Does financial performance really improve the environmental accounting disclosure practices in India: an empirical evidence from nifty companies

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Abstract: The study was conducted to examine whether the financial performance really improves environmental accounting disclosure practices of NIFTY companies. For study five years annual reports were taken (2011–2015), environmental accounting disclosure practices was measured by computing an environmental accounting disclosure index and financial performance was measured by using proxies (variables) such as by NPM, ROCE, EPS, DPS, ROA, ROE, P/E, DPR, ROS and MPS. The relationship between average environmental accounting disclosure practices and average financial performance was tested by using multiple regression. The study found positive relationship between average environmental accounting disclosure index and average ROCE, average EPS, average DPS, average ROA, average ROE, average P/E, and average MPS; and on the other hand the study also found negative relationship between average environmental accounting disclosure index and average NPM, average DPR, and average ROS.

Keywords: environmental accounting disclosure index; EADI; financial performance; average environmental accounting disclosure index; India, average financial performance variables.


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1 Introduction

In the current era of globalisation and industrialisation, the number of industries increases all over the world. Globalisation and industrialisation removed all the barriers and obstacles to enter into the business world and further improved the economic position of the country. The major problem is that every company wants to earn profit. With the aim of earning profit, they are exploiting all the resources. This attitude creates many problems to the environment like erosion of natural resources and pollution problems (Bhattarai, 2014).

The question of whether or not environmental disclosure practices are associated with financial performance has been a long standing debate among researchers as well as the business society (Sarumpaet, 2005). Most of the research work were done on environmental accounting disclosure practices and financial performance from the developed countries such as the USA, UK and Australia. But in developing countries the research is less due to lack of standard measurement for environmental performance.

Environmental disclosure is still voluntary in India as well as in many countries. In recent years, there is an increasing number of companies from different sectors that are disclosing environmental information in their annual reports. Environmental accounting disclosure studies in India is growing. Nowadays, researchers are paying less attention to the relationship between environmental accounting disclosure practices and firm financial performance. In developed countries there were enormous research done and several studies show empirical results about relationship between environmental accounting disclosure and financial performance. Therefore, this study initiated to examine the relationship between environmental disclosure and financial performance of Indian companies (Rahman and Huda Husna Muhammad Jauhari, 2013).

This paper provides a contribution to the literature in two ways. This study attracts the attention of researchers to focus on the correlation between corporate environmental accounting disclosure practices and firm financial performance within an Indian context. Second, if the results of the study are positive this will encourage the companies to show more concern towards protecting environment and communicate environmental accounting information to various stakeholders and increases environmental accounting disclosure practices.

The remaining sections of the paper following the literature: hypothesis development, research methods, and results analysis, conclusion and finally, limitations of the study.

2 Literature review

Ibrami et al. (2015) examined the relationship between environmental performance and financial performance by taking 23 Canadian oil companies for measuring the
environmental performance; researchers had taken companies performance before environmental certification and after environmental certification and the financial performance was measured by return on asset (ROA). The relationship was tested by using regression. The study found that environmental certification improved the financial performance.

Chang (2015) conducted a study on the impact of environmental performance and propensity disclosure on financial performance by using 139 sample companies from eight heavy polluting industries in China. The environmental performance disclosure was measured by environmental disclosure index and the financial performance was measured by Tobin’s Q value. The study found that environmental performance disclosure had significant impact on Tobin’s Q value at the significance level of 5%.

Vasanth et al. (2015) investigated the relationship between profitability and environmental performance by taking a sample of 191 companies from BSE 500 index. The environmental performance was measured by energy intensity ration and the financial performance was measured by taking variable proxies like ROA, return on equity (ROE), return on capital employed (ROCE), and return on sales (ROS). The study found that there was a positive relationship between EI and ROA, ROE, ROS and it also found the inverse relationship between EI and ROCE.

Kadyan and Aggarwal (2014) examined the relationship between environmental effect on financial performance by using 50 companies from NSE, India studied for (2010–2013). The environmental performance was measured by environmental ratings extracted from CSR hub and financial performance is measured by using variables proxies like earning per share (EPS), price earnings ratio (P/E), and ROA. The study found that environmental ratings had positively associated with P/E ratio and ROA, and found negative relationship between environmental ratings and EPS.

