

# Asian Resonance

## Environment Reporting and Disclosure Practices of Selected Maharatna Companies in India



**Manoj Kumar**  
Research Scholar,  
Faculty of Commerce,  
Dayalbagh Educational Institution,  
Deemed University, Agra



**Jyoti Kaushik**  
Research Scholar,  
Faculty of Social Sciences,  
Dayalbagh Educational Institution,  
Deemed University, Agra

### Abstract

The scarcity and deprivation of natural resources, as well as the accidents related to environmental pollution emitted by multinational corporations have incited economical, political and social debates concerning these issues and generated significant concerns from many companies and governments. The industrial development, sustained by the economic and technological progress had been criticized for its demoralizing impact on the environment; these companies have been urged to become responsible as far as their impact on the environment is concerned. In response, many companies have begun to report ecologic activities and environmental performance and these aspects fall under the attention of the company's management, accounting professionals, researchers, regulation bodies and media. Environmental disclosure of manufacturing activities has become a significant concern in business management. Impact of business on the environment is likely to be of increasing importance for managers over the coming decades. This paper reflects the environment disclosure and reporting practices of selected Maharatna Companies. For this purpose two (2) Maharatna Companies i.e., BHEL and SAIL had been selected. Reporting practices were quantified by the well designed checklist of environment reporting items. The result of the study shows that selected companies i.e., BHEL & SAIL disclosed environment reporting information in their annual report in qualitative as well as quantitative manner.

**Keywords:** Environment, Reporting, BHEL, SAIL, Companies, India.

### Introduction

#### Environment Reporting and Disclosure Practices of Selected Maharatna Companies in India

The scarcity and deprivation of natural resources, as well as the accidents related to environmental pollution emitted by multinational corporations have incited economical, political and social debates concerning these issues and generated significant concerns from many companies and governments. The industrial development, sustained by the economic and technological progress had been criticized for its demoralizing impact on the environment; these companies have been urged to become responsible as far as their impact on the environment is concerned. In response, many companies have begun to report ecologic activities and environmental performance and these aspects fall under the attention of the company's management, accounting professionals, researchers, regulation bodies and media. Environmental disclosure of manufacturing activities has become a significant concern in business management. Impact of business on the environment is likely to be of increasing importance for managers over the coming decades. Indian companies increase to exceed their existing legal obligations and anticipate more future legislation on environmental issues. Good environmental disclosure performance is provide to societal benefit, more by reducing risk than by increasing prospects.

Corporate reporting is expanding beyond financial and environmental performance. A major challenge to reporting community at large in India is to improve comparability among environmental reports. Most of the reports reviewed in this survey, did not explain how Indian companies decide on what issues to be addressed or left out, in its environmental report. In India, the incorporation of environmental costs and benefits into mainstream financial reporting is an developing field at present but it is certain to grow. Involvement and commitment of corporate

accountants in environmental management, appears to be limited due to lack of regional reporting guidelines. Formulated guidelines will be a valuable means of engaging stakeholders for enhancing mutual interests and priorities. Such a bold participative approach would ensure benefits of enduring value both to the company and its stakeholders.

### Review of Literature

- 1. Dr. Manoj Goswami (2014) “Corporate Environmental Accounting: The issue, its practices and challenges: A study on Indian corporate accounting practices”.** This study reveals that many efforts have been done to develop mechanism of incorporating environmental data with national income to compute economic development. Moreover, all such attempts do not address the micro economic aspect of environmental data as such interaction between a specific firm and environment. The accounting of interaction between firm and environment is a pre-requisite to find out sustainability gap in micro level. This study attempts to address the development of corporate level environmental accounting and the problems associated with that. The study is under taken considering the environmental accounting and reporting adopted by sample companies in India.
- 2. Chaklader Barnali and Aggarwal Gulati Puja (2013) “A Study of Corporate Environmental Disclosure Practices of Companies Doing Business in India”** In this study researchers had founds that in all the four years, size and environmental certification are statistically significant at 1% level and is positively associated with EDI. Environmental certification reduces the agency cost as it reduces the monitoring cost since the firms voluntarily follow a set of externally set of measured objectives. No other variable was found to be significant. We have tried to link our findings with legitimacy theory and agency theory.
- 3. Dalvadi Yagnesh (2012) “Measurement of Environmental Reporting Practices of the Selected Index Based Indian Companies: An Integral Part of Triple Bottom Line Reporting”** The objective of this study is to investigate the quantity and quality of voluntary environmental disclosures in the annual reports or sustainability reports of the few selected index based Indian companies listed on the stock exchange. In order to evaluate the environmental reporting practices, the categorization contained in the Global Reporting Initiatives guidelines has been used to an extent. We found that all the companies selected for the study were found to be at their progress towards better environmental reporting practices year by year, which are a positive sign for the country as well as a benchmark for the other companies who still have not taken initiative in this area. The result may serve a base or the

