CHAPTER- 7

7.1 SUMMARY OF FINDINGS, CONCLUSIONS AND SUGGESTIONS

The privatization and globalization trends have made the necessity for good corporate governance within the Indian corporate sector. Now, corporate companies are paying attention towards disclosure of environmental issues. Disclosing environmental information in annual reports have been increased gradually, but significant environmental disclosure has not been attained by companies socially related activities like control of pollution. In India the environmental reporting needs to be improved a lot in order to get desired and requisite shape.

Compulsory requirements improve credibility and ensure a minimal disclosure. On the one hand voluntary environmental disclosure not only creates positive sentiments among investors, and it also enhances chances to attract funds from foreign investors. Companies assign the business activities to managers. Environmental disclosure is a purely voluntary disclosure so that the disclosure of environmental information depends on manager’s decision making and influenced by estimation of benefits and costs of voluntary disclosure by managers. Companies are free to choose a voluntary reporting to enhance greater disclosure of environmental information. Such voluntary disclosure can be of social accounting, inflation accounting, HR accounting, future plans of the company marketing information and financial analysis.
Relatively very little prior Research work found in India that deals with environmental accounting and disclosure practices in a comprehensive way. Extant literature reveals that plenty of research work has been made on environmental accounting disclosure practices in western corporate world, but the work in south Asian countries is less and mainly in India it is very less.

7.2 Objectives of the study:

1. To examine and establish the association between the disclosures and corporate characteristics such as size, profitability, age, risk etc.

2. To measure content and quality of environmental disclosures and the environment disclosure practices of corporate enterprises.

3. To appraise the regulatory compliance framework of environmental accounting and disclosure in the corporate sector.

4. To analyze the perceptions of investors regarding environmental accounting and disclosure practices.

The information for the present study has been gathered from the primary and secondary sources. The primary information has been collected from the 50 respondents on their perceptions on environmental accounting and disclosure practices. These respondents are from among the investor category.
7.3 The secondary sources:

1. Data about company characteristics has been collected from PROWESS Database. Prowess database provides financial information relating to companies.

2. In addition the study involved top 50 companies selected in the sample; Nifty 50 companies have been selected from the NSE website.

For measuring the profitability, Profit after tax (PAT) and return on net worth, return on capital employed variables have been used in the study. These variables are labeled as PAT, RONW, and ROCE.

Environmental information has been tested against the financial leverage of Indian organizations. Additionally environmental information has been tested against the Beta of Indian organizations.

7.4 Research Design:

1. Corporate Environmental disclosure practices were measured by using a Corporate Environmental Disclosure Index which comprises of 30 Items on the basis of content analysis.

2. To examine the association between environmental and various company characteristics analytical tools like multiple regression models, simple linear regression, and together with the curvilinear models are used.
The Indian companies of NSE 50 index constitute the universe of the study.

7.5 Findings of the study

The following are the key findings of the study

1. The Indian corporations concentrate on completely different areas and different kinds of environmental disclosures. The environmental disclosures are variable throughout the years. Size of the companies influenced the extent and quantity of environmental disclosures.

2. In 2014 – 2015, the favorite items of Indian companies for showcasing their environmental performance are Conservation of energy (54.17. %), Receiving an award for an energy conservation program (47.92.0%) Pollution abatement in Business operations (41.67%)

3. In 2014 – 2015, the next most disclosed item is Companies’ Statements compliant with pollution laws and regulations (39.58%). Water reduction Management has found the attention of nearly 41.67 % of the companies. Use of clean technology is claimed by 35.42 % of the companies in this year.

4. In the year 2013 -2014 Conservation of energy (56.25%), Pollution abatement in Business operations (41.67%) and Receiving an award for energy conservation program (50%) Water reduction Management (39.58%) of the companies disclosed these items.

5. In the year 2013-2014 the next disclosed item is use of alternate source of energy (41.67%), Companies Received awards for environment programs and policies (41.67%) and only five companies (10.42%) of the sample companies disclose claim to provide
financial assistance for restoring historical structures and another (12.50%) of the companies provide on energy conservation week.

6. In the year 2012-2013 Conservation of energy and Companies received an award for an energy conservation program, (62.50% and 56.25% of the companies disclosed each of these items) and (54.17%) of the companies disclosed on pollution abatement in Business operations.

7. In the year 2012-13 the next most disclosed item is water reduction management (54.17%) only five companies (10.42%) of the companies disclose Efforts to reduce carbon emissions and another (14.58 %) of the companies disclosed on signatory to MOU with other companies with regard to reduction of emissions.

8. In the year 2011-2012 Conservation of energy and receiving an award for an energy conservation program (54.17% and 47.92 % of the companies disclosed each of these items) and (39.58%) of the companies disclosed on pollution abatement in Business operations.