Tze San Ong and Ang (2014) investigated the relationship between environmental performance and financial performance by considering 78 listed companies on the stock exchange of Malaysia for measuring the environmental performance. Four environmental aspects considered categorised like: E1 – materials energy and aspects; E2 – biodiversity; E3 – emissions, effluents and waste; E4 – products and services and compliance, transport and overall, shown as an independent variables; and for measuring the financial performance the variables proxies such as ROA, and ROE. The study found a positive relationship between E1 and ROA, ROE, and it was also found a negative relationship between E4 and ROA, ROE.

Mohamed and Faouzi (2014) examined the impact of corporate environmental disclosure on the cost of capital by taking 32 companies from Tunisian Stock Exchange. Corporate environmental disclosure was measured by environmental disclosure index and for measuring the cost of capital the rate of capital considered. The study found that corporate environmental disclosure reduces the cost of capital.

Olayinka and Oluwamayowa (2014) conducted a study on the relationship between environmental disclosure and market value by taking 50 Nigerian companies from Nigerian Stock Exchange (NSE). The corporate environmental disclosure was measured by using an environmental disclosure index and the market value was measured by (Tobin’s Q). The study found that corporate environmental disclosure positively affects market value.

Bhattarai (2014) conducted a study on the relationship between environmental accounting and firm performance by taking a sample of 13 companies from Nepal Stock Exchange. Environmental accounting performance was measured by the amount spent for
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protecting the environment and firm performance was measured by taking variables proxies like size, net profit margin (NPM), ROE. The relationship was tested by using multiple regression model. The study found that firm performance affects environmental accounting.

Makori (2013) conducted a research on the relationship between environmental accounting and profitability by using 14 selected companies from BSE in India. For measuring environmental accounting performance, the amount spent for protecting the environment was considered and the profitability was measured by taking variables proxies like ROCE, NPM, EPS, and dividend per share (DPS). The relationship was tested by using multiple regression analysis. The study found that there was a positive relationship between environmental accounting and NPM, DPS and it was also found that there was a negative relationship between environmental accounting and ROCE and EPS.

Aggarwal (2013) investigated on the relationship between sustainability performance and financial performance by using 20 companies from National Stock Exchange, India. Sustainability performance was measured by using overall sustainability rating and financial performance was measured by using variables proxies like ROA, ROE, ROCE, profit before tax (PBT), and growth in total assets (GTA). The study found that there was no sustainability practice influence on financial performance.

Alikhani and Maranjory (2013) investigated the relationship between social and environmental disclosure and firm performance by using 60 companies from Tehran Stock Exchange in Iran. The corporate social and environmental disclosure was measured by using a CSED index and the firm performance was measured by using variables proxies like earning before interest and tax depreciation and amortization (EBITDA), EPS, NPM, and ROA. The study found that there was no relationship between corporate social and environmental disclosure (CSED) and profitability.

Rajput et al. (2013) conducted a study on impact of environmental performance on financial performance in Indian banking sector. The environmental performance was measured by implementation of green banking or not, and financial performance was measured by income margin. The relationship was tested by using the panel regression method. The study found that there was no relationship between implementation of green banking and profitability.

Rahman and Huda Husna Muhammad Jauhari (2013) conducted a study on the relationship between environmental disclosure and financial performance by using a sample of 229 companies in Malaysia. The environmental disclosure was measured by using content analysis and financial performance was measured by variables proxies like ROA, and ROE. The relationship was tested by using regression analysis. The study found that environmental disclosure had significant relationship with ROE and it was also found that environmental disclosure relationship with ROE is insignificant.

Arafat et al. (2012) examined the relationship between environmental performance, environmental disclosure and firm performance by taking a sample of 33 companies in Indonesia. Environmental disclosure was measured by using PROPER program environmental ratings given by The Ministry of Environment Indonesia, and the financial performance was measured by using variable ROA. The relationship was measured by using T-test and multivariate regression model. The study found that both environmental disclosure and environmental performance influenced on the financial performance of firms.
Purnomo and Widaningsih (2012) investigated on the influence of environmental performance on financial performance in Indonesia by taking sample of ten companies. The environmental performance was measure by proper environmental rating given by the Ministry of Environment and the financial performance was measured by using NPM. The study found that environmental performance was influenced by financial performance.

Oba et al. (2012) initiated a study on the relationship between environmental responsibility information and financial performance by taking a sample of 18 Nigerian companies. The environmental responsibility information was measured by using an environmental accounting disclosure index (EADI) and the financial performance was measured by ROCE. The relationship was tested by using the ordinary least square and logistic regression. The study found that there was a positive significant relationship between environmental responsibility information and financial performance.