path towards better Environmental disclosures in India.

- 4. Sen Mitali, Mukherjee Kushali and Pattanayak J.K (2011) “Corporate environmental disclosure practices in India”** The purpose of this study is to identify the existing status of environmental disclosure practices in Indian core sector companies. The study shows that the level of disclosure of environmental information varies across industries as well as companies and the information revealed in the annual reports is found to be more qualitative than quantitative. This study contributes to the literature by evaluating voluntary environmental disclosures made by Indian core sector companies in their annual report. Further work based on this preliminary finding may be done to assess the status of environmental disclosure for a larger sample of Indian core sector companies.
- 5. Dr Prem Lal Joshi, Dr. Mishiel Said Suwaidan, Dr. Rajesh Kumar (2011) “Determinants of Environmental Disclosures by Indian Industrial Listed Companies in Their Websites: Empirical Study”** The purpose of this study is to examine the factors influencing the level of environmental disclosure information from a sample of 45 Indian industrial listed companies in their websites and annual reports. The evidence shows that there is a tendency to disclose the environmental protection information but the level of disclosures is still low. Multiple regression analysis shows a positive association between log of total assets, and industry type with the disclosure index. Large sized firms which are heavily polluted, tend to disclose higher level of information. However, profitability and financial leverage have no impact on the disclosure level. The study’s findings help understand Indian industrial listed firms behavior in terms of environmental disclosure.

### Objectives of the Study

- To find out the awareness level of environmental reporting and disclosure practices of selected Maharatna Companies in India.
- To make a comparative analysis of environmental reporting and disclosure practices of selected Maharatna Companies i.e., BHEL & SAIL.

### Research Methodology

In this research paper the researcher had been selected the two (2) Maharatna Companies for the purpose of study. In order to assess the structure and process for environmental reporting practices followed by the selected companies.

The list of the companies is given blow:

**Table-1**

S. No.	Name of Selected Company
1	BHEL-Bharat Heavy Electricals Limited
2	SAIL-Steel Authority of India Limited

### Justifications of Selection of Samples

The selected companies are reputed and established companies. These companies are having business in all over India covering the huge market share in his sector in the world.

The selection of banks has been made on the following ground:

1. These companies are listed in BSE & NSE
2. International rating given by the Agencies (ICRA, CRISIL)

### Sampling Approach

These companies were selected on the basis of judgment sampling approach.

### Sources of Data

The study was based on the secondary information that was collected from the annual report of the selected Companies. Other information collected from books of Accounting, Corporate Social Responsibility Reporting, Environmental Accounting and Reporting; Views and Recommendations of Committees on Social and Environmental Reporting and Articles published in this area were consulted in determining the items for inclusion in the 'index'.

### Scope of the Study

The study coverstotal 20 items for environment reporting practices in the selected

companies. All the selected items were voluntary in nature.

### Period of the Study

The environmental reporting practices of the selected companies were examined for three financial year i.e., from 2011-12, 20012-13 and 2013-14.

### Hypothesis

#### H0

There is no significance difference between the average environment disclosure practices of selected Maharatna companies i.e., BHEL and SAIL.

#### H1

There is significance difference between the average environment disclosure practices of selected Maharatna companies i.e., BHEL and SAIL.

### Statistical Tools

Percentage (%), Simple Mean and Student t-test were used for the purpose of analysis and interpretation of data.

