the above-mentioned theme/topics latest by **31st March 2022**

Please submit your article at ***agriculture@icmai.in***

ADVENT OF ESG ECOSYSTEM IN INDIA

Mohd Merajuddin Inamdar
Faculty Member
National Institute of Securities Markets
Raigad
Meraj.inamdar@nism.ac.in

Dr. (CA) Minaxi A Rachchh
Assistant Professor
Department of Accountancy, ICLES' Motialaljhunjhunwala College of Arts, Science and Commerce
Navi Mumbai
rachchh_a@yahoo.com

Abstract

In India, there is a growing recognition for ESG factors and their material impact on corporate sustainability. This recognition is coming from all the stakeholders of financial markets. The ESG ecosystem is rapidly getting evolved by institutional investors, firms, policy makers and regulators. This article gives an insight about India's ESG ecosystem and recent developments around it.

INTRODUCTION

The Environmental, Social, Governance (ESG) ecosystem consists of several important stakeholders which can be broadly categorized into companies, institutional investors, policy makers, regulators, ESG rating agencies, and index providers. This article explores all these key players, and their role towards ESG growth in India.

COMPANY

The whole ESG ecosystem pivots around a company. Companies are the issuers of equity or debt instruments in the financial market. They demand capital from the investors in return for the securities. Issuers might be private or public companies. If the company is good at ESG performance IT has a high probability to attract ESG conscious investors with low cost of capital (*Cantino, et.al. 2017*). During the FY 2020-21, Indian companies spent averagely Rs 12,000 Cr and 527 listed companies and 1092 unlisted companies disclosed CSR related variables[1]. Although ESG is a broader concept and different from CSR (Corporate Social Responsibility) approach, still ESG growth is rooted in CSR which marked the starting point for business not only taking ownership of their impact on society but also disclosures of it. The CSR experience has created fertile ground for Indian companies to embrace ESG practices. Currently top 1000 listed companies make disclosures related to E&S through BRSR (Business Responsibility Sustainability Reporting) and governance through corporate governance disclosures under listing obligations. Some multinational Indian listed companies already have been following various international ESG norms of disclosures and reporting voluntarily even before introduction of BRR. But quality of data disclosed, standardisation of data, magnitude and transparency of ESG disclosures are still cause of concern, which could be resolved through regulatory push in coming times.

It is time for businesses to get adjusted to this tectonic shift. *Gunnar et.al* did literature reviews of 2000 research findings related to ESG and concluded, that there was positive impact of ESG performance of companies on corporate financial performance *(Fried, et.al, 2015*). Hence companies should not look ESG as mere disclosure or cost but opportunity to nurture new value creation and long term sustainability. Companies should inculcate the ESG related best practices right from the board agenda, resources mobilisation, operations till product/service delivery.

[1] National CSR Portal

As the investors are demanding more investment products sensitive towards people, planet and corporate governance which are creating the opportunity for institutional investor's business to grow

INSTITUTIONAL INVESTORS

Institutional investors are holding collectively the largest stake in public companies around the world and have the potential to impact corporate behaviour (*Clark, 2005).* Mutual funds, hedge funds, banks, private equity, or insurance companies have significant investment in firms and their activism towards ESG are important.

There are USD 121 Trillion worth assets under the management of 3404 investors who pledge to be responsible investors and will incorporate ESG factors while taking investment decisions[2].As per UNPRI (United Nations Principle of Responsible Investing) data, most of the large foreign institutional investors pledge to be responsible investors by incorporating ESG variables while investing in Indian companies. Institutional investors can demand higher ESG disclosures from potential investee companies pushing corporates for more engagement to enhance ESG impact.

Post Covid pandemic asset under management of ESG theme is reported to have grown four times (*ET, 2022*). As on September 2021, there were eight ESG thematic funds, one ESG ETF and one ESG ETF fund of fund. SEBI Consultation Paper[3] on Disclosure Norms for ESG Mutual Funds suggested that ESG mutual funds should disclose the type of ESG investment strategy which are mainly four namely exclusion, best in class, integration and impact investing. Due to increased institutional investor activism in recent times, mutual funds are showing interest in ESG related matters. As the investors are demanding more investment products sensitive towards people, planet and corporate governance which are creating the opportunity for institutional investor's business to grow. The increase in demand for ESG products also demands increased responsibility on the part of institutional investors to choose better ESG performer investee company. Institutional investors can play a significant role in influencing the ESG related behaviour of companies, due to their large money resources and long investment standing.

[2] As on 31st March 2021, UNPRI.org,
[3] Consultation Paper on introducing disclosure norms for ESG Mutual Fund Schemes. 26 October 2021.

POLICY MAKERS

The United Nations Global Compact first used the term ESG in its report "Who Cares Wins- Connecting financial markets to changing world" in 2006 (*Eccles,et.al, 2020).* In the year 2016, more than 190 countries agreed on climate change measures in Paris. The Paris Agreement bolstered the corporate role to improve environmental, social and governance parameters for better sustainable futures. Governments' policy makers across the world are improving the regulations to achieve the Paris agreement goal. In 2009, the National Voluntary Guidelines (NVGs) were issued by the MCA (Ministry of Corporate Affairs) evidencing India's early adoption and commitment towards corporate responsibility.

Interest of Governments and policy makers in sustainable finance have increased exponentially. Many developed economies revised their laws or introduced new laws to facilitate sustainable finance ecosystem. The new laws support, penalise, or encourage investors and investee to consider ESG seriously. Various forum like G7[4], G20[5], IOSCO[6](International Organization of Securities Commissions), World Economic Forum[7], COP26[8] in the year 2021, emphasise on governments' role to inculcate sustainable practices by corporates for sustainable future.

REGULATORS

Regulatory environment will be biggest driver for sustainable growth. In India, SEBI has introduced timely regulations related to ESG disclosures. Starting from Business Responsibility Reporting (BRR) in 2012 for top 100 companies the drive extended to mandated CSR in 2014, extension of BRR to 500 top listed companies in 2015, integrated reporting in 2017, adoption of new corporate governance disclosures norms at par with international standards as per Kotak Committee recommendation in 2018, further extension of BRR to top 1000 listed companies in 2019 and replacement of BRR with new Business Responsibility And Sustainability Reporting (BRSR)

[4] 47th G7 summit in Cornwall, UK. June 2021
[5] 16th G20 summit in Rome. October 2021
[6] 46th IOSCO virtual summit l, December 2021
[7] 55th WEF summit, January 2020
[8] 26th COP26 at UK, October-November 2021.

mandatory for 1000 listed companies from financial year 2022-23. The European Union regulator recently issued ESG disclosures regulation called Sustainable Finance Disclosure Regulation (SFDR). China, UK, Japan, and Hong Kong recently updated their ESG disclosure codes as per international standards. IOSCO (International Organization of Securities Commissions) stated in its April 2020 report thus: "broad acknowledgment among regulators, industry participants and other parties that climate-related risks can be material to firms' business operations and investors' decisions". Recently SEBI also proposed various norms related to disclosures and regulation for ESG mutual funds schemes[9] and ESG rating providers[10]. Indian ESG reporting and disclosure is now rapidly moving towards global international standards and timely regulatory push by SEBI can trigger the chain reaction to further strengthens the ESG ecosystem.

ESG RATING AGENCIES

ESG rating providers include those firms which provide assessment on the companies of the issuers based on their disclosures that offers sustainability metrics and information which help them determine ESG scores. Different firms use different methods to provide ratings. ESG data is getting generated and disclosed by firms or provided by data providers. There is serious challenge of consistency, transparency, standardisation and comparison of ESG data; if they have are bias then it may lead to greenwashing[11] (*Yang, 2019).* The unregulated ESG ratings provider with lack of transparency is a concern for whole ESG ecosystem. On 24th Jan 2022, SEBI published a consultation paper related to ESG rating agencies. The paper pointed out several issues related to ESG rating like lack of standard ESG terminology, ambiguity lack of transparency related to ESG methodology and lack of standardisation of ESG data. The major cause of concern is third party ESG data provider. There is thus a need to regulate the ESG rating agencies. IOSCO report on ESG rating suggested the principle based regulation where more focus should be on transparency, governance, prevention of conflict of interest and due diligence instead checking correctness of ESG methodology. SEBI in its consultation paper suggested the accreditation of ESG rating agencies. It is further proposed that the net worth of entity which wants to be SEBI accredited ESG rating agency should have net worth of rupees 10 crores. The rating is highly knowledge based and hence the SEBI proposes that the rating agency should have one specialist related to data analytics, finance, IT, Law and sustainability.

[9] 26th October 2021, SEBI

[10] 24th January 2022, SEBI

[11] "Greenwashing is the process of conveying a false impression or providing misleading information about how a company's products are more environmentally sound" by Jay Westerveld 1983.

ESG INDEX PROVIDERS

ESG indices track various ESG titled market portfolios. It acts as a benchmark to judge the performance of the portfolios based on the indices. Indices are also used by mutual funds and ETF for their investments. There are hundreds of ESG indices which track ESG performance under different methodology. The quality and transparency of data related ESG index construction need to be improve d further.

INTERNATIONAL ORGANISATIONS

There are international organisations which are working towards corporate sustainability disclosures including Sustainability Accounting Standards Board (SASB), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC) etc. Taskforce on Climate-related Financial Disclosures (TCFD), and Climate Disclosures Standards Board (CDSB) provide the framework for climate risks exclusively. At the end of COP 26 (Conference of Parties) climate summit in Dec, 2021, IFRS also come out with an important announcement to establish the International Sustainability Standard Board (ISSB). There are growing number of ESG related disclosure standards internationally and hence there is need to consolidate them so that the ESG disclosures could be consistent, comprehensive and comparable.

ACADEMIC INSTITUTIONS

Academic institutions are ancillary but important to ESG ecosystem by providing research insights and trained human resources. As the ESG screening methodologies are just decade old, there is ample scope of research to evaluate different dimensions of corporate sustainability, ESG integrations, impact assessment, new research methodology, and performance evaluation. Recent research conferences held by premier institutes of India shows a keen interest in ESG research by researchers. There is need to engage corporates with academia to do more material research.

On 22nd January 2022, SEBI proposed that ESG credit rating providers shall have at least one specialist related to data analysist, finance, law, IT and sustainability. ESG is providing new opportunities for academic institutions to launch new ESG courses or training programme as per the requirements of ESG ecosystem stakeholders. MA

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I, Dr. Ketharaju Siva Venkata Sesha Giri Rao hereby declare that the particulars given above are true to the best of my knowledge and belief.

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-sd-

Dr. Ketharaju Siva Venkata Sesha Giri Rao

Signature of Publisher

PERFORMANCE EVALUATION OF ESG FUNDS IN INDIA – A STUDY

Dr. Swapan Sarkar
Assistant Professor
University of Calcutta
Kolkata
swapansarkar22@gmail.com

Abstract

Use of environmental, social and corporate governance (ESG) scores as investment selection criteria is gaining recognition throughout the world. It is claimed that companies complying with the ESG mandates are likely to deliver a sustainable performance over long term and hence, investors looking for attractive opportunities for long term investments should certainly consider investment products such as mutual fund schemes built around the ESG philosophy. Following its global peers, India also have joined the bandwagon of ESG investing in the fields of mutual funds. Since the thematic sector is yet to be explored fully, investment in this category is expected to provide lucrative return in the years to come. In this context, the present article attempts to investigate the growth of ESG funds in India as well as to analyze the performance of existing funds in the category. The study finds a phenomenal growth of these funds in terms of number of schemes, average AUM and inflow. Based on risk adjusted performance metrics, the study reveals that majority of the funds have beaten the market portfolio in 2021 as well as for the period since inception.

INTRODUCTION

While making an investment choice, investors primarily depend upon various financial factors, such as profitability, revenue growth potential, solvency, cash flow generation etc. However, in a world which is slowly moving towards a sustainable business model from the traditional profit-oriented business model, non-financial factors including an organization's commitment in ensuring environmental and social responsibility and good governance are increasingly being recognized by investors in their selection of investments. ESG [environmental, social and (corporate) governance] investing has become a buzzword now.

THE ESG PHILOSOPHY OF INVESTMENT

The ESG philosophy of investment may be seen as an effort to apply a sustainable, socially responsible attitude in building an investment portfolio. Business firms around the world are increasingly facing a new breed of risks that have never been recognized earlier. Global challenges such as climate change, regulatory pressure to comply with governance codes, social and demographical shifts, terrorism, privacy and data security are increasingly inducing newer risks which, if not discounted by the organization in their business models, will render a business non-sustainable in the long run. Moreover, it is a proven fact that organizations that perform well on the sustainability parameters, have been the most successful over time. Thus, from a value investing perspective, investors should recognize these environmental, social and governance related factors while choosing a company for long term investment not only to expect a stable long-term return but also to do their bit in promoting sustainability.

DRIVERS BEHIND ESG INVESTING

The factors that have contributed the most in the recent spurt of ESG investing are discusses in the following paragraphs.

a. **Changing Dimension of Risks:** Global changes such as threat to environmental sustainability, data security and privacy, compliances to governance codes and terrorism have posed a host of risks. Companies catering to these risks are only going to survive and grow. Thus, selection of companies for investment must also adhere to the ESG principles.

b. **New Age Investors:** The new age investors are more aware about their role in promoting sustainability through their investment choices. This has made ESG investing popular.

c. **Data Availability*:*** Incorporating ESG philosophy in selection of companies for investment requires more data on a company's performance on sustainability parameters. Thanks to the increasing disclosure requirements imposed by the market regulators, quality and availability of data have increased manifold. This has helped investors to evaluate companies on ESG yardsticks while making their selection.

d. **Technology:** Advanced technology such as Artificial Intelligence (AI) and Machine Learning have promoted newer tools of data extraction from published reports. This has reduced our dependence on voluntary disclosures by companies to assess ESG performance. Accuracy and timeliness in data analysis as contributed by advanced technology has made ESG investing a lot easier.

ESG MUTUAL FUNDS – MOST FAVOURED INVESTMENT ALTERNATIVE

Over the last one-decade ESG mutual funds have outperformed the direct route of ESG investing. This is because, evaluating companies on environmental, social and (corporate) governance parameters require extraction and analysis of huge amount of data from published reports which may not be that cost effective for an individual investor. In addition, these funds provide other advantages of mutual fund investments such as reduced risk through portfolio diversification, smaller investment size, professional management and tax efficiency. As a result, ESG funds have gained significant momentum worldwide. For example, an inflow of $649 billion into ESG focused funds worldwide has been recorded till November 2021 up from $542 billion and $258 billion recorded in 2020 and 2019 respectively (*Source: Reutors*). The global ESG assets are expected to exceed $53 trillion by 2025 with even a bearish estimated growth rate of 15 per cent. Among the sub-categories, ESG ETF assets are expected to receive an inflow of $1 trillion during the next five years. In addition, the $2.2 trillion ESG debt market may swell to $11 trillion by 2025 even at half the pace of the past five years (*Source: Bloomberg Intelligence*).

INVESTMENT MECHANISM OF ESG MUTUAL FUNDS

ESG mutual funds are basically thematic mutual fund schemes that invest in companies that perform well on environmental (E), social (S) and governance (G) parameters. In other words, they invest in companies which are ESG compliant and strive for sustainable growth. In order to select the constituent stocks for its portfolio, the fund applies an ESG Framework to delve deeper into a company's operations, culture and risk profile and scores each stock based on their assessment of companies on these three broad criteria (which further include many sub-criteria). The scoring is primarily done based on publicly available data on ESG parameters

ESG mutual funds are basically thematic mutual fund schemes that invest in companies that perform well on environmental (E), social (S) and governance (G) parameters

which can impact or pose threat to the long-term sustainability of the business. Companies complying with the ESG score criteria are then analyzed on financial parameters also. Active weights of securities in the portfolio are then determined based on the ESG scores.

THE RESEARCH ISSUE

Following its global peers, Indian mutual fund industry has shown growing interest in ESG investing. Though the number of ESG funds in India are still on a lower side as compared to USA and UK (more than 500), Japan (182) and China (119), the investors in India are increasingly becoming attuned with this investment philosophy. During the last three years seven mutual funds schemes have been launched with the specific ESG tag. In this context, the growth of Indian ESG funds in recent times and their performance so far would be an interesting issue to investigate upon.

LITERATURE REVIEW

(a) International Context: Exclusive studies on ESG funds are found to be extremely limited in number. The following two studies are worth mentioning in this context:

Xiao-Guang Yue et al. (2020) found that investment in sustainable funds is less risky as compared to traditional funds.

Helena Naffa and Máté Fain (2020) opined that sustainable funds outperformed the market consistently over the study period on most of the metrics.

(b) Indian Context: Though the news reports and various blogs have been found to adequately address the issue, not a single systematic study has been found in Indian context.

RESEARCH GAP

Review of literature gives rise to the following observations:

a. The number of studies on ESG investing in India is scanty.

b. There is hardly any study conducted on the growth and performance of ESG funds in India.

OBJECTIVES OF THE STUDY

The primary objective of the study is to investigate the growth and performance of ESG mutual funds in India over time. This primary objective may be translated into the following secondary objectives:

a. To assess the growth in the number and average assets under management (AAUM) of ESG mutual funds in India.

b. To analyze the performance of ESG funds in terms of annualized return and risk.

c. To assess the performance of ESG funds based on various risk adjusted performance measures.

RESEARCH METHODOLOGY

The study is primarily empirical in nature and depends on an analysis of secondary data collected from various published literature, reports by AMFI and individual mutual funds and databases. The growth in ESG mutual funds has been analyzed in terms of the number of new funds launched in different years, total inflow to the sector and AAUM. In order to analyze the performance of the ESG funds, the study calculates the annualized returns and risk (standard deviation) of the eight select individual schemes from the daily returns calculated by the formula –

$R_t = (\frac{P_t}{P_{t-1}} - 1) \times 100$ where P_t = Price on day t and P_{t-1} = Price on day t-1.

The study uses four risk adjusted performance measures namely, Sharpe Ratio, Treynor Ratio, Jensen's Alpha and Sortino Ratio. For this purpose, average annualized yield of 91-Day Treasury Bills has been taken as the risk-free rate of return (R_f) and annualized return of Nifty 50 index has been taken as the market rate of return (R_m). Performance of the schemes has been analyzed over 2021 as well as since inception.

FINDINGS OF THE STUDY

a. **Growth of ESG Funds in India:** As mentioned earlier, India has considerably lower number of sustainable mutual fund schemes (the broader category for ESG schemes) as compared to its global peers. As of August 2021, there were 23 schemes linked to the broader sustainability theme. The number of specific ESG categorization is on a further lower side. However, since 2019, there has been a spurt in investments in ESG funds in India. While there was only one such schemes (SBI Magnum Equity ESG Fund) till 2018, seven new mutual fund schemes, one ETF and another Funds of Fund (FOF) have been launched since then. In 2020 alone, five schemes were launched. According to SEBI data, at the end of September 2021, the ESG thematic equity schemes had assets under management (AUM) of ₹12,085 crore. The one ESG exchange-traded fund (ETF) and one ESG ETF fund of fund (FoF) had AUM of ₹174 crore and ₹144 crore, respectively *(Source: Mint)*. The sector recorded a massive inflow of Rs.3,686 crore in 2020-21 fiscal as compared to Rs.2,094 crore in 2019-20, a growth of approximately 76 per cent . As of 31.12.2021, the combined AUM of the eight thematic ESG equity schemes stand at Rs.12,220 crore.

b. **Performance of the Selected ESG Thematic Equity Schemes**

⊙ ***Details of the Selected Schemes:*** In India, as of 31.12.2021, there were eight ESG thematic equity schemes, one ESG exchange-traded fund (*Mirae Asset ESG Sector Leaders ETF*) and one ESG fund of funds (HSBC Global Equity Climate Change Fund of Fund). The sample of the study consists of all the eight ESG thematic equity schemes. The details of these schemes are given below:

TABLE 1:

DETAILS OF THE SAMPLE ESG THEMATIC EQUITY SCHEMES

Name of the Scheme	Launch Date	AUM (as on 31.12.21) (Rs. in Cr.)	Expense Ratio (as on 31.12.21) (%)
SBI Magnum Equity ESG Fund (repositioned as ESG fund in 2018)	27.11.2006	4604.23	2.06
Quantum India ESG Equity Fund	12.07.2019	57.35	1.68
Axis ESG Equity Fund	12.02.2020	2064.80	2.16
ICICI Prudential ESG Fund	09.10.2020	1714.18	2.14
Quant ESG Equity Fund	06.11.2020	35.73	1.51
Kotak ESG Opportunities Fund	11.12.2020	1151.00	2.04
Aditya Birla Sunlife ESG Fund	24.12.2020	1753.72	2.19
Invesco India ESG Equity fund	18.03.2021	842.00	2.22

All the selected schemes consider Nifty 100 ESG TRI as the benchmark index and invest 80-100 per cent % of the funds in equity.

⊙ ***Top Five Sectors and Companies in the Portfolio:*** The following table shows the top five sectors and top five companies in which the schemes have made investment.

TABLE 2:

PORTFOLIO COMPOSITION (TOP FIVE SECTORS AND COMPANIES)

Name of the Scheme	Top Five Sectors	Top Five Companies
SBI Magnum Equity ESG Fund	Financial Services, Technology, Automobile, Consumer Goods, Consumer Services	Infosys, TCS, ICICI Bank, HDFC Bank, Tata Motors
Quantum India ESG Equity Fund	Technology, Basic Materials, Consumer Cyclical, Financial Services, Consumer Defensive	Infosys, TCS, Wipro, HDFC, Tata Communications
Axis ESG Equity Fund	Consumer Defensive, Technology, Financial Services, Communication, Consumer Cyclical	Nestle, Avenue Supermarts, Bajaj Finance, Wipro, TCS

ICICI Prudential ESG Fund	Financial Services, Technology, Consumer Cyclical, Basic Materials, Industrials	Infosys, Divi's Lab, Wipro, TCS, Marico
Quant ESG Equity Fund	Communication, Financial Services, Energy, Technology, Basic Materials	ICICI Bank, HFCL, Linde India, Adani Ent., Just Dial
Kotak ESG Opportunities Fund	Financial Services, Technology, Basic Materials, Industrials, Healthcare	Infosys, TCS, ICICI Bank, SBI, Tech Mahindra
Aditya Birla Sunlife ESG Fund	Technology, Financial Services, Consumer Cyclical, Industrials, Basic Materials	Infosys, L & T, Bajaj Finance, Mindtree, HCL Technologies
Invesco India ESG Equity fund	Technology, Financial Services, Consumer Cyclical, Industrials, Healthcare	Infosys, TCS, Kotak Mahindra, HDFC, ICICI Bank

It can be seen that Technology, Financial Services and Consumer Cyclical have been the most preferred sectors while Infosys, TCS, ICICI Bank and HDFC Bank are the most preferred companies for investment.

- ***Annualized Return and Risk of the Schemes:*** The study calculates the annualized return and absolute risk (standard deviation), systematic risk (beta) and downside risk based on daily return data for 2021 as well as since inception. Here, absolute risk measures the total risk i.e., systematic risk and unsystematic risk. While systematic risk refers to the fluctuations caused by market forces, unsystematic risk signifies fluctuations due to firm specific factors. Downside risk signifies the negative deviations which the retail investors are more concerned of. The results have been reported in the following tables.

TABLE 3:

ANNUALIZED RETURN AND RISK MEASURES (FOR THE YEAR 2021)

Name of the Scheme	**Annualised return**	**Annualised risk**	**Downside risk**	**Beta**
SBI Magnum Equity ESG Fund	29.7135	14.9668	10.86473	0.925102
Quantum India ESG Equity Fund	29.6868	13.4249	9.951096	0.78446
Quant ESG Equity Fund	62.5189	17.9125	13.57	0.798575
Kotak ESG Opportunities Fund	21.5584	13.3396	9.9915	0.791531
Invesco India ESG Equity fund	44.6765	12.1395	9.18404	0.719376
ICICI Prudential ESG Fund	21.9664	11.8825	8.719081	0.671563
Axis ESG Equity Fund	24.2203	12.4334	9.187412	0.694546
Aditya Birla Sunlife ESG Fund	36.9019	15.4767	11.6559	0.910008

TABLE 4:

ANNUALIZED RETURN AND RISK MEASURES (SINCE INCEPTION)

Name of the Scheme	Annualised return	Annualised risk	Downside risk	Beta
SBI Magnum Equity ESG Fund	12.74378	20.19325	14.68925	0.880557
Quantum India ESG Equity Fund	24.4836	18.717	14.45624	0.769612
Quant ESG Equity Fund	75.5922	17.5175	13.42765	0.799574
Kotak ESG Opportunities Fund	21.9053	13.11	9.827365	0.75345
Invesco India ESG Equity fund	44.6765	12.1395	9.18404	0.719376
ICICI Prudential ESG Fund	30.0898	11.5555	8.609378	0.664144
Axis ESG Equity Fund	30.6031	17.4801	13.05201	0.63089
Aditya Birla Sunlife ESG Fund	37.0551	15.3832	11.58867	0.909738

From the above Tables in can be seen that in 2021 all the eight funds have provided healthy return. Quant ESG Equity fund has outperformed others followed by Invesco. However, Quant has the highest absolute as well as downside risk. Beta is the highest for SBI followed by Aditya Birla Sunlife ESG Fund. The annualized return since inception is the least for SBI Magnum Equity ESG Fund. This is quite understandable as this is the oldest of the lot. However, it also has the highest total and downside risk and the systematic risk (beta) is also the second highest.

- ***Risk Adjusted Performance in the Year 2021:*** Return and risk measures across mutual fund schemes essentially differ due to the adoption of active investment strategy. Hence, their performance within a given time frame can only be compared using risk adjusted measures. In this context, the study uses four risk adjusted measures – Sharpe Ratio, Treynor Ratio, Sortino Ratio and Jensen's Alpha.

(i) *Sharpe Ratio:* Developed by Nobel laureate William F. Sharpe, this ratio describes how much excess return an investor has received for the volatility of holding a riskier portfolio having both systematic and unsystematic risk. It is calculated by the formula –

$$\text{Sharpe Ratio} = \frac{R_p - R_f}{\sigma_p}$$

where R_p = Portfolio Return, R_f = Risk free return and

σ_p = Total Portfolio Risk (S.D).

The higher the ratio, the better is the risk adjusted performance of the portfolio. Table 5 shows the Sharpe ratio and corresponding ranking of the eight selected schemes for the year 2021.

TABLE 5:

SHARPE RATIO AND RANKING (PERIOD: 2021)

Name of the Scheme	Annualised return	Risk free rate	Annualised risk (S.D)	Sharpe Ratio	Rank
SBI Magnum Equity ESG Fund	29.7135	3.3896	14.9668	1.75882	5
Quantum India ESG Equity Fund	29.6868	3.3896	13.4249	1.958838	4
Quant ESG Equity Fund	62.5189	3.3896	17.9125	3.301008	2
Kotak ESG Opportunities Fund	21.5584	3.3896	13.3396	1.36202	8
Invesco India ESG Equity fund	44.6765	3.3896	12.1395	3.401038	1
ICICI Prudential ESG Fund	21.9664	3.3896	11.8825	1.563375	7
Axis ESG Equity Fund	24.2203	3.3896	12.4334	1.675382	6
Aditya Birla Sunlife ESG Fund	36.9019	3.3896	15.4767	2.165339	3

The table shows that during 2021, Invesco (Rank 1) outperformed all others followed by Quant. SBI, the oldest of the lot, could manage the fifth place while Kotak is found to be the worst performer.

(ii) Treynor Ratio: Developed by J. L. Treynor, this risk adjusted measure indicates how much excess return a portfolio has generated per unit of systematic risk (measured by beta). As stated earlier, systematic risk refers the change in a portfolio's return in response to changes in the overall market return. It is calculated by the formula -

Treynor Ratio $= \frac{R_p - R_f}{\beta_p}$ where β_p refers to the systematic risk measure of the portfolio.

The higher the ratio, the better is the systematic risk adjusted performance of the portfolio. Table 6 shows the Treynor ratio and corresponding ranking of the eight selected schemes for the year 2021.

TABLE 6:

TREYNOR RATIO AND RANKING (PERIOD: 2021)

Name of the Scheme	Annualised return	Risk free rate	Beta	Treynor Ratio	Rank
SBI Magnum Equity ESG Fund	29.7135	3.3896	0.925102	28.45515	6
Quantum India ESG Equity Fund	29.6868	3.3896	0.78446	33.52266	4
Quant ESG Equity Fund	62.5189	3.3896	0.798575	74.04351	1
Kotak ESG Opportunities Fund	21.5584	3.3896	0.791531	22.954	8
Invesco India ESG Equity fund	44.6765	3.3896	0.719376	57.39265	2
ICICI Prudential ESG Fund	21.9664	3.3896	0.671563	27.66205	7
Axis ESG Equity Fund	24.2203	3.3896	0.694546	29.99184	5
Aditya Birla Sunlife ESG Fund	36.9019	3.3896	0.910008	36.82638	3

The table shows that during 2021, Quant (Rank 1) has outperformed all others followed by Invesco. SBI, the oldest of the lot, could manage the sixth place while Kotak is found to be the worst performer.

(iii) Sortino Ratio: This is a modification of Sharpe Ratio and provides a risk adjusted performance measure considering the downside risk (i.e., negative deviations or loss) instead of total risk (S.D). This ratio is more suitable for retail investors who are more concerned about loss. It is calculated by the formula -

$$\text{Sortino Ratio} = \frac{R_p - R_f}{D}$$

where D refers to the downside risk measure of the portfolio.

The higher the ratio, the better is the risk adjusted performance of the portfolio. Table 7 shows the Sortino ratio and corresponding ranking of the eight selected schemes for the year 2021.

TABLE 7:

SORTINO RATIO AND CORRESPONDING RANKING (PERIOD: 2021)

Name of the Scheme	Annualised return	Risk free rate	Downside risk	Sortino Ratio	Rank
SBI Magnum Equity ESG Fund	29.7135	3.3896	10.86473	2.422878	5
Quantum India ESG Equity Fund	29.6868	3.3896	9.951096	2.642644	4
Quant ESG Equity Fund	62.5189	3.3896	13.57	4.357354	2
Kotak ESG Opportunities Fund	21.5584	3.3896	9.9915	1.818426	8
Invesco India ESG Equity fund	44.6765	3.3896	9.18404	4.495505	1
ICICI Prudential ESG Fund	21.9664	3.3896	8.719081	2.130592	7

Axis ESG Equity Fund	24.2203	3.3896	9.187412	2.267309	6
Aditya Birla Sunlife ESG Fund	36.9019	3.3896	11.6559	2.875136	3

The table shows that during 2021, Invesco (Rank 1) has outperformed all others followed by Quant. SBI could manage the fifth place while Kotak is found to be the worst performer. Thus, the results replicate that of the Sharpe Ratio.

(iv) Jensen' Alpha: Developed by Michael Jensen in 1968, this risk adjusted performance measure indicates the abnormal return of a portfolio over the theoretical expected return for a given amount of systematic risk (beta). It is calculated by the formula -

Jensen's Alpha (α) = $R_p - [R_f + (R_m - R_f)]$;

where R_m = return on market portfolio

The higher the value of alpha, the better is the risk adjusted performance of the portfolio. Table 8 shows the Jensen's Alpha and corresponding ranking of the eight selected schemes for the year 2021.

TABLE 8:

JENSEN'S ALPHA AND CORRESPONDING RANKING (PERIOD: 2021)

Name of the Scheme	Annualised return	Risk free rate	Market return	Beta	Alpha	Rank
SBI Magnum Eq. ESG Fund	29.7135	3.3896	23.6865	0.925102	7.547206	5
Quantum India ESG Eq. Fund	29.6868	3.3896	23.6865	0.78446	10.37508	4
Quant ESG Equity Fund	62.5189	3.3896	23.6865	0.798575	42.9207	1
Kotak ESG Oppor. Fund	21.5584	3.3896	23.6865	0.791531	2.103179	8
Invesco India ESG Equity fund	44.6765	3.3896	23.6865	0.719376	26.6858	2
ICICI Prudential ESG Fund	21.9664	3.3896	23.6865	0.671563	4.94616	7
Axis ESG Equity Fund	24.2203	3.3896	23.6865	0.694546	6.733578	6
A. B Sunlife ESG Fund	36.9019	3.3896	23.6865	0.910008	15.04196	3

The table shows that during 2021, Quant (Rank 1) has outperformed all others followed by Invesco. SBI could manage the fifth place while Kotak continues to be the worst performer. Thus, the results replicate that of the Treynor Ratio.