Khavel et al. (2012) examined the relationship between voluntary sustainability disclosure, revenue and share holder wealth by using 45 Singaporean companies. Sustainability disclosure was measured by using a sustainability disclosure index and the shareholders wealth was measured by using a market share price. The study found that there was a positive relationship between sustainability disclosure practices and dividend paid, as well as share price.

Prasad and Sandhya (2012) examined whether ecological intelligence influence the ecological accounting and reporting practices among Indian companies by taking a sample of 131 companies from Bombay Stock Exchange (BSE). Researchers categorised companies into two categories:

1. ecological intelligence industries
2. less ecological intelligence industries.

The study found that ecological intelligence industries influence to adopt the ecological accounting and reporting.

Cortez and Cudia (2011) examined the relationship between sustainability practices and firm performance by taking ten Japanese electronics companies. The sustainability practices was measured by the amount spent for protecting the environment and the firm performance was measured by variables proxies like profitability, sales, equity and assets. The study found that sustainability practices improved firm performance.

Ngwakwe (2008) examined the relationship between environmental responsibility and firm performance using 60 manufacturing companies in Nigeria. The researcher categorised the firms into two categories: 30 environmental responsible companies and 30 environmental irresponsible firms. The environmental responsibility were measured by three indicators

1. employee health and safety (EHS)
2. waste management (WM)
3. community development (CD).

The financial performance was measured by return on total assets (ROTA). The study found that there was a positive relationship between environmental responsibility and firm performance and it was also found that there was a negative relationship between environmental irresponsible firms and firm performance.
Sarumpaet (2005) examined the relationship between environmental performance and financial performance by using 87 Indonesian companies. Environmental performance was measured by environmental ratings PROPERR given by ministry of environment and the financial performance was measured by using variable ROA, researchers had also used some control variables in the study like total sales, industry sector, stock exchange listing, and ISO 14001 certification. The study found that financial performance was not positively associated with the environmental performance.

Many studies done by researchers were mainly on whether environmental disclosure practices influence the financial performance of firm. Many researchers had taken that environmental accounting disclosure practices/environmental performance is the independent variable which influence the financial performance of firm and the results shown were mixed (positive, negative, insignificant). Very few researchers had taken that financial performance of firms improves the environmental accounting disclosure practices. Mainly, this study firmly believes that financial performance of firms influence the corporate environmental accounting disclosure practices and taken avg. financial performance variables as independent variables and avg. EADI as dependent variable and tested the relationship.

The following variables are used in the study

<table>
<thead>
<tr>
<th>Variables</th>
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<tbody>
<tr>
<td><strong>Dependent variable</strong></td>
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<tr>
<td>• Average EADI</td>
</tr>
<tr>
<td><strong>Independent variables</strong></td>
</tr>
<tr>
<td>• Average net profit margin</td>
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<tr>
<td>• Average return on capital employed</td>
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<tr>
<td>• Average earning per share</td>
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<tr>
<td>• Average dividend per share</td>
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<tr>
<td>• Average return on assets</td>
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<td>• Average return on equity</td>
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<tr>
<td>• Average price earnings ratio</td>
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<tr>
<td>• Average dividend payout ratio</td>
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<tr>
<td>• Average return on shareholders</td>
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<tr>
<td>• Average market price per share</td>
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3 Hypotheses development

3.1 Net profit margin

NPM has been defined as the ratio of the net profits to net sales revenue. The ratio indicates the NPM on sales. It is the overall measure of management’s ability to turn each rupee sales into profit. The higher the ratio, the more profit to the organisation. Higher profit gives the confidence to the company and attracts the public. When profits are high, the companies will spend the amount towards protecting the environment and they will disclose more information related to environmental protection activities to the public. If
the company earnings are low, then the company will not spend more on environment and will also disclose less information. Therefore, a company which earns high profits expected to disclose more information on environmental protection than companies with low profitability (Bhattarai, 2014).

H1 Average corporate environmental disclosure practices is positively associated with average NPM.

3.2 Return on capital employed

ROCE has been defined as the percentage of return on funds invested in the business by its owners. If the return on capital employed is high then the companies will spend some amount of profit for environmental protection. Thus, a company’s overall profitability will influence the environmental disclosure practices.

H2 Average corporate environmental disclosure practices is positively associated with average ROCE.

3.3 Earnings per share

Earning per share is the portion of a company’s profit allocation to each outstanding share of common stock. When the company EPS is high, that is beneficial to the company and shareholders. In such cases, the company will commit more funds for protecting the environment and they will disclose more environmental information in annual reports. If EPS is low, the company will not show any interest to spend to protect environment and they will not disclose more environmental information in annual reports. Thus, EPS will influence environmental information disclosure practices.