### Data Collection

1=Item Disclosed  
0=Item Not Disclosed

Information of Items		BHEL			SAIL		
		Y1	Y2	Y3	Y1	Y2	Y3
<b>A</b>	<b>Board Environmental Objectives (7)</b>						
	Specific targets	1	1	1	0	0	0
	Management's environmental policy statement	1	1	1	1	1	1
	Environmental budget	1	1	1	1	1	1
	Environment management system	0	0	1	0	0	0
	Environment auditing	0	0	0	0	0	0
	Legal compliance	0	0	0	0	0	0
	Award obtained for environmental protection	1	1	1	0	0	0
	Disclosures (A)	4/7	4/7	4/7	2/7	2/7	2/7
	% of Disclosures	57.14%	57.14%	57.14%	28.57%	28.57%	28.57%
<b>B</b>	<b>Prevention or Repair of Environmental Damage (1)</b>						
	Waste management	1	1	1	0	0	0
	Disclosures (B)	1/1	1/1	1/1	0/1	0/1	0/1
	% of Disclosures	100%	100%	100%	0%	0%	0%
<b>C</b>	<b>Aesthetic Improvement (1)</b>						
	Tree plantation	1	1	1	1	1	1
	Disclosures (C)	1/1	1/1	1/1	1/1	1/1	1/1
	% of Disclosures	100%	100%	100%	100%	100%	100%
<b>D</b>	<b>Pollution Control Measures (1)</b>						
	Disclosures (D)	1/1	1/1	1/1	1/1	1/1	1/1
	% of Disclosures	100%	100%	100%	100%	100%	100%
<b>E</b>	<b>Conservation of Natural Resources (1)</b>						
	Disclosures (E)	1/1	1/1	1/1	0/1	0/1	0/1
	% of Disclosures	100%	100%	100%	0%	0%	0%
<b>F</b>	<b>Environmental Accounting (4)</b>						
	Environmental cost	1	1	1	0	0	0
	Environmental liabilities and assets	1	1	1	0	0	0
	Scientific accounting and reporting practices	1	1	1	1	1	1
	Extraordinary items	1	1	1	0	0	0
	Disclosures (F)	4/4	4/4	4/4	1/4	1/4	1/4
	% of Disclosures	100%	100%	100%	25%	25%	25%
<b>G</b>	<b>Project Planning and Management (3)</b>						
	Environmental management	1	1	1	1	1	1
	Environmental risk management	1	1	1	1	1	1
	Accident and emergency response	1	1	1	0	0	0

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	Disclosures (G)	3/3	3/3	3/3	2/3	2/3	2/3
	% of Disclosures	100%	100%	100%	66.67%	66.67%	66.67%
<b>H</b>	<b>Social Cost (2)</b>						
	Impact of organizational activities on environment	1	1	1	1	1	1
	Scientific environmental risks not required to be disclosed legally	1	1	1	1	1	1
	Disclosures (H)	2/2	2/2	2/2	2/2	2/2	2/2
	% of Disclosures	100%	100%	100%	100%	100%	100%
	<b>Total Items disclosed by the selected companies(A+B+C+D+E+F+G+H)</b>	<b>17/20</b>	<b>17/20</b>	<b>18/20</b>	<b>9/20</b>	<b>9/20</b>	<b>9/20</b>
	<b>%age of Total Items disclosed by the selected companies (A+B+C+D+E+F+G+H)</b>	<b>85%</b>	<b>85%</b>	<b>90%</b>	<b>45%</b>	<b>45%</b>	<b>45%</b>
	<b>Mean Value</b>	<b>86.67%</b>			<b>45%</b>		

Source: Annual Reports of Selected Companies Table-2

**Note**

**BHEL**-Bharat Heavy Electronic Limited  
**SAIL**: Steel Authority of India Limited  
**Y1**: Financial Year 2011-12  
**Y2**: Financial Year 2012-13  
**Y3**: Financial Year 2013-14

**Interpretation**

In the above table clearly shows that environmental reporting items selected for the purpose of study were categorized in eight (8) broad categories. From Environmental Objectives, BHEL disclosed 57.14% of selected items in all selected three financial years. In those selected financial years SAIL disclosed 28.57% of selected items. BHEL 100% of selected items were disclosed from Prevention or Repair of Environmental Damage. And SAIL disclosed 0% of selected items. BHEL and SAIL both were disclosed 100% of selected items from the Aesthetic Improvement and Pollution Control Measures in all three financial years. From Conservation of Natural Resources, BHEL 100% of selected items were disclosed in all three financial years. And SAIL 0% of selected items disclosed in all selected three financial years. BHEL 100% of selected items were disclosed from Environmental Accounting in all selected three financial years. And SAIL 25% of selected Environmental Reporting items were disclosed in all three financial years. 100% of selected items were disclosed from Project Planning and Management by BHEL. And SAIL disclosed 66.67% of selected items in all selected three financial years. BHEL and SAIL were made 100% of selected items from Social Cost in all three financial years.

