

# Corporate Environmental Disclosure Practices in India

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## Abstract

Environment friendly practices are expected from business organizations and also the disclosure of these practices to gain the confidence of shareholders and common public. Corporate world is often blamed for negatively affecting the environment for profit purpose. Question arises that how seriously environmental issues are looked upon and taken care of through appropriate actions by corporate world. Diversity of organizations and the parameters related to environment friendly practices makes matter complex especially for developing countries like India. This paper is aimed at analysing item-wise, company wise and sector wise environmental disclosure about the green initiatives taken by the top Indian companies based on market capitalization and their stock price.

**Keywords:** *Corporate Eco-friendly Practices, Corporate Green Practices, Sustainable Development, Green Initiatives Disclosure, Corporate Social Responsibility.*

## Introduction

Contention pertaining to green initiatives and environmental behaviour posited by corporate citizen has been documented in corporate literature as a conflict of goals and manifestation of it *per se* is far from reality especially in developing economies. The predominant belief that environmental practices tend to hurt the bottom line has been a concern particularly for marginal corporate entities. On the contrary, sustainable business practices by large business organizations stress upon socialistic and environmental issues not only to create a niche for themselves but also to attain competitive advantage. The economic viability of co-existence of ecology and economy is always debatable as environmental conservation requires substantial commitment of resources and a costly affair and an impediment to capitalistic objectives.

Worldwide consumption and degradation of

natural resources and environment has continued to grow with the passage of time. However, for some decades, corporate entities have started to realize that economic prosperity cannot be proliferated in isolation without paying due considerations to its consequential impact on society and the environment. Corporate social responsibility and environmental concern is rapidly becoming a mainstream component of corporate strategies to support 'triple bottom line' results focused on people, planet and profit (Jariya, 2015). Natural resources are consumed by corporate bodies to execute business activities and it is imperative on their part to show responsibility towards environment in some way or the other. Internal stakeholders are entailed to adopt green initiatives in all activities and also consequently disseminate it to the outside stakeholders in a legitimate manner.

Corporations pertaining to developing economies are particularly more vulnerable to environmental

hazards and less systematic in their information sharing architecture *per se*. The ideology of corporate social responsibility and sustainable development is becoming die-hard and ending up with minimum regulatory compliances. The form and content of propagating manifold activities in congruence with green initiatives and environmental concern is diverse and corporate players have assorted approaches which in turn necessitate detailed exploration of environmental reporting practices.

### Review of Literature

Al- Tuwaijri et al. (2003) analysed the interrelationship among environmental disclosure, environmental performance and economic performance. The study used a cross-sectional research design on 198 firms. Descriptive statistics of data showed that sample firms recycle most of their generated waste. Correlation between the environmental disclosure, environmental performance and economic performance was found positive. 3SLS regression analysis equation model was used to explain interrelationship between environmental disclosure, environmental performance and economic performance. It was found that good environmental performance is significantly associated with good economic performance and with extensive quantifiable environmental disclosures of specific pollution measures and occurrences.

Gupta & Goldar (2005) examined the impact of environmental performance of large pulp and paper, automobile and chlor alkali firms in India on their stock price. Study was based on data collected from 17 pulp and paper firms, 15 auto firms and 18 chlor alkali firm. They found that the market generally penalizes environmentally unfriendly behaviour as announcement of weak environmental performance by firms leads to negative abnormal return of up to 30%. A positive

correlation was found between abnormal returns to a firm's stock and the level of its environmental performance.

Salama (2005) analysed relationship between corporate environmental performance (CEP) and corporate financial performance (CFP) by using robust regression method. The initial sample population taken was 239 British companies and finally used 201 firms as final sample for the study. The author found that the relationship between CEP and CFP is stronger when median regression was used.

Sahay and Singh (2005) investigated the relationship between environmental and financial performance of selected Indian companies. The study was conducted on top 250 Indian companies ranked in terms of sales in Economics Times survey. The data was collected through structured questionnaire for the study of corporate environmental behaviour of UK companies. Only Chemical & Fertilizers and Oil and Gas sector performed well in environmental reporting as compared to Automobiles and Mining and Metallurgy sector. They found that environmental reporting by Indian corporations lags significantly behind the expected standards except for a few companies.

Rasi et.al. (2010) explained analysis of environmental initiative taken by SMEs and their impact on environmental and operations performance. For this study, they conducted a survey of top-level managers working in Malaysian SME's involved in the electric and electronic industries. They found that SMEs have move to develop an increasingly proactive environmental orientation and recycling activities mostly used in their implantation. They suggested that if stakeholders support the SMEs then they can carry on more initiatives for the environment.

Clarkson et al. (2008) studied the relation between environmental performance and environmental disclosure in US firms. For this purpose, they selected 191 US firms as sample from five most polluting industries namely Pulp and paper, Chemicals, Oil and Gas, Metal and Mining and Utilities. They used a content analysis index based on the Global Reporting Initiative sustainability reporting guidelines to assess the extent of discretionary disclosures in environment and social responsibility reports. They found a positive association between environmental performance and the level of discretionary environmental disclosure in US five most polluting industries.

