

## **A Study On Effectiveness Of Green Accounting Standards**

*Discipline: Commerce*

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### **INTRODUCTION**

The global push for sustainability has led to the emergence of Green Accounting in which environmental costs and benefits are integrated into conventional accounting systems. Various standards have been established to guide companies in reporting their environmental impacts namely Global Reporting Initiative Guidelines (GRI), ISO 14000 and others like Sustainability Accounting Standards Board (SASB) guidelines. The study aims to examine the effectiveness of these standards in achieving their environmental and financial goals. Corporate environmental disclosure involves voluntary and mandatory reporting of environmental performance metrics. This includes greenhouse gas emissions, energy consumption, waste management and water usage.. Green accounting or environmental accounting is mainly concerned with managing and measuring the impact of environmental activities. This has been increasingly emerging in the recent years as a part of corporate sustainability efforts of the organisation. The concept of sustainability is becoming increasingly prominent in today's business world. The organisations are understanding the importance of environmental sustainability in their operations. As an initiative to this, the organisations have started adopting green accounting practices in their annual reports.. The main functions of green accounting includes the assessment and measurement of environmental costs, tracking the consumption of resources and measuring the environmental performance

### **Significance of the Study**

This study enables to understand the effectiveness of implementing green accounting standards. It enables the companies to disclose the environmental impact of their activities and provides stakeholders with more comprehensive information about how sustainable the company's operations are performing. The businesses can make more informed decisions regarding resource allocation, operational efficiency and long term planning. The adoption of green accounting standards helps to promote sustainable

practices like energy efficiency, waste reduction and cleaner production technologies. It also helps to reduce the risks of fines or legal issues. Investors are increasingly favoring companies that prioritise sustainability. The study enables the companies to demonstrate their commitment to Corporate Social Responsibility. This can enhance their reputation, improve customer loyalty and attract environmentally conscious employees and consumers.

### **Statement of the Problem**

The various factors influence the investment decisions of an investor. One among the several factors in corporate environmental disclosure. A few studies have been conducted on assessing the effectiveness of adoption of green accounting standards from investors' point of view. Several challenges and uncertainties persist while analysing the influence of corporate environmental disclosure on investment decisions. Investors face difficulties in accessing accurate and comprehensive environmental data from companies which lead to information asymmetry and delayed decision making. Some environmental issues have direct financial implications others may be more indirect or long term in nature. It is not possible for the investors to compare and evaluate companies effectively due to lack of standardised methodologies. In order to overcome these limitations there is a need to study the effectiveness of adoption of green accounting standards.

### **Objectives of the Study**

- To study the perception of investors towards adoption of Green accounting
- To assess the factors affecting the adoption of green accounting standards
- To study the importance of adoption of green accounting standards on investment decisions
- To study the influence of green accounting standards on corporate environmental disclosure

## Research Methodology

- Nature of the Study: The study is descriptive and analytical.
- Sources of Data: The study focuses on both primary and secondary data. Primary data has been collected using a well-structured questionnaire. Secondary data is collected from the journals, books, magazines and websites.
- Population of the Study: Investors in Thrissur district
- Sampling frame: Investors from selected municipalities in Thrissur district
- Sample unit: Each investor in the sample frame.
- Sample size: Sample of 50 respondents was taken for the purpose of study.
- Sampling method: Convenience sampling method was used.
- Tools of analysis: The collected data has been analysed using various statistical tools such as Weighted Average Score, Ranking method, and Percentage analysis.
- Method of presentation: The data was presented through tables.

## Scope of the Study

The study aims to analyze the effectiveness of adoption of green accounting standards on corporate environmental disclosure from investors point of view in Thrissur district. There are 13 municipalities in Thrissur district. From among these Irinjalakuda and Chalakudy was selected. The dependent variable for the study is adoption of green accounting standards and independent variables are age, gender, awareness level, source of awareness, corporate environmental disclosure etc.