- ***Risk Adjusted Performance Since Inception:*** The study also calculates the above-mentioned risk adjusted performance metrics for returns since inception.

(i) Sharpe Ratio: Table 9 shows the Sharpe ratio and corresponding ranking for the returns of the eight selected schemes since inception.

TABLE 9:

SHARPE RATIO AND RANKING (PERIOD: SINCE INCEPTION)

Name of the Scheme	Annualised Return	Risk Free Rate	Annualised Risk (S.D)	Sharpe Ratio	Rank
SBI Magnum Equity ESG Fund	12.74378	6.479228	20.19325	0.31023	8
Quantum India ESG Eq. Fund	24.4836	3.887652	18.717	1.100387	7
Quant ESG Equity Fund	75.5922	3.346433	17.5175	4.124205	1
Kotak ESG Opportunities Fund	21.9053	3.378698	13.11	1.413166	6
Invesco India ESG Equity fund	44.6765	3.42578	12.1395	3.398058	2
ICICI Prudential ESG Fund	30.0898	3.337397	11.5555	2.315123	3
Axis ESG Equity Fund	30.6031	3.463506	17.4801	1.552599	5
Aditya Birla Sunlife ESG Fund	37.0551	3.3838	15.3832	2.188836	4

The table reveals that for the period since inception, Quant (Rank 1) outperformed all others followed by Invesco. SBI Magnum Equity ESG Fund is found to be the worst performer.

(ii) Treynor Ratio: Table 10 shows the Treynor ratio and corresponding ranking for the returns of the eight selected schemes since inception.

TABLE 10:

TREYNOR RATIO AND RANKING (PERIOD: SINCE INCEPTION)

Name of the Scheme	Annualised Return	Risk Free Rate	Beta	Treynor Ratio	Rank
SBI Magnum Eq. ESG Fund	12.74378	6.479228	0.880557	7.114308	8
Quantum India ESG Eq. Fund	24.4836	3.887652	0.769612	26.76147	6
Quant ESG Equity Fund	75.5922	3.346433	0.799574	90.35529	1
Kotak ESG Oppor. Fund	21.9053	3.378698	0.75345	24.58901	7
Invesco India ESG Equity fund	44.6765	3.42578	0.719376	57.34236	2
ICICI Prudential ESG Fund	30.0898	3.337397	0.664144	40.28106	4
Axis ESG Equity Fund	30.6031	3.463506	0.63089	43.01794	3

A. B Sunlife ESG Fund	37.0551	3.3838	0.909738	37.01209	5

The table reveals that Quant (Rank 1) has outperformed all others followed by Invesco. SBI Magnum Equity ESG Fund continues be the worst performer.

(iii) Sortino Ratio: Table 11 shows the Sharpe ratio and corresponding ranking for the returns of the eight selected schemes since inception.

TABLE 11:

SORTINO RATIO AND RANKING (PERIOD: SINCE INCEPTION)

Name of the Scheme	Annualised Return	Risk Free Rate	Downside Risk	Sortino Ratio	Rank
SBI Magnum Eq. ESG Fund	12.74378	6.479228	14.68925	0.426472	8
Quantum India ESG Eq. Fund	24.4836	3.887652	14.45624	1.42471	7
Quant ESG Equity Fund	75.5922	3.346433	13.42765	5.380374	1
Kotak ESG Oppor. Fund	21.9053	3.378698	9.827365	1.885205	6
Invesco India ESG Equity fund	44.6765	3.42578	9.18404	4.491566	2
ICICI Prudential ESG Fund	30.0898	3.337397	8.609378	3.107356	3
Axis ESG Equity Fund	30.6031	3.463506	13.05201	2.079341	5
A. B Sunlife ESG Fund	37.0551	3.3838	11.58867	2.905535	4

The results are found to be similar to that of Sharpe ratio.

(iv) Jensen's Alpha: Table 12 shows the Jensen's alpha and corresponding ranking for the returns of the eight selected schemes since inception.

TABLE 12:

JENSEN'S ALPHA AND RANKING (PERIOD: SINCE INCEPTION)

Name of the Scheme	Annualised Return	Risk Free Rate	Market rate of Return	Beta	Alpha	Rank
SBI Magnum Eq. ESG Fund	12.74378	6.479228	10.26514	0.880557	2.930843	7
Quantum India ESG Eq. Fund	24.4836	3.887652	17.8184	0.769612	9.874679	5
Quant ESG Equity Fund	75.5922	3.346433	35.0635	0.799574	46.88562	1
Kotak ESG Oppor. Fund	21.9053	3.378698	24.9772	0.75345	2.253201	8
Invesco India ESG Eq. fund	44.6765	3.42578	23.2001	0.719376	27.02555	2
ICICI Prudential ESG Fund	30.0898	3.337397	35.5229	0.664144	5.37661	6
Axis ESG Equity Fund	30.6031	3.463506	21.6491	0.63089	15.66648	3
A. B Sunlife ESG Fund	37.0551	3.3838	24.1185	0.909738	14.80816	4

While the funds in the first two slots remained the same, ranking of SBI, Quantum and A.B Sunlife has improved by one place when compared against Treynor ratio. On the other hand, the ranking of Kotak and ICICI deteriorated.

- ***Overall Performance (All Measures Compared):*** The study finally compares the performance of all the eight funds across all the four measures for both 2021 and since inception. The summarized rankings are shown below:

TABLE 13:

SUMMARIZED RANKING (PERIOD: 2021)

Name of the Scheme	Ranking Based on			
	Sharpe Ratio	Treynor Ratio	Sortino Ratio	Jensen's Alpha
SBI Magnum Eq. ESG Fund	5	6	5	5
Quantum India ESG Fund	4	4	4	4
Quant ESG Equity Fund	2	1	2	1
Kotak ESG Oppor. Fund	8	8	8	8
Invesco India ESG Eq. fund	1	2	1	2
ICICI Prudential ESG Fund	7	7	7	7
Axis ESG Equity Fund	6	5	6	6
A. B Sunlife ESG Fund	3	3	3	3

In the above table, the rankings shown in different colour schemes clearly indicate that Quant and Invesco have been within the first two slots, while A.B Sunlife, Quantum and Kotak's ranking did not change at all. SBI largely remains in fifth position. Thus, taking all the four risk adjusted performance measures into consideration, it would not be wrong to conclude that in 2021, Quant and Invesco outperformed all other funds.

TABLE 14:
SUMMARIZED RANKING (PERIOD: SINCE INCEPTION)

Name of the Scheme	Ranking Based on			
	Sharpe Ratio	*Sharpe Ratio*	*Sharpe Ratio*	*Sharpe Ratio*
SBI Magnum Eq. ESG Fund	8	8	8	7
Quantum India ESG Eq. Fund	7	6	7	5
Quant ESG Equity Fund	1	1	1	1
Kotak ESG Oppor. Fund	6	7	6	8
Invesco India ESG Eq. fund	2	2	2	2
ICICI Prudential ESG Fund	3	4	3	6
Axis ESG Equity Fund	5	3	5	3
A. B Sunlife ESG Fund	4	5	4	4

The comparative rankings indicate that Quant and Invesco have been in the first and second position consistently, while the position of other funds has changed across the four measures. However, the changes are within 1 or 2 places and not drastic. SBI Magnum Equity ESG Fund has performed poorly over the period since inception.

OVERALL CONCLUSION

The findings of the study essentially indicate that investment in ESG funds is gaining momentum in India, though the growth is still slow as compared to other leading economies of the world. This may be due to the reason that investors in India are still not fully convinced with the idea of discounting the ESG factors while building their portfolios. However, with the growing initiatives on the part of market regulator, SEBI, to promote environmental, social and (corporate) governance indicators to evaluate companies coupled with the attractive return potential, things are expected to change in the coming years. With respect to the performance of the ESG funds already existing in the market arena, the study reveals that Quant ESG Equity Fund and Invesco India ESG Equity fund, both of which are relatively younger, are the best performers so far. Quite unfortunately, SBI Magnum Equity ESG Fund, the oldest of the lot, has not been able to live up to the expectations of the investors. However, on an overall basis, except Kotak and ICICI, all the other six funds have beaten the market portfolio in terms of returns during 2021 as well as since inception. The risk adjusted performances are also quite lucrative. This proves that ESG funds are quite rewarding investment alternatives even after adjusting the risk and hence should be explored further by the investors to garner healthy returns over long term.

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Congratulations!!!

CMA Narhar K. Nimkar has been conferred the Ph.D Degree by Savitribai Phule Pune University towards contribution of his thesis on "An Analysis of Non Compliances Under Indirect Taxes With Special Reference to erstwhile Central Excise, Service Tax and presently Goods & Services Act and Measures to Improve the Compliances" under the guidance of Dr. Uma Subramanian Gopalkrishnan, National Insurance Academy, Balewadi, Baner Road, NIA PO Pune.

We wish CMA Narhar K. Nimkar the very best for all of his future endeavours.

ESG ADOPTION BY HOUSING INDUSTRY IN INDIA FOR ATTAINING THE NATIONAL HOUSING GOAL: THE KEY ROLE OF CMAs

Abstract

Given the national goal of 'Affordable Housing for all' in India on the one hand, and the utmost need for the revival of Indian economy from the adverse effects of the global pandemic COVID-19 on the other hand, added thrust on housing development is a vital and urgent need in India. With the vast forward and backward linkages of housing industry, it is imperative that Indian housing industry adopts ESG factors to attain the national housing goal and faster economic development of India. CMAs can play a vital role in this ESG adoption process.

Dr. Manoj P K
Faculty Member & Research Co-ordinator
Department of Applied Economics, CUSAT
Kochi
manoj_p_k2004@yahoo.co.in

Dr. Mini Joseph
Head
P.G Dept. of Commerce & Research Centre
K. G. College, Pambady
Kottayam
minijkgc@gmail.com

1. INTRODUCTION

Housing is one of the primary needs of human life. A proper house is vital for a decent living, for nurturing the talents of those living in it, and to equip them to play their societal roles well. Any progressive Government should provide the basic housing facilities to all citizens, since good housing can ensure that they become more efficient and productive citizens. Despite the earnest efforts of the Govt. of India (GOI) there is a huge housing shortage in India, which primarily relates to the low income and other marginalized social groups.

To minimize the housing shortage and to attain 'Housing for all', housing affordability is the key. *Affordable Housing for all* is GOI's official goal; its policy of promoting housing is visible even in the Budget 2023 (Feb. 2022). Given its vast forward and backward linkages, housing investment can (i) kick-start a recession-hit economy (ii) ensure faster national economic growth due to the linkage effects of housing with nearly 300 allied industries (iii) enhance the living standards and productivity of citizens (*Manoj P K, 2004)[12]*.

Sustainability of any industry needs protecting the environment (E) and maintaining ecological balance, ensuring Social (S) equity in the distribution of the fruits of development, and proper corporate governance (G) practices. This 'ESG' trinity has assumed great global significance today in view of the ever-growing environmental hazards like global warming, pandemics like COVID-19, mounting inequality in income distribution, growing instances of corporate frauds etc. This study analyses the significance of ESG in Indian housing sector, and the key role of CMAs in the ESG integration process.

As housing and other economic activities are fast gaining normalcy in India now, ESG adoption by falling in line with the banking strategies practiced globally can ensure sustainability of this growth momentum

2. OBJECTIVES AND METHODOLOGY

(i) To study the role of ESG integration with respect to housing sector in India given the goals and priorities of GOI as well as global practices; (ii) To suggest strategies for ESG adoption for the housing development sector in India; (iii) To apprise the role of CMAs in sustainable housing development in India. This article is descriptive, analytical and also exploratory and it uses secondary data from authentic sources, like, RBI, NHB, GOI etc.

3. HOUSING FOCUS FOR ECONOMIC REVIVAL

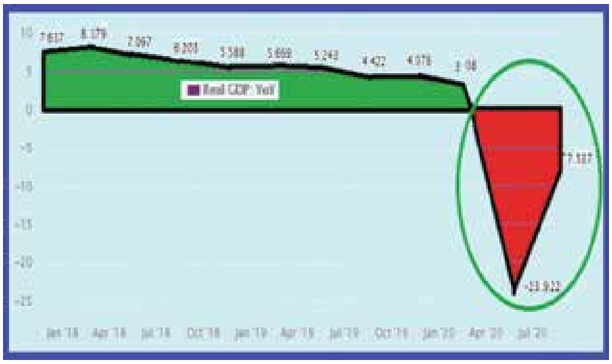
GOI has accorded top priority to housing in *Atma Nirbhar Bharat Abhiyaan* (ABA) packages, the first on 12th May 2020, the second on 25th Oct. 2020 and the third on 12th Nov. 2020. Revival of Indian housing sector is clear from RBI's *Financial Stability Report* (Jan. 2021) [24]. GOI has predicted a 'V-shaped' economic revival in its *Economic Survey 2021* (Jan. 2021) [2]. In the fast emerging Indian economy, housing sector plays a key role in accelerating the pace of economic growth, particularly in this era of Covid-19 pandemic. GOI has rightly accorded high priority to this sector in its ABA packages. It is worth noting the obvious signs of revival in Indian housing market (RBI, 2021) [24]. Many industry reports too have noted clear positive changes in Indian housing and real estate market, like, *Knight Frank India-FICCI-Naredco Survey Dec. 2020.* More recently, GOI's *Economic Survey 2022* (Jan. 2022) [3] too suggests indications of economic revival. Considering GOI's goals and priorities, impact of ABA packages (2020) and the developments till Feb. 2022 (Union Budget, FY 2023), the need for housing development to accelerate the V-shaped revival of Indian economy and the need for ESG to make this revival process sustainable are studied here.

4. NEED FOR SUSTAINING V-SHAPED REVIVAL

In fact, the start of a V-shaped recovery of Indian economy is visible in the pattern of India's real-GDP growth which has started improving from its worst situation in June 2020 (-23.922 per cent) to a better (though negative) position in Sept. 2020 (-7.537 per cent) and is slowly entering into the positive territory again (Figure I).

FIGURE I

V-SHAPED ECONOMIC REVIVAL.



Source: CEIC Data (www.ceicdata.com).[1]

More recently, as of 31 Dec. 2021 too, (i.e. Q3-end of FY 2022) there has been a 'V-shaped' recovery in the launches and sales of housing units as per *Economic Survey 2022* (Jan. 2022) [3]. (Figure II).

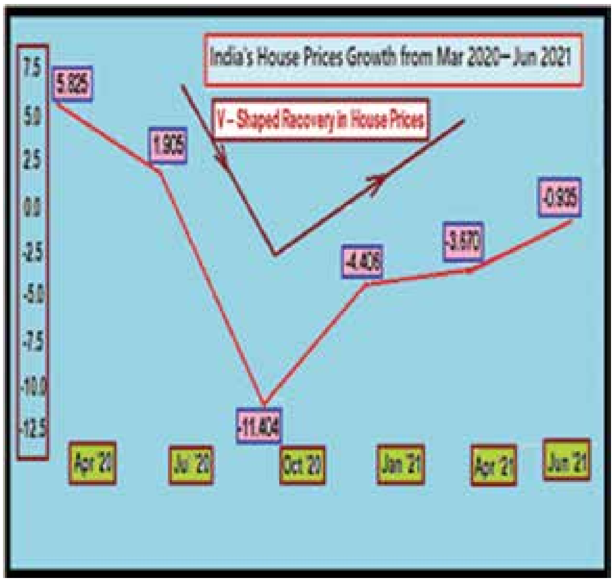
FIGURE II

LAUNCHES AND SALES IN HOUSING UNITS – V-SHAPED REVIVAL PATTERN

Source: GOI, *Economic Survey 2022* [3]

Also, there has been a V-Shaped recovery in the growth rates in house prices (March 2020 to June 2021) (Figure III).

FIGURE III
V-SHAPED RECOVERY-HOUSE PRICES



Source: CEIC Data (www.ceicdata.com).[1]

The absolute values of house prices, however, have been growing almost steadily over the Quarters, except for slight falls in Q4 of 2019 and 2020, and Q2 of 2021. This shows the relative resilience of the housing sector in India. Therefore, it is relevant to depend on housing for the sustained economic development of India. (Figure IV).

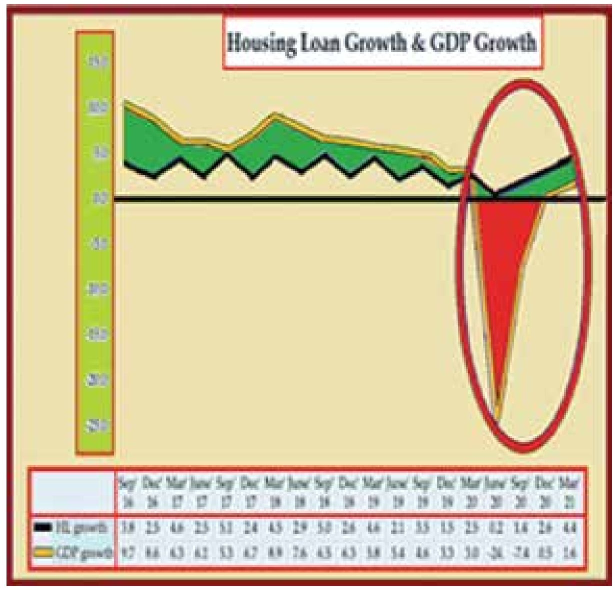
FIGURE IV
STEADY GROWTH IN HOUSE PRICES

Source: GOI, *Economic Survey 2022* [3]

5. HOUSING SECTOR AND ECONOMIC REVIVAL

As already noted Indian housing sector is resilient to economic shocks. It is noted that the pattern of housing loan (HL) growth closely follows the pattern of GDP growth (NHB, *Annual Report 2021*) [22], due to the vast linkages of housing industry. (Figure V).

FIGURE V:
GDP AND HL – GROWTH PATTERNS



Source: GOI, *Economic Survey 2022* [3]

The V-shaped revivals in real GDP growth, housing units launched and sold, and growth in house prices (Figures I to III) are reflected in the V-shaped growth pattern of outstanding housing loan (HL) portfolio of scheduled commercial banks (SCBs) and housing finance companies (HFCs). From Figure VI, a clear reversal of the HL growth rates in the outstanding HL of SCBs and HFCs is obvious. But, this growth trend needs to be made sustainable. (Figure VI).

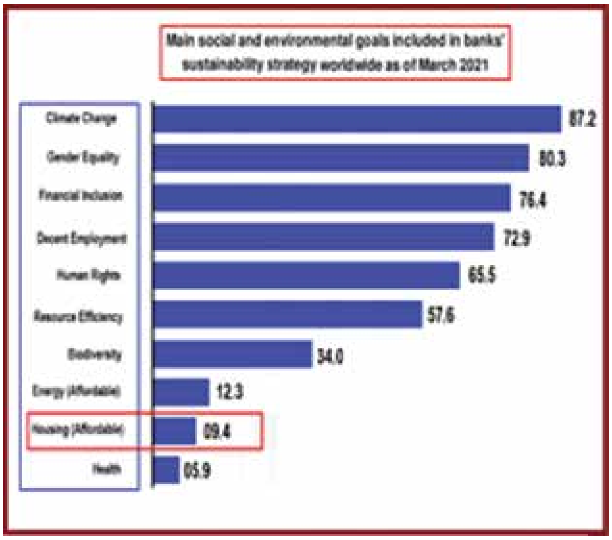
FIGURE VI:
HL OUTSTANDING-HFCS AND SCBS

Source: GOI, *Economic Survey 2022* [3]

6. ESG: GLOBAL LEVEL BANKING STRATEGY

Of late, globally, ESG integration has become one of the main strategies of banks. As of March 2021, for the banks that signed the Principles for Responsible Banking (PRB), Climate Change (87.2 per cent, first), Gender Equality (80.3 per cent, second), Financial Inclusion (76.4 per cent, third) etc. and Affordable Housing (9.4 per cent, ninth) are the major priorities (Figure VII).

FIGURE VII:
BANKING STRATEGIES AND PRIORITIES
(Environmental and Social factors)



Source: *Statista*. (www.statista.com) [24]

7. ESG IN HOUSING FOR SUSTAINED GROWTH

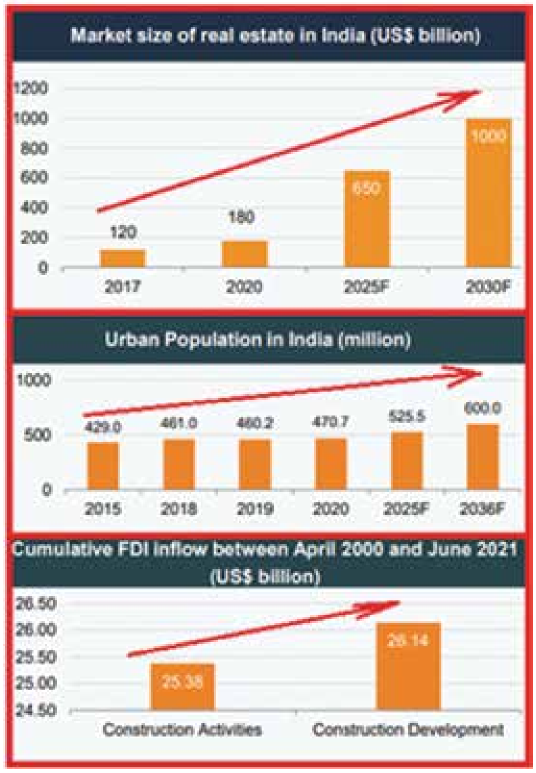
For sustaining the economic revival in India, it is vital to adopt 'ESG' India's national goal being 'Affordable Housing for all'. This is reiterated in the previous Union Budgets and the Union Budget 2022-23 (Feb. 2022) is no exception. Though 2022 is originally fixed as the year for attaining 'Housing for all' in India, it needs revision due to COVID-19 pandemic and the resultant economic slump. As housing and other economic activities are fast gaining normalcy in India now, ESG adoption by falling in line with the banking strategies practiced globally can ensure sustainability of this growth momentum.

In the housing sector, Environmental (E) aspect relate to the design guidelines before, during and after the construction stage. Air quality, energy usage, carbon discharge, water usage, waste disposal, etc. must be eco-friendly. There must be eco-friendly procurement of materials & equipment, bio-diversity preservation, afforestation, exact waste management, etc.

Under the Social (S) aspect, issues like gender, social diversity and inclusion, organizational culture, staff welfare etc. are to be addressed. Social guidelines include criteria for job creation, gender diversity, hiring the differently abled, health and safety, procuring from NGOs etc.

Under the G aspect, corporate governance of the players (Developers, Builders, REITs.) must be fine-tuned. ESG adoption seeks to ensure the sustainability of Indian housing sector; its vast growth prospects being beyond any doubt. (Figure VIII).

FIGURE VIII
HOUSING AND RESIDENTIAL REAL ESTATE
SECTOR IN INDIA-VAST PROSPECTS



Source: IBEF (2021), Nov., p.3. [5]

8. ESG ELEMENTS: INDIA'S HOUSING SECTOR

The 'E' aspect of the business model of corporates in the field of housing development should include provision for: (1) Air quality and energy savings, (2) Waste disposal, (3) Biodegradable and ecofriendly consumables, (4) Hygiene in surface and air, (5) Radiation to be kept low, (6) Bio-diversity and afforestation. Regarding the 'S' aspect of ESG integration in Indian housing sector, the main concerns include the following:

(1) Gender diversity and parity, (2) Policy of Inclusiveness in hiring, (3) Adherence to health and safety protocols (including, vaccination drives) (4) Upskilling the staff and also staff welfare, (5) Community welfare and outreach, and so on. Lastly, the 'G' aspect of ESG in Indian housing sector must ensure the following: (1) Good and transparent corporate governance practices, (2) Compliance with the environmental protection laws, (3) Financial discipline and transparency including risk management, (4) Process automation and ICT adoption. In the Indian scenario, abiding by the above broad norms, strictly implementing RERA 2016 [Real Estate (Regulation and Development) Act, 2016] at the national level

and aligning the State-level RERA Acts with the Central RERA Act (Supreme Court verdict, Feb. 2022) can help to gain the confidence of investors, customers, and the general public. The policy support of the Union and the State Governments is an advantage in India.

9. ESG ADOPTION: VITAL ROLE OF CMAs

It is noted that CMAs play a key role in the ESG adoption process; their role being more critical than that of other professionals. CMAs have to function hand in hand with experts in diverse fields like technical, legal and finance given the highly interdisciplinary nature of ESG integration. While there are no universally accepted standards to measure and report sustainability performance, the CMAs can very meaningfully perform such vital functions such as: (1) Assessing the environmental and social impact of investments on the lines of Impact-Weighted Accounts Initiative (IWAI) and Value Balancing Alliance (VBA) practices in accounting (Barker, *HRB*, 2020) [4]; (2) Suggesting corporate governance practices that best matches the expectations of the investors and other stakeholders; (3) Suggesting smart materials, energy-efficient processes and technologies for building construction in consultation with the functional specialists; (4) Suggesting effective and efficient ways of usage of water, electricity and also effective means of waste disposal; (5) Contributing towards the preservation of environmental quality and bio-diversity; (6) Ensuring that sustainability issues are factored into corporate strategies and capital allocation decisions. By enabling scientific ESG adoption, CMAs can ensure the sustainability of corporate performance.

10. CONCLUDING REMARKS

In India's housing industry, sustainability is all the more significant. So is ESG adoption, India having already committed to attain its national goal of 'Affordable Housing for all'. By adopting ESG and other sustainability practices, making use of the valuable services of the CMAs, and above all with the policy support of Union and State Governments, let us hope that India can attain the dream of *Housing for All* in the near future, if not in 2022. MA

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ESG REPORTING – GENESIS AND SIGNIFICANCE

Abstract

ESG reporting came into prominence at the beginning of this century with the advent of Global Reporting Initiatives (GRI). It got further impetus after United Nations adopted the Sustainable Development Goals (SDGs) in 2015. Institutional and individual investors too have started tracking ESG parameters for investment analysis. Recently, Indian Companies Act has also mandated ESG disclosures for large firms. Given the importance being accorded by the regulatory body, this article traces the evolution of Sustainability reporting internationally and specifically in India. It also highlights the way forward and identifies likely impediments in the process.

Dr. Hema Gwalani
Assistant Professor
School of Business Management
NMIMS, Mumbai
hema.gwalani@sbm.nmims.edu

CMA (Dr.) Smita Mazumdar
Associate Professor
School of Business Management
NMIMS, Mumbai
Smita.Mazumdar@sbm.nmims.edu

The Securities and Exchange Board of India (SEBI) in its circular issued in May 2021 has notified that the top 1000 listed firms (by market capitalisation) will be required to submit a Business Responsibility and Sustainability Report (BRSR) to Stock Exchanges as an integral part of their annual report. While the disclosures are voluntary for FY 21-22, these firms are made mandatory from FY 22-23. Other firms (other than the top 1000 listed firms) are also being encouraged to adopt the new BRSR in place of the earlier BRR (Business Responsibility Report).

Given the importance being accorded by the regulatory body, this article traces the evolution of sustainability reporting internationally and specifically in India. It also highlights the way forward and identifies likely impediments in the process.

KEY ESG INDICATORS

ESG refers to the environmental, social and corporate governance issues that stakeholders consider in the context of corporate behaviour. Environmental, social and governance factors cover issues which traditionally are not part of financial or economic analysis but are extremely important and relevant to financial decisions. These may include steps taken by corporations on climate change, managing resources like water, wind etc. and, how they manage their supply chains. These may also cover health and safety policies of organizations and other steps taken to build trust and foster innovation.

The term 'ESG' was predominantly used in an initiative titled "Who Cares Wins" by UN Global compact and the Government of Switzerland (International Finance Corporation, 2004). ESG investing is a type of 'sustainable investing' which considers return on investment as well as evaluate the long-term impact of business practices on society, the environment and the performance of business itself (governance). Robust ESG policies and practices can protect brand name, improve talent acquisition and retention, promote customer loyalty and reduce the risk of lawsuits against companies.

Environmental factors	Social factors	Governance factors
• Energy use and efficiency • Greenhouse gas emissions • Water use • Use of ecosystem services • Climate change	• Employee relations • Community impact • Supply chain management • Corporate social responsibility • Gender equality • Health and safety	• Codes of conduct and business principles • Accountability • Transparency and disclosure • Board diversity and composition • Remuneration of directors • Shareholder relation

IMPORTANCE OF ESG

Darren Walker, President of the $16 billion social philanthropy, Ford Foundation has said, "It's not just 5 per cent of your money you give away that matters. What you do with the other 95 per cent is almost more important."

Investors worldwide are echoing this sentiment and investor interest in ESG data has grown manifold since 2006 when signatories to the United Nations Principles of Responsible Investing committed to use ESG parameters for investment analysis.

Total ESG assets worldwide were at $37.8 trillion at the end of March 2021. These are expected to cross $100 trillion by 2030 as per a forecast of Barclays Bank in 2018 *(CRISIL, 2021)*.

Investors have evinced interest in subscribing to Green Bonds too. These are fixed income instruments used to raise funds for environmental and climate related projects like sustainable agriculture, energy efficiency and pollution control. $1.44 trillion worth of Green Bonds have been issued till October 2021 *(Climate Bonds Initiative , 2021)*.

Investment professionals find ESG information to be financially material to investment performance because it assesses the firm's reputational, legal and regulatory risk. Investors use it as a proxy for assessing management quality. They find anticorruption practices, climate change, leadership and board and fuel management related information most material (*Amel-Zadeh & Serafeim, 2017*).

A recent meta-analysis of more than 1000 studies conducted by NYU Stern Centre for Sustainable Development along with Rockfeller Asset Management

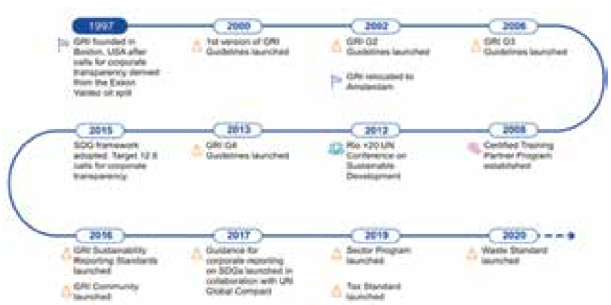
Investment professionals find ESG information to be financially material to investment performance because it assesses the firm's reputational, legal and regulatory risk

finds that 58 per cent of the papers find a positive relationship between ESG and corporate financial performance (measured by ROE, ROA or stock price) with about 13 per cent showing neutral impact *(Whelan, Atz, Holt, & Clark, 2021)*. According to their review, firms that focussed majorly on ESG displayed higher top-line growth, reduced regulatory and legal interventions (fines and sanctions) and costs; and improved employee productivity. On the other hand, companies that focussed less on ESG noticed a higher volatility due to controversies related to labour strikes, fraud accounting and governance irregularities; and also had a higher cost of capital.

ESG REPORTING

ESG reporting has been in existence since 2000 as Global Reporting Initiative (GRI). Global Sustainability Standards Board (GSSB) are responsible for setting globally accepted standards for sustainability reporting known as GRI Standards.

ESG reporting evolved over the years to keep pace with changing regulatory requirements and saw a major shift in focus after United Nations adopted the Sustainable Development Goals (SDGs) in 2015.



