



# A STUDY ON IMPACT OF ENVIRONMENTAL ACCOUNTING REPORT ON MANAGEMENT DECISION MAKING IN SELECTED COMPANIES

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## ABSTRACT

This study investigates the influence of environmental accounting reports on management decision making within selected companies. The growing importance of environmental sustainability has prompted organizations to adopt environmental accounting practices to measure and communicate their environmental impacts. This research aims to examine how these accounting reports affect managerial decision-making processes. The methodology involves a mixed-methods approach, combining qualitative interviews and quantitative surveys. The qualitative component comprises interviews with key stakeholders, such as executives and environmental managers, to gather insights into their perspectives on environmental accounting reports and their influence on decision making. The quantitative aspect involves surveying a sample of managers within selected companies to assess their reliance on environmental accounting information when making strategic decisions. The implications of this study are significant for both academia and industry. Understanding how environmental accounting reports impact management decisions can lead to improved sustainability practices and better alignment between financial and environmental objectives. The findings can guide organizations in leveraging environmental accounting as a strategic tool for informed decision making, contributing to enhanced environmental performance and corporate responsibility.

**KEYWORDS:** Environmental Accounting, Decision-making, Quantitative & Qualitative.

## INTRODUCTION

In recent decades, the global business landscape has witnessed a paradigm shift in perspectives, with a heightened awareness of environmental sustainability. This shift has been fueled by the recognition of the profound impact that businesses can have on the environment and the need for responsible corporate practices. As a response to this growing awareness, environmental accounting has emerged as a pivotal tool, aiming to integrate ecological considerations into the fabric of financial reporting.

Businesses are increasingly acknowledging their role in environmental stewardship and are seeking ways to align their operations with sustainable practices. Environmental accounting, in this context, serves as a mechanism to quantify and communicate the environmental costs and benefits associated with business activities. It transcends traditional financial accounting by incorporating ecological dimensions, providing a more holistic view of a company's performance.

Despite the evident importance of environmental accounting and its potential to influence decision-making, there exists a notable gap in our understanding of the direct and indirect effects on managerial choices. This study aims to address this gap by delving into the intricate dynamics between environmental accounting reports and the decision-making processes at the management level.

By investigating the impact of environmental accounting on management decision-making, this study seeks to contribute valuable insights to the ongoing discourse on sustainable business practices. The findings aim to shed light on the nuanced interplay between environmental considerations and managerial choices, offering practical implications for businesses striving to navigate the complex intersection of profitability and environmental responsibility.

## STATEMENT OF PROBLEMS

Sustainable business practices in modern organizational environments require the incorporation of environmental factors into decision-making processes. Significant obstacles, nonetheless, stand in the way of environmental accounting reports' ability to effectively influence managerial choices. The smooth integration of environmental accounting data into managerial decision-making processes is a common source of challenges for organizations. The inadequate nature of current regulatory frameworks, which might not fully address the variety of environmental factors essential for well-informed decision-making, is one major obstacle. This deficiency may make it more difficult for a company to make decisions that are in line with stakeholder expectations, legal obligations, and overarching CSR objectives. Thus, research is urgently needed to determine how management decision-making is impacted by deficiencies in environmental accounting reports, leading to gaps in knowledge, planning, and implementation of strategies that strike a balance between financial, environmental, and social factors. The research aims to suggest strategic interventions and enhancements by pinpointing the particular inefficiencies and difficulties that businesses have when employing environmental accounting data. In order to enable organizations to create more efficient environmental accounting procedures, the study aims to offer practical insights. This will guarantee that decision-makers

have access to timely, relevant, and accurate information to enable them to make decisions that are in line with stakeholder expectations and sustainability objectives.

## **OBJECTIVES**

- To assess the awareness level of management regarding environmental accounting reports within selected companies.
- To evaluate the perceived benefits and challenges associated with incorporating environmental accounting information into management decision-making processes.
- To assess the degree of integration between environmental accounting procedures and corporate social responsibility activities.

## **SCOPE OF THE STUDY**

The scope of the study is confined to selected companies in Coimbatore. The scope of this study encompasses a comprehensive investigation into the impact of environmental accounting reports on management decision-making within selected companies. The primary objectives include evaluating the regulatory environment's influence on the adoption and implementation of environmental accounting practices, examining the integration of corporate social responsibility initiatives with environmental accounting practices, investigating the role and effectiveness of technology in incorporating environmental data into accounting systems, and exploring the ways in which environmental accounting information shapes strategic and operational decisions within organizations. By addressing these objectives, the study aims to provide valuable insights into the dynamic relationship between environmental accounting and management decision-making processes, contributing to a better understanding of the broader sustainability landscape within contemporary business environments.