H3 Average corporate environmental disclosure practices is positively associated with average EPS.

3.4 Dividend per share

DPS has been defined as the amount of profit distributed per share by the company. High DPS satisfies the shareholders. When DPS is high, the company will show interest to spend more amounts on environmental protection and they disclose more environmental information in annual reports in order to get the positive impression from stakeholders and show that the company is eco friendly. If DPS is low, company will not show interest to spend to protect environment. Therefore, DPS will influence the environmental disclosure practices.

H4 Average corporate environmental disclosure practices is positively associated with average DPS.

3.5 Return on assets

The ROA measures the earnings which are earned with the available assets. Higher ROA shows the efficiency of the company. When the ROA is higher, the company wants to spend their funds on protecting the environment by reducing wastage, waste recycling, and water recycling. The company also wants to disclose more information related to the
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environment in their annual reports. If ROA is low, the company commitment towards protecting the environment is less. Thus, ROA influence environmental accounting disclosure.

H5 Average corporate environmental disclosure practices is positively associated with average ROA.

3.6 Return on equity

The economic performance of a firm is considered as an important factor in determining whether environmental issues are important or not. It is also argued that in a period of low economic performance, the firms give less importance to the environmental concerns. In this study, net profit to total shareholders’ equity as measured by ROE was used (Bhattarai, 2014).

H6 Average corporate environmental disclosure practices is positively associated with average ROE.

3.7 Price earnings

P/E measures the market price of shares expressed as multiple of earnings per share. In India, very few studies have considered the P/E to test the relationship between P/E and environmental disclosure (Kadyan and Aggarwal, 2014; Prasad and Sandhya, 2012). They tested whether the environmental ratings improves the P/E in Indian context. They found that there was a positive relationship between environmental ratings and P/E. In present study, we test whether P/E will influence the environmental disclosure practices.

H7 Average corporate environmental disclosure practices are positively associated with average P/E.

3.8 Dividend payout ratio

DPS measures the percentage of equity share earnings distributed as dividends to equity shareholders. None of the studies considered whether there is any relationship between dividend payout ratio and environmental disclosure in Indian context. So the present study examined the relationship between environmental disclosure and financial performance of the companies.

H8 Average corporate environmental disclosure practices are positively associated with average DPS.

3.9 Return on shareholders

Return on shareholders measures the ratio of net profit to owner capital. No studies have been considered whether there is any relationship between ROS and environmental disclosure practices. So in present study, we test whether there is any relationship between ROS and environmental disclosure practices.

H9 Average corporate environmental disclosure practices is positively associated with average ROCE.
3.10 Market price per share

Market price per share is defined as the fair value of a stock. Market per share is considered one of the factors which influence the corporate environmental disclosure practices. Very few studies have been considered market price per share and tested the relationship between market price per share and environmental disclosure. Khaveh et al. (2012) stated that there is a positive significant relationship between sustainability disclosure practices and market price per share in Singapore context. In this present study, we test whether market price per share influence the environmental disclosure.

H10 Average corporate environmental disclosure practice is positively associated with average market price per share.

3.11 Objectives of the study

1. The main objective of the study to know does really financial performance improves the corporate environmental disclosure practices among Indian companies
2. To assess the components of financial performance influence on environmental accounting disclosure practices.

4 Methodology of the study

The research is completely based on secondary data. The sample selected for this research is Nifty companies from National Stock Exchange (NSE) India. The main reason for selecting the Nifty companies is that Nifty consists of various sectors and the company’s market capitalisation is also very high. For study purpose, we collected the five years annual reports (2011–2015) from their respective websites. The study mainly focused on how to test the average corporate environmental accounting and disclosure index and average financial performance. The main reason to take the average result can show the better relationship between both the variables rather than individual year. Mainly, we calculated first EADI and then averaged EADI. Next, we calculated financial performance for each year. Finally, average financial performance variables were calculated. The variables which we used in the study are shown below.

4.1 Dependent variable – EADI

In present study, to measure the EADI, the questionnaire has been prepared which consists of 28 questions and eight various sections related to environmental accounting like

- a. Environmental accounting policy
- b. Legislation and compliance
- c. Environmental management system
- d. Product
- e. Waste management
- f. Energy management
Does financial performance really improve the environmental accounting g water management h packaging and transportation.

