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A STUDY ON GREEN ACCOUNTING AND IT'S IMPACT ON SHAREHOLDER'S VALUE CREATION

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ABSTRACT

Environmental issues, environmental awareness and responsibility towards the environment and sustainable growth have given birth to a new way of industrial development reporting and accounting i.e. green accounting and the sector which assures all shareholders, media, educational institutions and all investors as clear as corporate financial reporting. And component information can gain access to environmental information. Because we have seen the important environment and Indian corporates come forward to save the environment by changing their manufacturing process and implementing environmental reporting and auditing. The purpose of the study is to look at the effect of green accounting and advertising practices of Indian corporates on the variable of shareholder formation. Researchers have taken data from the latest year 2019-20 to analyse the study.

KEYWORDS: Green accounting, Shareholder's value creation, Disclosure, Corporates, India.

Climatic change is one of the greatest challenges that world is facing today. Climatic change is the variation in the earth's global climate over the time. This variation may be due to dynamic process on the earth and some of the external influences. The climatic change create manifold problems like global warming, glacier meltdown, soil erosion, land degradation, deforestation, loss of biodiversity and all kinds of pollution. Human influence on the nature is one of the major causes of such problems. Indiscriminate use of resource and undue influence on nature in name of development can be identified as prime causes of this climatic change. As a result, since last few decades the adverse environmental effect of economic development has become a public concern all over the world.

Green accounting" - sometimes referred to as "green accounting", "resource accounting" or "integrated economic and green accounting" - refers to modification of the System of National Accounts to incorporate the use or depletion of natural resources (International Union for Conservation of Nature, 2010).

Green accounting is used to determine measures to promote sustainable environmental management. Reducing environmental impact, using measures that will lead to the creation of benefits, is crucial to promoting sustainable environmental management. The Ricoh Group uses green accounting to determine what measures should be taken for what processes and for what operations so that the maximum effect can be obtained. Therefore, we first identify those processes that have a high environmental impact in business operations, based on the Eco Balance. We examine a number of improvement plans to reduce the identified environmental impact, in consideration of developments in society and laws/regulations and competition. Then, using segment green accounting, we assess the effectiveness of each possible approach and decide what methods should be adopted to gain the best results.

APPLICATION OF GREEN ACCOUNTING:

Cost Allocation: Environmental accounting brings environmental costs to the limelight for all concerned, so as to enable and motivate them to identify the wages and means to reduce such costs, and side by side, to improve the environmental quality. Overhead cost is a group cost in which the environmental cost of a particular system/process/product is hidden. By allocating environmental cost to a process or a product that generates them, a company can motivate affected managers and employees to find creative pollution prevention alternatives that lower those costs and improve the bottom line. If this overhead cost is not allocated 100 correctly in a multi-product company, one product will bear more unwarranted burden in comparison with its contribution, while the other will have less than actual contribution, while a third may bear some load without any such contribution. Under these circumstances, manager cannot perceive the true cost of producing the products.

SHAREHOLDER's VALUE CREATION:

It is one of the business orthodoxies of our age that the main goal of every enterprise is to maximize shareholder value. Even without embarking on the philosophical waters of whether this is indeed the most prudent or ultimate goal of a firm, a question that continually arises is how shareholder value creation can be explained and accurately measured. Finding an answer to this question is increasingly difficult, as the corporate world is constantly witnessing the birth of new shareholder value creation measures and is, therefore, faced with an ever-increasing array of research findings on ways to express shareholder value creation. The main traditional (accounting-based) measures to quantify shareholder value creation are earnings per share (EPS), return on equity (ROE), return on assets (ROA) and dividend per share (DPS). These traditional measures have now been challenged and supplemented by economic-based measures of shareholder value creation, such as economic value added (EVA), market value added (MVA), cash flow return on investment (CFROI), cash value added (CVA) and refined economic value added (REVA).

Numerous studies have been undertaken in the past few decades to decide which measure best expresses shareholder value creation. Sharma and Kumar (2010) summarize the results of 112 studies on EVA, and Hall (2013) discusses the results of 18 studies on such measures conducted during the period from 1991 to 2011. Possible reasons for differences between the results of these and other studies on shareholder value creation measures seem to be the shareholder value creation measure(s) used, the compilation of the sample, the country on whose data the analysis was conducted and the statistical technique(s) used. Moreover, most of these studies try to explain shareholder value creation, share price or excess market returns in respect of a homogenous sample of companies. Inevitably, these varying and sometimes conflicting findings are not able to provide a firm's management with a clear blueprint or path towards efficient shareholder value creation for that particular firm.

SCOPE OF THE RESEARCH STUDY:

Researcher has taken 50 leading listed companies of India and to analyse the impact of green accounting and disclosure practises on shareholder's value creation variable

RESEARCH METHODOLOGY:

The research method followed is set out below. The various industries that were selected for analysis, the dependent and independent variables, as well as the statistical techniques that were applied, are discussed. The data used for this study were obtained from the annual reports, stock exchanges.

Research methodology guide researcher how to reach towards the objective of the study. In this study researcher has taken. Researcher has taken discloser as independent variable and 7 shareholder's value creation variables as depended variables. Data has been taken from the secondary sources for the year 2019-20

OBJECTIVES OF THE RESEARCH STUDY:

1. To study green accounting and reporting practices in India
2. To study impact of disclosure of Existence of Policies and System variables on shareholder's value creation variables
3. To study impact of disclosure of Operational Aspects variables on shareholder's value creation variables

SOURCES OF DATA:

Secondary sources of data has been utilised for this proposed research study

Secondary data have been collected from Company Annual Reports, Stock prices.

SAMPLE SIZE:

Researcher has taken 50 leading listed Indian companies.

