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**SUSTAINABILITY ACCOUNTING PRACTICES IN MSMEs: CHALLENGES AND OPPORTUNITIES – A STUDY OF RAIGAD DISTRICT, MAHARASHTRA**

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**<sup>1</sup>Mr. Riyaz Nawabullah Pathan, <sup>2</sup>Mrs. Vinita Dhiraj Tandel and <sup>3</sup>Mrs. Pooja Deepak Gupta**<sup>1</sup>Research Scholar in Pillai College of Arts, Commerce & Science (Autonomous) Panvel, Navi Mumbai, Maharashtra 410206<sup>2</sup>Assistant Professor in Konkan Gyanpeeth Uran College of Commerce & Arts Uran Raigad 400702<sup>3</sup>Assistant Professor in Konkan Gyanpeeth Uran College of Commerce & Arts Uran Raigad 400702**ABSTRACT**

*Sustainability has become an essential component of modern business management as organizations increasingly focus on environmental, social, and governance (ESG) performance. Sustainability accounting enables businesses to measure and report environmental and social impacts alongside financial performance. While large corporations have begun implementing sustainability accounting practices through structured reporting frameworks, Micro, Small, and Medium Enterprises (MSMEs) often lag behind due to financial constraints, lack of awareness, and limited technical expertise.*

*MSMEs play a crucial role in economic development, employment generation, and industrial growth in developing economies such as India. In regions like Raigad District in Maharashtra, the rapid expansion of industrial and small-scale enterprises has increased the importance of sustainable business practices. Sustainability accounting can assist MSMEs in monitoring environmental costs, improving resource efficiency, and enhancing transparency in business operations.*

*This study examines sustainability accounting practices among MSMEs with special reference to Raigad District, Maharashtra. The research identifies key challenges faced by MSMEs in adopting sustainability accounting practices and explores opportunities that can support sustainable financial management. The study adopts a descriptive research design using secondary data sources including academic journals, government reports, and sustainability frameworks.*

*The findings suggest that sustainability accounting adoption among MSMEs remains limited; however, technological advancements, digital accounting systems, and supportive government policies can facilitate its implementation. The study concludes that promoting sustainability accounting among MSMEs can improve financial transparency, enhance operational efficiency, and contribute to long-term sustainable economic development.*

**Keywords:** Sustainability Accounting, MSMEs, ESG, Sustainable Business, Environmental Accounting, Raigad District

**1. INTRODUCTION**

In recent decades, sustainability has emerged as a central concern in business management due to growing environmental challenges, climate change concerns, and increasing stakeholder expectations. Organizations are increasingly required to balance economic growth with environmental protection and social responsibility. Sustainability accounting has therefore become an important tool for integrating sustainability into business decision-making.

Sustainability accounting refers to the process of identifying, measuring, analyzing, and reporting environmental, social, and governance (ESG) impacts of business activities alongside traditional financial information (Schaltegger & Burritt, 2018). By incorporating sustainability factors into accounting systems, organizations can improve transparency, manage environmental risks, and support long-term business sustainability.

Micro, Small, and Medium Enterprises (MSMEs) play a vital role in the Indian economy. According to the Ministry of MSME, the sector contributes significantly to industrial production, exports, and employment generation. Despite their economic importance, MSMEs often face challenges in adopting sustainability accounting practices due to limited resources, lack of technical expertise, and insufficient regulatory guidance.

Raigad District in Maharashtra has experienced rapid industrial development due to its strategic location near Mumbai and Navi Mumbai. The presence of industrial clusters in areas such as Panvel, Khopoli, Mahad, has encouraged the growth of numerous small-scale enterprises. As industrial activities expand in the region, it becomes increasingly important to ensure that businesses adopt sustainable accounting practices that promote responsible resource utilization and environmental protection.

This study aims to examine sustainability accounting practices among MSMEs in Raigad District and analyze the challenges and opportunities associated with their implementation.

## **2. LITERATURE REVIEW**

The concept of sustainability accounting has gained significant attention in academic literature over the past two decades. Sustainability accounting integrates environmental and social considerations into traditional accounting systems to provide a comprehensive view of organizational performance (Gray, Owen, & Adams, 2010).

Several studies highlight that large corporations are increasingly adopting sustainability reporting frameworks such as the Global Reporting Initiative (GRI) standards and integrated reporting models. These frameworks allow organizations to disclose environmental performance, social responsibility initiatives, and governance practices (Eccles & Krzus, 2015).

Research indicates that sustainability accounting provides multiple benefits to organizations, including improved corporate reputation, enhanced operational efficiency, and better stakeholder engagement (Burritt & Schaltegger, 2014). By measuring environmental costs and resource utilization, businesses can identify opportunities for cost reduction and improved efficiency.

However, most existing studies focus primarily on large corporations and multinational organizations. MSMEs often face unique challenges that limit their ability to implement sustainability accounting systems. These challenges include financial constraints, limited awareness of sustainability concepts, and lack of trained professionals.

Recent literature also emphasizes the role of technological innovations such as cloud accounting systems, digital reporting platforms, and financial technology solutions in supporting sustainability accounting adoption. These technologies can simplify data collection and reporting processes, making sustainability accounting more accessible to small businesses.

## **3. RESEARCH GAP**

Despite increasing academic interest in sustainability accounting, most research studies focus on large corporations with well-established reporting systems. Limited research has been conducted on sustainability accounting practices in MSMEs, particularly in developing economies.

Furthermore, existing studies mainly emphasize environmental reporting frameworks, while relatively little attention has been given to the integration of sustainability accounting within financial management systems of small enterprises.

There is also limited research examining sustainability accounting practices in specific regional contexts such as Raigad District in Maharashtra. The unique economic and industrial characteristics of such regions require focused research to understand the challenges faced by MSMEs in adopting sustainability practices.