## **RESEARCH METHODOLOGY**

Research methodology is its problem-solving orientation. It guides researchers in identifying, formulating, and resolving research problems through logical and systematic approaches. It also involves critical evaluation, where existing theories, models, and frameworks are scrutinized, contributing to the development of new knowledge and the advancement of a particular field of study.

## **RESEARCH DESIGN**

Research design is the strategic arrangement of elements such as variables, participants, and methods, aimed at addressing the research questions or hypotheses in a coherent and effective manner.

Descriptive research design is applied in this study. Descriptive research design is characterized by its

emphasis on capturing the "what," aiming to answer questions related to the current status, features, or attributes of a particular phenomenon.

## **SOURCES OF DATA COLLECTION**

While dealing with any real life problem, it is obvious that data are inadequate and hence it becomes necessary to collect data that are appropriate. Depending upon the sources of information available data can be classified as Primary data, Secondary data.

- **Primary Data Collection:**

These are fresh data which are collected for the first time. The data collection used for this study is Interview schedule questionnaire. Likkert scale type questionnaire is used.

- **Secondary Data Collection:**

Secondary data consist of information that already exists somewhere and have been collected for specific purpose in the study. The secondary data for this study are newspapers, journals, magazines, internet etc.

## **TOOLS**

The commonly used statistical tools for analysis of collected data are:

1. Percentage analysis.
2. Chi-square analysis.
3. Correlation analysis.
4. Mean score analysis.

## LIMITATIONS

- The study restricts itself within Coimbatore only.
- The data was collected from only limited companies; so, a result does not suitable for all companies.
- The study assumes that the information was given by the employees without any bias.
- The study is done based on the opinions of the sample taken at random, the size of which is 250.
- The project was only for 3 months. So there was time constraint.

## REVIEW OF LITERATURE

**Kadir Gököğlan (2015)<sup>10</sup>**, The aim of this study is investigating the sensitivity of manufacturing companies operating in the organized industrial zone of Diyarbakır to environmental issues and environmental accounting approaches within the scope of social responsibility accounting as well as investigating the applicability of these concepts in the enterprises and as a result their impacts on strategic management accounting. According to the basic findings of the research and their responses to environmental accounting concepts and approaches, it is believed that enterprises applying environmental accounting get a competitive advantage and the added value of the company also increases as a result of the concept of social responsibility.

**Iyyanki V (2017)<sup>14</sup>**, Environmental accounting, also called green accounting, refers to modification of the System of National Accounts to incorporate the use or depletion of natural resources. Environmental accounting is a vital tool to assist in the management of environmental and operational costs of natural resources. Valuation of natural resources is an essential input into both social cost-benefit analysis and some approaches to environmental accounting. In this chapter the natural accounts tables, physical input–output tables, and material flow accounts methodologies are discussed and will help readers to be able to carry out natural resource accounting for important sectors like forests, water, and ecosystem services.

**Muhammad (2018)<sup>15</sup>**, Environmental accounting is a broad term which covers both national- and corporate-level environmental performance activities and associated stakeholder interactions. It includes the processing of both financial and nonfinancial information regarding environmental and ecological impacts. At a corporate level, environmental accounting can be defined as a set of organizational activities that deal with the measurement and analysis of the environmental performance of corporations and the reporting of such results to concerned groups, both within and outside the corporation. At a national or regional level, environmental accounting is that branch of accounting dealing with activities, methods, recordings, analysis, and reporting of environmental and ecological impacts of defined economic systems. The exact scope of environmental

accounting remains contested, however, and definitions and applications vary; environmental accounts usually include a mix of financial and nonfinancial terms and can be prepared for internal and/or external use. Nevertheless, two major subsets of environmental accounting can be identified: environmental management accounting (EMA) and environmental reporting.

**Muyiwa E (2022)<sup>21</sup>**, This study examines the effect of environmental accounting on the performance of family-owned companies in Nigeria using restoration cost, community development costs and health & security costs as surrogates. The study used ex-post facto research design. The population of the study consisted of all 12 family-owned companies across industrial and oil & gas sectors that were quoted on the Nigerian Stock Exchange (NSE). Purposive sampling technique was used to select six (6) family-owned companies that disclosed environmental information.

Data were gleaned from the annual reports of the sampled companies covering 2012-2020. The study used descriptive statistics, correlation and Ordinary Least Squared techniques for data analysis. The findings showed that restoration cost has a negative and insignificant effect on the financial performance, and community development cost has a negative and significant effect, while health safety cost has a positive and insignificant effect on financial performance. The study concludes that only health safety costs have the potential to increase the performance of family-owned companies in Nigeria.