## Data Analysis

**Table 1**  
**Age of Respondents**

Particulars	Frequency	Percentage
Less than 20	14	28
20-40	27	54
40-60	7	14
Above 60	2	4
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 2**  
**Gender of Respondents**

<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
Male	23	46
Female	27	54
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 3**  
**Income of the Respondents**

<b>Income of the respondents per month</b>	<b>Frequency</b>	<b>Percentage</b>
Below 1 lakh	36	72
2 lakh to 5 lakh	7	14
5 lakh to 10 lakh	4	8
Above 10 lakh	3	6
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 4**  
**Educational Level Classification**

<b>Educational Level</b>	<b>Number of Investors</b>	<b>Percentage</b>
Primary education	3	6
Higher secondary education	6	12
Under graduates	17	34
Post graduates	24	48
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 5**  
**Investment Experience**

<b>Years</b>	<b>Number of Investors</b>	<b>Percentage</b>
Less than 2 years	3	6
2-4 years	17	34
4-6 years	24	48
6 years & above	6	12
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 6**  
**Investment decision purely made on company's environmental disclosures**

<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
Taken decision	50	83
Do not taken decision	10	17
<b>Total</b>	<b>60</b>	<b>100</b>

(Source: Primary Data)

**Table 7**  
**Investors Awareness about Corporate Environmental disclosure**

<b>Particulars</b>	<b>Frequency</b>	<b>Percentage</b>
Aware	50	83
Not aware	10	17
<b>Total</b>	<b>60</b>	<b>100</b>

(Source: Primary Data)

**Table 8**  
**Investors level of awareness of corporate environmental disclosure**

Level of awareness	Number of Investors	Percentage
Very high	9	18
High	25	50
Average	14	28
Low	2	4
Very low	0	0
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 9**  
**Source of Awareness about corporate Environmental disclosure**

Particulars	Frequency	Percentage
Company reports	28	56
Industry conferences	9	18
Regulatory filings	1	2
News articles	12	24
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 10**  
**Purpose of investment taking into account corporate environmental disclosure**

Particulars	Frequency	Percentage
Regulatory compliance	2	4
Risk management	8	16
Better financial return	9	18
Long term sustainability	31	62
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 11**  
**Most preferred Investment avenues**

Particulars	Frequency	Percentage
Sustainable equity fund	21	42
Green bonds	20	40
Real estate	8	16
Clean energy fund-solar, wind etc	1	2
<b>Total</b>	<b>50</b>	<b>100</b>

(Source: Primary Data)

**Table 12**  
**Factors affecting adoption of green accounting standards**

**Ranking Method**

Factors	F	Very high	High	Average	Low	Very low	Total	Weighted mean	Rank
	X	5	4	3	2	1			
Environmental awareness and public pressure	F	10	8	14	10	8	50	3.04	3 <sup>rd</sup>
	FX	50	32	42	20	8	152		
Corporate Social Responsibility	F	22	14	5	8	1	50	3.96	1 <sup>st</sup>
	FX	110	56	15	16	1	198		
Corporate culture and leadership commitment	F	4	10	19	10	7	50	2.88	4 <sup>th</sup>
	FX	20	40	57	20	7	144		
Stake holder expectations	F	11	12	9	13	5	50	3.22	2 <sup>nd</sup>
	FX	55	48	27	26	5	161		
Global supply chain and partnership	F	3	6	3	9	29	50	1.9	5 <sup>th</sup>
	FX	15	24	9	18	29	95		



**Table 13****Importance of adoption of green accounting standards**

Weighted Average Score

Importance	F	Highly agree	Agree	Neutral	Disagree	Highly disagree	Total	Weighted mean
	X	5	4	3	2	1		
Environmental transparency enhance company's reputation and brand image	F	10	13	14	8	5	50	3.30
	FX	50	52	42	16	5	165	
Green accounting reveal inefficiencies in resource use such as energy or water consumption	F	4	19	16	9	2	50	3.28
	FX	20	76	48	18	2	164	
The adoption of Green accounting enhance transparency for stakeholders	F	13	20	12	3	2	50	3.78
	FX	65	80	36	6	2	189	
Encourages sustainable investment for investors	F	3	16	12	13	6	50	2.94
	FX	15	64	36	26	6	147	
Companies that adopt green accounting often gain a competitive edge	F	11	15	12	5	7	50	3.36
	FX	55	60	36	10	7	168	

**Table 14****Influence of green accounting standards on corporate Environmental disclosure**

## Weighted Average Score

Influence	F	Highly agree	Agree	Neutral	Disagree	Highly disagree	Total	Weighted mean
	X	5	4	3	2	1		
Green accounting promotes better internal decision making by offering insights into how environmental factors influence company's cost and long term sustainability	F	10	13	14	8	5	50	3.30
	FX	50	52	42	16	5	165	
Companies that disclose more environmental information often gain reputational benefits	F	4	19	16	9	2	50	3.28
	FX	20	76	48	18	2	164	
Green accounting standards require firms to disclose information related to their environmental performance such as carbon emissions and waste management	F	13	20	12	3	2	50	3.78
	FX	65	80	36	6	2	189	
The lack of uniform global standards lead to inconsistencies in how companies report their environmental impact	F	3	16	12	13	6	50	2.94
	FX	15	64	36	26	6	147	
Companies can provide clearer more standardised information that aligns with investor expectations.	F	11	15	12	5	7	50	3.36