The questionnaire has been applied to annual reports for measuring the environmental disclosure score. The scoring method for each question is based on the systematic procedure. A score of one was awarded if the company discloses about the particular question. A score of zero was given to the disclosure item, if no item related to question was disclosed by the company in their annual reports. The EADI is calculated for each company with the following formula.

$$EADI = \frac{\text{Total score obtained by the company}}{\text{Total possible score obtained by the company}} \times 100$$

Total possible score is 28.

The environmental accounting disclosure score is calculated for each company by using the above formula and after calculating the score for each company for each year for five years, the environmental accounting disclosure score is calculated. And finally for five years, the average EADI is calculated for each company with the following formula

$$\text{Average EADI} = \frac{\text{Total score obtained by the company for five years}}{\text{Five years}} \times 100$$

4.2 Independent variables: financial performance

In present study, to measure the financial performance, various variables have been considered from the literature. In addition to that, some variables have been added to the present study to test the relationship between environmental accounting disclosure and financial performance. The following were the variables considered in the study:

1. NPM
2. ROCE
3. Earnings per share (EPS)
4. DPS
5. ROA
6. ROE
7. P/E
8. dividend payout ratio (P/E)
9. return on shareholders (ROS)
10. market price per share (MPS).

For each year, the financial performance variables are calculated from the company’s annual reports. Finally, the relationship between environmental accounting disclosure practices and financial performance tested by using multiple regression technique.
Table 1  Measurement of independent variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net profit margin</td>
<td>( \frac{\text{Net profit margin}}{\text{Turnover}} \times 100 )</td>
</tr>
<tr>
<td>Return on capital employed</td>
<td>( \frac{\text{Profit before interest and tax}}{\text{Capital employed}} \times 100 )</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>( \frac{\text{Net profit after tax} - \text{Preference}}{\text{No’ of equity shares}} )</td>
</tr>
<tr>
<td>Dividend per share</td>
<td>( \frac{\text{Gross dividend} - \text{Preference dividend}}{\text{No’ of ordinary shares}} )</td>
</tr>
<tr>
<td>Return on assets</td>
<td>( \frac{\text{Earnings available for common stakeholders}}{\text{Total assets}} )</td>
</tr>
<tr>
<td>Return on equity</td>
<td>( \frac{\text{Net profit after tax}}{\text{Shareholder's equity}} \times 100 )</td>
</tr>
<tr>
<td>Price earnings ratio</td>
<td>( \frac{\text{Market price per share}}{\text{Earnings per share}} )</td>
</tr>
<tr>
<td>Dividend payout ratio</td>
<td>( \frac{\text{Dividend per share}}{\text{Earnings per share}} )</td>
</tr>
<tr>
<td>Return on shareholders</td>
<td>( \frac{\text{Net profit after taxes}}{\text{Shareholders’ funds}} )</td>
</tr>
<tr>
<td>Market price per share</td>
<td>For market price per share monthly minimum closing and maximum closing price, finally average considered</td>
</tr>
</tbody>
</table>

4.3 Model construction

\[
\text{Average EADI} = a + b_1 \text{ Average NPM} + b_2 \text{ Average ROCE} + b_3 \text{ Average EPS} + b_4 \text{ Average DPS} + b_5 \text{ Average ROA} + b_6 \text{ Average ROE} + b_7 \text{ Average P/E} + b_8 \text{ Average DPR} + b_9 \text{ Average ROS} + b_{10} \text{ Average MPS} + e
\]

where

- \( a \) constant
- \( b_1 \) to \( b_{10} \) regression coefficients
- \( \text{Average NPM} \) average net profit margin
- \( \text{Average ROCE} \) average return on capital employed
- \( \text{Average EPS} \) average earnings per share
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Average DPS  average dividend per share
Average return on assets  average return on assets
Average ROE  average return on equity
Average P/E  average price earnings ratio
Average DPR  average dividend payout ratio
Average ROS  average return on shareholders
Average MPS  average market price per share
e error term.

5 Results and discussions

Multiple regression results

Table 2 shows summary output

<table>
<thead>
<tr>
<th>Summary output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression statistics</td>
</tr>
<tr>
<td>Multiple R</td>
</tr>
<tr>
<td>R-square</td>
</tr>
<tr>
<td>Adjusted R-square</td>
</tr>
<tr>
<td>Standard error</td>
</tr>
<tr>
<td>Observations</td>
</tr>
</tbody>
</table>

Source: Secondary data

Table 2 shows the summary output of multiple regression result. The R-square under the model is 0.529, which indicates the model is capable of explaining 52.9% of variability of environmental disclosure practices in the sample of Indian companies in the study. The adjusted R-square indicates that 40.94% of variations in the dependent variable in the model used here are explained by the variations in the independent variables.