**G Mythili (2022)<sup>25</sup>**, The main aim of this research is to study the meaning of environment accounting and understand the importance of environmental cost management. Environmental accounting, often known as green accounting, is a change to the System of National Accounts that takes into account the usage or depletion of natural resources. Environmental cost management allows your company to keep track of the costs associated with the environmental effect of its operations. Empirical research is used for the purpose of the study. Online survey method is used to collect the samples. Samples are collected based on convenient sampling. The sample size of this paper is 200. Statistics used in the research are clustered bar graphs. The information was collected from secondary sources like journals, articles, books and so on. The results reveal that most of the respondents are aware that the deterioration of natural assets like land, water and ecosystems is caused due to economic activities and environmental cost management is important in protecting the environment.

**CHI SQUARE ANALYSIS****Table 2 :** Table showing the gender and statement regarding regulatory environment.

<b>FACTOR</b>	<b>CALCULATED VALUE</b>	<b>TABLE VALUE</b>	<b>DEGREE OF FREEDOM</b>	<b>REMARKS</b>
Environmental regulations major driver for environmental accounting	0.924	9.488	4	Significant at 5% level
Opportunity for innovation and improvement	0.073	9.488	4	Significant at 5% level
Comply with emerging environmental regulations	0.069	9.488	4	Significant at 5% level
Priority of decision making process	0.148	9.488	4	Significant at 5% level

**INTERPRETATION**

In the above table analysis that the calculated between Gender and Environmental regulations major driver for environmental accounting, value (0.924) is less than table value (9.488). In the above table analysis that the calculated between Gender and Opportunity for innovation and improvement about the environmental accounting (0.073) is less than table value (9.488). In the above table analysis that the calculated Gender and Comply with emerging environmental regulations (0.069) is less than table value (9.488). In the above table analysis that the calculated Gender and Priority of decision making process (0.148) is less than table value (9.488) hence null hypothesis is accepted.

## CORRELATION ANALYSIS

**Table 3:** Table showing gender of the respondents and opinion on regulatory environment

	<b>GENDER OF THE RESPONDENTS</b>	<b>OPINION ON REGULATORY ENVIRONMENT</b>
GENDER OF THE RESPONDENTS	Pearson Correlation	1
	Sig. (2-tailed)	.834**
	N	.000
OPINION ON REGULATORY ENVIRONMENT	Pearson Correlation	250
	Sig. (2-tailed)	.834**
	N	.000

\*\* . Correlation is significant at the 0.01 level (2-tailed).

## INTERPRETATION

The Above table indicates that out of 250 respondents, co-efficient of correlation between gender of the respondents and opinion on regulatory environment is 0.834. It is below 1. So there is positive relationship between gender of the respondents and opinion on regulatory environment.

**MEAN SCORE ANALYSIS**

**Table 4:** Table showing the mean score analysis of perception towards the role and effectiveness of technology in integrating environmental data into accounting systems

**Descriptive Statistics**

	N	MINIMUM	MAXIMUM	MEAN	RANK
Integration Speed	250	1.00	5.00	2.2800	VI
Data Accuracy	250	1.00	5.00	2.4680	IV
User-Friendliness	250	1.00	5.00	2.6560	II
Cost-Efficiency	250	1.00	5.00	2.2000	VII
Compatibility	250	1.00	5.00	2.3040	V
Scalability	250	1.00	5.00	2.6160	III
Overall Effectiveness	250	1.00	5.00	3.4040	I
Valid N (listwise)	250				

The above table shows that the mean score analysis on perception towards the role and effectiveness of technology in integrating environmental data into accounting systems. It shows that, overall effectiveness, sociable ranked as I ( with Mean =3.4040) and followed by, user-friendliness ranked as II, scalability ranked as III, data accuracy ranked as IV, compatibility ranked as V, integration speed ranked as VI, cost-efficiency ranked as VII.

**SUGGESTIONS**

- The company needs to assess how regulatory rules impact its environmental accounting practices.
- The company should address challenges by providing training and awareness programs on environmental accounting.
- Measures to improve utilization could include integrating environmental metrics into performance evaluations.

- All relevant stakeholders need to be involved in resource allocation decisions for environmental accounting.
- The company should evaluate its stance on the regulatory environment and its impact on environmental accounting practices.

## CONCLUSION

In conclusion, this study delved into the impact of environmental accounting reports on management decision-making within selected companies. Through an examination of various factors, including regulatory compliance, technological integration, and the alignment with corporate social responsibility objectives, it is concluded that environmental accounting plays a pivotal role in shaping organizational strategies and operations. By integrating environmental accounting practices with corporate sustainability goals, companies can effectively manage risks, enhance resource efficiency, and improve their overall reputation. Moreover, the findings underscore the importance of leveraging technology to streamline data integration and analysis processes, thereby facilitating informed decision-making. It is evident that environmental accounting not only contributes to environmental stewardship but also influences strategic and operational decisions, ultimately driving organizational innovation and competitiveness in today's dynamic business landscape. Thus, fostering a culture of environmental responsibility and embracing advancements in technology are imperative for companies seeking to harness the full potential of environmental accounting in navigating sustainability challenges and achieving long-term success.

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