9. In the year 2011-2012 the next most disclosed item is water reduction management (39.58%) use of alternate source of energy (39.58%) of companies and followed by a statements that they are in compliance with pollution laws and regulations (37.50%) of the companies disclosed in the year.

10. In the year 2010-2011 promoting waste management and ready to agreements to consider the environment in its operations (66.67%) of the companies and (60.42%) of the companies disclosed each of these items and ( 56.25 % ) of companies disclosed on statements of company’s operations being non polluting.

11. In the year 2010-2011 the next most disclosed item is Dictating Carbon Emission Targets
only five companies (10.42%) of the companies disclose conservation of energy and another (14.58%) of sample companies disclose on Energy Conservation Week.

12. The high performing companies are in environmental arena are Hindustan Unilever Ltd, Hindalco Industries Ltd, Asian paints Ltd, Bharat Petroleum Corporation Ltd, Bharti Airtel Ltd, Dr.Reddy’s Laboratories Ltd, Larsen & Toubro Ltd, Zee Entertainment Enterprises Ltd, Kotak Mahindra Bank Ltd, ACC Ltd, Adani ports and special Economic Zone Ltd, Ambuja Cements Ltd.

13. The low performing companies in environmental arena are Bharat heavy Electricals Ltd, Hero MotoCorp Ltd, Reliance Industries Ltd, Tata Motors Ltd, ICICI Bank Ltd., AXIS bank Ltd., Lupin Ltd., Wipro Ltd., Tata Consultancy Service Ltd., Ultra Tech Cement Ltd., Grasim Industries Ltd., Cipla Ltd., GAIL (India) Ltd., Cairn India Ltd.,

14. Environment Accounting Disclosure practice in India is narrative/declarative in India. Many items have been scored only zero disclosures in quantitative and monetary forms. Environmental disclosures in monetary terms founded those are coded as ENV 1, ENV 4, ENV 5, ENV 7, ENV 11, ENV 16, ENV 17, ENV 18.

15. There is no statistically significant difference between the mean overall ERI from one industry to another industry at the 95.0% confidence level.

16. The mean disclosure of environmental Accounting disclosure in case of private sector is 4.62. This is less than the environmental disclosures by public sector companies mean disclosure score of 5.48. So, public sector companies are performing better ERI disclosures than private sector companies.

17. There is no significant difference between means environmental disclosure scores of
both private and public sectors.

18. ERI score are associated with some characteristics of the companies e.g. size.

19. The variables those are examined not to be significant in determining disclosure levels are Age (R-Squared 1.9074%), profitability of last year (2.6724 %), and profitability of current year (PAT ratio) (-1.2348 %), log Compensation to employees (R-squared = -1.1956 percent), profitability of the current Year (R-squared = 3.98815 %), return on net worth of the company (R-squared = 2.1624 %) and ROCE i.e. return on capital employed (R-squared = 2.0502 %) and beta (R-squared = 0.2890792 %). Significant relationship found between ERI score and sales (R-Squared sales 4.5492%), total assets of the company (R-Squared 6.0792%) at the 95.0% confidence level.

20. Multiple regression models depict

21. ERI Score for 2015 = 132.4163 - 0.0835123*Year of Incorporation - 0.00016135511*Sales + 0.00019329*Revenue -8.35151 + 0.000126813*COMPEMP + 0.0008694651*PAT (2015) + 0.000051262*No of Employees - 0.000084614*Total assets (2015) + 0.00000456563*ACE (2015) - 0.0753131*RONW - 0.09561312*ROCE - 0.912599*Beta - 0.00195396*AVGMP

22. Models used in this research for the variability in ERI Score are moderately capable of explaining the variability (R-squared 16.437%). TA, Age, Sales ,PAT (a) was introduced into the first block and next four variables AVGMP,BETA,DER,RONW, (a) was introduced into the second block. Introduced variables into two stages helped improve the explanation of the variability of ERI score by 9%.
23. The company determines the environmental accounting disclosures of the top companies in India. So, for this purpose, the size can be measured in terms of total sales and total assets of the companies.

24. There is no significant relationship between ERI Score for 2015 and Year of Incorporation, Era of origin, profitability of last year, compensation paid to the employees, profitability for the current year, ROCE, RONW and systematic risk or financial leverage of the company at the 95.0% or higher confidence level. ANOVA tables show the p values greater or equal to 0.05 in relating to ERI score with era, Year of origin, profitability of last year, and, profitability for the current year, compensation paid to the employees RONW, ROCE and financial leverage or systematic risk of the company.

25. The R-squared statistics in case of these determinants denote that the models as fitted for these variables don’t explain significant variability in ERI Score for 2015. The correlation coefficient between ERI score and these variables is also found to be relatively weak.