Table 3 shows ANOVA

<table>
<thead>
<tr>
<th>ANOVA</th>
</tr>
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<tbody>
<tr>
<td>df</td>
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<tr>
<td>-----</td>
</tr>
<tr>
<td>Regression</td>
</tr>
<tr>
<td>Residual</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Secondary data

Table 3 shows the avg. EADI with F(10.39) = 4.3968, p < .005). The F-ratio indicates that the regression model significantly explains the variations in avg. environmental accounting disclosure of Indian companies.
A multiple linear regression was used to predict Average EADI based on various financial performance variables to check their relationship with EADI in the regression model. A significant regression equation was found ($F (10, 39) = 4.3968, p < .005$), with an $R^2$ of .522. The model explains the EADI with the factors as follows.

$$EADI = 31.17 - 0.35(Avg. NPM) + 0.03(Avg. ROCE) + 0.09(Avg. EPS) + 0.68(Avg. DPS) + 0.32(Avg. ROA) + 0.34(Avg. ROE) + 0.82(Avg. P/E) - 0.24(Avg. DPR) - 0.66(Avg. ROS) + 0.004(Avg. MPS)$$

The model is a good fit for predicting average EADI with $F (10, 39) = 4.3968$. The strength of the model is explained by $R^2$ as 0.40 meaning that the model explains the EADI to 52% with factors explained in the model.

The model is explaining positive relationship of avg. ROCE, avg. EPS, and avg. DPS, avg. ROA, avg. ROE, avg. P/E and avg. MPS with avg. EADI. Hence $H_2$, $H_3$, $H_4$, $H_5$, $H_6$, $H_7$, $H_{10}$ have been accepted based on the regression model where a model is showing negative relationship between avg. NPM, avg. DPS and avg. ROS with avg. EADI. Hence, $H_1$, $H_8$, $H_9$ have been rejected based on the regression model.

The co-efficient values of the regression model (Table 4) reveals that avg. ROCE, avg. EPS, avg. DPS, avg. ROA, avg. ROE, avg. P/E, avg. MPS turned out to be as expected. These avg. financial performance variables influence the avg. environmental accounting disclosure practices. However on the other hand, contrary to our expectation, avg. NPM, avg. ROS, and avg. DPR showed negative relations with the avg. EADI. The co-efficient symbol of avg. NPM, avg. DPR, and avg. ROS are contrary to the expectation. Avg. NPM, avg. DPR and avg. ROS are not able to improve the avg. environmental accounting disclosure practices in Indian context. Environmental accounting disclosure in India has different priorities.
6 Conclusions

The study initiated was done mainly to know if financial performance really improves the corporate environmental disclosure practices in Indian context. For study, we selected the NSE nifty companies studied for five years (2011–2015). For measuring environmental accounting disclosure practices, the average EADI is calculated and shown as a dependent variable in the study. The financial performance was measured by using ten variables proxies like avg. NPM, avg. ROCE, avg. EPS, avg. DPS, avg. ROA, avg. ROE, avg. P/E, avg. DPS, avg. ROS and avg. MPS and shown as an independent variable in the study, the relationship was tested by using multiple regression through MS Excel. the R-square under the model is 0.529, which indicates that the model is capable of explaining 52.9% of variability of the disclosure of environmental information in the sample of Indian companies in the study. The adjusted R-square indicates that 40.9% of variations in the dependent variable in the model used here is explained by the variations in the independent variables. The results of multiple regressions support that there is a positive relationship between avg. ROCE, avg. EPS, and avg. DPS, avg. ROA, avg. ROE, avg. P/E and avg. MPS with avg. EADI whereas multiple regression results shown that negative relationship between avg. NPM, avg. DPS and avg. ROS with avg. EADI. Finally, corporate environmental disclosure practices are improved by financial performance of companies in India, it means when the companies are earning huge profits, they will contribute towards protecting the environment and they will disclose all environmental activities in annual reports.

7 Limitations of the study

The main limitation of the study is only five years data taken to test the relationship between corporate environmental disclosure practices and financial performance. If data were taken for ten years, we would get accurate result. There is a possibility that corporate environmental disclosure practices can be influenced by other than the financial factors like size, age which should have considered in the study.

References