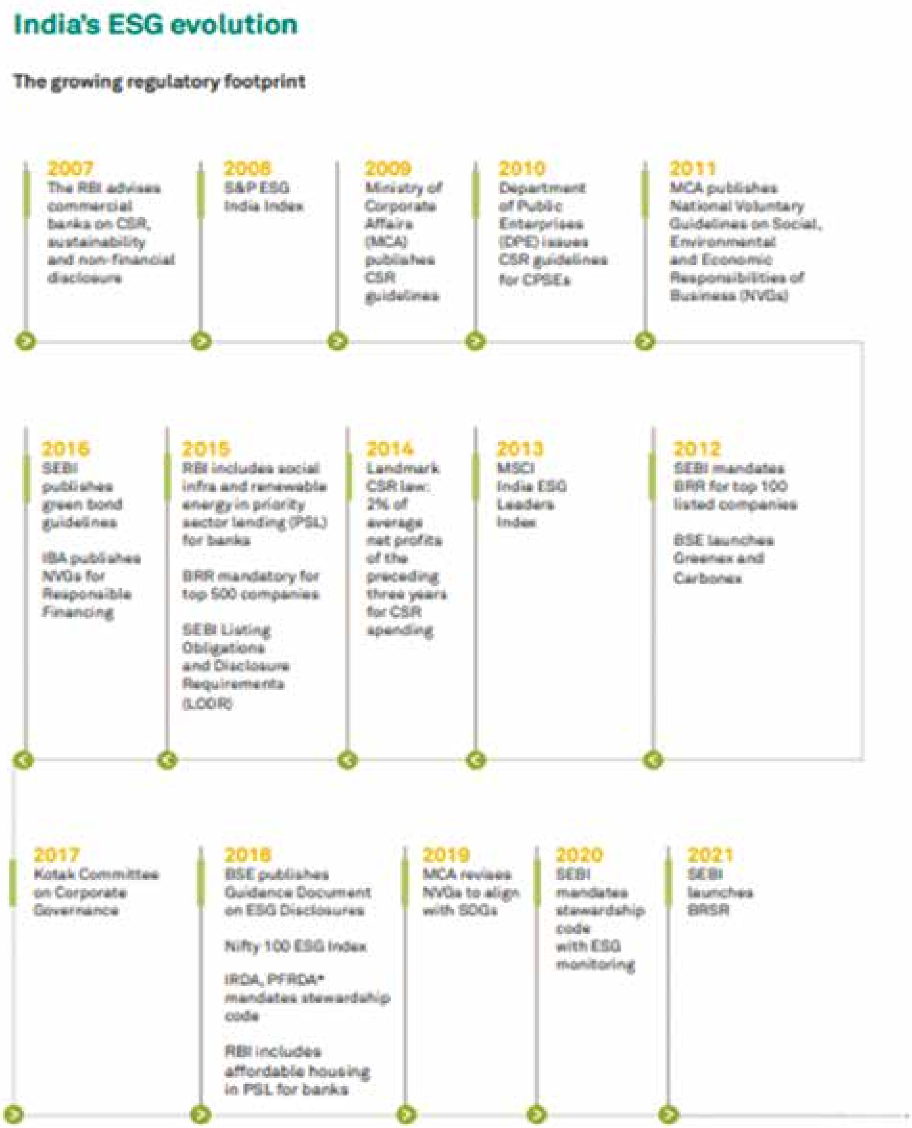
Source: GRI - Mission & history (globalreporting.org)

The 17 Sustainable Development Goals (SDGs), were a universal call to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity *(United Nations, 2015)*. While there are 17 SDGs, all of them are well integrated—the inter- connectivity between these SDG's is taken care sufficiently to bring a balance between the importance aspects of sustainability i.e. social, economic and environmental.

Governments across the world also realise that technological and financial resources, creativity and knowhow from all strata of society will have to be pooled to achieve the SDGs in every context. As such, countries are devising country specific plans to strengthen the ESG reporting and disclosure norms.

ESG REPORTING IN INDIA

ESG reporting guidelines in India too have evolved over the years to keep pace with global reporting norms and regulatory expectations. There was a modest beginning in 2007 when the Reserve Bank of India advised commercial banks to disclose information pertain to CSR and sustainability. The chart below summarizes the evolution of ESG reporting in India since then.



Source: CRISIL ESG Compendium

SEBI cast its net wider when Business Responsibility Reporting was made mandatory initially for the top 100 listed firms in 2012, and later for the top 500 listed firms from 2015 onwards. These reporting initiatives got further impetus when the Companies Act in India was amended in 2014 to incorporate a minimum spend on CSR related activities applicable to specified firms.

Further in March 2019, a Committee constituted by the Ministry of Corporate Affairs released 'National Guidelines for Responsible Business Conduct' (NGRBCs)', the updated National Voluntary Guidelines.

BRR TO BRSR – SUSTAINABILITY REPORTING FOR ALL

The major change brought in to the reporting framework was inclusion of the word 'Sustainability' in order to give a loud and clear message to give thrust on sustainability and business responsibility. As per the recommendations of the Committee, the framework was named "Business Responsibility and Sustainability Report" (BRSR) as against the earlier nomenclature "Business Responsibility Report" (BRR).

BRSR Disclosure

The BRSR mandates disclosure in three sections:

Section A – General Disclosures:

This section covers the basic information about the entity such as size of the organization, location of the organization, products produced, number of employees in the organization and CSR activities etc.

Section B – Management and process disclosures:

The disclosures in this section will enable listed companies to demonstrate structures, policies and processes put in place by them towards adopting the NGRBC guidelines pertaining to leadership, governance and stakeholder engagement.

Section C: Principle wise performance disclosures:

These disclosures will help demonstrate the company's intent and commitment to responsible business conduct through actions and outcome. Key disclosures required with respect to the following 9 principles are the following:

1. The conduct of the businesses should be with sufficient integrity, should be ethical, transparent and accountable.
2. Only sustainable and safe goods and services shall be provided.
3. Businesses should respect and promote the well-being of all employees, including those in their value chain.
4. Businesses should respect the interests and be responsive to all its stakeholders.
5. Human Rights must be taken care of and be promoted.
6. Every effort shall be made by the businesses to protect and restore the environment.
7. Businesses, when engaging in influencing public or regulatory policy should do so in a manner that is responsible and transparent.
8. Ultimately, businesses should look at the broader visions and promote inclusive growth and equitable development.
9. Businesses should engage with and provide value to their customers in a responsible manner

THE WAY FORWARD

The awareness about the need for sustainable growth across the world has been felt for decades. But the traction it has received in terms of initiatives from all stakeholders, be it Governments, corporations, international policy making bodies, financers and investors in the last few years has been unparalleled.

As these initiatives percolate across all levels, sustainability will be as much in focus as financial performance. Currently, sustainability reporting is considered as a negative screener to filter out prospective investment options. But as data becomes more consistent and reliable, there will be a shift in using sustainability reports as positive screeners with sector specific parameters for evaluating a firms' performance.

Currently, not enough data is available and what is available lacks good quality. Thus, further deliberation and action is required on the following fronts:

- Availability of data – More companies need to start disclosing information to facilitate analysis and evaluation
- Consistency of data –There are multiple reporting formats (e.g., PRI, GRI, SASB, Integrated reporting and so on). Moreover, these reporting formats are evolving over time and firms need to adapt to different versions. Data needs to be consistent for comparability.
- Reliability of information – The current focus is on reporting and disclosure. There is also a requirement for a robust audit mechanism to confirm the reliability of information. Third party indices/ scores to measure sustainability will also help in ascertaining the certainty of disclosed information. In India, CRISIL's initiative to score Indian firms on their ESG performance is a welcome step. MA

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ESG: A NEW HORIZON

Abstract

The importance of the international economic meltdown, its negative consequences for growth and development, the repercussions of climate change, and global corporate scandals have all heightened stakeholder interest in ESG issues in recent years. Investors and international institutions have emphasized the importance of businesses in contributing to long-term sustainability. Companies, on the other hand, are taking a more proactive approach to integrate ESG aspects into the management system to gain various benefits in terms of cost, brand image, loyalty, risk management, etc.

Dr. Rohan Prabhakar Dahivale
Head of the Department
Rajgad Institute of Management Research & Development
Pune
rohandahivale@gmail.com

ESG - BASIC CONCEPTS

ESG disclosures are whole heartedly welcomed by the investors as these reporting practices will be beneficial in the identification of ESG risks and performance evaluation. Exposure identification is also most likely to be successfully done with this. In the capital market in order to evaluate the corporate behaviour of any company, ESG can be used as an 'integrated term'. Many investors are adopting ESG ratings in their final analysis as one of the key terms as non-financial factor. This evaluation can be useful in identification of market growth opportunities and forecasting associated material risks (if any).

Looking from the view of sustainability angle, there is certainly a new challenge in front 6 of Indian companies as ESG mandate in the corporate governance. Each company is different from the other in terms of the sector and industrial environment it is operating in. Here ESG necessities can be looked up as a 'stakeholder driven approach, and more precisely 'investor driven approach'. The same formula can't be applied for the individual company because of their uniqueness.

Many investors are adopting ESG ratings in their final analysis as one of the key terms as non-financial factor

Most awaited entry by Indian companies have been finally made in worldwide 'ESG movement'. There has been a constantly developing pressure from various regulators and investors for adopting the ESG norms. Indian companies are becoming progressively responsive towards various sustainability issues. There are certain predictions in recent years that these norms would be applicable to all types of businesses.

SIGNIFICANCE OF ESG IN TODAY'S CONTEXT

As per ESG norms, companies should have social adoptability while doing their businesses as they are responsible towards societal well-being. Any company's act should be in the interests of their key stakeholders along with the environment and employees. While performing business, stakeholders' wealth and profit maximization activities are valid but not at the cost of environmental and social damage. Companies should perform their businesses with alignment of their 'value creation' and 'value enhancement' functions with social responsibility.

Environmental parameter is concern about various climate crises and environmental sustainability. It's an alarm for investors' choices for investment as change in climate is an environmental threat that is gradually increasing. Companies which are dependent on such types of raw materials which are made by fossils etc. can raise the question of obsolescence in long term business. Social parameter includes business diversity, human rights, consumer protection along with the company's relationship with their channel and business partners. Governance parameter is about company's corporate governance. It includes the management structure, executive and employees' compensation, employee relation etc.

Basically, it's all about measuring the overall sustainability along with the impact calculated ethically of the investments or a company. This impact is on the society or larger community as a whole. Now it's a worldwide buzz for the last few years among the companies, regulatory bodies, and investors. All across the globe, they are keen to integrate assessment models and regulations along with their developed business strategies with ESG. This they are doing with the objective of better management and risks assessment to develop their existing businesses beyond the conventional type and to enhance the financial performance.

During and after Pandemic days CEOs and all stakeholders are forced to think about environmental well-being. Thus it is making a change in the view of stakeholders' expectations from the way of doing businesses. The societal issues are no longer to be ignored and will have to be positively addressed by all those who are integral part of the society. After this consciousness towards the issues, companies can consider embracing the ESG as one of the ways to overtake the competitors.

The components of 'E' "S' and 'G' could be described as under:

ESG RATINGS: BENEFITS FOR BUSINESSES

Achieving high scores in ESG will definitely enhance the existing 'brand image' of companies as it reflects market recognition of that company with reference to the company's social responsibilities, efforts, and performance. In many counties (American and European) financial institutions are initializing ESG ratings as one of the consideration factors for the initial investment screening process. This in turn will attract investors and result in lowering the financial cost.

PAST PERFORMANCE OF ESG[1]

Years	Environmental Performance	Social Performance	Governance Performance
2014	0.347286	0.37	0.451429
2015	0.388571	0.38	0.445714
2016	0.417143	0.383333	0.463717
2017	0.471429	0.42	0.52
2018	0.551429	0.453333	0.594286
2019	0.757143	0.573333	0.751429
2020	0.741209	0.591346	0.756044
2021	0.8	0.57	0.57

(Scores in % Component Score)

Steady growth in the percentage maximum component score has been seen in the ESG performance over the period. Companies are performing better in environmental parameter. There is scope for improvement for companies' scores in social and governance parameters.

ESG: ONE WAY TO ATTRACT INVESTORS[2]

A shift has been observed in the investment patterns and investment habits across the globe and companies are inclined to embrace this. 'Investing' is no longer a characteristic of group with similar individualities but diversified groups of people worldwide with different distinctive characteristics. It is not a narrow concept in the investment arena but it is a diversified concept with various factors and sub-factors still evolving with a progressive broader scope. Company's resiliency is highlighted in recent years particularly after pandemic. Investors are keen to invest in such companies where ESG is taken care of for the future generations. As a long term strategy, companies must positively adopt their business activities in the context of ESG sustainability.

CONCLUSION

Actions in favour of environmental conservation are mandatory so as to avoid their negative impact on everybody's life. With implementation of ESG mandate companies are obliged to give attention towards it as it has direct effect with investors' investing behaviour. Apart from assets formation, investors are keen to look for sustainable growth of the companies. The change in mind-set is for betterment of their future generations. By 2025 worldwide ESG assets are likely to reach $53 trillion[3]. There is a threat that companies which fail to maintain ESG standards are most likely to lose their investors. MA

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Obituary

CMA K.C. Gupta (M-1775) passed away on 15th February 2022 at the age of 82 years. He was the Chairman of Jaipur Chapter during 2003-2004. He was the Ex-Chairman and Director (Finance) in Indian Telephone Industries. His body has been donated to SMS Medical College, Jaipur by his family members.

CMA K.C. Gupta was a man of integrity, honesty, dedication and initiated Chapter formation of ICAI ITI, Manakpur and the contributions made by him towards the development of CMA Profession will always be remembered. Our deepest condolences to all his family members at this time of inconsolable grief. God let his soul rest in peace.

COP 26 AND PUBLIC CLIMATE FINANCE

CMA Arnab Chatterjee
Ex-Principal Consultant
Oracle Consulting
Kolkata
c_arnabus@yahoo.com

Abstract

One of the hardest challenges being faced by the modern world today is climate change. It is imperative for the survival of the human race that concrete steps are taken immediately to combat it. It is with this objective that the UN has been holding annual conferences to decide on future climate actions and ways to achieve them. The latest of these conferences, called the COP 26, was held in Glasgow in Oct-Nov 2021 where explicit goals were agreed upon to reduce greenhouse gas emissions and increase financing to developing countries. In this article we shall discuss the public climate finance goals decided upon in COP 26.

CLIMATE CHANGE AND COP26

Most people equate climate change to a rise in global temperatures. While global temperature has risen rapidly over the past several decades, it is just one of the many aspects of climate change. Fierce storms, water scarcity, devastating floods, wide spread wildfires, severe droughts and rising sea levels are some of the other major consequences of climate change. The United Nations defines climate change as long-term shifts in temperature and weather patterns. These changes may arise from natural events such as volcanic eruptions and solar cycles or from human activities. However, since the industrial revolution it is humans and human activities like large scale deforestation, increased industrialization, and burning of fossil fuels like coal and petroleum that are driving climate change.

Discussions about humans adversely impacting the environment were first started during late 1980s which led to the United Nations Conference on Environment and Development in 1992. Commonly known as the *Rio Earth Summit* one of its outcomes was the creation of the United Nations Framework Convention on Climate Change (UNFCCC) under which yearly conferences of the signatory countries are held. These annual conferences, beginning in 1995 in Berlin, are known as the *United Nations Climate Change Conferences,* and are held to decide on future goals and actions to be taken to combat climate change. COP 26 was the 26th such '*Conference of the Parties' (COP)* and hence the name. It was held in Glasgow, Scotland during October- November 2021 and the outcome is known as the *Glasgow Climate Pact.*

GOALS OF COP26

There are four major sets of goals outlined in the COP 26.

1. *Secure global net zero emissions by mid-century and keep temperature of 1.5 degrees within reach:* Countries will need to speed up phasing out of coal, curtail deforestation, promote adoption of electric vehicles and invest in renewables. This will limit the global rise in temperature at 1.5 degrees instead of the 3 degrees as envisaged in the Paris 2015 climate summit.
2. *Adapt to protect communities and natural habitats:* Countries affected by climate change should be encouraged to protect and restore ecosystems and build defences and resilient infrastructure to avoid loss of lives and livelihoods.
3. *Mobilise finance:* As agreed upon in 2009, developed countries must mobilise at least \$100 billion as climate finance per year. To achieve this aim each and every Government, private enterprise and investor needs to take climate into account while making investment decisions.
4. *Work together to deliver:* Finalise the detailed rules to make the Paris Agreement operational and accelerate collaboration between

governments, businesses and civil society.

MOBILIZING FINANCE TO MEET GOALS OF COP 26

One of the hardest challenges of meeting the goals of COP 26 is the non-availability of finance by developing and underdeveloped countries. These countries have historically been dependent on fossil fuels and other polluting technologies to generate energy. Changing over to green technologies will require vast amounts of capital which these economies cannot afford because of other pressing needs, such as for health and infrastructure. Hence, to realize the goals of securing net zero emissions by 2050 and protecting communities and habitats it is essential that these countries are provided finance by developed countries since only public or Government finances may not always be adequate, private finance from businesses too need to be channelized. While public finance is needed for developing the infrastructure required to build and strengthen climate resilient economies, private finance is needed for developing innovations and new technologies.

Against this backdrop the Copenhagen Climate Summit of 2009 had set a climate funding target for developed countries of USD 100 billion to be provided each year by 2020. Out of this, only about USD 78 billion could be mobilized every year with shortfalls from almost all developed nations. Hence, for better compliance by Member Countries certain climate finance priorities were decided at the COP 26.

PRIORITIES FOR PUBLIC CLIMATE FINANCE SET AT COP26

1. *Increasing the quantum of climate finance:* It is essential that the existing target of USD 100 billion per annum of climate finance is stringently met by developed countries. Future funding goals should, however, be more ambitious and there should be clarity and predictability about the flow of such funds from the developed world.
2. *Role of development financial institutions:* Multilateral development banks and institutions have a pivotal role in providing climate finance as well as in channelizing private funds to support sustainable development. To this end COP 26 called on all such institutions and their shareholders to publish timelines and action plans for alignment with Paris goals.
3. *Role of multilateral climate funds:* Multilateral climate funds such as the Green Climate Fund and other similar vehicles are expected to improve their capacity to target technologies and projects best suited to address climate change. It is also expected of them to acquire a broader set of donors, garner more contributions from them and enhance efficiencies in resource utilisation.
4. *Mobilise private climate finance:* Public sector bodies and development financial institutions need to mobilise private sector finance into capacity building of developing countries. Developed countries mobilised around USD 15 billion in 2018 to this end. But challenges exist in scaling up new sources and instruments for securing climate finance from the private sector. To meet these goals, developed countries must take steps to de-risk private sector investment. Such private capital needs to be invested in low carbon technologies in the most vulnerable regions that generally attract little private investments.
5. *Pandemic led fiscal challenges:* The ongoing Covid-19 pandemic has wreaked havoc on the global economy impacting both the developed and developing nations. But it put additional stress on developing countries that experienced flight of foreign capital into safer economies like the US. Some of these countries also had to face rating downgrade on their national debt making them less attractive for climate financing from private sources. This has led to Governments using their scarce resources to cater to more urgent needs like healthcare and vaccination for their citizens. Hence, it's the responsibility of the G20- Paris Club Common Framework to create sustainable debt servicing arrangements for low income countries.
6. *Allocate climate finance, especially grants, to the most vulnerable regions:* All developed countries need to increase climate related grants to the most vulnerable and least developed countries. As per 2018 estimates by OECD, LDCs and Small Island Developing States received just 14 and 2 per cent respectively of total public climate finance provided and mobilised by developed countries.
7. *Improving access to climate finance:* Processes to apply for and access climate finance are not streamlined and are very complex for individual countries to follow. To address this, issue bilateral and multilateral channels need to be setup to improve coordination and a coalition needs to be formed of the donors, providers and recipients.
8. *Finance for adaptation and resilience:* In the context of climate change, adaptation

refers to changes in processes, practices and structures in ecological, social and economic systems in response to climatic changes and its effects. Communities have to develop adaptation solutions depending on the challenges they face. These can be building flood defences, setting up storm warning systems, switching to drought-resistant crops etc. Whatever be their form, the objective is to build resilient societies that can withstand the adverse effects of climate change. COP 26 has renewed the focus on the need of private capital for developing and implementing adaptation and resilience solutions.

9. *Finance for nature based solutions:* More finance needs to flow into nature based solutions so that countries can implement national programs for environmental restoration. Member nations need to involve development financial institutions to channelize finance into nature based projects for maintaining the biodiversity and improving the climate.
10. *Coherent approach:* Effective action for adaptation, disaster preparedness and mitigation needs to be taken coherently using public and private climate finance.
11. *Improve gender-response:* It is recognized that climate change has a disproportionate impact on women and girls. Hence adequate participation of women needs to be ensured at the national and local levels while framing climate policies.

LATEST FINANCIAL COMMITMENTS FOR CLIMATE FINANCE

While the goal of providing USD 100 billion for climate finance is yet to be achieved, some of the advanced economies have made additional financial commitments to reduce the shortfall.

> **Most of these countries received climate finance in the form of debt rather than grants, meaning debt servicing has become an issue, especially in the light of the Covid-19 pandemic**

The United States has committed to double its climate finance contribution to over USD 11 billion a year by 2024 including USD 3 billion to support resilience and adaptation action.

The European Union and its member nations provided over Euro 23 billion in climate finance in 2020. It has committed an additional Euro 4 billion by 2027 to support low income and climate vulnerable countries. This is in addition to new contributions to be made by EU member countries individually. For example, Norway would double its climate finance to USD 1.6 billion by 2026 while Denmark will mobilize 1 percent of the stated USD 100 billion goal by 2023.

Germany, which is a major climate finance donor, will increase its contribution from the current four billion euros to six billion euros per year by 2025 with fifty percent of the total funds specifically meant to support adaptation.

Australia is extending its commitment with AUD 2 billion over the period 2020-2025 with most of the funds aimed at adaptation and resilience programming in small islands developing states. Similarly, New Zealand has increased its pledged amount to NZD 1.3 billion over four years till 2025.

A consortium formed by USA, UK, EU, France and Germany has entered into a financing partnership with South Africa to support its transition to a low carbon economy by mobilizing USD 8.5 billion over the next five years, partly in the form of grants and partly as concessional debt.

It is expected that these climate finance commitments will go a long way in realising the goals SET at COP 26.

CONCLUSION

As per the latest roadmap released at COP 26, achieving the target of USD 100 billion per year in climate finance will take a few more years. But the bigger issue that needs to be urgently addressed is the ongoing debt crises in most of the least developed countries that were provided with climate finance. Most of these countries received climate finance in the form of debt rather than grants, meaning debt servicing has become an issue, especially in the light of the Covid-19 pandemic. As per Oxfam, a global charitable organization, just about twenty-five percent of USD 60 billion in climate finance in 2018 was in the form of grants and around forty percent was in non-concessional loans. So, it is safe to say that unless steps are taken to increase the quantum and accessibility of public finance to the most affected economies it would be very difficult to achieve the lofty goals set at COP 26. MA

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A STUDY OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG): THE EVOLVING METRICS CONSIDERING PEOPLE AND PLANET

Abstract

There is global call for sustainable development that looks beyond the profitability and wealth maximization. Corporates around the world are becoming diligent to measure their non-financial performance that helps in coordinated development and attract socially responsible investors. Environmental, Social and Governance (ESG) are the metrics that scores the collective conscientiousness of the business towards of environment, social and governance factors. However, it is not only a scale but a value driven growth rating which considers societies and environment while carrying out the business operations. This study presents a comprehensive summary related to theoretical aspects of ESG, its dimension and role in attracting investors, indicators used in ESG rating, its impact and importance along with rating criterion. In order to review and summarize the concept of ESG the study relies on the literature from secondary sources.

Dr. Mrinal Gaurav
Assistant Professor
Yogoda Satsanga Mahavidyalaya
Ranchi
mrinalgrv@gmail.com

CMA Quiser Aman
Research Scholar
Ranchi
quiseraman@gmail.com

INTRODUCTION

With increased urgency surrounding polarization, social inequity, limitation of natural resource, climate change, the three-layer reporting based on profit, people and planet has been aggressively refocused. Current covid-19 pandemic has brought to the fore the inter-dependence of development and sustainability especially in terms of livelihood, life, equity, health, environment and financial stability. This is the time to rebuild our relationship with society and nature and this responsibility is not only limited to regulators and Government but the onus is also upon the individuals and businesses.

There is universal recognition that actions cannot be postponed any longer, and that the only route ahead into the new normal is through robust sustainability implementations. The need to rebuild a better corporate ecosystem and bring in future resilience has resulted in a heightened focus on ESG rating.

Environmentally and socially centered investors analyze investment avenues by considering gravitas of ESG implementation by corporates in their operations.

ESG reporting is basically concerned with the impact of company's activity on three core blocks namely society, nature and corporate management. All the aspects of sustainable and responsible investing are covered within the meaning of ESG. Under the framework of ESG along with the financial indicators, the highlight is upon environmental, social and governance effectiveness and impact by the companies.

It was in the year 2004 when UN Secretary General, invited chief executive officer of over 50 major financial institutions to take part in a collaborative initiative under the aegis of UN Global Impact co-organized by the Swiss Government and IFC (International Finance Corporation). The goal of the programme was to work out how the environmental, social, and governance (ESG) factors could be integrated into the securities market.

The result of this initiative was seen in the year 2005, when a conference titled "Who Cares Wins" held at Zurich managed to bring together the regulators, Government institutions, research analysts, asset managers and investors to evaluate the significance and effect of ESG in investment. Participants were unanimous in their belief that ESG factors perform an essential decision making role during long-term investment. According to the findings of this paper, infusing ESG values into financial markets is a smart corporate move that contributes to much more sustainability in market and improved outcomes for the society.

Simultaneously in 2005 "Freshfield Report" was published by United Nations EP-FI, which demonstrated the relevance of ESG integration into institutional investment. "Freshfield Report" along with "Who Cares Wins" laid the foundation in 2006 for the New York Stock Exchange's announcement of PRI (Principles for Responsible Investment) and in 2007 for the launch of SSEI.

With engagement and guidance, PRI goal is to promote inclusion of ESG in decision making and analysis. PRI initiative is growing with more than 1600 members collectively representing around 70 trillion-dollar asset under management.

Numerous Exchanges now require ESG disclosure for listed businesses

Numerous Exchanges now require ESG disclosure for listed businesses thanks to the SSEIs (Sustainable Stock Exchange Initiative); they also provide support on reporting ESG issues.

ESG encompasses broad range of issues that have financial consequences but are not generally represented in conventional financial statements. The incorporation of environmental, social, and governance issues into decision-making and financing processes is commonly referred to as responsible investing (*Kell, 2018*).

Investors remain one of the most important stakeholder groups in the corporate sector, pushing impetus for ESG initiatives and disclosures. When it comes to evaluating firm's performance using ESG variables, institutional investors are raising the stakes.

Businesses' awareness, planning, and management of ESG concerns are no longer sufficient to meet stakeholder demands; what is required is an urgent push for enhanced openness and responsibility in all sectors.

ESG strategies are now being implemented by businesses; investors are subscribing ESG products, and regulators are developing ESG policies (*Serafeim, 2021*).

As per the Global Institutional Survey, 2020 by E&Y, respondent's frequency of using non-financial performance in investment decision making rose to 43 per cent in 2020 from 27 per cent in 2016. ESG integration is receiving a lot of attention from various parties. Stakeholders want organizations to take concrete actions that are planned for the short, medium, and long term.

IT industry body, NASSCOM said that in India assets under management for the ESG funds for the financial year 2021 increased by 2.5 times which takes it to 650 million dollars which was only 275 million dollars in 2020.

SIGNIFICANCE AND IMPORTANCE OF ESG

ESG issues are being addressed by the investors in order to reduce investment risks. By examining business's ESG performance and disclosures, investors may understand how it strives to mitigate risks and improve long-term economic gains; also companies are facing the financial consequences of non-complying with the sustainability requirements whether it be penalty in the form of carbon tax or not able to attract potential investors who stipulated conditions related to ESG adherence before investing.

In view of minimizing revenue/ financing risks and to get escalated return on investment, private investors consider those companies who integrate ESG principles with their business model as a better option. Moreover, corporations that have effectively adopted sustainability and ESG initiatives surpass the rest of the top global enterprises (*Sphera's Editorial Team, 2021).*

ESG SCORING AND RATING

There are multiple organizations that provide ESG performance rating and grading services for various private and public companies throughout the world. The scope, methodology, and coverage of reports and ratings differ widely amongst the providers. Financial institutions, asset managers and institutional investors are significantly depending on these assessments and rankings to evaluate and compare ESG performance of companies and securities.

Currently, there are a slew of ESG data sources. Some of the top known EGS rating agencies are Sustainalytics, RepRisk, DowJones SI, MSCI ESG Rating, Bloomberg ESG and ISS. Let's discuss the methodology and rating scale of some of these popular ESG rating agencies:

ESG Data Provider/ Rating agency	Rating Methodology	Rating Scale
Sustainalytics	ESG risk ratings from Sustainalytics assess a company's exposure to sector significant ESG risks and how well it manages those risks.	*Severe Risk:* If the score is more than 40 *High Risk:* If the score is in between 30 and 40 *Medium Risk:* If the score in between 20 and 30 *Low Risk:* If the score is between 10 to 20 *Negligible Risk:* If the score is between 0 to 10
RepRisk	The (RRI) RepRisk Index spread from zero to one hundred. Zero represent Low risk exposure and hundred represent extremely high risk exposure. The (RRI) RepRisk Index is a RepRisk-developed algorithm that continuously collects and analyzes a firm's or project's reputational risk exposure to ESG challenges.	RRI:75-100 represents tremendously high risk RRI: 60-74 represents very high risk RRI: 50-59 represents high risk RRI: 26-49 represents medium risk RRI: 0-25 represents low risk
MSCI ESG Rating	MSCI ESG Rating measures company's response to ESG risks that are industry specific and long term.	Considered as Laggard if rating is CCC or B Considered as Average if rating is BB or BBB or A Considered as Leader if rating is AA or AAA
Thomson Reuters (TRCRR)-ESG	The new ESG perspectives convert percentage ratings to letter grades, making it easier to see how companies compare with their counterparts in the industry and where their ESG flaws and abilities are.	A +: if the score is greater than 0.916666 but less than or equals to 1 A: if the score is greater than 0.833333 but less than or equals to 0.916666 A –: if the score is greater than 0.750000 but less than or equals to 0.833333 B +: if the score is greater than 0.666666 but less than or equals to 0.750000 B: if the score is greater than 0.583333 but less than or equals to 0.666666 B–: if the score is greater than 0.500000 but less than or equals to 0.583333 C +: if the score is greater than 0.416666 but less than or equals to 0.500000 C: if the score is greater than 0.333333 but less than or equals to 0.416666 C –: if the score is greater than 0.250000 but less than or equals to 0.333333 D +: if the score is greater than 0.166666 but less than or equals to 0.250000 D: if the score is greater than 0.083333. but less than or equals to 0.166666 D –: if the score is greater or equals to 0.0 but less than or equals to 0.083333

ESG RISK RATING OF WORLD'S TOP 10 COMPANIES ON THE BASIS OF MARKET CAPITALIZATION

[***Scale**: 40+: Severe Risk, 30-40: High Risk, 20-30: Medium Risk, 10-20: Low Risk, 0-10: Negligible Risk]

S. No	Name of Company	Industry Group	ESG Risk Rating	Risk Category	Global Ranking out of 15125
1	Apple Inc	Technology Hardware	16.3	Low Risk	1761
2	Microsoft Corp	Software & Services	13.3	Low Risk	787
3	Alphabet Inc	Software & Services	22.9	Medium Risk	4978
4	Saudi Aramco	Oil & Gas Producers	45.6	Severe Risk	14315
5	Amazon.com Inc	Retailing	30	High Risk	9113
6	Tesla Inc	Automobiles	28.5	Medium risk	8225
7	Meta (Facebook Inc)	Software & Services	32.4	High Risk	10355

8	Berkshire Hathaway Inc	Diversified Financials	16.3	Low Risk	1798
9	TSMC Global Ltd.	Semiconductors	16.7	Low Risk	1933
10	NVIDIA Corp.	Semiconductors	12.8	Low Risk	647

**Source: Sustainalytics (A Morningstar Company) as on 03.02.2022*

COMMON ESG INDICATORS

Environmental Indicators: Impact on the environment

1. Initiative for long-term sustainability.
2. Efficiency in use of energy.
3. Scarcity of water.
4. Emission of greenhouse gases.
5. Waste management and recycling
6. Use of natural resources.
7. Water and air pollution.
8. Carbon offsets
9. Ecology and natural heritage.

Social Indicators: Community, employee, and consumer relationships

1. Ethical sourcing in the supply chain.
2. Following applicable labour laws.
3. Consumer satisfaction
4. Safety standards of products.
5. Work culture
6. Inclusion and diversity
7. Data privacy
8. Community outreach
9. Training and development of employees.