Therefore, this study attempts to address this research gap by examining sustainability accounting practices among MSMEs in Raigad District and identifying key challenges and opportunities associated with their implementation.

## **4. OBJECTIVES OF THE STUDY**

**The major objectives of the study are:**

1. To examine the concept and importance of sustainability accounting in MSMEs.
2. To analyze sustainability accounting practices among MSMEs in Raigad District.
3. To identify the challenges faced by MSMEs in implementing sustainability accounting.
4. To explore opportunities and benefits associated with sustainability accounting practices.

## **5. RESEARCH METHODOLOGY**

The study adopts a **descriptive and analytical research design**.

### **Sources of Data**

**The research is based on secondary data sources, including:**

- Academic journals
- Government reports
- MSME development reports

- Sustainability frameworks
- Industry publications

### Scope of the Study

The study focuses on **sustainability accounting practices among MSMEs in Raigad District, Maharashtra.**

### LIMITATIONS

- The study relies on secondary data.
- Availability of MSME-specific sustainability accounting data is limited.
- Findings may vary across industries.

### 6. STUDY AREA PROFILE: RAIGAD DISTRICT, MAHARASHTRA

Raigad District is located in the Konkan region of Maharashtra and forms an important part of the Mumbai Metropolitan Region. The district headquarters is located at Alibag.

The district covers an area of approximately **7,152 square kilometers** and includes **15 talukas and more than 1,900 villages**. According to the Census of India (2011), the population of Raigad District was approximately **2.63 million**, with a literacy rate of **83 percent**.

Industrial development in Raigad has been driven by its proximity to Mumbai and Navi Mumbai. Industrial areas such as Panvel, Khopoli, host numerous manufacturing and service enterprises.

The presence of these industries has encouraged the growth of MSMEs in the region, making Raigad a suitable area for studying sustainability accounting practices.

### 7. NEED FOR THE STUDY

MSMEs are essential contributors to economic growth and employment generation. However, many small enterprises continue to focus primarily on financial accounting without considering environmental and social impacts.

In industrial regions like Raigad, where economic growth is accompanied by environmental challenges, sustainability accounting can help businesses monitor resource utilization, reduce environmental costs, and improve transparency.

Therefore, there is a need to examine sustainability accounting practices among MSMEs and identify ways to promote sustainable financial management in the region.

### 8. CONCEPTUAL FRAMEWORK OF THE STUDY

The conceptual framework of this study illustrates the relationship between sustainability accounting practices and business performance in MSMEs.



This framework indicates that sustainability drivers influence the adoption of sustainability accounting, which in turn contributes to improved business outcomes and long-term sustainability.

### 9. SUSTAINABILITY ACCOUNTING PRACTICES IN MSMEs

Many MSMEs have started implementing basic sustainability practices such as energy conservation, waste management, and responsible sourcing. However, formal sustainability accounting systems remain limited.

**Table 1: Common Sustainability Practices in MSMEs**

Practice	Description
Energy Efficiency	Use of energy-saving equipment
Waste Management	Recycling and waste reduction
Ethical Labour Practices	Fair wages and safe working conditions
Environmental Compliance	Adherence to pollution control regulations
Sustainable Procurement	Purchasing eco-friendly materials

## 10. CHALLENGES IN IMPLEMENTING SUSTAINABILITY ACCOUNTING

MSMEs face several barriers in adopting sustainability accounting practices.

**Table 2: Major Challenges Faced by MSMEs**

Challenge	Explanation
Lack of Awareness	Limited knowledge about sustainability accounting
Financial Constraints	Limited funds for implementing sustainability systems
Lack of Expertise	Shortage of trained accounting professionals
Complex Reporting Frameworks	Difficulty in understanding sustainability standards
Limited Regulatory Pressure	Small enterprises face fewer reporting requirements

## 11. OPPORTUNITIES FOR SUSTAINABILITY ACCOUNTING

Despite these challenges, several opportunities exist for MSMEs.

**Table 3: Opportunities for Sustainability Accounting**

Opportunity	Benefit
Digital Accounting Tools	Simplifies sustainability reporting
Government Incentives	Financial support for green practices
Green Financing	Access to sustainable investment funds
Competitive Advantage	Improved brand reputation
Cost Reduction	Efficient resource utilization

## 12. FINDINGS OF THE STUDY

The study reveals that sustainability accounting practices among MSMEs in Raigad District remain at an early stage of adoption. Most enterprises primarily focus on financial reporting and regulatory compliance.

However, increasing awareness of environmental issues and the availability of digital accounting technologies are gradually encouraging businesses to consider sustainability in their accounting systems.

The findings also indicate that government initiatives promoting sustainable business practices can significantly influence MSME adoption of sustainability accounting.

## 13. SUGGESTIONS

**The following measures can promote sustainability accounting adoption among MSMEs:**

1. Conduct awareness programs for MSME entrepreneurs.
2. Provide training on sustainability accounting practices.
3. Develop simplified sustainability reporting frameworks for small enterprises.
4. Provide financial incentives for businesses adopting green practices.
5. Encourage the use of digital accounting technologies.

## 14. CONCLUSION

Sustainability accounting has become increasingly important as businesses strive to balance economic growth with environmental and social responsibilities. While large corporations have made significant progress in sustainability reporting, MSMEs continue to face several challenges in adopting such practices.

Despite these challenges, increasing awareness, technological advancements, and supportive government policies provide significant opportunities for promoting sustainability accounting among MSMEs.

Encouraging MSMEs in regions such as Raigad District to adopt sustainability accounting practices can enhance transparency, improve operational efficiency, and contribute to long-term sustainable economic development.

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