

Green Accounting Practices In Indian Automobile Industry – An Analysis

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Abstract

Green Accounting and Reporting Practices (GARP) is the process of identifying, measuring, recognizing and communicating financial information to the diversified stake holders. Environmentally friendly is sustainability and marketing terms while referring to goods and services, laws, guidelines and policies that claim reduced, minimal, or no harm upon the ecosystems or the environment is considered as green. Over the past few decades, there has been a shift in emphasis regarding the main purpose of accounting. Growing legal and social concern about mounting natural calamities and other environmental problems have given rise to the need for incorporating environmental issues in the financial statements of manufacturing company of automobiles. This study gives emphasis to the green accounting and reporting practices adopted by Indian automobile industry. The main purpose of the study was to identify the most significant parameters in green audit and performance of organizations. The key performance indicators of social, economic and environmental factors which affects the GARP were studied. Nevertheless, no study has been found so far about identification of weightage of social, economic and environmental factors. This study found that the social the social, economic and environmental factors affect the GARP performance of automobile industry.

Key words: Environment, Green accounting, Reporting practices, Automobile industry

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I. Introduction

The basic understanding of environment could be derived from the concept of Universe. Planet earth is a part of Universe and any region or part on earth, which is being considered for study, is termed as a system. Remaining part of universe other than the system, form surroundings to that system. These surroundings, that provide essentials of life support to the system are called environment. Environment may therefore be considered as 'External conditions influencing development of human beings, animals or plants' (fauna and flora).

Environment includes all elements, factors, and conditions that have some impact on growth and development of certain organism. Environment includes both biotic and abiotic factors that have influence on observed organism. Abiotic factor such as light, temperature, water, atmospheric gases combine with biotic factors (all surrounding living species). Environment often changes after some time and therefore, many organisms have the ability to adapt to these changes. However, tolerance range is not the same with all the species and exposure to environmental conditions are at the limit of a certain organism's tolerance range which represents environmental stress.

Ecologically, the environment may be referred to as "Sum total of all external conditions and influences, affecting the life and development of organisms of the system". The concept of system and environment considers all those parts of earth's ecosystem which are threatened to be seriously affected due to human activity either at present or in near future.

II. Green Accounting And Reporting

To measure environmental activities of an organization and their resulting impacts of business on the society, it is necessary to account for the concern's environmental costs, benefits, assets and liabilities. "Green accounting refers to the estimation of and public reporting of environmental liabilities and financial material environmental costs"

Due to growing social and legal pressures and increasing judicial intervention, there has been a growing demand for disclosure of environmental policies, practices and performance of a company to the interested stake holders in or outside the concern.

"Environmental reporting is the term commonly used to describe the disclosure by an entity, of environmentally related data, verified or not, regarding environmental risk, environmental impacts, policies,

strategies, targets, cost, liabilities or environmental performance to those who have interest in such information. As an aid to enabling their relationship with the reporting entity, via the annual report and accounts package; a standalone corporate environmental report, a site-centered environmental statement, or some other medium is necessary. Reporting of environmental information to the external stake holders gives rise to the needs for verifying these statements, through environmental audit. Broadly environmental audit is verification of environmental management system and the related policies and practices followed by a concern.

“Environmental audit can be defined as a management tool comprising systematic, documented and periodic evaluation, as to how well environmental management and equipment are performing with an aim of helping to regularize the environment.”

The United Nations intergovernmental working group of experts on international standards of accounting and reporting began to focus on the subject of EAR in the late 80's. The growth in interest and activity in environmental accounting in the past two decades is astonishing. From the most marginal and irrelevant subset of social accounting at the beginning of 90's, it has expanded to become something which is now seen as an essential element in any organization's environmental responsibility.

The concept of “Green accounting” encompasses the identification, measurement and allocation of environment costs, integration of these costs into business, identifying the environmental liabilities, and communicating the results to the stakeholders of the company as the part of financial statements. Green accounting, properly called environmental accounting, resource accounting or integrated economic and environmental accounting refers to accounting practices incorporating the environmental cost, impacts and consequences. The data and information derived by green accounts are estimated taking into account the involvement of natural resources in economic development, and costs incurred, as the consequence of pollution effects or resource degradation. The significance of initiative to the “Green accounting” has been identified as the ability to estimate and create awareness to the costs associated with environment, which in turn facilitates to explore the techniques for minimizing and avoiding such type of costs. This will have improved environmental performance as the outcome. The objective of the study is to examine the green accounting and reporting practices followed by Indian Automobile Company. Findings in this surveys show that Automobile sector environmental reporting expects a move by National Government and international organizations to mandate rules for disclosure of environmental information.