Total 11 green accounting variables have been taken in this study to see the impact of disclosure of these 11 variables in annual reports on the shareholder's value creation variables.

11 green accounting variables mentioned below

EXISTENCE OF POLICIES AND SYSTEMS
1. Environmental Clearance Certificate
2. Environmental Management System
3. Environmental Policy
4. ISO 14001 certificate
5. Separate Environmental Department
OPERATIONAL ASPECTS
6. External recognition for environmental protection
7. Internal reward system-Financial
8. Internal reward system-No System
9. Internal reward system-Non-Financial
10. Training to employees
11. Voluntary environmental protection

PERIOD OF DATA COVERAGE:
Annual report for the year 2019-20 have been studied

REVIEW OF LITERATURE:
Preeti Malik (2015), Green accounting is in preliminary stage in India and whatever shows in the accounts in this regard is more or less compliance of relevant rules and regulation in the Act. Actually, unless common people of India are not made aware towards environmental safety, development of accounting in this regard is a little bit doubtful. It is the call of the time that corporates prepare a firm environmental policy, take steps for pollution control, comply with the related rules and regulations, and mention adequate details of environmental aspects in the annual statements.

Mukesh Chauhan(2005), explains the various forms of green accounting, its scope, limitations and legal framework in Indian context. He suggested for sustainable development of country, a well-defined environmental policy as well as proper follow up and proper accounting procedure is a must.

Lodhia (2003) examines the roles of accountants in green accounting and reporting. The findings of his study show that accountants were not involved in addressing green accounting in organisations. This lack of involvement has been attributed to the lack of expertise in social and environmental matters as well as the absence of regulation for mandatory green accounting practice.

Nasir Zameer Qureshi (2012) in their research paper, green accounting and reporting: an essential component of business strategy, describes the environmental component of the business strategy, producing the required performance reports and recognizing the multiple skills required to measure, compile and analyze the requisite data. Special emphasis of the research is on generation of reports and their standards, for the range of business and regulatory purposes. They also identified the major obstacles for green accounting and reporting and concluded that for sustainable development of country, a well-defined environmental policy as well as proper follow up and proper accounting procedure is a must. Unless common people of India are not made aware about environmental damages and safety, development of accounting in this regard is really becomes difficult.

DATA ANALYSIS:
1 Existence of Policies and Systems VS EV/Net Operating Revenue

SUMMARY OUTPUT	
Regression Statistics	
Multiple R	0.111869
R Square	0.012515
Adjusted R Square	-0.00806
Standard Error	2.072251
Observations	50

ANOVA

	df	SS	MS	F	Significance F
Regression	1	2.612272	2.612272	0.608322	0.439249
Residual	48	206.1228	4.294225		
Total	49	208.7351			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	2.166016	0.813376	2.662996	0.010509	0.530615	3.801417
X Variable 1	0.156557	0.200726	0.77995	0.439249	-0.24703	0.560144

INTERPRETATION:
Multiple R = 0.111, which indicates that there is no linear relationship between EV/Net Operating Revenue and disclosure of Existence of Policies and Systems variable of companies taken under study.

From the ANOVA table, it can be seen that p-value 0.439 which is higher than specified α of 0.05, there is no linear relationship between EV/Net Operating Revenue and disclosure of Existence of Policies and Systems variable of companies taken under study.

2. Existence of Policies and Systems VS Dividend Pay-out Ratio

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.22989
R Square	0.052849
Adjusted R Square	0.033117
Standard Error	77.31449
Observations	50

ANOVA

	df	SS	MS	F	Significance F
Regression	1	16009.7	16009.7	2.678313	0.108264
Residual	48	286921.4	5977.53		
Total	49	302931.1			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	-4.29281	30.34657	-0.14146	0.888099	-65.3087	56.72306
X Variable 1	12.25614	7.488986	1.636555	0.108264	-2.80148	27.31376

INTERPRETATION:
Multiple R = 0.229, which indicates that there is no linear relationship between Dividend Pay-out Ratio and disclosure of Existence of Policies and Systems variable of companies taken under study.

From the ANOVA table, it can be seen that p-value 0.108 which is higher than specified α of 0.05, there is no linear relationship between Dividend Pay-out Ratio and disclosure of Existence of Policies and Systems variable of companies taken under study.

3. Existence of Policies and Systems VS Revenue from Operations/Share(Rs.)

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.170252
R Square	0.028986
Adjusted R Square	0.008756
Standard Error	977.9587
Observations	50

ANOVA

	df	SS	MS	F	Significance F
Regression	1	1370384	1370384	1.432851	0.237178
Residual	48	45907351	956403.1		
Total	49	47277734			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%
Intercept	113.2849	383.8568	0.295123	0.769173	-658.511	885.0806
X Variable 1	113.3922	94.72893	1.197018	0.237178	-77.0731	303.8575

INTERPRETATION:
Multiple R = 0.170, which indicates that there is no linear relationship between Revenue from Operations/Share (Rs.) and disclosure of Existence of Policies and Systems variable of companies taken under study.

From the ANOVA table, it can be seen that p-value 0.237 which is higher than specified α of 0.05, there is no linear relationship between Revenue from Operations/Share (Rs.) and disclosure of Existence of Policies and Systems variable of companies taken under study.

CONCLUSION:
Based on research studies, it can be concluded that green accounting and reporting are important nowadays. Indian corporates are making more efforts to protect the environment and make it mandatory to audit their internal systems as well as train their employees to reduce pollution that affects the environment. From the data analysis it can be concluded that the disclosure of environmental variables does not affect the shareholder value creation variables. It suggests that the performance of Indian corporates is not influenced by their green accounting and advertising practices. The share market activity, profitability and efficiency of Indian corporates are based on their operational activity rather than being influenced by green accounting and disclosure practices.

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