Governance Indicators: Corporate governance standards

1. Relationship with regulators.
2. History of shareholders litigation
3. Composition and independence of board
4. Disclosures and transparency in reporting
5. Minority interest of shareholders
6. Compensation to executives
7. Diversity in management
8. Separation of the roles of CEO and Chairman.
9. Lobbying

CONCLUSION

ESG reporting is the result of increased public pressure on firms to disclose their environmental, social, and governance performance. However, major elements of these reports are not based on core measurement and accounting concepts and they frequently default to gauges of processes and inputs rather than actual outputs. The rise in environmental, social, and governance disclosures BY corporates may not cure all of society's ills. It isn't irrelevant, though, and could actually be a catalyst for responsibility and improvement. Businesses can innovate to extend disclosures of a broader variety of environmental and societal impacts after learning how to disclose and assess a few, extremely meaningful and manageable measures. MA

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COP 26: ACCELERATING EFFORTS TOWARDS EMISSION REDUCTION AND NET ZERO PLEDGE

Abstract

As nations around the world are busy rebuilding their economies in the wake of Covid-19, we have once in a lifetime opportunity to harmonise with the whole world and deliver greener, safer, and prosperous future. COP 26 brings with it an opportunity for the natural world to put an end to the era of fossil fuel and start reviving nature and ensuring that natural ecosystem stays intact.

INTRODUCTION

COP stands for "Conference of Parties". These parties are the signatories to the United Nation Framework Convention on Climate Change (UNFCC). UNFCC is a treaty which was agreed in 1994 by 197 parties (196 countries and the European Union). The 2021 Conference hosted by United Kingdom (UK) along with its partner Italy in the Scottish Event Campus (SEC) in Glasgow, UK from 31st October, 2021 to 12th November, 2021 was the 26th meeting of the parties and hence it is called COP 26. The Conference was originally scheduled to take place in November 2020 but due to pandemic it was postponed till November 2021. Since the Paris Agreement was adopted at COP 21 in 2015, COP 26, convened in Glasgow, Scotland was the most important UN climate change meeting and took place in the context of an increasingly urgent climate crisis.

At COP 26, a climate pact was adopted by the nations which focuses on turning 2020s into a decade of climate action and support so as to limit the global average temperature to 1.5 degrees. The decision taken includes curbing of greenhouse gas emission, building resilience to climate change and to provide for the necessary finance. COP 26 was a potentially pivotal moment in global efforts to combat the threat of climate change. The Glasgow Conference also provided an opportunity for accelerating the efforts on climate finance, adapting the rules governing the implementation of the Paris Agreement. Climate crisis has already been experienced across the world, and there has never been a more urgent need for international finance and cooperation to manage this hour of climate crisis.

WHAT HAPPENS AT COP

At COP activities take place in two different zones namely:

A. The Blue Zone.

B. The Green Zone.

Dr. Amit Kumar Nag
Associate Professor and Head
Department of Commerce
The Bhopal School of Social Sciences
Bhopal
amitnag148@gmail.com

Rahul Joshi
Assistant Professor
Department of Commerce
The Bhopal School of Social Sciences
Bhopal
joshirs@rediffmail.com

The Blue Zone is for those who are registered with UN body. In Blue Zone formal negotiations and informal consultations are discussed among the delegate of various countries. Delegates also take part in meeting with other delegates of other Member Countries to clarify their position and interest with the aim of reaching to an agreement or for coming out of a deadlock situation.

The Green Zone is dedicated for the general public. Various events, including workshops, art exhibitions, demonstration of technology and even musical performance can be witnessed by general public in this Zone.

IMPORTANCE OF PARIS AGREEMENT

The Paris Agreement was made at the COP 21 in 2015. The Paris Agreement is termed as Crown Jewel of the UNFCC program, because this Agreement was instrumental in giving the world its first universal global agreement on climate change. The Paris Agreement now works as a base for annual COP negotiations to follow. At COP 21 for the first time ever it was witnessed that almost every country was desirous to cut emissions and limit global warming to below 2 degrees (ideal would be 1.5 degree) above pre-industrial levels and every country was given liberty to bring forward their own national plans setting out the ways as to how they would reduce their emission, known as "Nationally Determined Contributions" or (NDC). Every Member Country agreed to report its emission reduction targets (i.e., NDCs) every five years to reflect their progress overtime.

CURRENT SCENARIO AND THE PROGRESS

Continuing with the current trend, global warming will be well above 3 degrees by 2100 as compared to pre-industrial level. The result will be in the form of rise in mercury, bringing in more destruction in the form of flood, bush fires, extreme weather conditions and devastating impacts on wildlife.

Putting down all the efforts, we are able to bring the temperature curve to 2 degrees, but still lot has to be done to bring the temperature to the level of 1.5 degree.

Following steps have been taken worldwide to control the temperature to 1.5 degrees:

- Almost 70 per cent of the world's economy is striving to reach net zero emission (i.e producing less carbon than we take out of the atmosphere) up from 30 per cent .
- Nearly 80 countries have updated their NDCs and all G7 Nations have revealed their new NDCs targets which will make zero emission goal possible by 2050.
- In two-thirds countries of the world, solar and wind power plants are cheaper than coal and gas powered plants.
- Many countries have joined Risk Informed Early Action partnership which focuses to make 1 billion people safe from disaster by 2025.

THE ROAD TO COP 26

- The first Conference (COP1) was hosted by Berlin in the year 1995. Since then, COP Members have been meeting every year.
- In the year 1997 COP 3 was held in Japan, where the famous Kyoto Protocol was adopted. The major feature of Kyoto protocol is that binding targets were set for 37 industrialised nations and the European Community for reducing greenhouse gas (GHG) emissions. The line of distinction between Convention and Protocol is that the Convention encouraged industrialised nations to stabilize GHG emissions, whereas the Protocol commits them to do so.
- The detailed guidelines for the implementation of Kyoto Protocol were adopted at COP 7 in Marrakesh, Morocco in 2001 called a "Marrakesh Accords".
- The Eighth COP (COP 8) was hosted by India in New-Delhi from October 23 to November 01, 2002. This Conference laid down the measures including strengthening of technology transfer in all relevant sectors, promotion of technological advances through research and development and the strengthening of institutions for sustainable development.'
- One of the most important conferences, COP 21 took place from November 30 to December 11, 2015, in Paris, France. It is considered as one of the most important Conferences. In this Conference it was agreed by Member Countries to work together towards limiting the global warming below 2 degrees, preferably to 1.5 degrees as compared to the pre-industrial levels.

WHAT DO WE NEED TO ACHIEVE AT COP 26

- **Targeting global net zero by Mid-century and keeping 1.5 degrees within reach**

  Countries are expected to come forward with emission reduction targets (NDCs), which should be in line with reaching net zero by the middle of the century. These ambitious targets can only be achieved if countries accelerate in phasing out coal, increase investment in renewables, curtail deforestation and move towards electric vehicles.

- **Protecting Communities and National Habitat**

  Steps should be taken to protect eco-system, develop defences, put warning signals in place and make agriculture and infrastructure more resilient.

- **Finance Mobilisation-**

  In order to fulfil the above two goals, developed nations must deliver on their promise to raise at least $100 bn. per year.

- **Working Together-**

  Challenges of climate change can only be met if there is collaboration between various Governments, business and civil society. This is the right time for turning the ambition into action.

HOW TO GET SUPPORT AND INVOLVEMENT

At COP 2015 held in Paris, it was decided that two persons shall be appointed and they shall be referred to as High Level Champions. These High Level Champions shall be responsible for launching global campaign with various cities, regions, businesses and investors so as to boost up participation.

Currently, UN High Level Champions for Climate Action are Mr. Gunzalo Munoz (from Chile) and Mr. Nigel Topping (from UK).

"Race to Zero" is a global campaign launched by UN High Level Champions to rally support from various spheres and aiming towards resilient, healthy and carbon free economy.

INDIA AND COP26

At COP 26, Indian P.M Shri Narendra Modi announced five goals for addressing climate change crisis (termed as "Panchamrit")

1. Achieving target of net zero by 2070
2. Carbon emission to be reduced by one billion by 2030.
3. By 2030, 50 per cent of our total energy requirement shall be met by renewable energy component.
4. Carbon intensity to be reduced by 45 per cent by 2030.
5. Non-fossil energy capacity shall be increased to reach 500 GW by 2030.

At COP 26, Indian P.M Shri Narendra Modi announced five goals for addressing climate change crisis (termed as "Panchamrit")

CRITICISM FACED BY INDIA AT COP 26

- Target of net zero by 2070 suggested by Indian PM Narendra Modi was not taken enthusiastically by the western Member countries (as they have set the deadline of Net zero by 2050)
- At the time of preparing final draft agreement, India diluted its language on coal usage. Developed countries were committed to "phase out coal", whereas India supported "phase down coal", which was seen as a contrast statement as against the ambitious 5 goals announced by our PM.

We don't agree with the criticism, as one should be aware that India is world's third largest polluter and it is also at developing stage and hence it would be unfair on the part of Western Countries to demand that India should resort to the timeline of 2030 framed by them.

CONCLUSION

COP 26 was neither universally celebrated nor was it universally condemned. Some of the commitments and announcements made at COP 26 gave us a ray of hope and degree of optimism about renewed will to tackle the climate crisis. Governments of various countries should take lessons from this Conference and come forward with dogged determination to co-operate, urgently and accomplish on what has been agreed upon, to strengthen their NDCs in coming years and at the same time making available finance the poor countries require. MA

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ESG RATING OF INDIAN COMPANIES OF SELECT SECTORS: A COMPARATIVE STUDY

Abstract

In the corporate sector, there has been a gradual shift from profit orientation to people orientation and in this connection ESG framework has captured the attention of policymakers and academicians since ESG portrays the holistic picture of the performance of companies which is not possible through historical financial data. This study makes an attempt to compare the ESG scores of Indian companies of cement, financial and metal sectors.

Dr. Kingshuk Adhikari
Assistant Professor
Department of Commerce, Assam University
Silchar
adhikari.au@gmail.com

Ankita Ghosh
Assistant Professor
Department of Commerce, Cachar College
Silchar
ankitaghosh9411@gmail.com

PROLOGUE

Over the years, there has been a gradual shift from profit-oriented management to people-oriented management in the corporate sector. Policymakers and responsible business houses are in consensus that profit earning objective cannot be the sole motto of business concern in the long run and since business entity exists within the broader society and hence each of the responsible business entity has a definite role to play towards its internal as well as external stakeholders.

The environment and society within which the business house operates cannot ignore its responsibility and necessary initiatives at the environmental and social front need to be undertaken not only for the benefit of the stakeholders but for the company as well. Apart from these, good governance is also a prerequisite for sustainable development of the organization. At present compliance with ESG is the most concerning phenomenon all over the world especially in developing countries. In some countries, ESG disclosure has been made mandatory while some are on its way to enforce. In India, it has been made voluntary for 2021-22 but from 2022-23 it will be made mandatory for the top 1000 companies (listed) by market capitalization in a new format of disclosure i.e., Business Responsibility and Sustainability Report (BRSR) (*SEBI, 2021*).

There has been a gradual shift from profit-oriented management to people-oriented management in the corporate sector

ESG captures more extensive dimensions that are not included in accounting records as it evaluates the managerial capabilities which support risk management. The utilization of environment and society may yield dividend in the short run but organizations with long term goals having visionary management always strive for maintaining and restoring the environment and society on the one hand and the transparent and people-oriented policies through good governance on the other. Due to the prevailing risks, the world is facing .as reported by the Global Risks Report 2021 of the World Economic Forum, the implementation of ESG framework has got added significance in today's context since each and every aspect of the ESG framework affects the stakeholders.

ESG CONCEPTS / FRAMEWORK

From the last decade, ESG (environmental, social and governance) factors have entered into the centre stage from the periphery in the matter of investment decisions across the nations of the globe. While 'E', 'S' and 'G' are seen as distinct pillars, they are not isolated. Rather they are interrelated and most likely to overlap when organizations try to comply with any one of the components of ESG factors (*CRISIL, 2021*).

Environmental Aspect

Environmental aspect of ESG identifies the ways of conserving and preserving the natural world around. With the passage of time this concept entered into the corporate domain due to increasing environmental concerns and public awareness. External stakeholders have interest in assessing environmental performance of corporates due to emission of pollutants in the environment. Internal stakeholders need clean and hygienic environment in the workplace. Companies can play a great role in achieving environmental sustainability by implementing strategies like energy conservation, green processes, reducing carbon emission, etc.

Social Aspect

People are at the core of any business organization in the form of employees and community. Corporates should not only be thinking about conserving environment but also being socially responsible by developing warm relationships with customers, community as well as business counterparts. Thus, companies need to be socially responsible by considering not only employees, customers, and others, but also in a wider sense impact on the public at large.

> **The three-dimensional concept of ESG framework is related to each other since all the aspects contribute towards the well-being of various stakeholders**

Governance Aspect

A good governance system optimizes the performance of an organization to the best interests of stakeholders. Governance aspect will look after composition of board of directors and auditors in the company which will help controlling business operations taking into account the interests of the various stakeholders. It considers transparency and ethical standards of a company towards various issues as well as stakeholders.

Thus, the three-dimensional concept of ESG framework is related to each other since all the aspects contribute towards the well-being of various stakeholders. Various vision and strategies made by the organizations should be coordinated with all the aspects of ESG framework. The level of ESG activities undertaken by a company is measured by awarding scores against each dimension assigned by rating agencies by evaluating ESG disclosure reports of companies. The methodology of rating and the components of three aspects differ in different rating agencies. Several rating agencies are functional internationally like Bloomberg, Thomson Reuters, MSCI, etc., while in India many agencies like CRISIL, Edelweiss, Acuite Ratings and many more are functional at present. In January, 2022 SEBI proposed that only the accredited entities including rating agencies and research analysts should provide ESG ratings to the companies.

BRIEF REVIEW OF LITERATURE

Goyal & Aggarwal (2014) provided an idea to the investors to invest in ESG fund portfolio to fetch higher return as compared to the market. *Buallay (2019)* found that there had been a significant impact of ESG on performance. *Drempetic*, et al. (2020) analyzed the influence of firms' available resources or its size on ESG disclosure and found significant relationship between the two. *Tarmuji, et al. (2016)* revealed that corporate social practices had significant influence on economic performance while environmental practices had no significant influence. *Sila & Cek (2017)* also found that social and environmental performance of a firm had positive effect on its economic performance while no significant relationship between economic performance and governance was revealed in the study. Thus, the above studies highlight the relationship between ESG score and financial and economic performance of companies though such studies for assessing the relationship is premature at the moment.

OBJECTIVES OF THE STUDY

1. To compare the environmental, social and governance scores of companies in cement, financial and metal sectors of India.
2. To compare the composite ESG scores of companies in cement, financial and metal sectors of India

HYPOTHESES OF THE STUDY

1. Environmental, Social and Governance scores do not differ significantly across the sectors.
2. ESG scores do not differ significantly across the sectors.

METHODOLOGY OF THE STUDY

The present study is based on data obtained from CRISIL ESG Compendium, 2021 with respect to ESG score and the scores of all the three individual components of ESG for Indian companies. Out of 18 sectors only three sectors (viz, Cement, Financial and Metals) have been randomly selected. From each of the three sectors, five companies have been selected randomly for the study. Thus, the study is based upon ESG score of fifteen companies from three sectors. For analysing the data statistical tools like Mean, Standard Deviation and one-way ANOVA have been used.

TABLE 1:
SECTOR WISE ENVIRONMENTAL, SOCIAL AND GOVERNANCE SCORE

Sector	Environmental		Social		Governance	
	Mean	***SD***	***Mean***	***SD***	***Mean***	***SD***
Cement	41.8000	13.77316	49.4000	9.83870	60.6000	10.83051
Financial	70.0000	7.58288	64.6000	5.41295	78.4000	3.20936
Metal	46.2000	3.03315	57.4000	5.68331	66.8000	9.06642
F VALUE	13.466		13.466		5.837	
P VALUE	0.001		0.001		.017	

Note: Based on data obtained from CRISIL ESG Compendium, June, 2021

Table 1 shows the mean score of environmental, social and governance aspects of three sectors selected for the study. With respect to all the three counts, the highest degree of initiatives has been noticed in financial sector while the lowest degree of initiative has been observed in cement sector. With respect to all the three dimensions of ESG the highest degree of variation has been noticed in the cement sector.

Cement industry has the lowest environmental and social scores as manufacturing process of cement involves emission of various toxic gases, particulate matter, dust, noise and bad odour which poses great threat to the environment. (*Devi, et al., 2017*). In the past, the society has experienced instances of frauds and embezzlement in finance companies and from time-to-time different committees suggested measures for better corporate governance. At present majority of the finance companies generally highlight their activities in the sphere of governance in clear terms at the time of disclosure and reporting.

Table 1 further shows that the *p value* is lower than 0.05 in case of all the three dimensions of ESG and hence it may be concluded that at 5 per cent level of significance, there exists a significant difference in the environmental, social and governance score across the companies of three sectors selected for the study. To put it differently, the environmental, social and governance initiatives vary significantly across the companies of cement, financial and metal sector.

TABLE 2:
SECTOR WISE ESG SCORE

Sector	Mean	SD	F Value	P Value
Cement	51.0000	11.40175	10.799	.002
Financial	72.0000	1.58114		
Metal	57.2000	5.40370		

Note: Based on data obtained from CRISIL ESG Compendium, June, 2021

Table 2 shows the mean ESG score of three sectors selected for the study. The mean ESG score indicates the highest degree of ESG initiatives of the companies under the financial sector while the lowest ESG initiatives had been noticed in the cement sector. The variation with respect to ESG initiatives is the lowest in the financial sector while the highest degree of variation with respect to ESG initiatives has been observed in the cement sector.

Table 2 also shows that the *p value* is lower than 0.05 and hence it may be concluded that at 5 per cent level of significance, there exists a significant difference in the ESG score across the companies of three sectors selected for the study. To put it differently, the ESG initiatives vary significantly across the companies of cement, financial and metal sector.

EPILOGUE

The measurement of performance of companies on the environmental, social and governance front is at the stage of infancy. The concept is of ESG is gradually gaining importance and all the companies sooner or later are expected to take certain initiatives for their own survival and growth in the long run. In the present study, ESG score of companies under financial sector is only outstanding among the three sectors. In fact, the performance of companies in financial sector has been much better as compared to that of companies in metal and cement sectors on all the three dimensions of ESG. The cement companies' performance appears to be grim on all the three counts of ESG and the values of standard deviation also indicate the existence of significant variation in ESG within the cement sector. However, in the absence of specific guidelines and uniform parameters, Indian companies at the moment may not be in a position to report their initiatives on different counts of

ESG in the same style. It is expected that appropriate bodies will come up with concrete suggestions about the parameters and methodology for computing ESG scores of companies and the implementation of the same will certainly yield desired benefits for all the stakeholders and the business houses. MA

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AN EMPIRICAL STUDY OF BUSINESS RESPONSIBILITY REPORTING AS ESG PERSPECTIVE IN SELECT INDIAN BANKS

Abstract

All forward looking progressive organizations are consistently working towards conducting business in such a responsible and sustainable manner that leads consciousness of responsibility toward society. Environment, Social and Governance (ESG) is all about corporate social credit score, which is evaluated on the basis of company's collective conscientiousness toward various environmental and social factors. The core objective of this study is to understand the concept of BRR in ESG perspective and also check the status of BRR in select Indian banks. The meaning of ESG and evolution and development of various reporting initiatives are discussed in brief. The different level of BRR disclosures as ESG perspective is found in SBI and HDFC bank have been dealt with. It is suggested that SEBI should make it mandatory for banks to prepare standalone BRR with annual reports. It is also suggested that professional bodies should issue guidance notes etc to their members for soundness and development of BRR.

Shivam Agnihotri
ICSSR-Doctoral Fellow
Dayalbagh Educational Institute
Agra
cashivamagnihotri@gmail.com

Prof. Pramod Kumar
Head & Dean
Dayalbagh Educational Institute
Agra
pra19363@gmail.com

Dr. Arun Kumar Attree
Associate Professor
Shaheed Bhagat Singh College
Delhi
arunattree@gmail.com

INTRODUCTION

Environment, Social and Governance (ESG) is all about corporate social credit score, which is evaluated on the basis of company's collective conscientiousness toward various environmental and social factors, in which the company operates. The ESG is based on the concept of 'Socially Responsible Investors'. According to this concept, investors are not interested to invest in only those companies, which conduct their business for profitability, rather interested to invest in companies, which have due considerations towards environment, governance and community concerns. All forward looking progressive organizations are consistently working towards conducting business in such a responsible and sustainable manner that leads consciousness of responsibility. In Sustainable Development Goals (SDGs) 12.6, it is mentioned thus:

The ESG is based on the concept of 'Socially Responsible Investors'

"Encourage Companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainable information into their reporting cycle."

According to the SDGs as stated above, large and multinational companies should encourage and inspire to follow sustainable practices and also provide information related to various issues of sustainability through annual reports. The Business Responsibility Reporting (BRR) is principle-based reporting initiative, which provides disclosures on companies' commitment toward economic, social and environmental responsibilities and also encourages the companies towards stakeholders' engagement and sustainability. Till starting of the 21st Century, the reporting of companies was limited to providing information on financial performance only. The past literature came out after starting of 21st Century evidencing that companies moved to report on various non-financial aspects like sustainability, social, environmental and governance, which are directly related to various stakeholders. In a developing country like India, companies have various responsibilities such as playing a crucial role in economic development, protecting the environment and to achieve the appropriate level of trust in stakeholders by following best governance practices. Therefore, it becomes necessary to follow best reporting practices to show how the governance of the company is responsible towards the stakeholders, environment and society. The evolution and development of various NFR initiatives could be understood from the following Table 1.

It becomes necessary to follow best reporting practices to show how the governance of the company is responsible towards the stakeholders, environment and society

TABLE 1

EVOLUTION AND DEVELOPMENT OF BRR AS ESG INITIATIVES IN INDIA

S.No	Year	Particulars of NFR initiatives towards ESG
1.	2009	The Ministry of Corporate Affairs (MCA), Government of India (GOI), for the first time introduced Corporate Social Responsibility (CSR) voluntary guidelines by stating that a company should formulate its CSR policy together with strategic planning and roadmap for CSR initiatives. According to these guidelines, a company should cover six elements of CSR policy such as care of stakeholders, ethical functioning, respect for worker's right and welfare, respect for human rights, respect for environment and activities related to social and inclusive development.
2.	2011	MCA, GOI introduced National Voluntary Guidelines (NVG) on social, environmental & economic responsibilities on business, to be followed on voluntary basis from Financial Year (FY) 2011-12. These guidelines were the refinement of previous CSR Voluntary Guidelines, 2009. Nine principles like business should protect, respect and restore the environment etc are provided in these guidelines.
3.	2012	The Securities and Exchange Board of India (SEBI) after considering the larger interest from the perspective of ESG, issued guidelines for adoption of BRR practices as per framework by the top 100 listed entities on mandatory basis.
4.	2013	The Indian Parliament enacted the Companies Act, 2013 and according to sub section (4) of section 135, it is mandatory for the Board of every company, to prepare a CSR policy and also disclose its contents on the website of company.
5.	2015	The SEBI in 2015, issued new guidelines with BRR format and mentioned that as per clause (f) of regulation 34(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, top 500 listed entities are required to prepare BRR by disclosing initiatives taken in ESG perspective.
6.	2017	The SEBI by its circular dated 7th Feb 2017, suggested to follow Integrated Reporting Disclosure Practices by the top 500 listed entities on voluntary basis from FY 2017-18.
7.	2019	The SEBI mandated top 1000 listed entities to prepare BRR from FY 2019-20 on mandatory basis, which was earlier mandated to the top 500 listed entities.
8.	2021	As per SEBI circular dated 10th May 2021, top 1000 listed entities are required to prepare Business Responsibility and Sustainability Reporting (BRSR) instead of BRR from FY 2021-22. The SEBI issued new format of BRSR and mandated the entities to disclose their performance on nine principles as suggested in National Guidelines on Responsible Business Conduct (NGRBC).

REVIEW OF LITERATURE

Lavin & Montecinos-Pearce (2021) No critical influence is found on institutional investors with respect to ESG disclosures and on other hand tension is present in the minds of directors regarding ESG reporting. It is found that directors representing minority shareholders promoted ESG disclosures and more transparency.

Arvidsson & Dumay (2021)- Creation of better ESG outcomes is required as compared to improving the ESG reporting. Companies should provide data related to ESG in timely manner to improve the ESG performance. It is suggested that more research is required to be carried out on consumers, investors and policy makers.

Bag & Mohanty (2021)- The ESG disclosures are positively related to financial performance of companies in terms of return on assets (ROA), and companies' governance practices are more significant as compared to climate related disclosures. It is suggested that in the present scenario, investors instead of going for higher returns, must invest in companies, which make adequate disclosures on sustainability related issues.

Sharma et al. (2020)- Higher ESG disclosures are found in firms which have higher profitability. In the same line positive relationship is revealed between size of company (in terms of sales and assets) and ESG disclosures. It is further revealed that level of ESG disclosures is different from industry to industry.

Jindrichovska et al. (2020)- Dominant companies have responded to social and environmental challenges and changed their activities towards social development. It is suggested that more dominant large companies should protect the nature and respect the law effectively by not misusing their dominant position.

Maqbool & Zamir (2019)- About 66 per cent from top thirty listed Indian companies are found participatory in some form of CSR disclosures. After enactment of the Companies Act, 2013 Indian companies have taken many steps to discharge their social responsibility. It is further revealed that companies are responding to the expectations of society.

Agnihotri & Kumar (2019)- Even after mandatory provision for preparation of BRR, select private sector companies' have not complied with their BRR framework. However, BRR of select public sector company are fully complied with their framework. It is suggested that private sector companies should recruit BRR experts and SEBI as regulatory authority should prepare a mechanism to check the compliance level of its regulations and take corrective measures.

KPMG (2017)- A survey study on BRR practices of top 100 listed NSE and BSE companies was conducted by an expert team from KPMG. It has revealed that 96 per cent select companies were preparing their BRR and published the same on their public domain. 57 per cent select companies provided a link to see policies online on nine principles of BRR. It is also revealed that 80 per cent select companies have incorporated BRR in their annual reports and the rest issued standalone report.

OBJECTIVES OF THE STUDY

The study was conducted with following specific objectives

1. To understand the BRR framework in ESG perspective and examine its compliance in select Indian banks.
2. To make comparative analysis of BRR disclosures between public and private sector banks.

RESEARCH METHODOLOGY

Selection Criteria and Sample Size

One public sector and one private sector top bank based on market capitalization were selected to check compliance level of BRR practices as ESG perspective.

TABLE 2

SELECT INDIAN BANKS

S.No.	Name of Bank	Ownership
1.	State Bank of India (SBI)	Public
2.	HDFC Bank Ltd. (HDFC)	Private

Time Period, Data Collection and Research Method

BRR disclosures of select banks for the FYs 2019-20 and 2020-21 were taken into consideration for analysis purpose. CSR voluntary guidelines, NVGs on social, environmental and economic responsibilities of business and BRR framework etc were collected from the websites of the respective regulatory authorities like MCA, SEBI etc. The BRR of select banks were collected from the websites of respective banks. The content analysis method was adopted to check compliance of BRR framework in select banks.

EMPIRICAL ANALYSIS OF BRR PRACTICES IN SELECT INDIAN BANKS

SEBI provided an updated format of BRSR in May 2021, but the updated format does not fall under the scope of this study, as updated format is applicable from FY 2021-22 and this study in based on data related to FY 2019-20 and 2020-21. The BRR format as provided by SEBI in 2015, is divided into five sections A, B, C, D and E. First four sections from A to D of BRR format deals with general disclosures such as general and financial information, and BR policy related information etc. Section E of BRR format required Banks to provide disclosures on nine specific principles, which are framed in ESG perspective. For making the study more understandable, the researchers have decided to analyse the BRR disclosures in two parts and further a comparative analysis of disclosures in select bank is done in the third part, which are as under.

General, Financial and BR Policy Related Disclosures of Select Indian Banks

The disclosure requirement of general, financial and BR policy related issues are mandated by Sections A to D of the BRR framework. The contents required to be disclosed under BRR framework are six relating to general information and profile, five relating to financial information, three related to subsidiary companies, eight relating to directors' responsibility two relating to BR governance and 10 relating to policy information on NVGs principles. The information disclosed by select banks in FYs 2019-20 and 2020-21 are reflected Table 3 below.

TABLE 3

GENERAL BRR DISCLOSURES OF SELECT BANKS

Particulars		State Bank of India		HDFC Bank	
No.	**Disclosures of BRR (with Score)**	**2019-20**	**2020-21**	**2019-20**	**2020-21**
1.	General and Profile Related Info. (10)	10	10	10	10
2.	Financial Information (5)	5	5	5	5
3.	Subsidiaries Related Information (3)	3	3	3	3
4.	Directors' Responsibility (8)	8	8	7	7
5.	BR Governance (2)	0	0	2	2
6.	Policies on NVGs Principles (10)	10	10	10	10
Total (38)		36	36	37	37

SEBI vide its circular provided an exemption to those entities which are providing the information related to BRR in any other report like sustainability reporting etc as per any other international or national framework, from preparing BRR fully or partially but were just required to provide page number of the other report for cross reference. SBI instead of a full BRR, only made few BRR disclosures under the heading of BRR mapping in its sustainability report and provided link or description to access the information of BRR. HDFC in both FYs prepared its sustainability report and also prepared a full BRR as per the framework provided by SEBI. SBI scores 36 out of 38, because it did not provide the information related to BR governance. Against many disclosures like financial information etc, SBI just provided the description to access the information from other reports. Concluding, it can be said that BRR of SBI was found to be not well organised but it is pertinent to mention that a score of 36 out of 38 was assigned to SBI in both FYs, after observing various information from other reports of SBI. With respect to ESG disclosures, HDFC in both FYs through its BRR stated that ESG disclosures are provided in Integrated annual report and also provided web link to access the specific policy documents but nothing like this is provided by SBI in both FYs. CSR spending of HDFC is reported to be 2 per cent of profit after tax (PAT) in FY 2019-20 and 2.02 per cent in FY 2020-21. It is stated that subsidiaries of HDFC have not participated BR initiatives. Head CSR acted as BR head, and executive director of HDFC acted as responsible person for implementation of BR policies. HDFC scores 37 out of 38 in both FYs, because DIN of BR head is not provided in BRR; it was due to the reason that BR head of HDFC was not a director. The Board of Directors (BODs) of HDFC assessed the performance of BR on annual basis, but no information regarding performance assessment is provided under BRR mapping of SBI in the Sustainability Report.

BRR Principle Wise Performance Disclosures of Select Indian Banks in ESG Perspective

The requirement of principle-wise performance disclosures in ESG perspective is mandated by Section E of BRR framework. For this purpose, nine principles are provided under Section E of BRR framework. The principle wise content required to be disclosed and disclosed by select banks in FY 2019-20 and 2020-21 may be found in the following Table 4.

TABLE 4:

PRINCIPLE WISE DISCLOSURES OF SELECT BANKS IN ESG PERSPECTIVE

Particulars		State bank of India		HDFC bank	
No	**Principle wise Disclosure (with score)**	**2019-20**	**2020-21**	**2019-20**	**2020-21**
1.	Business Ethics & Transparency (2)	2	2	2	2
2.	Sustainable Goods and Services (5)	5	5	5	5
3.	Well being of Employees (8)	7	7	8	8
4.	Approach Towards Stakeholders (3)	3	3	3	3
5.	Promotion of Human Rights (2)	2	2	2	2
6.	Protection of Environment (7)	7	7	7	7
7.	Relationship with Associations (2)	2	2	2	2
8.	Inclusive Growth and Development (5)	4	4	5	5
9.	Value Creation to Consumers (4)	4	4	4	4
TOTAL (38)		36	36	38	38

As mentioned earlier, SBI provided the brief information regarding BRR in its Sustainability Report. Regarding principle wise performance in ESG perspective, SBI provided page numbers of Sustainability Report for information access. Thus the BRR disclosures requirement did not meet with the expectations of BRR framework. HDFC in both FYs scored 38 out of 38 on principle wise reporting and provided adequate information as per expectation of BRR framework. HDFC provided much attention for employee upgradation training and trained 98.37 per cent of its employees during 2020-21 as compared to 96.37 per cent in 2019-20. HDFC established ramp facilities in 718 ATMs in FY 2020-21 as compared to 598 in 2019-20 for availability of ATMs to persons with disabilities. Such type of information was found missing in the BRR mapping of SBI.