## Findings of the Study

- 28 percent of respondents belong to less than 20 years of age, 54 percent of respondents belong to 20-40 years of age, 14 percent of respondents belong to 40 – 60 years of age and 4 percent of respondents belong to above 60 years of age.
- 46 percent of respondents were male and 54 percent of respondents were female.
- 72 percent of respondents have monthly income of less than Rs 1 lakh, 14 percent have income between Rs 2 lakhs to 5 lakhs, 8 percent have income between Rs 5 lakhs to 10 lakhs and 6 percent of respondents have income above Rs 10 lakhs.
- 6 percent of respondents have primary education, 12 percent have higher secondary education, 34 percent are under graduates and 48 percent were post graduates.
- 6 percent of respondents have less than two years of investing experience, 34 percent have 2-4 years of investment experience, 48 percent have 4 -6 years of investment experience and 12 percent have more than 6 years of investing experience.
- 83 percent of respondents have taken investment decisions purely on the basis of corporate environmental disclosure and 17 percent of respondents do not consider corporate environmental disclosure while investing.
- 83 percent of respondents were aware of corporate environmental disclosure and 17 percent of respondents were not aware of corporate environmental disclosure.
- 18 percent of respondents have very high level of awareness, 50 percent have high level of awareness, 28 percent have average level of awareness and 4 percent have low level of awareness.

- 56 percent of investors came to know about corporate environmental disclosure from company reports, 18 percent from industry conferences, 24 percent from news articles and 1 percent from regulatory filings.
- 4 percent of respondents agree to the fact that main purpose of making investment taking into consideration corporate environmental disclosure was regulatory compliance, 16 percent for risk management, 18 percent for better financial return and 62 percent invested due to long term sustainability of the organisation.
- 42 percent of respondents preferred to invest in equity oriented fund, 40 percent preferred to invest in green bonds, 16 percent in real estate and 2 percent in clean energy fund.
- The main factor affecting adoption of Green accounting standards is Corporate social responsibility, followed by stakeholder expectations, and Corporate culture and leadership commitment respectively. The least factor affecting is Global supply chain and partnership.
- It can be seen that the main importance of adoption of green accounting standards is The adoption of Green accounting enhance transparency for stakeholders with a mean score of 3.78, the next is that Companies that adopt green accounting often gain a competitive edge (3.36), the third is Environmental transparency enhance company's reputation and brand image with mean score of 3.30, fourth is that Green accounting reveal inefficiencies in resource use such as energy or water consumption (3.28) and least is that green accounting Encourages sustainable investment for investors (2.94).
- It can be seen that the main influence of green accounting standards on corporate environmental disclosure is that Green accounting standards require firms to disclose information related to their environmental performance such as carbon emissions and waste management with a mean score of 3.78, the next is that Companies can provide clearer more standardised information that aligns with investor expectations (3.36), the third is Green accounting promotes better internal decision making by offering insights into how environmental factors influence

company's cost and long term sustainability with mean score of 3.30, fourth is that Companies that disclose more environmental information often gain reputational benefits (3.28) and least is that The lack of uniform global standards lead to inconsistencies in how companies report their environmental impact (2.94).

## Suggestions

- The effectiveness of green accounting standards can be improved with stronger regulatory frameworks, incentives and support systems.
- There should be policy recommendations to enhance the enforcement and global adoption of green accounting standards.
- Potential revision of current green accounting standards to address gaps in reporting
- Before making investment, consider the reputation and brand image of the company.

## Conclusion

The adoption of green reporting has played a prominent role in shaping the CSR agenda of the organisation. It helped to improve decision making process of the organisation, there by development and implementation of CSR initiatives aimed at reducing environmental impact, enhance stakeholder engagement and thus helps in fostering a culture of sustainability. Look for the companies that demonstrates innovation and efficiency in addressing environmental challenges. Investments in clean technologies, renewable energy and resource efficiency can provide opportunities for growth and advantage.

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