Indian automobile industry

The automobile industry in India is world's fourth largest, with the country currently being the world's 4th largest manufacturer of cars and 7th largest manufacturer of commercial vehicles in 2018. Automobile industry has its own consistent growth and has managed to retain its contribution in GDP. The Indian automobile and its ancillary industry have emerged as a fastest developing sector of the Indian manufacturing industry. It is estimated that India would become one of the top five auto component economies by 2025. Indian automotive industry (including component manufacturing) is expected to reach Rs 16.16-18.18 trillion (USD 251.4-282.8 billion) by 2026. According to KPMG report 2010 India is a home to a vibrant automobile sector of more than 40 million vehicles. It has been one of the few worldwide economies which saw growing passenger car sales during the recession time. In fact, in 2009-10 it has recorded its highest volumes ever. It is believed that this upward trend will be sustained in the foreseeable future due to a strong domestic market and increased thrust on exports. Continued high level growth of the Indian economy and automobile sector, is a must for improving the lives of millions of Indians. However, with growth there also comes the responsibility of meeting the associated challenges of fast depletion of traditional energy sources, rising energy costs, increasing oil import bill and the impact of mobility on the environment. In recent era the automobile sector has been one of the major reasons behind global warming due to its high carbon emissions. On this backdrop it has become necessary to initiate and implement green marketing practices in automobile and ancillary industries in order to reduce its harmful impact on environment

Need and significance of the study

The study is of use to the Policy makers who need the information on the various ways to analyze the financial statements and their importance for planning, bench marking and drawing comparisons. The analysts use the information to develop reviews for investors and lenders. The accounting information helps in precondition for decision making, explaining and predicting environmental failure. The study is of importance to the investors as they need information to make an informed investment decision upon analysis of the various financial statements, and this they use to protect their investments. The study is of use to the government and other regulatory authorities as they the need information to ensure that companies are complying with regulations set at all levels, determine the levels of taxes and that the public is accurately informed about the financial position at all times. The shareholders use the information to understand the performance of their shares in order to make their investment decision going forward. This also equips them with the necessary information required while

arriving at investment decision. The study is of value to Scholars as they use the research gaps identified in this study to progress further their academic discourse on environmental accounting.

Statement of the problem

The automobile industry is a fast growing industry in the world and India has no exception to this, but it competes with well developed countries in terms of the number of vehicles produced and marketed. The production marketing and use of vehicle affect our natural and green environment much worse than other industries especially the pollution due to the emission and effluents omitted from vehicles. Chemical effluent and pollution from the automobile industry is harmful to our environment and the living organisms on the earth. So it is the responsibility of automobile companies to concentrate more on bringing environment protection in their production function with the aim of reducing the environmental hazards. They declare that they are more socially responsible towards the living organisms in our society.

Now a day's various changes are adopted by automobile industry for the production of vehicles in a competitive market. The changes in technology will affect the environment harmfully. The emission of carbon dioxide, carbon monoxide and other harmful gases omitted from the vehicles is the main reason of ozone layer depletion. This is a main challenge faced by automobile industry. They are always responsible to overcome these challenges by adopting good environmental practices. They should consider the liabilities and assets of environment at the time of their production. This study is closer to the manufacturers because primary data will be collected from the general managers of authorized dealers of automobiles.

III. Review Of Literature

Dr.Minimol and Dr.Makesh K G (2013) "Green accounting and reporting practices among Indian corporate" it studies the extent to which Indian corporate practice, voluntary environmental reporting with regard to the environmental parameters. India is in the preliminary stage of environmental accounting. No clear-cut policies are adopted in India for the environmental protection. It is very important to develop strict rules and regulations for the disclosure of environmental reporting in the annual reports of Indian corporate.

Dr. Manoj Goswami (2014) "corporate environmental accounting: the issue it's practices and challenges, A study on Indian corporate accounting practices", reveals that most of the Indian companies are willing to report environmental initiative in their annual reports. It is not possible to measure all environmental liabilities and assets in monetary unit. It can be concluded that, though environment reporting has been developed in the corporate reporting practices in India, it is found to be lack of comparability and verifiability, the basic characteristics of accounting information. So, the government should play more active role in the development of environmental accounting and reporting by making it reliable and relevant to users.

M. B Anand and D. L Srineevasa (2015) in "Environmental accounting- An essential tool for long-term survival" states that environmental accounting is in primary stage in India. The awareness level of people in our country is very poor towards environmental safety so development of accounting in this regard is a little bit doubtful. Environmental accounting provides benefit in the long run survival than the short run survival. So, it is very important to accomplish environmental accounting for long term survival and growth.

V. Vijayalakshmi and K.Syamaladevi (2016) " environmental accounting reporting practices in India- issues and challenges" states that , in India till now no clear cut policies are framed and formulated at the National, State or even at the company level for ensuring the level of compliance to environmental norms. Businesses have to prepare a concrete environmental policy, take steps for pollution control, comply with the related rules and regulations and mention sufficient details of environmental aspects in their annual reports.