Comparative Analysis of BRR Disclosures in Select Indian Banks

It was established in another study related to BRR disclosures in select power sector companies that public sector power companies' BRR fully complied with BRR framework as compared to BRR of private sector power companies. But in this study on banking sector, the researchers reached at the conclusion that BRR of HDFC Bank as private sector is more compliant with BRR framework as compared to SBI as public sector bank in ESG perspective for FYs 2019-20 and 2020-21. Numerous disclosures, which are part of BRR framework disclosed by HDFC were not disclosed by SBI. It is due to the liberty given by SEBI in its circular that if entities are providing information related to BRR in any other report that they may be exempt from disclosing that part of BRR information which is provided in other reports. If any stakeholder of SBI is curious to study BRR disclosures, it becomes problematic and time-consuming task to collect the information and concise it for understanding purpose. On other hand it becomes easier to the stakeholders of HDFC to understand BRR quickly for decision making.

CONCLUDING REMARKS

Regulatory authorities in India are taking effective steps towards non-financial reporting like ESG, sustainability and Integrated Reporting etc and took many steps as voluntary as well as mandatory to be followed as per demand of time. On the other side, Indian entities are also moving towards various disclosure practices on governance, environment and sustainability related issues. SEBI in its circular issued in 2015 on BRR and on BRSR issued in 2021 provided a liberty to entities that, if information related to BRR or BRSR is provided in any other place in other reports like annual report, sustainability report, Integrated Report etc, then they have the option to provide this information again in BRR/BRSR or provide the page numbers of the other reports for cross reference. In this context it is suggested that the SEBI to think again on this issue and withdraw the choice and make mandatory requirement of BRR as standalone report. SBI and HDFC both are more or less the same type of entities except ownership. Both companies have prepared their sustainability report, but only HDFC prepared detailed BRR, and SBI provided only a very short informative BRR mapping under sustainability report and provided the page numbers of sustainability report for cross reference. It is suggested that SBI be required by SEBI to prepare detailed BRR as standalone report, because every user of BRR is not an expert and may face difficulties in accessing required information from different sources. It is also suggested that professional bodies like The Institute of Chartered Accountants of India should issue Guidance Notes etc for audit of BRR disclosures. MA

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COP 26 GOALS FOR TRANSITION TOWARDS A CLEANER AND CLIMATE RESILIENT FUTURE: A BIRD'S EYE OBSERVATION

Abstract

In the recent 26th session of the Climate Change Conference of UNFCCC in Glasgow (known as COP 26), 197 member nations were united to gear up to an emergency mode with a bounty of meaningful actions for moving forward ambitiously towards a sustainable and low carbon pathway. After six long years of debates and deliberations since 2015, the key provisions of the 'Paris Agreement Rulebook' on the market mechanisms and transparency has been agreed upon in the COP 26. In this context, this article encapsulates the numerous pledges, initiatives and financial commitments taken up by the nations, corporates and different institutions to restrict the global temperature rise to 1.5°C from the pre-industrial level. It also highlights the challenges in this way forward and discusses the roadmap taken up by India to combat the otherwise impending Armageddon.

Dr. Debrupa Chakraborty
Associate Professor
Department of Commerce
Netaji Nagar College
Kolkata
chakraborty_debrupa@yahoo.com

Dr. Satabdee Banerjee
Assistant Professor
Department of Commerce
Netaji Nagar Day College
Kolkata
nndcsbcomproject@yahoo.com

1. BACKGROUND

Climate change is a critical problem and a matter of immense concern demanding urgent actions. The last seven years have turned out to be the warmest years in the history of humankind. The quantum of CO_2 in the atmosphere is currently 414 parts per million (ppm) which is 50 per cent higher than the level during the pre-industrial era. Global sea level rise has also reached a new high breaking all past records in 2021. Since 1995, the Member Countries of the United Nations Framework Convention on Climate Change (UNFCCC) have been meeting every year at the Conference of Parties (COP) to find out the means of capping the global temperature rise to 1.5°C from the pre-industrial level, and all of them, presently 197, from both the developed and developing worlds, are supposed to essentially fulfil their commitments made through different pledges in the COPs to combat the impending anthropogenic disaster (*United Nations Climate Change, 2021*).

In the recent 26th session of COP (also known to be Glasgow Climate Change Conference Member nations were invited to gear up to an emergency mode with an avalanche of meaningful actions to move forward ambitiously towards a sustainable and low carbon pathway. Leaders from 120 countries and over 40,000 registered participants, 22,274 party delegates, 14,124 observers and 3,886 media representatives across the world, participated in the COP 26 held for almost 14 days from 31st October 2021 to 12th November 2021 to arrive at a consensus on the key actions needed to be adopted (*Down To Earth, 2021*). The goals of COP 26 laid emphasis on the following four building blocks:

a. Achieving net-zero greenhouse gas (GHG) emissions by mid-century and keeping global temperature rise to 1.5°C from the pre-industrial level.
b. Adapting to protect vulnerable communities, species and natural habitats.
c. Mobilising required financial support for implementing the action-plans effectively.
d. Working together for the humankind by the humans

2. MAJOR HIGHLIGHTS OF COP 26

A lion's share of global GHG emissions (about 80 per cent) come from the generation and use of energy. Along with few more, COP 26 focused on announcements of new initiatives, funds and pledges to reduce the use of coal - the king of fossil fuels. Since the Paris Climate Agreement in 2015 (where the goal was set to hold the global average temperature rise as close to 1.5°C through the implementation of national climate action plans, termed as Nationally Determined Contributions (NDCs), the number of new coal plants dropped by 76 per cent. However, COP 26 provided new pathways for rapid implementation of the Paris Climate Agreement, by targeting various actions and taking various pledges by different stakeholders like countries, companies, institutions and communities as follows:

TABLE 1:
MAJOR HIGHLIGHTS/ GOALS OF COP 26

Sl. No.	Initiatives/ pledges	Countries/ companies taking the pledge	Targets to be achieved	Sources of funding/ other initiatives to support the pledge
1.	(a) Sustainable agriculture (b) Sustainable food system (climate change, global population growth and poverty are the chief contributors towards global food insecurity)	45 countries headed by UK committed to revamp the efforts to protect nature and shift to sustainable agriculture	To protect 30 per cent of land and oceans by 2030	Over $4 billion investments were pledged for innovation in sustainable agriculture through climate resilient crops and improving soil quality thereby helping millions of farmers Modern food system needs to be transformed to a greener, fairer and sustainable system
2.	Reducing methane emissions (generated from fossil fuel use, landfill and agriculture, and accounts for one third of potent warming from human activities)	103 countries including United States and European Union and major methane emitter countries like Argentina, Brazil, Canada, Nigeria and Vietnam signed the Global Methane Pledge	30 per cent reduction by 2030 as compared to 2020 levels	
3.	Reducing deforestation	114 countries including Brazil, Canada, China, Colombia, Indonesia, Democratic Republic of Congo, and Russian Federation (which together have 85 per cent of world's forest) have validated a new plan. CEOs of 30 financial institutions (including Aviva, Ava, and Schroders) have committed not to invest in activities linked to deforestation	Reverse forest loss and land degradation by 2030	$12 billion in public and $7.2 billion in private funding have been pledged respectively.
4.	Zero-emission vehicles (automobile tailpipe emissions currently account for 10 per cent of global GHG emissions)	30 countries and 6 major car manufacturers pledged to shift to manufacturing zero-emission vehicles	Zero-emission vehicles in leading car markets by 2035, and by 2040 globally, leading to decarbonisation of transport sector	

5.	Decarbonizing shipping industry (accounts for 3 per cent of global GHG emissions) Green Shipping Corridors (zero-emission communication across selected ports)	200 companies and other actors like shippers, banks, NGOs and countries have pledged to decarbonize shipping industry 19 countries will deploy zero-emission marine cargo and transport vehicles and also alternative fuel-based charging infrastructure		
6.	Fashion Industry Charter for Climate Action (towards sustainable fashion)	130 companies and 41 supporting organisations including leading brands like H&M Group, VF Corporation, Adidas, Burberry, Kering, Chanel, PUMA and Nike pledged for net-zero emissions		
7.	Shift from fossil fuel (to tackle climate change)	More than 20 countries including world's biggest users of coal like, Egypt, Indonesia, Poland and Republic of Korea have taken new pledges to put an end to the use of coal 25 countries including Canada, Denmark, Italy and USA signed a statement steered by United Kingdom to stop providing support to fossil fuel energy and induce large scale private finance needed to reach the targets set in Paris Agreement	 By 2022 at international level	UK, USA, France, Germany and European Union will provide $8.5 billion in the next 3-5 years to South Africa (world's most carbon intensive producer of electricity) to help the country make a transition to a low carbon economy Over 450 firms from 45 countries committed themselves to mobilize funds worth $17.8 billion a year to support a shift to clean energy from fossil fuel
8.	Beyond Oil & Gas Alliance (shifting the focus to renewables from coal and fossil fuels)	Led by Costa Rica and Denmark, France, Greenland, Ireland, Italy, New Zealand, Portugal, Sweden, Wales, California and Quebec has joined the bandwagon	Denmark has committed to end their oil production and licencing agreements by 2050 to achieve net zero emissions	
9.	Creating carbon neutral, climate change resilient cities	Istanbul and Turkey are racing towards becoming carbon neutral cities	Istanbul by 2050 and Turkey by 2029 respectively	
10.	Principles for Locally Led Adaptation	Canada, Finland, Germany, Ireland, Italy, Norway, Qatar, Spain, Sweden, Switzerland, United Kingdom and USA participated in Global Adaptation Fund and related initiatives	Climate-resilient future	$450 million mobilised as of now and new commitments worth $232 million made afresh
11.	Climate finance commitment	Developed countries have been approached	At least twice their contribution to the developing countries as compared to the 2019 commitments to help them meet the funding needs for achievement of the climate plans by 2025	Multilateral development banks, other financial institutions and the private sector are being looked up to for funding.

12.	People's plenary	Representations from rural community, women, peasants, artisans, youth, NGOs and differently abled at the COP 26	Climate justice and equity on an urgent and equitable basis have been demanded	

Source: United Nations Climate Action, 2021

3. CHALLENGES AND GAPS OF COP 26 PLEDGES/ INITIATIVES:

Just as there is a plethora of possibilities as pointed out in the above table, there are certain problems and gaps in the practical implementation of the pledges as enumerated hereunder:

1. Though transition to a low carbon economy will create employment opportunities for 65 million workers in solar, wind and geothermal energy, shifting from fossil fuel by closing down coal plants and refineries will affect 3.3 billion workers globally.
2. Curbing emission will hinder access to basic electricity for 759 million people and in providing clean cooking options to 2.6 billion people across the globe.
3. There exists a credibility gap and questions are being raised about greenwashing by the corporations and financial institutions. Measurement and qualitative analysis of actual implementation of the proposed plans are yet to be ensured so as to bridge the gap between the responsibilities accepted and the performances delivered.
4. Only $80 billion out of the $100 billion climate finance commitment as made in the Paris Climate Agreement by the developed countries to the developing countries has been met as of now. Though it is always better to get something rather than nothing, the accomplishments are not sufficient and satisfactory.
5. In spite of three decades of international climate negotiations, adaptation finance accounts for a meagre 25 per cent of the whole. Forced displacement caused by natural disasters and climate change is still far to be addressed.

4. COP 26 IN INDIAN CONTEXT

Our country has pledged to be a 'zero carbon emitter' country by 2070. Enhanced renewable energy deployment targets have been announced, of which one is augmenting installed solar capacity by 280 GW by 2030. Though the other parties at COP 26 were willing to phase out the coal subsidies and totally *phasing out* the fossil fuel subsidies, India proposed and successfully insisted on *phasing down* the coal subsidies instead, making the attainment of the targeted cap at 1.5°C even more complicated.

Union Budget 2022, has proposed as under:

a. Introduce new battery swapping policy with inter-operability standards for electric vehicles (EV) to promote clean transport technology, thereby benefiting the EV ecosystem of India, along with battery manufacturers like Exide Industries Ltd, Amara Raja Batteries Ltd etc.
b. Incentivise indigenous solar module manufacturing and import substitution by providing funds to the tune of 195 billion. In so doing, panel producers like TATA Power Ltd, Adani Enterprises Ltd, Reliance Industries Ltd and Suzlon Energy Ltd. are expected to be benefitted.
c. Introduce sovereign green bonds to boost up green infrastructure development (*Harshita, 2022*).
d. Additionally, suppliers of imported coals like Coal India Ltd, Singareni Collieries Co, Adani Enterprises Ltd are instructed to place more reliance on biomass pellets in thermal power plants instead of coal *(Bloomberg, 2022).*

All these initiatives, along with the engagement of 5,00,000 women in climate-resilient farming by Swayam Shiksha Prayog, an NGO, can be expected to lead India towards climate resilience soon. But it is to be remembered that too much is required to be accomplished in too little time. As such these measures, though necessary, may not be sufficient to cope up with the urgency.

5. CONCLUSION

After six long years of debates and deliberations, the key provisions of the 'Paris Agreement Rulebook' on the market mechanisms and transparency has been agreed upon in the COP 26. However, to achieve the targets, emphasis has to be put on three major areas, namely, increasing the capacity of renewable energy generation and transmission, scaling down the carbonising capacity of the emission-intensive sectors, and revisiting the importance of creating carbon sinks like forests, wetlands and oceans *(Shoko, 2021*).

Developing countries which are contributing towards 20 per cent of total global emissions are suffering economic losses three times greater than high income developed countries due to climate related disasters, magnified by COVID 19 pandemic. Consequently, adaptation costs have also doubled during the last decade for the developing countries and it will accelerate further reaching $3000 million by 2030 with the increase in temperature. Hence, developed countries which are responsible for almost 80 per cent of global GHG emissions should take more actions and initiatives to reduce them. Along with the countries themselves, non-state parties, like business entities, urban municipalities, various institutions and even individuals have their part in meeting the climate action commitments. Making the pledges would not suffice unless the commitments are sincerely met. The citizens need to compel the corporates and muster the political will to ensure proactivity instead of mere reaction and partial response. Achieving the COP 26 goals is important, but that is just the tip of the iceberg. Humankind has embarked on a long and tedious journey to be completed with war time urgency. Mind-sets need to be changed. Otherwise if we dare to overstep the planetary boundaries, nature will simply erase us from her surface. MA

After six long years of debates and deliberations, the key provisions of the 'Paris Agreement Rulebook' on the market mechanisms and transparency has been agreed upon in the COP 26

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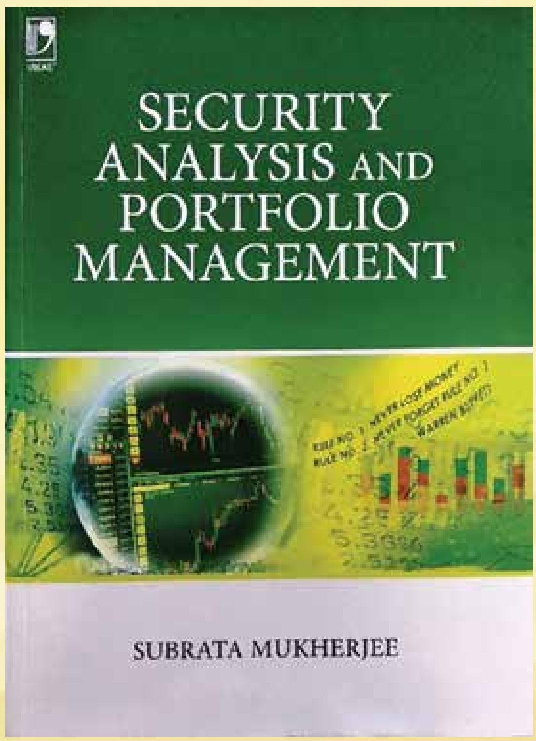
BOOK REVIEW

Book: **Security Analysis and Portfolio Management**
Author: **Subrata Mukherjee**
Publisher: **Vikas Publishing House Private Limited**
Pages: **936**
Price: **₹699**

At the outset I must congratulate and thank CMA (Prof.) Subrata Mukherjee for the tremendous effort he has put in writing such a valuable book. This book is an appropriate blend of traditional theories and modern concepts. It is extremely well covered and complex topics are written in a very lucid language. The book not only addresses the requirements of the students, but it also covers contemporary issues like Alternative Investments, Hedge Funds, International Portfolio Investments, Real Estate Investment, Real Estate Investment Trusts etc.



The book is very well organised and linkages among the chapters are very good. Part-I of the book covers the introduction. After discussing the introduction and basic investment alternatives in the first two chapters, the author discussed the securities market thoroughly in chapter three. Specially the Indian securities market are thoroughly discussed including how the securities are issued as well as how they are traded in the secondary market. Some discussions on buy back of shares and one numerical example on process of allotment in case of oversubscription in this chapter will be very much appreciated as it is one area of confusion among the students. Recent times I have not seen any book which covers the Indian securities market so well.

Part-II of the book covers the Portfolio theory and practice which includes chapters like Risk and Return, Risk Aversion, Utility of Wealth and Capital Allocation to Risky Assets, Portfolio Analysis, and Index models in a very orderly manner in a very lucid language with many numerical examples as well as practice problems.

Capital Asset Pricing Model, Arbitrage pricing Theory, Efficient market Hypothesis, Behavioural Finance and Technical Analysis are thoroughly covered in part-III of the book. Some cases on Insider trading both Indian as well as developed markets will enrich the chapter Efficient Market Hypothesis. Similarly, some practical cases will also enrich the Behavioural Finance chapter. However, author must be given due credit for explaining the concepts in a lucid language.

Security Analysis is discussed in Part-IV and Fixed Income Securities in part-V. To my mind the author could club these two parts under Security Analysis. I think the author should have discussed Enterprise Value in the chapter Company Analysis. Similarly, while discussing Market capitalisation to GDP, the role of Foreign Portfolio Investment in the country and how an investor can use the FPI investment in a company for making investment decision should have been mentioned. The entire company analysis can be explained (not the financials only) by taking example of a company. The other chapters under these two sections like Equity Valuation Model, Bond Valuation and Bond Portfolio Management are very well discussed with numerical problems. The tools of Technical Analysis are also discussed well with charts and Diagrams.

Derivatives, mainly futures and Options are discussed in Part-VI. Like other chapters, Futures and Options are also explained well with numerical examples, especially concepts like Mark-to-Market, Hedging, Arbitrage etc. An example on Open Interest and Volume will be very much appreciated.

The most important chapters are in Part-VII, which has made the book unique. Along with performance evaluation of the portfolios, this part covers Mutual Funds and Hedge Funds, Investment in Real Assets, International Portfolio Investment and Alternative Investments. Most of these topics are new and not covered in the existing books. These new topics are extremely important for the students who want to master the investment management. Some of the Hedge fund strategies can be explained with case studies.

Overall, the book is perfect blend of traditional theories of security analysis and portfolio management and advanced topics like Hedge Funds, Alternative Investments, International Portfolio Investments, Real Estate Investments, etc. which will be extremely helpful for the learners as well as researchers. The book adequately covers each and every concept of security analysis and portfolio management and also incorporates the contemporary issues which are missing in most of the existing books. The flow of topics from introductory parts to the advanced levels is praiseworthy. The case studies are appropriate and properly set the tone of the topics discussed. The wide range of problems given in the book will be an additional advantage of the students. Once again I must congratulate the author for writing such a good book on the subject.

Reviewed by:
Dr. Jayanta Kumar Seal
Professor, Accounting and Finance Area
Indian Institute of Foreign Trade, Kolkata
jseal@iift.edu

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SUSTAINABLE CONSUMPTION PRACTICES – A LEVERAGING FACTOR OF ATMANIRBHAR BHARAT	Dr. Aindrila Biswas Prof. Sudip Malakar	57	Feb-22	2	68-71	10.33516/maj.v57i2.68-71p
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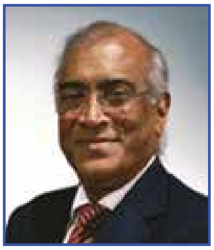
INSOLVENCY OF INDIVIDUAL CORPORATE GUARANTOR: A DISTANT DREAM TO REACH	Dr. Divya Sharma Sainyam Sharma Dr. Rajni	57	Feb-22	2	93-97	10.33516/maj.v57i2.93-97p
PREFERENCE TOWARDS MODES OF INVESTMENT: AN EMPIRICAL ANALYSIS	Shivkumar L. Biradar	57	Feb-22	2	98-101	10.33516/maj.v57i2.98-101p

DIGITAL TRANSFORMATION - THE NEW UNIVERSE OF METAVERSE



CMA (Dr.) Paritosh Basu
Senior Professor
NMIMS School of Business Management
Mumbai
paritosh.basu@sbm.nmims.edu

Introduction

Tim Burners-Lee invented world wide web (www) in 1989. This ground-breaking invention transcended geographical boundaries and helped information and communication technology (ICT) professionals creating and delivering multifarious applications and solutions over cyberspace. Certain major examples are hyperlinks, videoconferencing, eCommece platforms, videogames, voluminous documents delivery, multidimensional viewing of tangible products, and so on. This journey, riding on www, to deliver innovative solutions is continuing even in present Industry 4.0 era.

Through the process of evolution of scientists also created virtual environment to gloss over reality through applications of digital technologies, viz., virtual reality (VR) augmented reality (AR) and hybrid version of these two called mixed reality (MR). These are collectively known as Immersive Technologies (ImTs). Such creation of virtual versions simplified the process and enabled product managers to bring customers near to synchronous versions of real-world tangible objects without physically being near, albeit not being possible to be touched, felt, and smelt. The author has covered these in his paper published in May 2020[1] under this column digital transformation. The present article is an extension of the same towards the virtual universe of Metaverse.

***Image Source:** https://www.market-prospects.com/articles/what-is-the-metaverse*

Migration from Real to Virtual

ImTs are mainly being used by digital marketers of industry sectors like tourism and hospitality, motor vehicles, real estate, fashion retailing etc. Aided by a specially created headset a customer can visually experience with sound effects an exotic hilly tourist spot, the cabin of a car, a dwelling unit, a hotel room, etc. However, what one trusts may not be the truth, or what is truth may not be what one trusts. This phrasal expression has been used by the author while writing on the benefits of blockchain technology which bridges the gap between trust and truth by establishing only one version of truth with transparency. But perhaps once more one needs to validate it in the context of virtual reality

Netizens, particularly of generation Z and A and are more and more becoming keen to experience what all virtual objects are being brought to their handheld devices through internet. Such a gradual perceptible migration from real to virtual is mainly because they find huge potentials for saving time, money, and energy for validating a physical object before they decide to buy, adopt, visit and spend money.

So far people have played the game of chess, cards, fighting, expedition, motor racing, etc using a smart phone, tab, or a laptop computer in which the opponent was not visible. But imagine a situation that real pugilist is physically ushered into a boxing ring for competing with another boxer, and after playing for some time she/he realises that there was no human being as an opponent but a hologram. How it could be possible? Perhaps, that is the objective behind creating Metaverse applications for transforming a real object to a virtual one and providing near synchronous experience to users, albeit being put into use in asynchronous mode. Power of cognitive technologies like AI would also be used for such virtual creatives, their beautification, and assigning with attributes of reallife objects.

Genesis of Metaverse

The genesis of the word 'Meta' is in the Greek word 'meta ta physika' which means beyond the nature or this physical world. It posits a doctrine of something that exists beyond sense or perception of a human being. If the portion 'physical' in the word 'metaphysical' is replaced by a truncated portion of the word universe, i. e., verse, the new word that gets formed is 'Metaverse.' In a layman's understanding, therefore, it means something that exists beyond this universe. One can find corroboration of this idea in the definition of Metaverse provided by Oxford Dictionary which writes *".... noun Computing... a virtual-reality space in which users can interact with a computer-generated environment and other user. – ORIGIN 1990s: blend of meta- (SENSE 3) + and universe."*

Common men mostly have come to know about this phrase 'Metaverse' sometime in late October 202 when Merk Zuckerberg changed the name of 'facebook' to 'Meta'. Perhaps one of his objectives was to elevate operations of this entity with a quantum leap to the next frontier by unifying the perceivably disparate digital world into the new buzzword called Metaverse. Strategically this change may also help him to come out of the hitherto branded, arguably with a bit of tarnished image, social media company and migrate to the new world of 3D virtual space for many more business proposition.

More about Metaverse

Neel Stephenson, an American speculative fiction writer of eminence, coined the term Metaverse in 1992 to elucidate the concept of 3D virtual space. Readers may have anxiety as to when Metaverse would be operational and how far it is away. Factual position is that miniature versions of Metaverse are already being used by certain organisations by applications of immersive technologies, as has been narrated above. A famous venture capitalist Matthew Ball[2] is of the view that, *"The Metaverse is an expansive network of persistent, real-time rendered 3D worlds and simulations that support continuity of identity, objects, history, payments, entitlements, and can be experienced synchronously by an effectively unlimited number of users, each with an individual sense of presence*".

Common and simplistic belief that are discussed around the corridors and corners of ICT and digital technology laboratories, Metaverse is not any new digital technology like Blockchain, AI, AR, VR, etc. One section of them is of the view, albeit may not finally prove to be true, that if the word Metaverse is replaced by the word cyberspace, most of its meaning will not change. It will never be able to replace internet but will help bringing in many more transformations iteratively with integration of many more technological innovations. In other words, major technologies that gets infused into Metaverse are VR, AR, and MR, powered by cognitive technologies, and attributed by insistent virtual worlds which continue even when one is not actively and directly participating in the process. Augmented reality essays to combine the features of digital and physical worlds.

Eric Ravenscraft, an eminent product reviewer and writer opined that, "*The flashiness of VR and AR also obscure the more mundane aspects of the metaverse that might be more likely to come to fruition. It would be trivially easy for tech companies to invent, say, an open digital avatar standard, a type of file that includes characteristics you might enter into a character creator—like eye color, hairstyle, or clothing options—and let you take it everywhere. There's no need to build a more comfortable VR headset for that."*[3]

The author would like to imagine that the present version of virtual conference facility, provided by Zoom, Microsoft, Google, etc., may evolve to be a near synchronous experience of participants. This may be brought to reality by digital scientists when capabilities of ImTs are upgraded and further virtualised using the power of cognitive technologies. Metaverse would continue to evolve with innoventive applications as are being ideated and proposed to be embedded even at this early state of creating Metaverse.

Source: https://www.techrepublic.com/article/meta-ceo-zuckerberg-predicts-the-metaverse-will-be-mainstream-in-5-10-years/

If readers see the above picture, she/he prima facie may not be able to observe any difference in appearance between the fighter in white dress as compared to the player in turquoise blue colour dress. Both may appear to be the pictures of two real life fighters. Before the riddle is solved, it would be useful to read the following news item published by Tech Republic on October 28, 2021[4] – *"In the opening keynote of Connect 2021, Mark Zuckerberg fenced with the hologram of an Olympic champion, attended a work meeting with humans and a giant red robot and played a surfing game with a face full of sunscreen. He admitted that it's still very early days for the metaverse but said he and his company are focused on the future. That future includes a new name: Meta."*

Having read it readers must have understood that the fighter dawning the turquoise blue coloured dress is not the picture of a man with physical presence. Actually the player in white dress was fighting almost synchronously with an object created by digital technology using hologram as a concept. Metaverse is expected to provide similar experience to users. It would be worthwhile to know what a hologram is. Merriam Webster Dictionary has defined hologram as "*a three-dimensional image reproduced from a pattern of interference produced by a split coherent beam of radiation (such as a laser) also***:** *the pattern of interference itself."*

Contemplated Benefits from Metaverse

Effectively Metaverse will facilitate migration from physical world to a new highly interactive virtual place to entertain, shop, train people, play game, socialise, interact with human beings, humanoids, and bots, etc. People have felt the need and visualised the benefits of Metaverse while working from home and virtually interacting with others during Covid-19 Pandemic. One, can therefore contemplate the following benefits from Metaverse by:

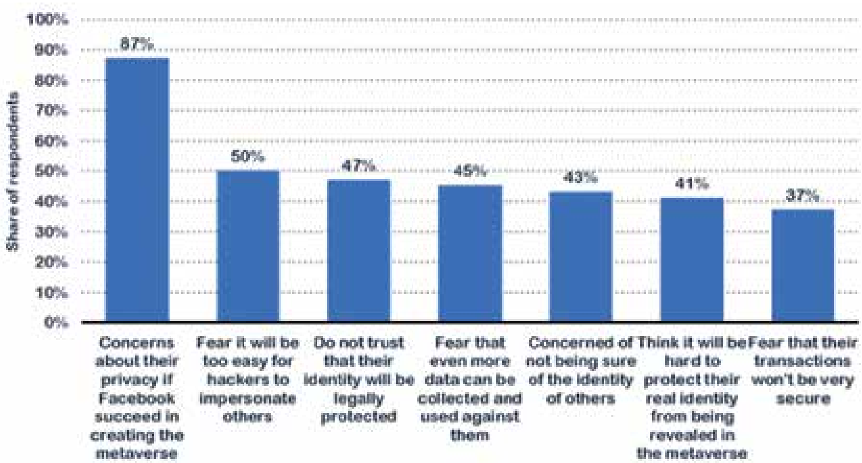
- Reducing limitations of the physical world for performing certain activities that may initially be tested in a virtual space.
- Meeting some of the challenges of working from a location away from the originally designated workplace.
- Improving delivery of medical and healthcare services with 3D visualisation and improved interactions in a virtually live or pre-recorded environment.
- Performing marketing activities in more customer friendly virtual environment and providing them near actual facilities for knowing the product more, better assessing it, and validating claims of manufacturers.
- Offering better facilities and improved resources for eLearning with 3D visualisation.
- Improving asynchronous mode of teaching, training, conducting practical classes with improved illustrations through virtual creatives for what could have been in physical mode
- Enhancing effectiveness of interpersonal communications with higher expositions of behavioural traits and emotional intelligence.
- Providing more enjoyment from virtual gaming and entertainment programs by artists and specialists.

However, more research must be conducted for validating all these benefits from Metaverse that are presently being contemplated. However, as digital technologies and scientists have so far delivered very many wonderful solutions for the benefit of mankind, one can be hopeful about the above are also being realities in course of time.

Concerns about Metaverse

The author urges readers not to take this section in a negative sense and consider that he is advocating against Metaverse. The author has supported digital transformation in his previous thirty articles with the predominant objectives of shared benefits for all stakeholders and, also common men across societal strata in all regions and continents under the sun. His appeal has always been for introducing global code of standards and directional guidance by multilateral agencies. The goal behind such codes and guidelines should be to ensure that applications of digital technologies are done in compliance with human rights, sustainable development are achieved for making the world a better place to live and for handing over an improved world to the next generation. He has no different view about Metaverse also.

One should be responsible enough to be consciously aware of the probable negative effects of everything and think many times about the evils so that one can plan for minimisation of value destruction before plunging into action. The following table represents results of a survey conducted in December 2021 amongst 1,002 consumers of the USA with age above eighteen years. They have expressed concerns about the risks that may be posed to them if Metaverse is implemented.



Source: Statista **Source(s): Propeller Insights; NordVPN; Social Media Today; ID 1288065** https://ezproxy.svkm.ac.in:2307/statistics/1288065/united-states-adults-concerns-about-the-metaverse/

It is evident from the above table that 87% of the people surveyed were deeply worried about their privacy if Facebook meets success in implementing Metaverse. 50% of them are apprehensive about its users being impersonated by cybercriminals and 47% are in a state of trust deficit about their identity being legally protected. 45% to 37% of them are anxious about more of their data being collected and used against them, not knowing the identity of the other person with whom they would interact, security of the transactions they perform in a Metaverse environment, etc.

Such concerns and anxieties of a common man of the USA, regarding multifaceted risks elements that may be inherent in commercial exploitations of Metaverse, might have echoed most of the users across the world. People might be thinking one step ahead, having been frightened by what all negatives are happening, as well as risks and adversities they are exposed to while using social media platforms. The fear of unknown, i. e., Metaverse is also working in the back of their mind. One school of thought in the financial market of western world that such perceptive concerns of users surrounding Metaverse may be one of the reasons for share price of Facebook gyrating by about 24% post announcement by Zuckerberg about his company changing its brand name to 'Meta'.

