Volume XIII Issue I | ISSN : 2394-207X (Print) | January 2026

INTERNATIONAL JOURNAL OF MULTIFACETED AND MULTILINGUAL STUDIES

"An Open Access Double Blind Peer-reviewed Research Journal"

IJMMS

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www.ijmms.in

VOLUME-XIII, ISSUE-I

ISSN (Print): 2394-207X
IMPACT FACTOR: 4.205

INTERNATIONAL JOURNAL OF MULTIFACETED AND MULTILINGUAL STUDIES

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Editors : Dr. Vinod H. Mane | Prof. Meharaj P. Shaikh

Language of Publication : Multilingual

Published by
IJMMS,
Sneh Appartment, Flat No. 001,
Samarth Nagar, New Sangvi,
Pune- 411061, Maharashtra, India.

ISSN: 2394-207X (Print)
Impact Factor: 4.205
Volume XIII, Issue I

January-2026

Sustainability Accounting as the New Paradigm of Value Creation

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Abstract
The growing focus on environmental, social, and governance (ESG) issues has significantly reshaped the scope and purpose of accounting in modern organizations. Traditional financial accounting systems, while effective in measuring economic performance, are increasingly insufficient to capture the broader social and environmental impacts of business activities. This paper examines the emergence and relevance of sustainability accounting as an expanded accounting paradigm that supports long-term value creation.
Using a conceptual and descriptive research approach, the study analyzes sustainability accounting through key accounting principles such as materiality, stakeholder theory, the triple bottom line, and integrated reporting. The paper argues that sustainability accounting has evolved from a voluntary disclosure practice into a strategic management tool that enhances transparency, strengthens stakeholder trust, and integrates ESG considerations into organizational decision-making. The study concludes that sustainability accounting is central to sustainable economic growth and requires accountants to develop sustainability-oriented competencies to address future managerial challenges.
Keywords: Sustainability accounting, ESG, value creation, integrated reporting, stakeholder theory etc.

1. Introduction: In an increasingly complex and interconnected global economy, organizations are expected to generate value not only for shareholders but also for society and the environment. The traditional accounting focus on financial performance alone is no longer sufficient to assess organizational success. The well-known management principle, *"what gets measured gets managed,"* highlights the importance of comprehensive measurement systems. However, conventional accounting frameworks largely ignore environmental degradation, social inequality, and governance risks that directly affect long-term business sustainability.

Sustainability accounting has emerged in response to these limitations. It extends the boundaries of accounting by incorporating environmental, social, and governance dimensions into performance measurement and reporting. While early discussions on environmental accounting gained prominence in the late twentieth century, sustainability accounting represents a broader and more integrated approach that aligns organizational objectives with sustainable development. This paper explores sustainability accounting as a new paradigm of value creation in the fields of economics, commerce, and management.

2. Objectives of the Study

1. To examine the role of sustainability accounting in integrating environmental, social, and governance (ESG) considerations into organizational decision-making.
2. To analyze the alignment of sustainability accounting with traditional accounting principles such as materiality, stakeholder theory, and integrated reporting.
3. To assess the contribution of sustainability accounting to long-term value creation and stakeholder trust in contemporary business environments.

3.Research Methodology: The study adopts conceptual and descriptive research methodology. It is based on secondary data collected from academic journals, books, sustainability accounting frameworks, and professional guidelines. A qualitative analysis approach is employed to examine existing theories, accounting principles, and sustainability reporting practices.

Rather than relying on statistical analysis, the study synthesizes established literature to evaluate how sustainability accounting contributes to modern economic and managerial decision-making. This methodology ensures conceptual clarity and provides a foundation for future empirical research

4. Concept of Sustainability Accounting: Sustainability accounting refers to the systematic identification, measurement, analysis, and communication of an organization's economic, environmental, and social performance. Unlike traditional accounting, which primarily emphasizes financial outcomes, sustainability accounting captures non-financial information that influences organizational resilience and long-term viability.

The objective of sustainability accounting is to support informed decision-making by presenting a comprehensive view of organizational performance. By integrating ESG factors into accounting systems, organizations can better align business strategy with ethical responsibility, environmental stewardship, and societal expectations.

5. Importance of Sustainability Accounting in Value Creation: Sustainability accounting plays a critical role in redefining how value is created and assessed. It enables organizations to evaluate performance holistically by linking financial outcomes with social and environmental impacts. This approach supports sustainable resource utilization and responsible growth.

In addition, sustainability accounting enhances stakeholder engagement by improving transparency and accountability. Investors, regulators, employees, customers, and communities increasingly rely on sustainability information to evaluate organizational credibility. Sustainability accounting also strengthens risk management by identifying ESG-related risks and opportunities that influence long-term performance. Furthermore, it encourages innovation and competitive advantage by promoting sustainable products, services, and business practices.

6. Evolution of Sustainability Accounting: The evolution of sustainability accounting can be understood through several stages. Initial awareness of environmental and social issues existed long before formal accounting systems addressed them. During the twentieth century, the rise of environmental regulations increased the demand for environmental reporting.

Subsequently, sustainability reporting frameworks such as the Global Reporting Initiative (GRI) facilitated the structured disclosure of ESG information. In the current phase, globalization and heightened stakeholder expectations have driven the integration of sustainability accounting into corporate governance, strategy, and integrated reporting systems.

7. Integrating Sustainability with Accounting Principles: Sustainability accounting extends traditional accounting principles while remaining conceptually aligned with them. The concept of materiality has expanded to include environmental and social impacts that influence stakeholder decisions and long-term organizational outcomes.

Stakeholder theory provides a strong foundation for sustainability accounting by emphasizing accountability to a broad range of stakeholders. The triple bottom line approach reinforces this perspective by evaluating performance across economic, environmental, and social dimensions. Integrated reporting further strengthens this integration by linking financial and non-financial information to present a holistic picture of organizational value creation over time.

8. Challenges in Sustainability Accounting: Despite its growing importance, sustainability accounting faces several challenges. Measuring non-financial impacts remains complex due to the qualitative nature of many ESG indicators. The lack of uniform global standards limits comparability and consistency in sustainability reporting.

Concerns related to greenwashing and data credibility further undermine trust in sustainability disclosures. Addressing these challenges requires collaborative efforts among regulators, standard-setters, organizations, and accounting professionals to improve transparency and assurance mechanisms.

Conclusion: Sustainability accounting represents a fundamental shift in how organizational value is defined and measured. By moving beyond purely financial metrics, sustainability accounting provides a comprehensive framework for evaluating long-term economic, social, and environmental performance.

Although challenges related to measurement and standardization persist, sustainability accounting offers significant benefits in terms of transparency, risk management, and sustainable value creation. As this paradigm continues to evolve, accountants must expand their professional competencies to include sustainability expertise. In doing so, accounting can play a pivotal role in shaping a more responsible and resilient economic future.

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