King and Lenox (2001) examined relationship between firms environmental and financial performance of 652 U.S. manufacturing firm over the period 1987-1996. They found positive association between lower pollution and high financial valuation of firm.

Watson (2004) suggested that cost of Environmental Management System (EMS) implementation does not negatively affect financial performance of firm.

Kundra (2013) analysed item-wise and company wise disclosure about the green initiatives of NIFTY 50 Companies in 2011-12. Researcher used content analysis method for analysis of environmental disclosure practices and found that overall concern for environment has increased and will increase further in Indian context.

### Objectives of the Study

- To analyse item-wise and company wise environmental disclosure about the green initiatives taken by top Indian companies
- To explore industry wise environmental disclosure practices in India
- To investigate variations in the level of

environmental disclosure made by Indian companies

### Data

The data comprises of annual reports of CNX Nifty constituent companies and have been compiled from Annual reports published on the official webpage of sample companies. Such sample companies are most actively traded and have higher market capitalization serving the interest of stakeholders. Further, they also serve as economic barometer and reflect growth & development of the economy through prospective actions and strategies. The span of study accommodates two financial years i.e. 2014-15 and 2015-16.

### Methodology

“Content Analysis” technique has been applied to explore the extent of environmental disclosure considering different parameters of green initiatives. Content Analysis is a research technique used to convert qualitative data into quantitative information for making logical conclusion. In this study, companies' websites and its annual report are the main content which has been analysed and the extent of disclosure of green initiatives has been measured through unweighted index. Index of environmental disclosure about green initiatives has been prepared on the basis of literature review, websites of companies and scanning of Annual Reports. Unweighted scoring has been done i.e. if a company disclose a particular item score '1' is assigned and if a company does not disclose it, score '0' is assigned. Unweighted scoring technique provides equal importance to each green initiative items. The item-wise disclosure has been calculated by the total score obtained by green initiative item with the total number of companies in the sample. Similarly, the company wise score has been calculated by dividing total score obtained by the

company with the total number of green initiatives items.

wise disclosure and company wise disclosure. The index of green initiatives includes 27 items based on previous studies and literatures.

## Results and Discussion

The disclosure practices of companies regarding green initiatives have been analysed based on item-

### *Item wise Disclosure*

**Table 1: Item- wise Disclosure by Companies**

Serial Number	Initiatives	Percentage Score	
		2014-15	2015-16
1.	Sending Annual Reports Online	100	100
2.	Health & Sanitation	94	98
3.	Environmental sustainability	76	72
4.	Making available safe Drinking Water	60	56
5.	Water Management / Conservation	56	57.14
6.	Conserving Energy	52	52
7.	Renewable Energy	42	44
8.	conservation of natural resources	40	46
9.	Waste Management	36	46
10.	Rainwater Harvesting	34	38
11.	Reducing Carbon Footprint	32	30
12.	Reducing Carbon Emissions	32	34
13.	Solar Plantation	32	42
14.	Waste Recycling	30	28
15.	Planting Trees	30	30
16.	Biodiversity	30	28
17.	Environmental Friendly Technology	24	22
18.	Ecological Balance	24	28
19.	Maintaining Quality of Soil, Water and Air	20	18
20.	Partnership with NGO's	18	18
21.	Use of Biofuels	14	12
22.	Greenhouse Gases and Carbon sequestration	12	18
23.	Protection of flora and fauna	12	14
24.	Reducing Paper Consumption and Wastage	10	16
25.	Social and Farm Forestry Initiatives	4	4
26.	Material Sourcing	4	4
27.	Use of Organic Products	2	2

In order to find out the nature of disclosure, the items – wise disclosure has been calculated and documented in Table 1. The score of items wise-disclosure has been calculated by dividing the number of companies carrying a green initiative with the total number of companies included in the sample. It was found that most of listed companies send their reports online. Sending online reports has been made compulsory by Government of India. Among other green initiatives; Health & Sanitation, Environmental Sustainability, Water Management/ Conservation, Conserving Energy,

Use of Renewable Energy and Waste Management reported by companies are 94%, 76%, 56%, 52%, 42% and 36% respectively in 2014-15 and 98%, 72%, 57.14%, 52%, 44% and 46% respectively in 2015-16. It appears that Indian companies are not so keen in implementing some critical green initiatives such as carbon emission; waste recycling and protection of flora & fauna measures to maintain ecological balance.