The world of digital giants is divided in their views about Metaverse. Many of them are not sure whether Metaverse is a socially viable, desirable, and acceptable proposition for digital transformation. The author's research also detected difference in opinion on whether it should be exploited for business purposes to earn profit. Lewis White wrote in stealthoptional.com[5] on January 11, 2022, the following: *"Apple says 'No' to The Metaverse .... Reported by Bloomberg write Mark Gurman, Apple isn't looking to participate in the Metaverse race .... The idea of a virtual world where users can escape to – like they can in Meta Platform/facbook's vision of the future is off limits. .... However, executives at the highest level of the company have pushed for virtual reality."* MA

Conclusion

Metaverse as a solution, with combined applications of several digital technologies, is still evolving from its present nascent stage. While there are lots of optimisms for delivering better solutions with benefits to users and humanity as whole, there are also anxieties and fear of unknown. The author is of the view that there is enormous scope for more research as well as developing and testing solutions. It would be too early to conclude about Metaverse either way. Let optimism and efforts of digital scientists be successful in achieving all objectives and minimising evils and ill effects to near zero. Lots will depend on business organisations and user community so that nothing is done being driven by greed and gluttony for money. Each one must ensure sustainable benefits for mankind in compliance with all human right as the ultimate objective.

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VALUE CREATION SKILL OUTWEIGHED EDUCATION FROM TOP UNIVERSITY

CMA Mrutyunjaya Mohanty
Group CFO
Aman Group
Dhaka, Bangladesh
ca_mmohanty@yahoo.com

Abstract

Several successful founders and head honchos are either college dropouts or do not have a degree from a top ranked university. It is a myth that head honchos have roots to university degree from a top school and have studied related core technical or functional subject. There are several examples of successful C-suit executives who neither have an academic education from a top university nor have a degree in the technical or functional area in which they currently lead their business. Current CEO of Alphabet (Google) Sundar Pichai studied throughout from top ranked global universities albeit academic core subject in material engineering but managed to switch early in the career to the technology field and excelled in his technological and leadership skills to the helm of affairs at Alphabet (Google). Microsoft CEO and Executive Chairman Satya Nadella has demonstrated during his career path that academics from a top-level global university is not mandatory to reach to your goal and create value for the organization. He is instrumental in creating a massive value growth by 5.17 times for Microsoft since becoming CEO in the year 2014.

INTRODUCTION

Founding a start-up company and running a successful business has no relation to a university degree from a top school. World already has seen several examples of successful founders who have been college drop-outs but have successfully worked on their passion and have built-in world class organizations over the years. It's worth mentioning some of those famous names;

Steve Jobs	Co-founder *Apple*
Bill Gates	Co-founder *Microsoft*
Mark Zuckerberg	Co-founder *Facebook*
Jack Dorsey	Co-founder *Twitter and Square*
Travis Kalanick	Co-founder *Uber*
Michael Dell	Founder *Dell Computer*
Larry Ellison	Co-founder *Oracle*
Paul Allen	Co-founder *Microsoft*
Evan Williams	Co-founder *Twitter*
Jan Koum	Co-founder *WhatsApp*
Dustin Moskovitz	Co-founder *Facebook*

It is a general myth that successful head honchos and high achievers in corporate sectors have roots to a university degree from a top-level educational institution and have studied related core technical or functional subject. Contrary to this we have several examples of C-suit executives who neither have an academic education from a top university nor have a degree in the technical or functional subject in which they currently lead their respective business.

University degree from a top-level school surely helps in getting several opportunities in the early part of your career. It is solely up to the person to capitalize this opportunity. You should feel blessed that these kinds of opportunities never come so easy to your counterparts who are not

It is a general myth that successful head honchos and high achievers in corporate sectors have roots to a university degree from a top-level educational institution

from a top-level university. This is the time you choose your long term functional or technological career path. Who said you can't switch from one industrial sector to other. If you have the eagerness, zeal, confidence and energy you can take this as a challenge and move ahead with your passion.

An apt example of one such successful person on this planet, is none other than the current CEO of Alphabet / Google *Mr.Sundar Pichai*. He did undergraduate study in metallurgical engineering from the prestigious IIT Kharagpur and then M.S in materials science and engineering from the prestigious Stanford University, US. He commenced his career in US as a material engineer with a material engineering company "Applied Materials". After an MBA from Wharton he switched from "Applied Materials" to the management consulting firm "McKinsey & Co". After a brief stint there he switched again and this time into a technological company "Google" in the year 2004. Rest is history for him. He has grown there in leaps and bounds to the current position as the CEO since 2015 and also the CEO of the holding company Alphabet since 2019.

Another example is the current CEO and Executive Chairman of Microsoft *Mr.Satya Nadella*. He has demonstrated during his career path that academics from a top-level global university is not mandatory to reach to your goal and create value for the organization. He did undergraduate study in electrical engineering from Manipal Institute of Technology, Karnataka and then M.S in computer science from University of Wisconsin-Milwaukee, US. He commenced his career as a member of the technology team with Sun Microsystems before joining Microsoft in the year 1992. Like Sundar Pichai, rest is history for him. He has grown at Microsoft in leaps and bounds to the current position of CEO since 2014 and Executive Chairman since 2021.

Success stories of both the above head honchos are truly inspiring. *Mr.*Sundar Pichai studied throughout from top ranked global universities albeit academic core subject in material engineering but managed to switch early in the career to the technology company and excelled in his technological and leadership skills to the helm of affairs at Google / Alphabet, whereas *Mr.Satya* Nadella studied from not so highly ranked universities but managed to demonstrate his technological skill coupled with leadership during his career to the helm of affairs at Microsoft.

Given below is a table showing some data of these two stalwarts of world class companies and their companies' financial performances after they resumed as CEO of their respective organizations.

Education from reputed university vis-à-vis value creation of two leading Global CEOs

Name	**Satya Nadella**	**Sundar Pichai**
		
Organization	Microsoft	Google / Alphabet (Holding company)
Fortune 500 Global Rank	33	21
Current position	CEO (Since 2014) Executive Chairman (Since 2021) *Joined Microsoft, 1992*	CEO (Since 2015) – *Google* CEO (Since 2019) – *Alphabet* *Joined Google, 2004*
Education	B. Tech (Electrical Engineering), in the year 1988 – Manipal Institute of Technology {Ranked 751-800 globally} M.S (Computer Science), in the year 1990 – University of Wisconsin Milwaukee {Ranked 801-1000 globally} Part-time MBA, in the year 1997 – University of Chicago, Booth {Ranked 12 globally in MBA}	B. Tech (Metallurgical Engineering), in the year 1993 – IIT, Kharagpur {Ranked 101 globally in Engineering} M.S (Material Science Engineering), in the year 1995 – Stanford {Ranked 2 globally in Engineering} MBA, in the year 2002 – University of Penn, Wharton {Ranked jointly 2 globally in MBA}

Market Cap	Year of joining as CEO (2014): US$ ~ 381 B Current (February 03, 2022): US$ ~2.35 T Growth during the period: 5.17 times	Year of joining as CEO (2015): US$ ~ 528 B Current (February 03, 2022): US$ ~ 1.96 T Growth during the period: 2.71 times
Revenue	Year of joining as CEO (2014): ~ US$ 87 B Current (FY 21, June ending)): US$ ~ 168 B Growth during the period: 93 per cent	Year of joining as CEO (2015): US$ ~ 75 BN Current (CY 2021, Dec ending): US$ ~ 258 B Growth during the period: 244 per cent
Net Income	Year of joining as CEO (2014): US$ ~ 22 B Current (FY 21, June ending): US$ ~ 61 B Growth during the period: 177 per cent	Year of joining as CEO (2015): US$ ~ 16 B Current (CY 2021, Dec ending): US$ ~ 76 B Growth during the period: 375 per cent

TAKE AWAY

1. University rank does not matter much. Mr.Satya Nadella studied from universities which are not as highly ranked as compared to Mr.Sundar Pichai who studied throughout from top ranked global universities. However, Mr.Satya Nadella at *Microsoft* managed to create excellent value growth for the company by 5.17 times.
2. Academic subject of study does not matter much. Mr. Satya Nadella and Mr.Sundar Pichai have studied Electrical Engineering and Material Science Engineering respectively, but both are spearheading reputed Fortune 500 global companies in technology sector.

Nothing is impossible, to reach your goal and achieve exceptional performance for your organization. If you have a passion to learn, unlearn and re-learn to reinvent yourself in the modern world you can bring success and make exceptional value creation for your organization just as Mr.Satya Nadella and Mr. Sundar Pichai did for their companies. .

It is a pleasure to learn that Government of India has announced on the eve of 73rd Republic day ceremony that, Mr.Satya Nadella and Mr.Sundar Pichai will be conferred with “Padma Bhushan” the highest civilian award of the country for their contribution to trade and industries. MA

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THE ADOPTION OF CRYPTO CURRENCY

Abstract

The emergence of Blockchain technology did much to raise the frenzied interest for digital currencies and succeeded in attracting significant attention from central banks across the globe to monitor the developments in digital currencies and the possibility of changing the financial landscape of the economy. This study is exploratory with a discussion on the motivation for a central bank to launch digital currency for retail use, possible benefits, and implications of such a decision.

CMA Shalu Saini
Research Scholar
Sushant University
Gurugram
shalu.rites1@gmail.com

Dr. Jagat Narayan Giri
Professor
School of Business
Sushant University, Gurugram
jagatgiri@sushantuniversity.edu.in

INTRODUCTION

The seminal paper on blockchain technology, written by Stuart Haber and W.Scott Stronetta in 1991 defines how blockchain technology works and describes applications that decentralize the integrity of digital data. What began as a time-stamping solution has grown into something that is already moving the entire industry sector. To work, blockchains require cryptography. The fascinating thing about blockchain technology is that it was created as a by-product of the invention of Bitcoin. The cryptocurrency sector arose out of a desire to counter the concentration of power and riches. The Government is in charge of issuing and controlling the currency. Inflation is caused by the infinite supply of fiat currency. Before Bitcoin, the only method to use money digitally was to go through a middleman, such as a bank. Bitcoin, on the other hand, revolutionized that by developing a decentralized form of currency that allowed individuals to trade directly without the use of a middleman.

EVOLUTION OF DIGITAL CURRENCY

Bitcoin Whitepaper 2008

The Bitcoin blockchain was created as a peer-to-peer electronic payment system that was created to be independent of banks' influence and control. The entire bitcoin network validates and confirms each Bitcoin transaction. Because there is no single point of failure, shutting down, manipulating, or controlling the system is nearly impossible. The rapid expansion of crypto currencies, as well as their promise to improve payment systems by removing the need for intermediaries, has prompted central banks to take action in answer to the question whether to switch from fiat to digital currency.

Satoshi Nakamoto, the developer of Bitcoin, issued a whitepaper explaining the technological underpinnings of the cryptocurrency in 2008, calling it "a peer-to-peer version of electronic cash." The paper went over the fundamentals of Bitcoin, such as transactions and privacy. Instead of relying on central authorities, Bitcoin uses encryption to manage the creation and transfer of money. Finally, on January 8, 2009, Satoshi Nakamoto, the bitcoin creator, released Bitcoin Vol. 1, announcing the creation of bitcoin.

The year 2010 marked the beginning of the first cryptocurrency valuation and the opening of *Bitcoin.Market. com,* the first Bitcoin exchange. More digital currencies, such as Dogecoin in 2013, Ether in 2015, etc., arose as a result of the bubble. In 2013, there were 66 different types of crypto assets; by 2016, that number had risen to 644. In January 2019, there were 2,116, up from 1,335 at the end of 2017. As of 2021, there are over 8,000 cryptocurrencies in circulation.

Dogecoin is an open-source peer-to-peer digital money that is neither a business nor a legal organization with a physical address. Technically, it functions according to norms that have been agreed upon by agreement rather than by some founding or owning entity. IBM's Billy Markus and Jackson, both software engineers, agreed to construct a payment system as a "joke" to mock cryptocurrency speculators. *Dogecoin.com* advertises the money as a "fun and friendly Internet currency," citing its "joke" roots. Dogecoin's value increased about 300 per cent in December of 2013.

Ethereum- "Vitalik Buterin, who was also the co-founder of Bitcoin Magazine at that time, invented Ethereum in late 2013 and brought it to reality in 2014. Ethereum is a public, open-source, blockchain-based distributed ledger that supports smart contracts" (*Ethhub).*

"It allows programmers to create blockchain apps that include business logic. Without the use of third parties or the possibility of censorship, anyone can communicate with the Ethereum network and participate in this digital economy" (*Ethhub).*

"The concept behind Ethereum was to integrate the components of the technology established as part of the Bitcoin network with the capabilities of smart contract technology. Smart contracts in *Ethereum* are simply pieces of code that run on the blockchain and are guaranteed to generate the same result for everyone who uses them" (*Ethhub*).

"These can be used to create a wide range of decentralized applications which can include games, digital collectibles, online-voting systems, financial products, and many others" (*Ethhub*).

"Ether, the currency of Ethereum, launched in 2015, is currently the second-largest digital currency by market capitalization after Bitcoin, though it lags behind the dominant cryptocurrency by a significant margin. Ether's market valuation is nearly half that of Bitcoin, trading at around $3,600 per ETH as of September 2021" (*Watorek at el.,2021*).

The goal behind Ethereum is to create a decentralized suite of financial products. The applications on Ethereum are run on ether, its platform-specific cryptographic token. "Ether serves as a mode of transportation on the Ethereum network, and it is mostly sought by developers who want to build and run apps on the platform, as well as investors who want to buy other digital currencies with ether" (*Nwachukwu, 2020*).

Bitcoin, on the other hand, revolutionized that by developing a decentralized form of currency that allowed individuals to trade directly without the use of a middleman

Nick Szabo created the term "Smart Contract" in the 1990s. Szabo explained how real-world contractual responsibilities may be implemented into software and hardware systems using the simple example of a vending machine. Anyone who inserts the correct quantity of coins into the machine will be rewarded with a product. On Ethereum, contracts can store value and only release it if certain criteria are met. *Ethereum*'s purpose is to provide a decentralized set of financial goods. Ethereum applications are powered by ether, the platform's proprietary cryptographic token. Ether serves as a mode of transportation on the Ethereum network, and it is mostly sought by developers who want to build and run apps on the platform, as well as investors who want to buy other digital currencies with ether. In the 1990s, Nick Szabo coined the term "Smart Contract.". Szabo explained how real-world contractual responsibilities may be implemented into software and hardware systems using the simple example of a vending machine. Anyone who inserts the correct quantity of coins into the machine will be rewarded with a product. On Ethereum, contracts can store value and only release it if certain criteria are met.

Ethereum offered a presale for ether in 2014, which garnered a massive reaction, ushering in the era of the initial coin offering (ICO). Ether was not useful or transferable until July 30th, 2015, when the genesis block was launched. Ethereum can be used to "codify, decentralize, secure, and trade just about anything," according to the company. After the 2016 attack on the decentralized autonomous organization (DAO), Ethereum was split into two parts: Ethereum (ETH) and Ethereum Classic (ETC). "Ethereum's consensus method was changed from proof-of-work to proof-of-stake in 2021" (*Saleh, 2021*). "This approach aims to allow Ethereum's network to function with significantly less energy, resulting in faster transaction speeds and a more deflationary economic climate" (*Bouoiyour and Selmi, 2017*).

Proof-of-stake is a network protocol that allows users to "stake" their Ether on the network. This procedure aids in the security of the network as well as the processing of transactions. Those who do so are rewarded with Ether, equivalent to interest on a savings account. "This is an alternative to Bitcoin's proof-of-work mechanism, which rewards miners for processing transactions with extra Bitcoin" (*Vranken, 2017*).

NFTs, a hot new digital asset that's extremely popular in the art industry, employ blockchain technology to track ownership and prevent digital item duplication.

The ongoing roller-coaster ride of crypto currencies has led to accusations of "market manipulation. These situations are inviting government interventions in the form of the regulatory framework to streamline cryptocurrency investments.

What started as the biggest technology revolution gradually start slipping into the lap of frauds and scams resulted in the solvency of the first Bitcoin Exchange. Central Banks, across the globe, believe that private crypto currencies are posing a threat to the financial stability of the economy and jeopardize the very survival of any financial system. Private virtual currencies sit at substantial odds with the historical concept of money.

Though the rise in the price of bitcoin remains on the higher side and the growth trajectory of digital currency multiply manifold. Though this rapid evolution proposes a new definition of money along with lucrative business models, it is t presenting new challenges to maintain integrity and trust in the entire cycle.

Central Banks have started experimental programs to look into the possibility of creating digital currencies. Central Banks all over the world showing the intent of bringing their crypto currency; this decision will promote the official digital currency. A variety of models are being considered, but no clear proposal has emerged.

What is Central Bank Digital currency

Money that can be trusted and is robust is a prerequisite for monetary and financial stability. According to a survey from late 2020, 86 per cent of global Central Banks are researching CBDCs (*Barontini and Holden, 2019*). A CBDC is a legal tender issued by a Central Bank in a digital form. CBDC is just monetary value recorded electronically at its most fundamental level (digitally, or as an electronic token). "CBDCs are a type of digital money that is denominated in the national unit of account and is a direct liability of the Central Bank" (*Auer at el.,* 2021). These can be used either wholesale (by financial institutions) or retail (by individuals and enterprises - the general public). CBDCs can be account-based, in which case they require some form of identity, or token-based, in which case they allow for payment anonymity. CBDCs can be built using distributed ledger technology (DLT) or more traditional technological infrastructures. CBDCs are often meant to maintain the monetary system's two-tier structure, with a division of labour between the two tiers.

"There is yet no broad consensus among Central Banks on the need for CBDC issuance" *(Auer at el.,* 2021). To date, the focus has primarily been on the "reserves for all" feature of CBDCs, as well as the accompanying balance sheet implications for Central Banks in their interactions with commercial banks, as well as the influence on monetary policy efficacy and financial stability.

Any CBDC ecosystem would need to balance the public and private sectors to achieve the intended policy outcome and promote innovation that satisfies evolving payment demands. Developing and operating a CBDC system, of whatever form, would be a massive job for a Central Bank.

The motivation behind CBDC

The financial system is dynamic and developing, and it has successfully navigated structural change over many years. Central Banks are examining how they can continue to meet their public policy goals while ensuring that they are prepared to respond to a quickly changing future system. This research has been driven by the success of new technology in the financial sector, the declining use of cash, and the rise of digital currencies. Federal Reserve, Bank of England, Bank of Canada, Bank of Japan, European Central Bank, Swiss National Bank, and Sveriges in collaboration with Bank for International Settlements are working in collaboration with the Central Banks of USA, UK, Canada, Japan, EU and, Switzerland to explore the digital currency for retail use.

Convenience appears to be the primary driver of a natural development toward a cashless economy, which is aided by lower transaction costs. Governments fear the rise of crypto currencies, leading to many Central Banks investigating the potential to introduce their digital currency known as a CBDC. Control over currency is lost when non-government bodies create their currencies, which may have implications on fiscal policy and for financial intermediation. "The motivations differ across countries" (Auer *at el.,*2021).

"Particularly in emerging markets and developing economies, CBDCs are often seen to enhance financial inclusion, granting universal access to digital means of payment. In the light of a more globalized economy, CBDCs are also being explored to enhance cross-border payments" (*Auer at el.,2021).* In countries like Sub-Saharan Africa, most of the population is without a Bank account. Many unbanked people lack clear identifying information, making typical banking measures like Know Your Customer and Anti Money Laundering difficult to apply. "CBDC will facilitate financial inclusion as digital currencies have low adoption costs and are available online without the need to access a physical bank" *(Fung and Halaburda, 2016).* It will provide an alternative solution in countries facing hyperinflation. It is up to the sovereign to decide whether or not to issue a CBDC, as well as its design elements.

Potential benefits of CBDC

CBDC adoption would most likely be influenced by its future utility to users and merchant acceptance. The safest type of money is money issued by a Central Bank. Aside from security, other benefits of CBDC could include cheaper costs for consumers and merchants, offline payments, greater privacy than commercial choices, and different accessibility features.

- International payments with CBDCs can be facilitated by a variety of systems with varying degrees of interoperability or collaboration. The ongoing work under building block 19 of the G20 roadmap to improve cross-border payments has highlighted the potential for Central Bank digital currency to increase the efficiency of cross-border payments
- "Improve the efficiency of payment systems. for example, at the point of sale (POS), online and peer-to-peer" (*Fung and Halaburda, 2016*).
- A CBDC could also support the removal of low-value coins through the delivery of electronic change. The Bank of Korea in April 2017 rolled out a coinless society trial, allowing customers to deposit their change onto prepaid cards instead of accepting small changes from purchase. This also saves money, as the country spent 53.7 billion Won (£36.7 million) on coin production in 2016. If cash is phased out, itg will ensure that the public has access to legal tender and improve the efficiency of cross-border payments.

Country-level Pilot Run

- Three countries (Ecuador, Ukraine, and Uruguay) have completed a retail CBDC pilot (*Auer at el.,2021*).

- The Ecuadorian Central Bank introduced the "Dinero electrónico" (electronic money) project in 2014 to allow citizens to make mobile payments through a central bank-run system. The system was cancelled in 2016 after failing to attract a sufficient number of users (*Arauz at el.,2021).*
- "Central Banks in Canada, the Netherlands, Singapore, and the United Kingdom ran internal experiments. DLT (Distributed ledger technology) was not yet mature enough for use in major central bank payment systems (*Auer at el.,2021*).
- In October 2020, the Central Bank of the Bahamas issued the Sand Dollar, widely considered to be the first live retail CBDC. The Sand Dollar is issued through authorized financial institutions and allows accessibility to a digital wallet for residents via either a mobile phone application or a physical payment card (*Boar at el.,2020).*
- The Eastern Caribbean Central Bank (ECCB) launched its DCash in March 2021. DCash is distributed by licensed financial institutions and used for financial transactions between consumers and merchants, as well as in people-to-people (P2P) transactions (Auer *at el.,*2021).

ISSUES/RISK/CHALLENGES

Competition, privacy, and integrity, Governance.

- There is a growing movement among established banks to examine and comprehend the potential consequences of implementing a CBDC. Central Banks are faced with the threat of individuals being able to store, spend and move value without reliance on the fiat currency.
- New private players may quickly dominate the monetary system, leading to serious competition concerns and working against the public interest.
- Could threaten countries' monetary sovereignty by displacing domestic currencies.
- If the interests of vulnerable groups such as the elderly, crippled, and destitute are ignored, there is a risk that de-cashing will promote financial exclusion. Limited access to bank accounts or the internet in general, for example, causes portions of society to rely on cash, which obstructs access to services and leads to increased economic isolation. Domestic interoperability is critical for a CBDC system to coexist with other national payment systems and contribute to greater resilience.
- Other design and interoperability difficulties could arise as a result of privacy concerns, including messaging standards, how to incentivize various intermediates to offer services, and how to work with older systems that demand full account and transaction information.
- To develop the system, different users and needs will have to be defined and addressed.

CONCLUSION

Blockchain, which has the potential to solve various economic development issues and power decentralized payments systems. Central banks exploring issuing digital currencies, the logistics of putting such arrangements in place, as well as their macro-financial ramification will be major areas of concern. The impact of a CBDC on interest rates, financial stability, and security must be carefully evaluated. "Financial intermediation changes would have an impact on bank funding and liquidity" (*Ward & Rochemont, 2019*). "The overall effects of CBDC on the financial structure of the economy are very hard to predict and will depend on many factors" (*Walter and Ben Siu-Cheong, 2017*). To achieve interoperability and compatibility with the broader payment system, a CBDC system would need to engage both public and private entities. CBDC adoption strategies would need to be adjusted to each jurisdiction's unique economic structures and payment landscapes. The latent risk could also be increased by CBDC and some emerging types of digital money. Effective banking regulation and resolution frameworks will help in mitigating this risk. MA

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STARTUP IPO: LISTING AND POST LISTING

Abstract

The article aims to analytically summarise the reasons for the abnormal fall in the market capital of new age startups post IPO listing in the recent past in the Indian Stock markets.Also this article intends to provides strategic guidance on assessing and assigning the true value for a startup in a way that protects the value of pre IPO Investors as well enhance the value for primary market subscribers in the IPO listing. The act of balancing the value for pre IPO and IPO investors is critical for the larger startup eco system to excel in the long-run.

CMA Venkata Narayana D
Group Finance Director
Zilingo Pte Ltd
Singapore
venkata@zilingo.com

Startups though not a new form of organizations, really picked up the pace during the last few years in India particularly after the massive fund raise and acquisition by Walmart. This resulted in a return to initial investors at say 20-30 times of the investment and in some cases even more. This resulted in increased interest in the Indian startups by global venture capital firms and private equity firms.

Most of the startups listed in Indian stock markets in the recent past had a splendor listing resulting in massive gains to the successful IPO subscribers. This has created vast interest in the IPOs from startups. However, post some big ticket IPO listing, the subsequent journey in the stock market was not rewarding to the investors and in many cases most investors also lost significant listing gains subsequently. This is creating some uncertainty on the way forward to lots of startups which were planning to go for IPO before the recent crash in stock prices of the startups.

This article makes an attempt to explain what is actually triggering this crash after a bumper listing and why the uncertainty around future IPO pricing for startups which is a major concern for many startups and venture capital firms.

Source: ETNOWlive -dt 24/01/2022

Even from listing price, the new age startups' share prices crashed significantly as mentioned below wiping Billions of dollars of market capitalization of these companies and investor wealth.

Company	Listing Price-INR	Closing Price (24th Jan 2022)	Value erosion from Listing price
Zomato	116	91	-21%
Paytm	1,950	917	-53%
PB Fintech	1,150	777	-32%
FSN E-Com / Nykaa	2,018	1,736	-14%
Cartrade	1,600	768	-52%

1. VALUATION

In traditional organizations, the valuation of the company is linked to revenue, and EBITDA / PAT. Normally investors review the stock prices in the light of revenues and profits and accordingly chase the stock price in the stock market.

Example: If the earning per share for a company "X" is INR 50, then probably assign a multiple of 6 and settle the stock market trading price at INR 300 per share. This multiple of 6 will change depending upon other factors like corporate governance history of the company, leadership team, market share of the company, revenue and growth history over the quarters and management narrative on the future growth prospects.

Thus it is clear that valuation of the company is broadly driven by the earnings of the company apart from other factors. When we talk of earnings here, it is the earnings per share (EPS) attributable to each equity share holder.

In startups, the valuation scenario is very different compared to the traditional organisations explained above. Most startups spend millions of Dollars to create a market or to change the consumer behavior so that he or she will adjust to the new offerings of the company. In the process the investors pump large amounts on marketing promotional schemes like discounts, rebates, etc. Since the spending need to be maintained over a period of time which varies for product / service that each startup offers to the customers, there will be a disproportionate investment in the company when compared with the revenues being booked actually in the financial statements of the startup concerned. Lots of funds get consumed in the form of promotional schemes like discounts and rebates.

Since the money needs to be invested and there has to be a base for the same to arrive at the valuation, the investors normally depend up on future earnings capacity of the startup which is technically defined as discounted cash flows (DCFs). The startup will estimate the DCFs over a foreseeable future and based on this arrive at the valuation for investors to invest in the company. This DCFs estimation is highly subjective depending up on the growth rate, market potential expansion over this period, etc.

Example

Period (t)	0	1	2	3	4	5
Cash flows		1,000	1,120	1,254	1,405	1,574
Discount rate (r)		8%	8%	8%	8%	8%
Present Value		926	1,037	1,161	1,301	1,457
Present Values	5,882					

For simplicity take, if there is no terminal value, the value is determined based on the present value of INR 5882 after making further adjustment based on mutual discussion among the investors and promoters; they use this DCFs valuation for startups. Now this approach has the following issues:

1. These cash flows are subjective with future oriented projections.
2. No scientific method to validate the growth rate assumptions.

That means, the valuation is arrived at based on some future cash flows and growth assumptions projected over a future period. While these projections look highly realistic for the institutional investors like venture capital firms which look at the business with a lens different from Stock market investors, the participants in the stock market expect more historical performance based numbers for fixing valuation with near term measurable performance factored into the valuation. Thus there is a huge difference between the two approaches followed for valuation of an entity.

2. TRANSPARENCY OF NUMBERS

Most of the starups use advanced analytical tools and e-commerce platforms to record sales and analyze performance. Due to advance coding and logarithms that run the platforms, it becomes exceptionally complex to understand some of the metrics shared by the startups in the light of what we see in the economy.

Example: During the Covid Pandemic when most employees are working from home, there are few startups in cosmetics and online jewellery etc which are seeing highest ever record breaking sales. It becomes quite difficult for one to understand, how these companies recorded highest sales when most of the functions like marriages, birthdays, etc were not happening and when most working women are operating from their homes. This kind of credibility issues, issues surrounding inability to validate the platform data which lead to confusion among the investors in stock markets who were quite familiar to validate and understand the details of established organizations operating in traditional set ups.

3. LISTING GAINS

Normally in any business, one will invest for returns. In startups, normally the return on capital in the form of dividend is quite difficult for initial years of operation. Since the very nature involves catering to the new product or services to the customers, most of the revenue will be eaten away in the form of promotional expenditure to create the new market segment as such. Therefore, when a startup comes out for listing, most people apply just for listing gains. This is different from traditional organisations, where

When a startup comes out for listing, most people apply just for listing gains

people used to expect long run consistent returns in the form of dividend. Hence people who apply for setting up Startups for listing gains are much more than the ones who actually intend to hold the stock for long term performance. Hence post listing when the subscribers want to sell to book listing gains, there will be a pressure on the stock in terms of supply in the stock market as correspondingly new people are not coming up to buy the available supply. This leads to wide supply demand gap resulting in fall in prices as corresponding demand is lacking.

4. Business models

Most startups as mentioned in the earlier paras, don't make any returns in the foreseeable future. While this might be fine initially at the listing time as most people expect listing gains, over the months post listing, the reality that there will be no profits in the foreseeable future will start ticking in to the minds of most retail investors. The business models of most startups are so stretched without depth in a particular segment. This over diversification leads to lack of focus on any segment and ultimately too many segments and too little concentration of efforts. The very nature of some businesses are such that, they will work only if they are supported with discounts or rebates which means they will be significantly cash burning entities throughout their life time. This in effect means they don't generate any CLTV (customer life time value) to the business. These things get realized by larger investor community post listing once the quarterly results start coming. That is only when most people start dumping the stock and try to safeguard their capital to the extent possible.

5. WAY FORWARD

1. In this context, clearly there is a mismatch between the broad investor fraternity operating in the stock markets and the expectations of the investment community backing the startups prior to the listing. In order to bridge the gap and to facilitate the sustainable growth for startup sector, the author would recommend the following measures:

   The amount invested in startups prior to the listing must be segregated as one-time market creation cost and normal operations cost. All the promotional and marketing costs like discounts, rebates, etc need to be categorized under this "market creation cost". Let us assume if a VC firm invested USD 200 Million in a startup prior to the listing and out of this USD 160 Million was spent on discounts and rebates then USD 160 Million will be treated as "market creation" cost. This must be explicitly mentioned in the prospectus before coming up with IPO. The regulator should define a mechanism to compensate this by fixing a value above the market interest rate. Say if the normal rate of interest is 5 per cent, then the regulator can fix 8 per cent as interest for this USD 160 Million to form the basis of valuation while coming to listing.

   Base Market creation cost = USD 160 Million

   Interest at 8 per cent for 2 years = USD 32 Million

   Current revenue & PAT based multiple = USD 25 Million

   The net value of the startup while coming for listing is = USD 217 Million

   Here under this mode, there cannot be any artificial manipulation of the numbers and one will know before investment what is the market creation cost and what is the revenue based multiple factored in the valuation of the startup. This way one can be realistic and at the same time protecting the initial investors.

   Organizations which have a bright future potential, keep growing in revenue over a period of time along with the valuation and consequently the stock price in the market. This approach really compensates the real entities which can generate the real cash from operations over a longer period. Those entities which cannot generate the cashflows can be identified separately and retail investors are clearly protected from manipulation of stock prices with artificial valuation numbers.

2. *Regulator:* There must be a regulator for ensuring that the startups which come out with IPO plans are monitored properly. There has to be disclosure guidance to separately disclose the "market creation cost" in the financials. The regulator should monitor post listing also for 1or 2 quarters if there is any deviation in the agreed norms.