26. The results of Industry group supported from earlier studies that industry groups have no significant impact on degree of environmental disclosures in the same manner, there are no significant difference between environmental disclosure disclosed by public and private sector organizations, even though it is found that public sector organizations are showing more concern about environmental activities.

27. Organization size was measured using sales volume for the present year, total assets does determine the environmental disclosures made by the organization.
These findings match with Gray et al. (2001) that the association between the quantities of disclosure from 1988 to 1995, is in relation with the CE (capital employed), turnover, profit, and number of employees. Further, larger organizations have disclosed greater environmental information.

Cormier et al. (2005) likewise firm size is one of the qualities that decided the level of environmental disclosure by German organizations. So it is concluded that larger the size of the organization, greater the amount of ERI disclosures by the Indian organizations.

Basing on The above findings we can say that the environmental disclosures are variable throughout the years. Size of the companies influenced the extent and quantity of environmental disclosures.

The environmental disclosures are scanty and narrative. Indian corporations are disclosing narrative type information than the quantitative and monetary information. The main reasons for low disclosures could be the no mandatory requirements for informing environment and energy information.
7.6 Suggestions:

The following are the suggestions given in order to improve environmental accounting disclosure practices for corporate sector enterprises.

1. It’s challenging to measure the environmental impacts caused by company’s actions. Therefore the accounting framework should develop for recognition, measurement and reporting of environmental accounting information.

2. The Accounting standards should be developed by the accounting Professionals for environmental accounting disclosure practices.

3. Special legal or regulatory provisions should be incorporated in the legislations for forcing companies to disclose environmental information to their stakeholders.

4. Top management should take initiative to estimate various costs involved in environmental hazards and its degradation.

5. Corporate sector should encourage the best practices for environmental accounting disclosure practices in order to create a positive image to the company among various stakeholders.

6. There is necessity for an integrated law on environment clearances and companies need to have social responsibility concern towards maintenance and protection of environment and to save energy.

7. There should be a separate budget if possible or at least a budget item for the future expenses on ED costs (Environment Disclosure costs).

8. The corporate companies should have a separate section in the annual reports for ED. The information provided through annual reports useful for many users.

9. It is not possible to quantify all environmental accounting reports due to lack of standards measurement techniques so that the companies need to provide both quantitative and
qualitative environmental information in their annual reports.

10. Global standards have to be framed to bring in uniformity of disclosure practices. This can be achieved through wide consultations with academicians, environmentalists, companies and government authorities.

11. Environmental performance Indicators need to develop to provide environmental information for better understandable and comparable with others. The environmental performance indicators should provide physical information on emissions such as smoke, sound and other emissions that are released into atmosphere, and water bodies.

12. Companies need to develop a good corporate governance system. Good corporate governance creates a good image, credibility, and promotes corporate ethical practices to the corporate companies.

13. Voluntary environmental disclosure practices should encourage by the corporate companies. This will help the companies to increase their stock prices in the stock market and improves its goodwill.

14. The companies can gain significant cost savings by the reduction of waste and more efficient use of various natural resources such as, water, gas, and energy and fuels electricity. These corporations can avoid fines and penalties from not complying environmental legislation by identifying environmental risks and addressing weaknesses. Better environmental disclosures can also decrease in insurance costs by showing and implementing better risk management.

15. There is a lot of scope for improvements in environmental disclosures by better implementation of the law. The environmental law in India is not integrated and follows piecemeal approach to the environmental issues facing the nation hence environmental laws should be very stringent to improve environmental disclosure practices.
16. There is no mandatory or binding requirement to disclose environmental information in India. Hence The Government should be made environmental disclosure should be mandatory. This helps to improve the environmental disclosure practices by Indian companies.

Business firms use natural resources for manufacturing process and causes environmental pollution through various forms of industrial wastes released into air, atmosphere, and water bodies. The prime goal of the firms is earning profits and in the pursuit of this goal companies ignore environmental impacts or hazards that are being caused by them. But business firms are corporate citizens, as a good corporate citizen they need to show their concern towards environmental responsibility and protect the environment for future benefits. Therefore sustainable development is needed in the economy. Sustainable development is the solution to overcome the environmental issues.

7.7 Conclusion

The environmental disclosures are variable throughout the years. Size of the companies influenced the extent and quantity of environmental disclosures.

The environmental disclosures are scanty and narrative. Indian corporations are disclosing narrative type information than the quantitative and monetary information. The main reasons for low disclosures could be the no mandatory requirements for informing environment and energy information
7.8 Scope for further research:

The study suggests that the quality and quantity of environmental disclosures are not encouraging in the corporate sector in India. Further research can be carried on companies in developed countries like western countries, which are listed in NYSE, where environmental concern is imperative. The small and medium scale industries in India can also consider for further research.

Further research can be Initiated on green marketing, voluntary disclosures as to environment management, sustainability practices, Environmental Audit practices of Indian companies.