


# Chapter 1


## Cost Savings and Sustainable Profits: The Essential Indicators of Effective Sustainable Business Practices

**Rengarajan Veerasamy**

 <https://orcid.org/0009-0004-5010-2133>

*Arab Open University, Oman*

**Afshan Younas**


 <https://orcid.org/0000-0001-7481-4953>

*Arab Open University, Oman*

**Subrahmanian Muthuraman**

*Arab Open University, Oman*

**Kabaly P. Subramanian**

 <https://orcid.org/0000-0003-0765-7817>

*Arab Open University, Oman*

### **ABSTRACT**

*Organizations are shifting their focus from profitability to sustainability, in the sense that their business processes are designed and delivered in a manner that they bring about efficiency in utilization of resources like water, electricity, power, energy etc. and effectiveness in revenues realized from environmentally friendly sources. This simple accounting profit does not provide details about the organization's commitment towards sustainability. An indicator providing the details on the organization's commitment towards sustainability is the need of the hour as businesses started giving focus and attention to sustainability than towards simple accounting profits. Sustainable business practices can go hand in hand with cost savings, as the business practices aim at a reduction in utilization of our organizational resources, so that they can be saved for the future. Cost savings arising from business practices is an indicator of effective sustainable business practice which organization must adhere to subsequently.*

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## 1. INTRODUCTION

Organizations are mandatorily required to report financial performance to their stakeholders in a proper format and in accordance with the prescribed accounting standards. The accounting profit reported in the Income Statement reflects the excess of revenue earned over the expenditure spent by the organizations or vice versa. In the current scenario, organizations must be acting socially responsible and sustainable corporate citizens. The profit and loss reported in the financial statements simply reflects the profit or loss made from various business transactions executed by an organization in a financial year. Sustainability is perceived as something that an organization must comply with, and it is an additional requirement to be taken care of. Sustainability is also perceived as an additional effort that every organization must be putting in to establish themselves as socially responsible corporate citizens and in compliance with the statutory requirement. IBM (2025) defines sustainability as a company's strategies and actions to reduce negative environmental and social impacts emanating from operations of that company in each market. Sustainability must be perceived as commitment of an organization towards protecting and safeguarding the natural environment and the other productive resources so the organizations can be viewed not only as profit making but also as socially responsible corporate citizens trying to make profit out of business transactions that are not causing any damage to the environment wherein, they are operating. Thus, organizations are equally responsible for reporting profits that they could earn through performing business transactions that are done keeping sustainability goals in mind. Profits must be an indicator of the organization's sustainable business practices, rather they are simply the result of business transactions been carried out in a financial year.

## 2. SUSTAINABILITY IN PROFIT REPORTING

Organizations report profit as the difference between the revenue earned from business operations and the resources expended in executing business transactions in a financial year. Sustainable profits can be regarded as one of the key indicators of an organization's that it reveals the performance that had arisen out of the sustainable business practice being pursued. Simply, **Profit** = Revenue earned through business operations (Revenues) – Resources expended in executing those business transactions (Expenses). Whereas sustainable profits can be calculated using the following formula:

**Sustainable Profit** = Revenues generated from sustainable business practices + Cost savings generated out of reduced utilization of resources - Costs expended – Additional Costs expended for adherence to sustainability

## 3. THEORETICAL PERSPECTIVES AND LITERATURE REVIEW

HBS (2025) explains sustainability in business as doing business operations without creating a negative impact on the environment and society as a whole. Sustainability in business must address two important concerns, i.e. the effect business has on the environment and the effect business has on society. This definition makes it clear that businesses must be socially responsible in a manner that their business operations are not creating any destruction in the wealth creating abilities and resources that are long-lasting of a nation. This point makes it clear that organizations are morally responsible for per-

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