3. *Segment-wise details:* Startups which intend to raise funds through IPO, need to identity all the costs and revenues by segment and the readers of the report should be provided with performance report with individual operational metrics split. This helps the readers of the report to form opinions and decide if the entity is moving in the right direction. MA

DEMYSTIFYING THE VALUATION CONUNDRUM

CMA (Dr.) S. K. Gupta
Managing Director - ICMAI RVO
md@rvoicmai.in

The Perspective

We have always been intrigued by magic. It is not often that a magician reveals his secrets. However, in the movie, Now You See Me, the magicians actually revealed the secret to their performance. In an early scene of the movie, a volunteer from the audience at a magic show in Las Vegas is transported across the globe into a bank vault in Paris. Later, it is revealed that the volunteer was not actually transported, but simply dropped through a trap door into an exact replica of the bank's vault. Ina similar way, business valuation seems quite mysterious and misty to the people.

Financial projections, discount rates are few examples of key inputs to valuation that seem puzzling.

- How does the valuation analyst know what amount of revenue the business will generate five or ten years from now?
- How does the valuation analyst know what expenses the business will incur in the future?
- Why are future cash flows being discounted to present value at a rate of 15% or 20%?
- Why is there a discount for lack of marketability and how was it calculated?

While these are just a few business valuation inputs that may seem obscure and there are certainly others. Once the curtain is pulled back, however, there really are no secrets. Every input that goes into a business valuation must be logical and supportable. These inputs are often scrutinized by the statutory and regulatory authorities, auditors, or opposing parties in litigation, making it important for the valuation analyst to carry out a thorough analysis and support all of his inputs. Unfortunately for entertainment purposes, there is no real magic in a business valuation.

What Are the Sources of Differing Value Opinions?

Among the dozens of potential sources for different value conclusions, the following are among the most common or important (and will be addressed in future blogs)

- Type and degree of "normalization adjustments" (calculation of earnings/cash flow amount)
- Weighting of different valuation methods/ results (income/market/asset approach methods)
- Application of discounts for lack of control or lack of marketability (shades of control/ marketability)
- Interpretation of future events/financial results
- Differing derivation of discount rate/cap rate and multiples (risk assessment)
- Depth and breadth of available/provided information
- Nature of "interest" being valued (assets or equity)
- Purpose of valuation (affects standard of value, premise of value, effective date, etc.)
- Legal or governmental issues

It is the manner in which these different issues or procedures are addressed which comprises the "professional judgment" that underlies the valuation opinion. It is not too difficult to imagine how even subtle differences across multiple assumptions can culminate in a sizable "difference of opinion". In this light, modern business valuation is similar to democracy. It has many shortcomings and is far from perfect, but it is the best available option for handling the challenges of modern business life. The truth is that valuing a business isn't always a simple or straightforward process. There is also a range of reasonable outcomes: there is no one single number that will ever be 100% precise. By definition, the value of business is determined by a proper assessment of the relationship between the future returns generated on an investment and the risk of attaining those returns. That's why you can't just simply plug some numbers into a spreadsheet and come up with an accurate answer. You need to assess the risks it faces as well as where the company is going compared to the rest of its industry.

Is Valuation an Art or a Science?

This is an age old question pondered by valuation experts many times over. Most valuers tend to err on the side of valuation being an art rather than a science, mainly on the basis that it requires judgment and is a statement of opinion not fact. However, I believe it is reasonable to disagree with the proposition that valuation is an art not a science to some extent, i.e. one could argue that it is probably a mixture of the two. The fact that one follows a logical process in reaching a valuation opinion means that there are, it can be argued, scientific elements to it. For example, a rental valuation of an industrial building involves carrying out relevant research such as finding out rental comparables and yields acceptable for similar buildings. This objective evidence is then used to formulate and support the valuer's opinion.

The art lies in the subjective judgement(s) that a valuer makes, having considered the research/ evidence carried out, in actually putting a figure against an asset and in making appropriate adjustments, e.g. for differences between assets. However, the interim process of gathering evidence and making calculations, it can be said is more scientific than artful, in that it is methodical and planned, rather than spontaneous and creative. Certain types of valuation are more scientific than others, e.g. insurance valuations are more a case of calculating costs and making calculations, and there is less valuation 'judgement' involved than with, for example, market valuations. A good valuation is 75% art and 25% science because it takes into account the story behind the numbers of a business. Appraisals fall down when there isn't enough support for the story behind it. It's based not on just what happened, but on why things happened. But remember valuation may be considered as an Art - But that Doesn't Mean it's **Always Pretty.**

From a 'purist' perspective, some would argue that valuation is neither science nor art; it is its own subject entirely. However, from a general perspective, it may be argued that there are scientific elements to all art (e.g. music can be quantified and measured and transposed into written form), and therefore science and art can, and often are, interrelated. One could surmise that science and art are both 'human' concepts; one being the concept of reason and the other being the concept of creativity. If has to be placed into one of those two brackets (reason or creativity), then most laymen might opt for reason because it is a subject which follows logical procedures and employs specific calculations.

There is not an exact formula or method to arriving at a valuation figure. Analysts have many tools at their disposal, which give way to wide ranges of opinion. There is cash flow, net asset value, earnings, total enterprise value, revenue and book value, to name just a few of the popular metrics. A multiple is then applied to one of these figures to arrive at level of valuation. The multiple is where valuation becomes an art. There is no tried-and-true figure to apply to a company, which opens valuation up to much debate. Depending on the multiple, a company can be either overvalued or undervalued.

Valuation is a craft

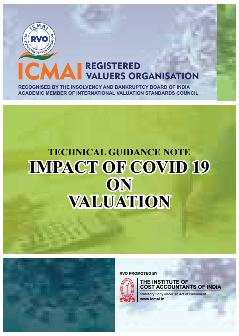
"Price is what you pay, value is what you get," a famous Warren Buffett quote, is certainly most applicable to business valuation. Unlike physics and mathematics, indisputably sciences with immutable laws, valuation has principles but none that meet the precision threshold of a science. At the other extreme, valuation is not an art, where your creative instincts can guide you to wherever you want to go and geniuses can make up their own rules. you learn what works in valuation-and what does not work-by doing it. Every valuation has a story, it's less about the numbers than we think. The art of valuation comes from the valuation professional's need to apply his or her own judgments, estimations and decisions to reach a conclusion for the value of a business. Valuation is commonly considered to be a statement of opinion rather than a mathematically proven fact. A craft is a skill that you learn by doing. The more you do it, the better you get at it. Valuation is truly a craft that considers a broad range of quantitative and qualitative factors in the process of search for a true value.

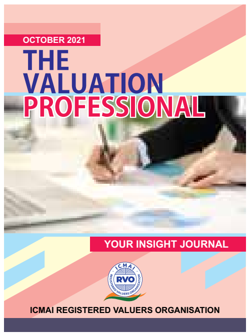
A peek behind the curtain

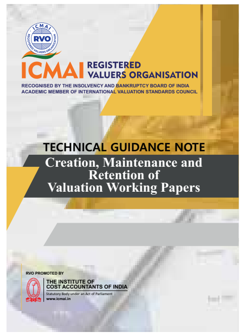
"The value of an idea lies in the using of it."

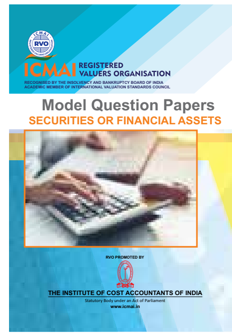
Thomas Edison's words could be rephrased for business valuations. The valuer arrives at the value which is defensible, fair, and accurate to the extent possible, by artfully using the basics of scientific valuation models to craft a magical valuation number using a complex tool mix of interpretation, calculation, estimation, judgment, opinion, guess and hunch.

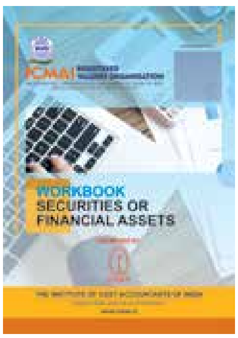
ICMAI RVO PUBLICATIONS

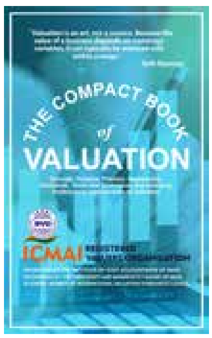


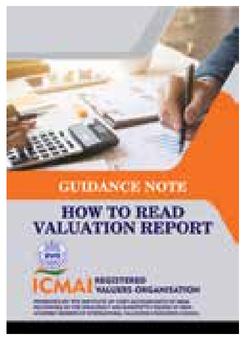


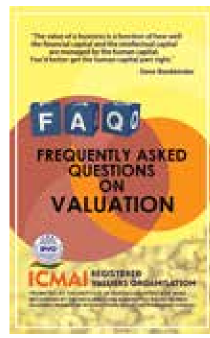


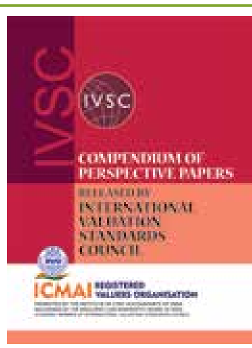


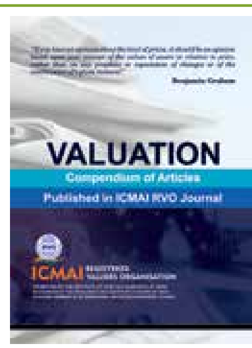












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PROFESSIONAL DEVELOPMENT PROGRAMS

Date	PD Programs
26th - 27th February 2022	Professional Facilitation Program
02nd March 2022	Emerging Professional Opportunities Current Economic Scenario and its Effects on Valuation
05nd - 06rd March 2022	Power Learning Session – AVM and Data Analysis Tools
08th March 2022	Seminar on the occasion of International Women's Day
25th - 26th March 2022	Professional Development Program Enhancing Valuation Competency –In Physical Mode Hyderabad Chapter

Down The Memory Lane

March 2012

Glimpse of First Convocation and Annual Award Function held on 01st March, 2012 at Science City Mini Auditorium, Kolkata.

Shri R.P.N. Singh, Hon'ble MoS, MCA, lighting the lamp in 53rd National Cost Convention held at Vigyan Bhawan, New Delhi during 15th-17th March, 2012

Shri Basudeb Banerjee, Secretary, Ministry of Commerce, Industries & IT, Govt. of WB lighting the lamp at Regional Cost Conference in Durgapur. Also seen Shri Sugata Marjit, Chairman, West Bengal Council of Higher Education, Shri P.K. Bajaj, CEO, Durgapur Steel Plant, SAIL, President, Vice President of the Institute and other Dignitaries.

March 2002

Meeting on Union Budget 2002 and Central Excise at Hyderabad Chapter. Seen from left: Sunipa Basu, Commissioner of Customs and Central Excise; Subrata Basu, Commissioner of Customs and Central Excise; Ch. Venkateshwarlu, Chairman and G.V.S. Subrahmanyam, Secretary, Hyderabad.

Down The Memory Lane

March 1992

D.C. Bajaj presenting a bouquet to Shri L.K. Advani, Leader of opposition, Lok Sabha. Seated from Left are G.B. Rao; P.D. Phadke and J.K. Puri at 34th National Cost Convention of Cost & management Accountants.

34th National Convention: Shri Rameshwar Thakur, Hon'ble State Minister for Finance is flanked by V. Kalyanaraman. P.D. Phadke, J.K. Puri and D.C. Bajaj. Shri Pranab Mukherjee is seated on the dais.

March 1982

Inaugural Address by Shri R.P. Lath, G.M., Balco at the Seminar on "Cost control as a measure to combat Inflation". (L to R): S/Shri A.B. Patra, N.K. Bose, M.P. Pandit, R. Lath, Bhalla, Seth.

Seminar on Cost Control: Managing Committee of Visakhapatnam Chapter of Cost Accountants with the President. Sitting (L To R) S/shri D. Venkata Rao, Jt. Secretary; Phakir Doki, Vice Chairman; A.V. Ramana Rao; M.S.D. Murty; K.P.Naidu. Standing (L to R) S/shri A.S. P. Dutt, Jt. Secretary; B. Satyanarayana Murty, Treasurer; A.J.M. Prasada Rao, Member.

Source: Extracted from the various issues of The Management Accountant Journal www.icmai.in

GLOBAL RECOGNITION OF CMA QUALIFICATION

Benchmarking of Intermediate and Final Course of The Institute of Cost Accountants of India by UK NARIC*

With the objective of enhancing the recognition and professional opportunities for its students and members across the globe, the **International Affairs Committee** and **Professional Development & CPD Committee** of the Institute had engaged UK NARIC (National Recognition Information Centre in United Kingdom) to conduct an independent benchmarking study for evaluating the comparability of the CMA Intermediate and Final Course in the context of the UK and UAE education systems.

UK NARIC is the designated national agency in the United Kingdom for the recognition of international qualifications and professional skills. As the National Agency, managed on behalf of the UK Government, UK NARIC is the internationally respected voice in qualification recognition offering impartial, trusted judgement on international qualifications. UK NARIC has the largest database of international qualifications in the world, with over 5,000 qualifications from more than 200 countries.

UK NARIC has made the following comparability levels recommendations in the context of the UK & UAE education system:

Course	UK Qualifications	UAE Qualifications
CMA Intermediate Course	RQF Level 6 (Bachelor's Degree Standard)	QF Emirates Level 7 (Bachelor's Degree Standard)
CMA Final Course	RQF Level 7 (Master's Degree Standard)	QF Emirates Level 9 (Master's Degree Standard)

Link to the benchmarking results of CMA qualification published in UK NARIC website:
https://www.ecctis.com/news.aspx?NewsId=1138

This independent benchmarking of the CMA qualification would ensure widespread, international acceptance of CMA qualification. The benchmarking results would strengthen the position of CMA members and help corporates gain a better understanding on the relevance and standing of the CMA qualification. It would also provide opportunities for higher studies and enhanced professional opportunities for CMA members/ semi qualified professionals in UK, Middle East and other foreign jurisdictions accepting NARIC evaluation.

**Due to the United Kingdom leaving the European Union, the UK NARIC national recognition agency function was re-titled as UK ENIC on 1st March 2021, operated and managed by Ecctis Limited. From 1st March 2021, international benchmarking findings are published under the Ecctis name.*

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

Follow us on

Behind every successful business decision, there is always a CMA

NEWS
FROM THE INSTITUTE

EASTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BHUBANESWAR CHAPTER

The Chapter observed the 73rd Republic Day at its premises at CMA Bhawan and also live in zoom platform following appropriate behaviour of COVID-19 guideline issued by the Govt. to control spreading with limited participants. CMA Uttam Kumar Nayak, Vice Chairman, ICAI-EIRC and Past Chairman, ICAI-Bhubaneswar Chapter has unfurled the National Flag as our "Chief Guest" in the presence of Office Bearers & few staffs of the Chapter. The Chapter organised a WEBINT in association with All Odisha Chapters on the theme Panel Discussion on "Pre Union Budget: 2022-2023" in Zoom platform on 27.01.2022. CMA Niranjan Mishra, Council Member and Chairman, Committee on Cost and Management for Public and Government Services, The Institute of Cost Accountants of India and CMA Bibhuti Bhusan Nayak, Regional Council Member and Treasurer, ICAI-Eastern India Regional Council graced and addressed on the Occasion as "Special Guest". CMA Niranjan Swain, Tax Consultant and Advocate, Orissa High Court ,Cuttack , CMA Anil Sharma, Practicing Cost Accountant, Chandigarh and Regional Council Member, ICAI-NIRC, CMA Mrityunjay Acharjee, G.M (Finance), Numaligarh Refinery Ltd., Guwahati, CMA Shiba Prasad Padhi, Practicing Cost Accountant, Bhubaneswar, CMA Viswanath Bhat, Practicing Cost Accountant, Bengaluru and Vice Chairman, ICAI-SIRC and CMA Bhogavalli Mallikrarjuna Gupta, CFO, GST & Management Consultant, Hyderabad, CMA M K Mohaptara, Practicing Cost Accountant, Cuttack and Past Chairman, ICAI-CJK Chapter graced and delivered as "Panellist". CMA Saktidhar Singh, Chairman, PD Committee & Past Chairman of the Chapter facilitated the said WEBINT, gave brief introduction of Guest and delivered keynote address. CMA Himoj Mishra, Chairman of the Chapter delivered welcome address and CMA Lalit Kumar Mishra, Chairman, ICAI-CJK Chapter extended formal vote of thanks. On the occasion, CMA Antaryami Acharya, Chairman, ICAI-Talcher Angul Chapter, CMA Kshirod Ch. Nanda, Chairman, ICAI-Sambalpur Chapter and CMA Ch. N K Nanda, Vice Chairman, ICAI-Rourkela Chapter also addressed. The Chapter has organized a WEBINT on the theme "Fundamentals of Derivatives – Call and Put Option" on 29th January, 2022 in Zoom Platform. CA. Sandip Agarwal, AGM (Finance), Indorama India Pvt Ltd., Kolkata delivered as "Resource Person". CMA Saktidhar Singh, Chairman, PD Committee & Past Chairman of the Chapter facilitated the said WEBINT and delivered keynote address. CMA Himoj Mishra, Chairman of the Chapter delivered welcome address and CMA Surya Narayan Tripathy , Secretary of the Chapter extended formal vote of thanks. Prior to the WEBINT on "Analysis of Union Budget, 2022-2023" this Chapter has organised a PRESS MEET on physical Platform on 06.02.2022 at 4.00 PM at CMA Bhawan. In the said press meet, around 10 numbers of representatives of various print and electronic media attended and gave wide publication by highlighting the Union Budget 2022-2023 in their respective newspaper, e news Channel and News Channel. In the said press meet CMA Niranjan Mishra, Council Member and Chairman, Committee on Cost and Management for Public and Government Services, ICAI, CMA Shiba Prasad Padhi, Past Chairman of the ICAI-EIRC and Bhubaneswar Chapter, CMA Saktidhar Singh, Past Chairman and Chairman PD Committee, CMA Mukesh Chaubey, Immediate Past Chairman and MC Member, CMA Himoj Mishra, Chairman and CMA Surya Narayan Tripathy, Secretary of the Chapter highlighted about the Programme. Just after end of the Press Meet, a WEBINT was successfully organized by the Bhubaneswar Chapter in association with other 7 Chapters at Odisha in zoom platform for Panel Discussion on "Analysis of Union Budget 2022-23". The WEBINT was graced by Shri Bhartruhari Mahtab, Hon'ble Member of Parliament (Lok Sabha), Cuttack Constituency as "Chief Guest", CMA P Raju Iyer, President, ICAI as "Guest of Honour" and CMA Niranjan Mishra, Council Member and Chairman, Committee on Cost and Management for Public and Government Services, ICAI as "Special Guest". All the dignitaries highlighted various key issues on "Union Budget 2022-2023"

Panelists such as Prof. (Dr.) S.N.Misra, IES- Retd., Professor in Economics, Constitutional Law, KIIT University, Bhubaneswar and Ex-Financial Adviser & Joint Secretary, Ministry of Defence, GoI delivered on socio, economic impact of the Union Budget 2022-23, CMA CA. Dr Abhishek Murali, President , All India Tax Payers' Association , Chennai

delivered on Income Tax Return and Compliances with respect to Direct Tax, CMA Amit Kumar Sarker, Senior Director (Partner), M/s Deloitte Haskins & Sell, LLP, Mumbai delivered Indirect Tax (Customs and GST) and CMA Niranjan Swain, Advocate & Tax Consultant, Orissa High Court delivered on Income Tax Litigation and Tax Management . In a nut shell deliberation were made on major changes on Union Budget-2022-2023 with respect to direct and indirect taxes and its impact on individual, industry and society at large. The session was quite interactive and grand success. CMA Saktidhar Singh, Chairman, PD Committee of the Chapter facilitated the entire program, CMA Himoj Mishra, Chairman of the Chapter delivered welcome address and CMA Surya Narayan Tripathy, Secretary of the Chapter extended formal vote of thanks. CMA Niranjan Mishra, Council Member and Chairman, Committee on Cost and Management for Public and Government Services, ICAI, CMA Himoj Mishra, Chairman and CMA Saktidhar Singh, Chairman, PD Committee, ICAI-Bhubaneswar Chapter felicitated to CMA R.C. Joshi, Director (Finance), NALCO Ltd. on 09.02.2022 as part of branding/visibility and discussed many professional issues. The Chapter successfully organized WEBINT for CMA Students on the theme "Companies Act, 2013- An Overview & Compliances" on 13.02.2022 in association with All Other Chapters at Odisha. CMA Niranjan Mishra, Council Member and Chairman, Committee on Cost and Management for Public and Government Services, ICAI graced and addressed on the Occasion as "Chief Guest". CMA Bibhuti Bhusan Nayak, Treasurer, ICAI-EIRC and CMA Uttam Kumar Nayak, Vice Chairman, ICAI-EIRC graced and addressed on the occasion as "Guest of Honour". CMA CS Uttam Kumar Mohallik, Advocate, Orissa High Court delivered details on the topic as "Resource Person". CMA Surya Narayan Tripathy, Secretary, ICAI-Bhubaneswar Chapter facilitated the entire programme and extended vote of thanks, CMA Himoj Mishra, Chairman, ICAI-Bhubaneswar Chapter delivered keynote address and assured to the Students for conducting maximum such programmes for the betterment of CMA Students which may be very much helpful to the students for their examination point of view as well as their entire professional career. CMA Antaryami Acharya, Chairman, ICAI-Talcher Angul Chapter also addressed on the occasion and opined this type of programme shall be very much helpful to the Students. The Chapter organized a Seminar on "Amendments in Companies Act, 2013 – Accounts & Audit" in association with Eastern India Regional Council and all Odisha Chapters at CMA BHAWAN on 20.02.2022 following appropriate behaviours of COVID-19 guideline issued by the Govt. and also live in virtual mode. CMA Gagan Bihari Swain, Director (Finance), GRIDCO Ltd. inaugurated, graced and addressed on the occasion as "Chief Guest", CMA Niranjan Mishra, Council Member and Chairman, Committee on Cost and Management for Public and Government Services, ICAI graced as "Special Guest". CMA Nishant Kumar Singh, Chairman, ICAI-EIRC and CMA Pallab Bhattacharya, Chairman, PD Committee, ICAI-EIRC graced as "Guest of Honour". CS. Bharat Kumar Sahu, Additional Company Secretary, NALCO Ltd. delivered details on "Amendments in Companies Act, 2013 – Accounts & Audit". CMA Saktidhar Singh, Chairman, PD Committee, ICAI-Bhubaneswar Chapter facilitated the entire programme, CMA Himoj Mishra, Chairman, ICAI-Bhubaneswar Chapter delivered welcome address and CMA Surya Narayan Tripathy, Secretary, ICAI-Bhubaneswar Chapter extended formal vote of thanks. On the occasion, the Chapter also felicitated to CMA Gagan Bihari Swain, Director (Finance), GRIDCO Ltd. and CMA Nishant Kumar Singh, Chairman, ICAI-EIRC for their first visit to the Chapter after assuming respective portfolio. With collective effort and support seminar/webint was a grand success. Said programme highlighted by more than 10 (Ten) numbers of print and electronic medias.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA GUWAHATI CHAPTER

The chapter had conducted a webinar on Union Budget 2022 on 3rd of February, 2022. Sri Kalyan Nath, IRS, Commissioner of Income Taxes (Appeals), Guwahati -1 graced the occasion as the Chief Guest. The webinar started with a brief speech by the Chairman of the Chapter. This was followed by a briefing by the Chief Guest on main aspects of the Union Budget, particularly in respect of the budget proposals on direct taxation. The resource person for the webinar was CMA Mrityunjay Acharjee, General Manager (Finance), NRL who dwelt upon elaborately on various proposals made in the budget in the field of direct as well as indirect taxation. Valuable inputs were provided by the Chief Guest during the proceedings which was appreciated by all. There was a Q&A session at the end where some of the questions were lucidly replied and concepts explained by the Chief Guest and well as the speaker. The webinar was a great success as well as an enlightening one because of active participation of a large no. the participants as well as clarifications provided by the Chief Guest and the resource person.

NORTHERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA JAIPUR CHAPTER

Under the efforts to spread awareness about CMA Course and profession, the chapter recorded a program on Doordarshan Channel DD Rajasthan under the name Dishayen on 12th January 2022. In this program immediate Past Chairman of the Chapter, CMA Swapnil Bhandari described about CMA

Course and professional avenues available for the members. Program was conducted by Dr. Girish Goyal former member of Executive Committee of the Chapter. Program was transmitted on 14th January 2022 from 3 pm to 3:45 pm and again from 9 pm to 9:45 pm on Doordarshan Channel DD Rajasthan. The Chapter celebrated the 73rd Republic Day Function on 26th January 2022. CMA S.L. Swami, Chairman of the Chapter hoisted the National flag alongwith Members. After Flag hoisting, CMA S.L. Swami welcomed all the Members, Faculties and students. He also apprised the participants about various activities at Jaipur Chapter during last three months. On this occasion, Mr. Mridul Agrawal, son of our Member CMA Pradeep Kumar Agrawal was also felicitated for securing All India First Rank in JEE Advanced Examination. Program was conducted by CMA Sudarshan Nahar, secretary of the chapter. Having completed 53 years of establishment, Chapter Foundation Day was celebrated at Chapter premises on 1st February, 2022. In the beginning of program, chairman of Jaipur Chapter, CMA S.L. Swami welcomed all the members and congratulated on successful completion of 53 years. He also shared significant achievements of the Chapter. On this occasion cake was cut by Founder Member of the Chapter CMA H.L. Agrawal alongwith other senior members. Study Circle Meeting was also organised on this occasion. At the end of the program immediate Past Chairman of the Chapter, CMA Swapnil Bhandari and Executive Member, CMA Harendra Kumar Pareek thanked all the participants. The chapter organised webinar on Union Budget 2022-23 on 3rd February 2022. In the beginning of the webinar, CMA S.L. Swami, Chairman of the Chapter welcomed Key Speakers and all the participants. In the first technical session, key speaker CA Anoop Bhatia, Leading Tax practitioner explained in detail various amendments in Direct Tax provisions. In the second technical session, CMA Tanuj Agarwal, Leading Tax Practitioner explained various amendments in Indirect Tax provisions. The program was conducted by CMA Purnima Goyal, Vice-Chairperson cum Joint Secretary. At the end of the program CMA Swapnil Bhandari, immediate Past Chairman thanked the speakers and all the participants.

SOUTHERN INDIA REGIONAL COUNCIL

SIRC organized the PD Webinar on the topic "Management Accountants and Forensic Accounting" held on 05.02.2022. Guest Speaker was CMA V. Guruprasad, ACMA, ACA, ACS. CMA H. Padmanabhan, Council Member & Chairman, CAT & International Affairs Committee, Public Relations Committee, AAT Board ICAI, CMA Chittaranjan Chattopadhyay, Council Member – ICAI and CMA Rajesh Sai Iyer, Treasurer SIRC were also present in the webinar. SIRC organized a PD Webinar on the topic" Discussion on Union Budget 2022" held on 08.02.2022. Chief Guest was Shri. Padmakar Kulkarni, Additional Commissioner, Commercial Taxes, Karnataka deliberated on the topic Direct Tax Changes, Guest Speaker was Dr. CA Abhishek Murali, President, All India Tax Payers' Association, spoke on the topic: Indirect Tax Changes, Guest Speaker was CMA B M Gupta, CFO, GST and Management Consultant. CMA K. Rajagopal, Chairman - SIRC, CMA R. Vishwanath Bhat, Vice Chairman – SIRC, Vijay Kiran Agastya, Secretary - SIRC and CMA Rajesh Sai Iyer, Treasurer – SIRC were also present in the programme. The chapter organized a PD Webinar on the topic" Fundamentals of Anti- Money Laundering and Opportunities for CMAs" held on 12.02.2022. Guest Speaker was CMA Siva Rao, AGM-F&A, ICICI Bank, Special Address by CMA Chittaranjan Chattopadhyay, CCM & Chairman – BFSI Board. CMA K. Rajagopal, Chairman SIRC, CMA Vijay Kiran Agastya, Secretary SIRC and CMA Rajesh Sai Iyer, Treasurer SIRC were also present in the webinar.

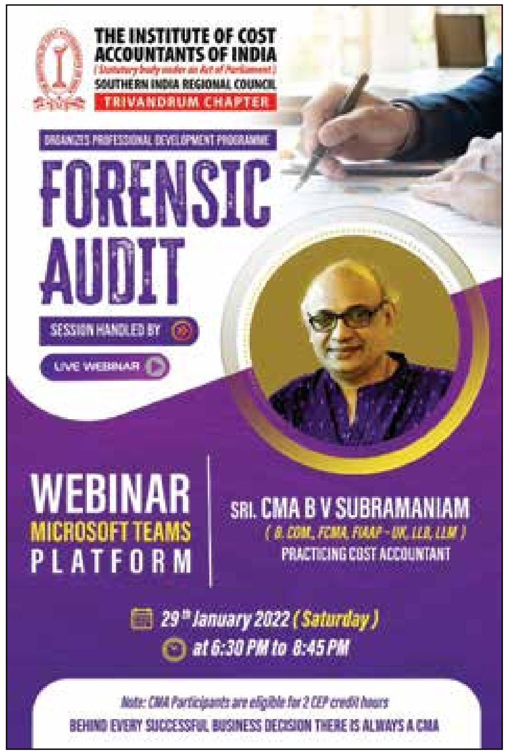
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA HYDERABAD CHAPTER

The Chapter on 07.01.2022 organized a programme on Recent Changes in GST. CA Subba Reddy B, Partner - Audit division of Hiregange and Association, Hyderabad took the session on "Recent Changes in GST". The Chapter organized programme on 11.01.2022 - Cost Records & Audit – Practical Approach. CMA Neeraj Joshi - Central Council Member & Practising Cost Accountant was speaker and CMA Dr. K.Ch. A.V.S.N. Murthy - Central Council Member, CMA S. Papa Rao -Past Chairman - SIRC & Central Council Member as Special Invitees. CMA Neeraj Joshi gave a detailed presentation on Compilation of Cost Records, Quantity Information & Quantity Reconciliation, Use of Technical Parameters - BOM, Routing, Functional Allocation of the

Costs, Key Cost Elements, Presenting Cost Audit Report and Various Key Cost Elements. The Chapter organized on 21.01.2022 - Cost Records and Audit for Cement Industry and invited CMA N.S.V. Krishna Rao - Practising Cost Accountant as the speaker. The Chapter on 26.01.2022 organized Republic Day Celebrations. On 29.01.2022, the chapter organized a programme on Genesis of Costing for Bulk drug Industries under MSME Segment. CMA D. Zitendra Rao - Practising Cost Accountant is very knowledgeable and well versed on the topic. He gave detailed presentation on Introductory aspects i.e. Legislations, Systems, Genesis of Costing, Cost Structure, Issues involved, Role of CMAs etc.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA TRIVANDRUM CHAPTER

The chapter conducted an online PD Programme on the topic FORENSIC AUDIT on 29.01.2022. The session was handled by CMA B.V Subramaniam, Practicing Cost Accountant. The meeting was chaired by CMA Pramode Chandran PG, chairman of the chapter. The chapter celebrated 73rd Republic Day of the nation on January 26, 2022 in a grand manner. CMA Pramode Chandran P G., chairman of the chapter hoisted the National Flag. The whole program was conducted under strict COVID 19 protocol. The chapter conducted a webinar on “Panel discussion on Union Budget 2022” through Microsoft Teams Platform on 5th February 2022 at 6.30 pm to 8.45 pm. The session was inaugurated by CMA H Padmanabhan, Central Council member and the session was handled by CMA (Dr) Asish P Thatte, Central Council Member and Dr C A Abhishek Murali, President, All India Tax payers Association. The meeting was chaired by CMA Pramode Chandran PG, Chairman, ICAI-Trivandrum Chapter and the programme was hosted by CMA Pranav Jayan, Treasurer of the chapter. The chapter conducted a webinar on “Panel discussion on



Union Budget 2022” through Microsoft Teams Platform on 5th February 2022. The session was inaugurated by CMA H Padmanabhan, Central Council member and the session was handled by CMA (Dr) Asish P Thatte, Central Council Member and Dr C A Abhishek Murali, President, All India Tax payers Association. The meeting was chaired by CMA Pramode Chandran PG, Chairman of the chapter and the programme was hosted by CMA Pranav Jayan, Treasurer of the chapter.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA THRISSUR CHAPTER

The Chapter conducted the Republic day program on 26th January 2022. CMA Praveen Kumar, Chairman of the Chapter hosted the flag with National Anthem and delivered the message. CMA Anoop N.G, Vice Chairman, CMA Jagadhish A.D, Secretary and CMA N.Madhavankutty, Treasurer attended the function. The chapter conducted an offline inauguration program on January 16, 2022. CMA Praveen Kumar, Chairman of the Chapter, and CMA N Madhavankutty, Treasurer of the chapter inaugurated the program by lightening the lamp and also delivered the speech. Students and parents well attended the program. The chapter conducted a New Year celebration for all the members under Thrissur Chapter. Film star Shri Jayaraj Warrier was the chief guest of the program. The welcome speech was done by CMA Jagadish A D, secretary of the chapter. CMA Praveen Kumar, chairman delivered the presidential address and CMA Anoop N G, Vice Chairman of the chapter thanked all.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA TIRUCHIRAPALLI CHAPTER

The chapter celebrated the 73rd Republic Day function at its premises on 26.01.2022. CMA K Rajagopal, Chairman, SIRC, unfurled the National Flag. Members of the chapter, staffs and public attended and graced the function.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA COIMBATORE CHAPTER

On 19th January, 2022, an Orientation Programme about CMA course was conducted by the Chapter Chairman, CMA Mathanagopal.V & Treasurer CMA Surya Prakash.U at Ramakrishna College of Arts & Science for Women. The Chairman made a detailed presentation about the Institute, Course Syllabus and Coimbatore Chapter. Child Literacy Programme was conducted at Sullakal Village (Near Kinathukadavu) on 8.1.2022 with a street play by Mr.Dilip Kumar (Retd Tamil HOD and Principal of Hindustan College of Arts & Science) and his team. Chairman CMA Mathanagopal, Treasurer CMA Suryaprakash and MC Member, CMA Ravindran took part in the programme.