#### *Company Wise Disclosures*

**Table: 2 Company Wise Disclosures**

	Company Name	Percentage Score	
		2014-15	2015-16
1	GAIL (India) Ltd.	84.61	84.61
2	Reliance Industries Ltd.	65.38	57.69
3	Tata Consultancy Services Ltd.	65.38	69.23
4	Infosys Ltd.	61.53	65.38
5	Larsen & Toubro Ltd.	61.53	61.53
6	Power Grid Corporation of India Ltd.	57.69	57.69
7	I T C Ltd.	53.84	53.84
8	NTPC Ltd.	53.84	50
9	Yes Bank Ltd.	53.84	50
10	Mahindra & Mahindra Ltd.	50	50
11	Tata Motors Ltd.	50	30.76
12	Tata Power Co. Ltd.	50	53.84
13	Ambuja Cements Ltd.	46.15	42.30
14	Hero Motor Corp. Ltd.	46.15	50
15	UltraTech Cement Ltd.	46.15	46.15
16	Tata Steel Ltd.	42.30	73.07
17	Cipla Ltd.	38.46	38.46
18	Grasim Industries Ltd.	38.46	38.46
19	Oil & Natural Gas Corporation Ltd.	38.46	42.30
20	Bharat Petroleum Corporation Ltd.	34.61	34.62
21	Coal India Ltd.	34.61	30.77
22	HCL Technologies Ltd.	34.61	34.61
23	HDFC Bank Ltd.	30.76	30.76

24	Indian Oil Corporation Ltd.	30.76	23.07
25	State Bank of India	30.76	30..76
26	Tech Mahindra Ltd.	30.76	38.46
27	ACC Ltd.	26.92	46.15
28	Asian Paints Ltd.	26.92	26.92
29	Bosch Ltd.	26.92	26.92
30	Hindalco Industries Ltd.	26.92	26.92
31	Wipro Ltd.	26.92	42.30
32	Aurobindo Pharma Ltd.	23.07	23.07
33	Lupin Ltd.	23.07	23.07
34	Maruti Suzuki India Ltd.	19.23	19.23
35	Zee Entertainment Enterprises Ltd.	19.23	23.07
36	Axis Bank Ltd.	15.38	15.38
37	Hindustan Unilever Ltd.	15.38	15.38
38	IndusInd Bank Ltd.	15.38	26.92
39	Bajaj Auto Ltd.	11.53	11.53
40	Dr. Reddy's Laboratories Ltd.	11.53	11.53
41	Bank of Baroda	7.69	8
42	Bharti Infratel Ltd.	7.69	7.69
43	Eicher Motors Ltd.	7.69	7.69
44	Housing Development Finance Corporation Ltd.	7.69	7.69
45	ICICI Bank Ltd.	7.69	7.69
46	Sun Pharmaceutical Industries Ltd.	7.69	19.23
47	Adani Ports and Special Economic Zone Ltd.	3.84	3.84
48	Bharti Airtel Ltd.	3.84	3.85
49	Indiabulls Housing Finance Ltd.	3.84	3.84
50	Kotak Mahindra Bank Ltd.	0	0

Company wise disclosures pertaining to green initiatives are calculated and documented in Table 2. The quantum of green initiatives disclosures is highest in GAIL with 84.61% followed by Reliance Industries Limited with 65.38%. Infosys Technologies Limited and L&T witness 65.38% in terms of total disclosures. It appears that

companies that are more vulnerable to environmental degradation viz. ACC, Asian Paints, Aurobindo Pharma, Sun Pharma and Bajaj Auto are showing less accountability to environment.

#### *Industry wise Disclosure*

**Table 3: Industry-wise Disclosures**

Industry	Mean Score	
	2014-15	2015-16
Construction	61.53	61.53
Energy	52.19	49.99
IT	43.84	49.99
Cement & Cement Product	39.42	43.26
Metals	34.63	43.58
Consumer Goods	32.04	32.04
Auto Mobile	30.21	28.01
Pharma	20.76	23.07
Media and Entertainment	19.23	23.07
Financial Services	17.30	18.10
Telecom	5.76	5.76
Services	3.84	3.84

Industry wise disclosures towards green initiatives are calculated and documented in Table 3. The construction sector is showing the highest disclosure of 61.53% followed by Energy sector 52.19%; IT sector 43.84%; Cement sector 39.42%; Metals 34.63%; Automobile 30.21% and Pharma 20.76%. The results connote that sectors that are supposed to be more concerned about green initiatives are adopting casual approach towards environment and its conservation.

Further, on a comparative platform, different industrial sectors are exhibiting mixed results during 2014-15 and 2015-16. There are sectors viz. IT, Cement and Metal and Pharma which witnessed improvement in terms of environmental disclosure practices whereas sectors viz. Energy and Automobiles showed decline with respect to disclosures pertaining to green initiatives.

### Conclusion

Large variation has been found in Corporate environmental disclosure practices among

companies and industries. Also, it has been found through this research that parameters on which environmental disclosures are being made by corporations, there is variation and no standard procedure of disclosure is followed. The form and content of disclosing manifold activities and practices in relation to green initiatives and environmental concern is diverse. Some sort of standard and acceptable disclosure practices is required and desired from corporations. It appears that Indian companies are not so keen in implementing some critical green initiatives related to carbon emission, waste recycling and protection of flora & fauna measures to maintain ecological balance and are more concerned about following minimum approach of fulfilling Government regulations regarding environment safety. The results also indicate that companies that are more vulnerable to environmental are showing less accountability to environment and sectors that are supposed to be more concerned about green initiatives are adopting casual approach towards environment and its conservation. The outcome of the study has policy implications for regulatory

agencies and governments to make the environmental disclosure mandatory and specify modalities at a broader scale on which disclosures be made by corporate entities.

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