Therefore, BHEL disclosed total 85% of selected items in first two financial years i.e., 2011-12 and 2012-13. And in financial year 2013-14 it disclosed 90% of selected Environmental Reporting items. SAIL, 45% of total selected Environmental Reporting items were disclosed in all selected three financial years.

The mean value of BHEL and SAIL were 86.67% and 45% respectively in all selected three financial years.

**Summarized Table**

Information of Items	BHEL	SAIL
Specific targets	100%	0%
Management's environmental policy statement	100%	100%
Environmental budget	100%	100%
Environment management system	33.33%	0%
Environment auditing	0%	0%
Legal compliance	0%	0%
Award obtained for environmental protection	100%	0%
Waste management	100%	0%
Tree plantation	100%	100%
Pollution Control Measures	100%	100%
Conservation of Natural Resources	100%	0%
Environmental cost	100%	0%
Environmental liabilities and assets	100%	0%
Scientific accounting and reporting practices	100%	100%
Extraordinary items	100%	0%
Environmental management	100%	100%
Environmental risk management	100%	100%
Accident and emergency response	100%	0%
Impact of organizational activities on environment	100%	100%
Scientific environmental risks not required to be disclosed legally	100%	100%

**Table-3**

**t-Test: Two-Sample Assuming Equal Variances**

	Variable 1	Variable 2
Mean	86.666	45
Variance	1099.433	2605.263
Observations	20	20
Pooled Variance	1852.348	
Hypothesized Mean Difference	0	
Df	38	
t Stat	<b>3.061439</b>	
P(T<=t) one-tail	0.002015	
t Critical one-tail	1.685954	
P(T<=t) two-tail	<b>0.004031</b>	
t Critical two-tail	<b>2.024394</b>	

For testing hypothesis, p value (**0.004031**) is less than **0.05**. Hence, null hypothesis has been rejected at 5% level of significance.

**Results: MS Excel 2007 Table-4**

The above table shows that the mean value of Environmental Disclosures of BHEL (86.67) is higher than the mean value of SAIL (45). So it found

that difference between both BHEL and SAIL was significance. According to the test result  $t$  Stat = 3.061 and the  $t$  critical two-tail value = 2.024 with .05. Therefore, the  $t$  Stat value is greater than the Critical value on two-tail. Hence, Researchers reject the null hypothesis and accepts the alternate hypothesis at 95% level of confidence.

## Findings

1. BHEL disclosed most of the selected components of environmental reporting in all selected three financial years.
2. BHEL disclosed higher environmental reporting items than SAIL.
3. Some components like, Aesthetic Improvement, Pollution Control Measures and Social Cost were fully disclosed both the selected companies i.e., BHEL and SAIL.
4. BHEL is much aware about the environmental reporting practices then SAIL.
5. Selected items from Social Cost were fully disclosed by both the selected companies.
6. Difference between environmental disclosure practices of BHEL and SAIL were significance. Hence, Null hypothesis has been rejected.

## Conclusion

Financial managers, need to be aware of how environmental matters, affect the fundamentals of financial accounting & reporting practices of concern companies. Researches around the world, shows that annual reports are most effective channel of disclosures. A reference to environmental reporting means different effects to different group of users. Some tend to think of separate environmental reports and for others the focus will be on environmental contents in the annual report itself. It is evidence from this study that Indian companies have not yet developed a holistic approach to environmental disclosure & reporting practices, as there is lack of environmental reporting guidelines in Indian corporate. For e.g., BHEL disclosed appropriate environmental reporting items but on the other hand SAIL gave poor performance. National and international higher authorities (State/Central Government) provide appropriate mandatory guidelines for environmental reporting practices to the different corporate.

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