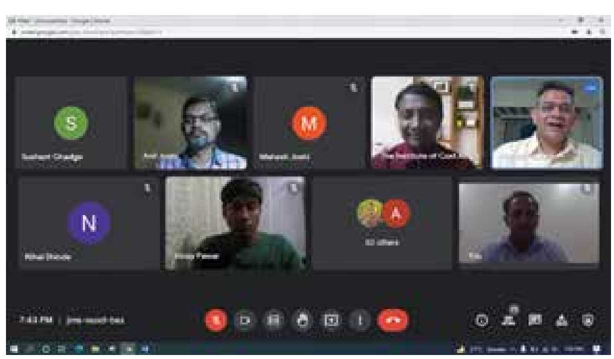
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA BENGALURU CHAPTER

"International Trade and Customs - Hot Topics in APJ" at Bengaluru Chapter on 29.01.2022 and CMA Joseph Jacob, Trade Compliance and Customs Strategist / Counsel (APJ), HP, CMA Kumar H N – Chairman BCCA, CMA Jayaram A V – Secretary BCCA were the speakers of the Professional Development. "Analysis of Union Budget 2022-23" at Bengaluru Chapter on 03.02.2022 and CA Cotha S Srinivas, Central Council Member ICA, CMA K.S, Kamalakara, Practicing Cost Accountant were the speakers of the programme. "Global Business Learnings' from Pandemic" at Bengaluru Chapter on 05.02.2022 and CMA Vinesh Singh,- Management Consultant, CMA Kumar H N – Chairman BCCA, CMA Jayarama A V – Secretary BCCA, CMA Manjula B S – PD Chairperson BCCA, CMA Vishwanath Bhat – Vice Chairaman SIRC, CMA G N Venkataraman – Past President ICAI were the speakers of the programme. "Risk Management and Insurance by MSMEs" at Bengaluru Chapter on 19.02.2022 and CMA S P Padhi, Practicing Cost Accountant, Surveyor and Loss Assessor, Bhubaneswar, Odisha, CMA Kumar H N – Chairman BCCA, CMA Jayarama A V – Secretary BCCA, CMA Manjula B S – PD Chairperson BCCA, CMA Vishwanath Bhat – Vice Chairaman SIRC, CMA G N Venkataraman – Past President ICAI were the speakers of the programme. There were many career counselling programmes conducted by the chapter in different colleges and schools in Bangalore on various dates of January and February, 2022. Dhee - Vikasa Students Study Circle Programme Webinar on "Highlights of the Budget 2022-23" was conducted on February 9, 2022 and 111th Oral Coaching Inauguration - Dr.C.Ashwath Kala Bhavan , N.R.Colony was conducted on February 12, 2022. CMA Prof.D.Gopinath, Director - Sindhi Institute of Management was the guest. Guest of Honor was CMA Dr K R Lakshmi Narayana, Chief Endowment Officer, Azim Premiji Foundation.CMA Kumar H N – Chairman BCCA, CMA Jayarama A V – Secretary BCCA, CMA Manjula B S – PD Chairperson BCCA, CMA Vishwanath Bhat – Vice Chairman SIRC, CMA G N Venkataraman – Past President ICAI, CMA Satish R – Vice Chairman – BCCA, CMA Vijayalakshmi K R – Chairperson Student's Guidance Bureau, CMA Dr. Gurudath A.S – Coaching Chairman, CMA Ragavendra B.K – Treasurer BCCA, CMA Sreepada H R – Member were the speakers of the programme.

WESTERN INDIA REGIONAL COUNCIL

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA NAVI MUMBAI CHAPTER

The Chapter conducted the oral coaching inauguration function webinar on 13th February 2022 via Google Meet app. The Chief Guest for this event was Shri Anand Indulkar, Head – Human Resources, Gyproc, Saint-Gobain. Oral Coaching Classes will commence from 14th February 2022 for Foundation, Intermediate and Final for June 2022 exams and will be conducted online due to Covid19 regulations. The programme commenced with the Chairman of the Chapter, CMA Vaidyanathan Iyer welcoming the dignitaries and introducing the Chief Guest and welcoming him to the function. CMA Sushant Ghadge, Secretary introduced the various faculties appointed for Oral Coaching Class and welcomed them to the chapter. The Chief Guest then gave a pep talk to the students on the roles of future CMAs and explained that Cost competitiveness and Operational excellence right from the grassroots level to the global level under the Make in India initiative will help us achieve the GDP target. CMA Ajay Mohan, Managing Committee Member welcomed the students and mentioned that CMA course is one of the best professional courses and the role of CMA is growing rapidly in this fast paced world. He then proposed the vote of thanks. The



chapter conducted a Webinar CEP programme on "Decoding Union Budget 2022" on 6th February 2022 via Google Meet app. The speaker for this event was CMA KVVS Murthy, Consultant, RIL. CMA Vaidyanathan Iyer, Chairman of the Chapter welcomed the audience and introduced the speaker and emphasized on the importance of union budget for the common man and economy. The lucid presentation & the interactive workshop came to an end with the vote of thanks being proposed by CMA Vaidyanathan Iyer, chairman of the chapter. The Navi Mumbai Chapter RCP - Ghansoli CEP Study Circle of the Institute conducted a webinar CEP programme on "Critical issues under Companies Act, 2013 - Accountants Perspective" on 27th January 2022 via MS Teams (Microsoft Teams). The speaker for this event was Shri Sudhakar Saraswatula, FCA, FCS, LLB | Vice President (Corporate Secretarial), Reliance Industries Limited. Ms. Janaki Satish representing the FC&A Academy of Reliance Industries Limited welcomed the audience and introduced the speaker. The speaker – a known SME on the subject discussed with the audience on various points considered as "Critical issues under Companies Act, 2013" from the Accountants Perspective. The primary audience was cost and chartered accountants. The speaker then explained the Companies Act, SEBI Circulars, Amendment to Listing Regulations, Amendment to RPT, Notification of Amendments, Material Related Party Transaction, Audit Committee, Corporate Social Responsibility, etc. The lucid presentation & the interactive session came to an end with the vote of thanks proposed by Mr. Rohit Sethi from the RIL FC&A Academy.

The chapter conducted a Career Counselling Session webinar on 22nd February 2022 via Google Meet app at SIES College, Nerul. The speaker for the event was CMA Vaidyanathan Iyer, Chairman of the chapter. The speaker articulated the salient features of the CMA Course and explained that CMA Course is going Global and is very important in the changing economic and business environment. He briefed the students and other members present, on the Syllabus, Admission formalities within the cut-off date of 25-02-22 for June 2022 exams, Oral Coaching course curriculum and Skills Training, SAP training which will be organized for the benefit of the students as part of the curriculum. He emphasised on the importance of attending these sessions and not to miss any classes. The HOD provided excellent support and co-operation for conducting career counselling for the college students.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA NASIK OJHAR CHAPTER

The chapter had conducted the program for students. The topic was 'What does your employer expect from you during Articleship on 11th Jan. 2022 through the google meet. CMA Dipak Joshi, Past Chairman of Nashik Chapter was the speaker. CMA Swapnil Kharade, Chairman, Nasik Chapter welcomed the speaker and students. CMA Dipak Joshi explained about the procedure of Articleship, employers' expectations from students during the Articleship. The chapter conducted a Career Awareness Program at KTHM College on 05th Jan. 2021 for 11th commerce students. With all preventing measures of COVID 19 rules, 35 students actively participated in the program. CMA Swapnil Kharade, Chairman of the Chapter guided the students. The program was coordinated by CMA Maithili Malpure, member of Nasik Ojhar Chapter. The Chapter organised a webinar on CMA - Study Guidance on Google Meet platform for CMA Foundation and Intermediate students on 26th January 2022. The speaker of the program was CMA, CS Nikhil Subhash Pawar, Secretary of Nasik Ojhar Chapter. The speaker addressed students with his presentation and shared practical experience. The programme started with an introduction of a topic by Suyog Malpure, student representative. He also introduced all the speakers. CMA Swapnil Kharade, Chairman of Nasik Ojhar Chapter welcomed all students and guided the students related to course study. CMA Bhushan Pagere - Ex chairman of Nasik Chapter solved the resume related queries with his presentation and also requested students to prepare their own resume. CMA Arif Mansuri, Treasurer of Nasik Ojhar Chapter declared upcoming sports event related information. The chapter also conveyed the Thanks to our Central Council member, CMA H. Padmanabhan Sir for conveying his Best Wishes to the students.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA SURAT SOUTH GUJARAT CHAPTER

The Chapter took the initiative to represent the Institute at Surat Urban Development Authority office at SUDA Bhavan, Surat. CMA Nanty Shah- Chairman of the Chapter met Shree V N Shah – Chief Executive Authority- SUDA to request SUDA and its allied subsidiaries to consider Cost Accountants for various roles of Consultancy and Even for Vacancy in field of Accounts, Taxation, Audit, Assurance, Profitability and Sustainability & Management. The Managing Committee of the chapter took the initiative to represent the Institute at Surat Urban Development Authority office at SUDA Bhavan, Surat. CMA Nanty Shah- Chairman and CMA Kishor Vaghela -Treasurer of the Chapter met Shri Raj Kumar Beniwal, IAS-Managing Director- Dream City Ltd., Shri S.S. Rathore-Managing Director – Gujarat Metro Rail Corporation (GMRC) Ltd. , Shri Banchhanidhi Pani- Managing Director- Urban Ring Development Corporation(URDC) Shree V N Shah – Chief Executive Authority- SUDA to request SUDA and its allied subsidiaries to consider Cost Accountants for various roles of Consultancy and Even for Vacancy in field of Accounts, Taxation, Audit, Assurance, Profitability and Sustainability & Management. CMA Nanty Shah, chairman of the chapter represented the Institute to the Home Minister of Gujarat on 3rd February 2022. Chairman Sir met Shri Harsh Sanghvi- Home Minister, Gujarat State, Government of Gujarat at Surat Office. CMA Nanty Shah, Chairman of the Chapter represented the Chapter at BJP4 Surat City Office and met Shri Niranjan Zazmera- President, Shri Kishor Bindal- General Secretary to appreciate the Atma Nirbhar Bharat ka budget.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA PUNE CHAPTER

Flag Hoisting Ceremony was held on 73rd Republic Day on 26th January 2022 at Chapter's premises as per HO guidelines at the chapter. The chapter had organized a web-cast of the Independence Day Flag hoisting programme, in

order to reach out to members at large, who would not be able to physically join the celebrations due to restrictions imposed by local Authorities. Present on this occasion were, CMA Dr. D.V. Joshi, Former President ICAI, CMA Harshad Deshpande, Chairman, PD Committee, WIRC, Mr.Jaydeep Manedeshmukh, Student Representative, Staff & students of the chapter. CMA Dr.D.V.Joshi, Former President, ICAI welcomed the gathering and unfurled the flag. This was followed by recital of National Anthem by all. The Chapter arranged CEP on the subject "Coffee with Live Telecast of Union Budget 2022-23" on 1st February 2022 at CMA Bhawan, Karve Nagar. CMA Shrikant Ippalpalli, Chairman, P D Committee, ICAI-Pune Chapter welcomed the members. CMA Amit Apte, Former President, ICAI, CMA Dr.Sanjay Bhargave, CMA N.K.Nimkar, CMA Meena Vaidya, Advisor of ICAI Pune Chapter, CMA Nagesh Bhagane, Secretary, ICAI-Pune Chapter, CMA Shrikant Ippalpalli, Chairman, P D Committee, ICAI-Pune Chapter & other members were present in discussion, CMA Amit Apte Former President, ICAI, and CMA Dr. Sanjay Bhargave discussed on various aspects related to Budget with members. CMA Nilesh Kekan, Treasurer, ICAI-Pune Chapter delivered vote of thanks.

The chapter arranged a webinar on the subject "Analysis of Budget 2022-23" on 4th February 2022 through GOOGLEMEET video conferencing tool. CMA Amit Shahane was the speaker for the webinar. Key note address delivered by CMA Dr.Sanjay Bhargave. CMA Rahul Chincholkar, Member of ICAI-Pune Chapter welcomed the participants. CMA Nagesh Bhagane, Secretary, ICAI-Pune Chapter introduced the speaker. The session was very educative & knowledge sharing. CMA Nilesh Kekan, Treasurer, ICAI-Pune Chapter delivered vote of thanks. The chapter arranged a webinar on the subject "Conditional Formatting & Lookup Functions" on 11th February 2022 through GOOGLEMEET video conferencing tool. Speaker for the program was Mr.Prasad Moghe, Excel Analyst/Programmer and ERP Professional. He explained the participants about conditional formatting, cell rules, & various lookup functions in excel application. CMA Rahul Chincholkar, Member of ICAI-Pune Chapter welcomed the participants & introduced the speaker. The chapter arranged a Webinar on the subject Automating Advanced Filter using Macros & Recording and Executing Macros" on 18th February 2022. Speaker for the program was Mr.Prasad Moghe, Excel Analyst/Programmer and ERP Professional. He discussed with the participants about Automating Advanced Filter using Macros & Recording and Executing Macros in excel application. CMA Rahul Chincholkar, Member of ICAI-Pune Chapter welcomed the participants & introduced the speaker. CMA Shrikant Ippalpalli, Chairman, P D Committee, ICAI-Pune Chapter delivered vote of thanks. MOU Agreement was signed on 25th February 2022 to extend academic co-operation between ICAI-Pune Chapter and Kaveri College of Arts, Science & Commerce. CMA Prasad Joshi, Chairman, ICAI-Pune Chapter signed the MOU Agreement with Dr. Ashok Agrawal, Principal, Kaveri College of Arts, Science & Commerce. CMA Neeraj Joshi, Central Council Member, ICAI, CMA Chaitanya Mohrir, RCM,ICAI-WIRC, CMA Dr.Sanjay Bhargave, Advisor, CMA Meena Vaidya, Advisor, CMA N K Nimkar, Advisor, ICAI-Pune Chapter, CMA Abhay Deodhar, Managing Committee Member, CMA Nagesh Bhagane, Secretary, ICAI-Pune Chapter and Mr. Kushal Hegde President Kannada Sangha, Ms. Malati Kalamadi, Secretary, Kannada Sangha, Dr. Muckta Karmarkar, Vice Principal, Dr.Deepa Sathe, HOD, Commerce dept. of Kaveri College were present at this occasion.

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA AHMEDABAD CHAPTER

The chapter organized live streaming session on Union Budget 2022 on 1st Feb'2022.

Ahmedabad and Baroda Chapter jointly had organized CEP webinar on Inside of Union Budget 2022 on 3rd February 2022. CMA Mihir Vyas, Chairman-PD Committee of Baroda Chapter welcomed CMA Malhar Dalwadi, Chairman and present members & CMA Vandit Trivedi introduced speaker CMA-CA (Dr.) Alok B Shah. Speaker CMA-CA (Dr.) Alok B Shah gave detailed presentation and explained on subject of webinar. There was detailed interaction between all the participants on the subjected topic. CMA Mihir Vyas, Chairman-PD Committee of Baroda Chapter proposed vote of thanks. Ahmedabad, Baroda, Kutch-Gandhidham & Vapi Chapter jointly organized CEP Webinar on "Discussion on Gathering suggestion on Exposure Draft Multipurpose Empanelment Scheme for Practicing Cost Accountants and Firms" on 17th February'2022. CMA Malhar Dalwadi, Chairman of Ahmedabad Chapter welcomed present members and also welcomed all Chairmen of all chapters & introduced moderator CCM-CMA Ashwin Dalwadi, RCM-CMA Ashish Bhavsar and participants. CMA Kartik Vasavada, Chairman of Baroda Chapter proposed vote of thanks. The Chapter organized Press Meet on 21/02/2022 in connection with result of Dec'21 exams of Intermediate and Final. Reporters from leading Electronic media and print media attended press meet. The Chairman CMA Malhar Dalwadi & Secretary & Chairman Oral Coaching committee CMA Mitesh Prajapati addressed the Electronic media and print media. The media had also taken interview of Rank Holder students of Final & Intermediate. The chapter represented and participated in the meeting of Grievance Redressal Committee for Taxpayers on GST issues on 24th Feb 2022, GST Bhawan, Ambawadi, Ahmedabad. System related issues faced by taxpayers were discussed in the meeting and solutions for the issues were discussed along with necessary instructions that may be required to be issued to field formation of the department (both CGST and SGST).

Obituary

CMA P. B. Patange (M4952) passed away on 04th February 2022 at his residence at Gulberga, Karnataka. He was the founder member of ICAI Kalyan-Ambernath Chapter. He was the Past Chairman of Chapter for years 1987-88 to 1990-91. He was the Past Secretay 1994-95 to 1997-98 and 2003-04 to 2009-10 of ICAI Kalyan-Ambernath Chapter. CMA P. B. Patange was a man of integrity, honesty, dedication and was the driving force behind the formation of ICAI Kalyan-Ambernath Chapter and the contributions made by him towards the development of CMA Profession will always be remembered. Our deepest condolences to all his family members at this time of inconsolable grief. God let his soul rest in peace.

DIRECT & INDIRECT TAX UPDATES - FEBRUARY 2022

DIRECT TAXES

- **Circular No. 3/2022 dated 3rd February 2022**: Clarification regarding the Most-Favoured-Nation (MFN) clause in the Protocol to India's DTAAs with certain countries.

INDIRECT TAXES

GST

- **Notification No. 01/2022 – Central Tax dated 24th February 2022:** In exercise of the powers conferred by sub-rule (4) of rule 48 of the Central Goods and Services Tax Rules, 2017, the Government, on the recommendations of the Council, hereby makes the following further amendment in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 13/2020 – Central Tax, dated the 21st March, 2020. In the said notification, in the first paragraph, with effect from the 1st day of April, 2022, for the words "fifty crore rupees", the words "twenty crore rupees" shall be substituted.

CUSTOMS

- **Notification No. 02/2022-Customs dated 1st February 2022:** In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962) and sub-section (12) of section 3 of the Customs Tariff Act, 1975 (51 of 1975), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 50/2017-Customs, dated the 30th June, 2017.
- **Notification No. 03/2022-Customs dated 1st February 2022:** Seeks to further amend notification No. 11/2018- Customs dated 2nd February, 2018 so as to exempt certain goods from Social Welfare Surcharge (SWS) and to withdraw SWS exemption on certain textile items. In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962) read with section 110 of the Finance Act, 2018 (13 of 2018), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 11/2018-Customs, dated the 2nd February, 2018.
- **Notification No. 04/2022-Customs dated 1st February 2022:** Seeks to rescind notification Nos. 190/1978-Customs and 191/1978-Customs both dated 22th September, 1978 prescribing additional duty of customs on imports of transformer oil equivalent to such portion of the excise duty leviable on the raw material commonly known as transformer oil base stock or transformer oil feedstock.
- **Notification No. 05/2022-Customs dated 1st February 2022:** Seeks to rescind Notification Nos. 10/95-Customs, 26/99-Customs, 27/2004-Customs, 14/2006-Customs, 48/2006-Customs, 90/2007-Customs, 8/2011-Customs, 24/2011-Customs, 49/2013-Customs, 23/2014-Customs, 37/2015-Customs, 11/2016-Customs, 20/2020-Customs, 40/2020-Customs which have become redundant.
- **Notification No. 06/2022-Customs dated 1st February 2022:** Seeks to further amend Notification Nos. 52/2017- Customs dated 30.06.2017 and 37/2017-Customs dated 30.06.2017 to remove entries which are being operated from the First Schedule to the Customs Tariff Act and certain redundant entries.
- **Notification No. 07/2022-Customs dated 1st February 2022:** Seeks to further amend Notification No. 82/2017- Customs dated 27.10.2017 to prescribe effective rate on certain Textile items upto 30.04.2022.
- **Notification No. 08/2022-Customs dated 1st February 2022:** Seeks to amend Notification Nos. 104/2010-Customs, 38/96-Customs, 40/2017-Customs, 60/2011-Customs, 148/94-Customs to exempt AIDC/Health cess/RIC on goods imported under the said notifications.
- **Notification No. 09/2022-Customs dated 1st February 2022:** Seeks to amend notification Nos. 146/94-Customs, 147/94-Customs, 39/96-Customs, 50/96-Customs, 30/2004-Customs, 81/2005-Customs, 5/2017-Customs, 16/2017-Customs, 32/2017-Customs to prescribe end-dates as per Section 25(4A) of Customs Act, 1962.
- **Notification No. 10/2022-Customs dated 1st February 2022:** In exercise of the powers conferred by sub-section (1) of section 25 of the Customs Act, 1962 (52 of 1962) the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue), No. 27/2011- Customs dated the 1st March, 2011. In the said notification, in the Table,

  (i) S. No. 20B and the entries relating thereto shall be omitted;

  (ii) after S. No. 38A and the entries relating thereto, the following S. No. and the entries shall be inserted, namely:

38B	4101	Raw hides and skins of buffalo	30%

  (iii) S. Nos. 63, 64 and the entries relating thereto shall be omitted.

- **Notification No. 11/2022-Customs dated 1st February 2022:** Seeks to implement a graded BCD structure for wearable devices and its parts, sub-parts and sub-assembly.
- **Notification No. 12/2022-Customs dated 1st February 2022:** Seeks to implement a graded BCD structure for hearable devices and its parts, sub-parts and sub-assembly.
- **Notification No. 13/2022-Customs dated 1st February 2022:** Seeks to implement a graded BCD structure for smart meters and its parts, sub-parts and sub-assembly.
- **Notification No. 14/2022-Customs dated 1st February 2022:** Seeks to amend notification No. 25/1999-Customs dated 28.02.1999 to omit redundant and obsolete entries.
- **Notification No. 15/2022-Customs dated 1st February 2022:** Seeks to amend various notifications giving exemption to electronic items and medical devices.
- **Notification No. 16/2022-Customs dated 12th February 2022:** Seeks to amend notification No. 48/2021-Customs and No. 49/2021 - Customs, both dated 13.10.2021, in order to rationalise the Agriculture Infrastructure and Development Cess [AIDC] on Crude Palm Oil and Lentils (Mosur), and extend the validity of the said notifications up to and inclusive of the 30th September, 2022.
- **Circular No. 3/2022-Customs dated 1st February 2022**: Clarification regarding applicability of Social Welfare Surcharge on goods exempted from basic and other customs duties/cesses. SWS applies at the rate of 10% of the aggregate of customs duties payable on import of goods and not on the value of imported goods. If aggregate customs duty payable is zero on account of an exemption, the SWS shall be computed as 10% of value equal to 'Nil' (as aggregate amount of customs duties payable is zero). Law does not require computation of SWS on a notional customs duty calculated at tariff rate where applicable aggregate of duties of customs is zero. Thus, it is clarified that the amount of Social Welfare Surcharge payable would be 'Nil' in cases where the aggregate of customs duties (which form the base for computation of SWS) is zero even though SWS has not been exempted.
- **Circular No. 4/2022-Customs dated 27th February 2022:** Implementation of automation in the Customs (Import of Goods at Concessional Rate of Duty) Rules, 2017 with effect from 01.03.2022.

CENTRAL EXCISE

- **Notification No. 01/2022 -Central Excise dated 1st February 2022**: Seeks to further amend Notification No. 11/2017- Central Excise, dated 30th June, 2017, to increase Basic Excise Duty on Unblended Petrol and Diesel, in order to promote Blending in the country.
- **Circular No. 1082/03/2022 dated 1st February 2022**: Clarification regarding retail sale price based valuation of tobacco and tobacco products for the purposes of computation and payment of Basic Excise Duty and National Calamity Contingent Duty (NCCD).

Sources: incometax.gov.in, cbic.gov.in

The Institute of Cost Accountants of India

(Statutory Body under an Act of Parliament)

www.icmai.in

Advisory for Renewal of Certificate of Practice For 2022-23

The members of the Institute holding Certificate of Practice (CoP) having validity up to 31st March, 2022 are requested to comply with the following guidelines for renewal of their Certificate of Practice:

1. The following changes consequent to amendment of the Cost and Works Accountants Regulations, 1959 vide Notification dated 4th February, 2011 published in the Gazette of India may be noted:

    a. The validity of a Certificate of Practice (CoP) is for the period 1st April to 31st March every year unless it is cancelled under the provisions of the Cost and Works Accountants Act and Regulations, 1959 as amended.

    b. The Certificate of Practice issued shall automatically be renewed subject to submission of prescribed Form M-3 (duly filled in) and payment of renewal fee* and annual membership fee*.

    c. From the year 2011-12 onwards, letter for renewal Certificate of Practice is not being issued. However, the members concerned may download the renewal status from the Institute's website www.icmai.in.

       Link: https://eicmai.in/MMS/Login.aspx?mode=EU

2. It may please be noted that under Section 6 of the Cost and Works Accountants Act, 1959, **both the Annual Membership Fee* and Fee for Renewal of Certificate of Practice*** falls due on 1st April each year.

3. Special attention is invited to the fact that the validity of a Certificate of Practice expires on **31st March** each year unless it is renewed on or before the date of expiry in terms of the amended Regulation 10 of the Cost and Works Accountants Regulations, 1959. Hence, a member shall be required to renew his certificate of Practice within **31st March** every year.

4. **If the Certificate of Practice of a member is not renewed within 31st March, 2022, his/her status of CoP from 1st April 2022 till the date of renewal would be "Not Active".**

5. Subject to what has been mentioned in Sl. No. 3 & 4 above, a member can get his/her Certificate of Practice for 2022-23 renewed within **30th June, 2022.** If application for renewal of Certificate of Practice is made after 30th June, 2022, the member's Certificate of Practice for 2022-23 will not be renewed but will be considered as a case of restoration of Certificate of Practice till 31/03/2023. This restoration is applicable only to the CoP holders whose CoP is valid till 31/03/2022. For restoration of Certificate of Practice, he/she has to pay Rs.500/-* as restoration fee in addition to the **prescribed fees * along with duly filled in form 'M-3'.**

6. It may please be noted that mere payment of fees * alone will not be sufficient for renewal of Certificate of Practice. Application in prescribed Form M-3 is to be used for Renewal of Certificate of Practice duly filled in and signed is **mandatory.** The soft copy of prescribed Form M-3 for Renewal of Certificate of Practice can be downloaded from Institute's website www.icmai.in.

   Link: https://eicmai.in/external/PublicPages/WebsiteDisplay/PractitionersForms.aspx

7. The Institute has introduced a scheme of Continuing Education Programme (CEP) and the same is mandatory in accordance with provision to sub-regulation (1) of Regulation 10 of the Cost and Works Accountants Regulations, 1959, as amended, whereby no Certificate of Practice and renewal thereof shall be issued unless a member has undergone minimum number of hours of such training. The detailed guidelines in this connection are available on Institute's website www.icmai.in. Link: https://eicmai.in/external/PublicPages/WebsiteDisplay/docs/CEP_Guidelines_280520.pdf

8. For renewal and application of new CoP issued on and from 1st February, 2019, please refer to Notification **F. No. CWA/21/2019 dated 1st February, 2019 and subsequent corrigendum dated 8th March, 2019.**

   Link: https://icmai.in/icmai/news/5435.php). Accordingly new CoP holders on and from 1st February, 2019 are required to comply with Mandatory Capacity Building Training (MCBT) requirement for renewal of CoP for the FY 2022-23.

9. Other relevant issues for Renewal of Certificate of Practice are as follows:

   a. Application for renewal of Certificate of Practice upto 31st March, 2023 has to be made in prescribed Form M-3 which may be filled online or through hard Copy of form duly filled in and signed on both sides together with Renewal Certificate of Practice fee of Rs.2,000/-* and all other dues to the Institute on account of annual membership fees * and entrance fees *.

   b. The annual membership fee for Associate and Fellow members are Rs.1,000/-* and Rs.1,500/-* respectively. The entrance fee * for Associate and Fellow members is Rs. 1,000/-* each payable at a time at the time of application for admission to Associateship or advancement to Fellowship, as the case may be.

   c. The fees * may be paid online or by Demand Draft/at par cheque payable at Kolkata if remitted by post to the Headquarters of the Institute.

   d. Members should note that the **renewal of Certificate of Practice can be effected only after receipt of the prescribed fees * along with duly filled in form at the Headquarters of the Institute and on meeting the stipulated CEP credit hours.** Mere submission of the same at the Regional Councils or Chapters will not be sufficient. Members are advised to make payment directly to the Headquarters or use the online facility of submission of application and payment to avoid any delay.

All practising members are advised to send their application for renewal of Certificate of Practice for the year 2022-23 along with other requirements as indicated above immediately so as to reach the Institute's Office at Kolkata well in advance to enable the Institute to issue the renewal of Certificate by 31st March, 2022.

Renewal of Part-time Certificate of Practice

1. For renewal of part-time Certificate of Practice, it is also essential to furnish a certificate from the employer in the following form or in a form as near thereto as possible if the practising member has undertaken any employment or there has been a change in employment:

   "Shri/Smt ……………………………………………….. is employed as designation) …………………….. and (name of Organisation) …………………. ………………… he/she is permitted, notwithstanding anything contained in the terms of his/her employment, to engage himself/herself in the practice of profession of Cost Accountancy in his/her spare time in addition to his/her regular salaried employment with us.

   Signature of Employers with seal of Organisation"

2. It may be noted that members holding Part-time Certificate of Practice (CoP) are not eligible to undertake statutory assignments like Cost Audit, Central Excise Audit, etc.

*GST is applicable against payment

Benevolent Fund

FOR THE MEMBERS OF THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

CMA Bhawan, 12 Sudder Street, Kolkata - 700016

OBJECTIVE

The Fund has been created to provide outright grant of prescribed amount to the member in the event of critical illness of a member / beneficiary of the Fund. It is also for outright grant of prescribed amount to the beneficiary in the event of death of a member of the Fund.

LIFE MEMBERSHIP FEE

Onetime payment of ₹7500/-

BENEFITS

- ***Income Tax Benefit under section 80G***
- ***Outright grant not exceeding ₹3,00,000.00/- in each case to the beneficiary in the event of death of the member.***
- ***Outright grant not exceeding ₹1,50,000.00/- in each case to the member and beneficiary for critical illness duly certified by the doctor under whom the treatment is continuing.***

Coverage of Critical Illness, leading to hospitalization, may cover the following -

- Cancer / Malignancy
- Coronary Artery Bypass Graft Surgery
- Stroke / Cerebral Attack / Paralysis
- Heart Valve Replacement Surgery
- Myocardial Infarction (heart attack) / Heart Failure / Pace Maker Surgery / Kidney Dialysis(CKD)/ Renal Failure
- Major Organ Transplant
- Hemophilia
- Thalassaemia
- Neurological Diseases
- Flue Blown acquired Immune Deficiency Syndrome
- Multiple sclerosis
- Tuberculosis / Bronchopneumonia/ Pleurisy
- Permanent disablement
- Any other disease that may be considered by the Board of Trustees to be critical in nature.

To apply for life membership or for further details please visit

https://eicmai.in/External/Home.aspx#

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