S. GowriAntherjanam,(2017) " A novel approach to environmental accounting and reporting" ,in this she reveals that with the implementation of environmental accounting, organization will concentrate on cost reduction and cost control of pollution factors. This will lead to reduction in environmental degradation. The current mechanism should be checked out and new measures should be taken, if required to reduce the impact of industry on environment and society.

Dr. T Durgaprasad (2017) "Green accounting practices in BMW group" this study covers the period of 2012 to 2016. By the adoption of green accounting practices the quantity of waste water production is in a reducing manner and at the same time profit turnover is in increasing manner. He opinioned that liquid hydrogen fuel is necessary in the place of diesel and petrol to reduce pollution. The study proves that renewable energy also having advantages as well as disadvantages also. Because it's cost is heavier. The company is able to follow environmental accounting in profitable manner.

Objectives of the study

The objective of this research is the study of all the different practices that are undergoing for green accounting and reporting practices in Indian automobile industries. This research starts with the importance of

green accounting and reporting practices to the company at different levels and studies various factors that are important to influence the organization for adoption of the green accounting and reporting practices.

- To study the green accounting government regulations.
- To investigate the present status of green accounting and reporting practices.
- To identify the key performance indicator (KPI) of environmental reporting in context with automobile industry.
- To recognition the significance and weightage of key performance indicator with automobile Industry.

IV. Research Methodology

The study's target population was 62 dealers in Kerala relate to automobile sector in India. Census method is used for the purpose of this study. The data were collected from sales managers, service managers and experienced employees working in dealership of two wheeler and four wheeler vehicles in Kerala. Questionnaire is used for the purpose of this study.

V. Data Analysis And Results

GARP practices

The variables used for the study are lack of knowledge, inadequate strategic planning, lack of managerial support and guidance, financial constraints and lack of preparedness.

From the result it is observed that the barrier Lack of knowledge is having the mean value of 3.53. The other barriers. Inadequate strategic planning, Lack 101 of managerial support and guidance, financial constraints and lack of preparedness having the mean value of 3.3, 3.05, 2.77 and 2.43 respectively. This mean value indicates the significance level of the barriers and Lack of knowledge is the most significant barrier with the highest mean value of 3.53. The second most significant barriers is Institutional: Inadequate strategic planning with mean value 3.3. The moderately significant barriers are Lack of managerial support and guidance and Financial constraints with mean value of 3.05 and 2.77 respectively. Attitudinal: Lack of preparedness is the least significant barrier with mean value 2.43. In this result the observed p value is 0.00 and it is less than 0.01. This indicates the continuous measure of evidence with very high significanc

Even though automobile industries have recognized the importance of GARP and adopting new approaches also but there is need to propagate GARP knowledge and encourage using environmentally practices and services. Developing green reporting and auditing practices, promoting environmentally friendly and eco-designed product, EMS certification and awareness about the government regulation like GRI and CSD is the need of automobile industries. Lack of knowledge about the green audit and the strategic planning for its implementations are observed to be the main barriers in the adoption of GARP philosophy. The present situation of automobile industries may develop by adopting new GARP approach which transform into excellent business organization. It seems that the appropriate weightage of each GARP key performance indicators may help to organization for improvement of the present situation of automobile industries. The extensive literature review identified the various sub factors of primary key performance indicators to get in-depth knowledge of GARP. Before identifying the appropriate weightage of each GARP key performance indicators and their sub factors, it is felt that there is a need to check the reliability of identified GARP key performance indicators.

VI. Conclusion

Finally, it is concluded that to survive in today's dynamic market, Automobile industries have to satisfy the continually rising expectations of the customers and fulfill the norms and policies. The green management and accounting system in automobile sector is not enough and pervasive so far. So the urgent issue for automobile sectors of India is to adopt the philosophy of GARP. The existing literature shows various studies on the GARP and it has been found that no procedure for systematically dealing with GARP implementation, as it has not been found in the literature. In order to bridge this gap, an investigation into the successful implementation of GARP in Indian automobile industries is truly needed. Such a study can explore the degree of the impact of GARP implementation on overall business performance and help in identifying problem areas and possible remedies. This study is very simple to understand and implement. It will definitely help the automobile sector in their journey of GARP.

VII. Suggestions

This study may be used by the Government and other regulatory authorities as they need information to ensure that companies are complying with regulations set at all levels, determine the levels of taxes and that the public is accurately informed about the financial position at all times.

This study can be used by the policy makers who need the information on the various ways to analyze the financial statements and their importance for planning, bench marking and drawing comparisons.

This study can be used for critical evolution of various manufacturing organisations for prediction of environmental failure.

The study may be of value to the scholars since they use the research gaps identified in this work for the further to progress of their academic discourse on environmental accounting.

Science existing financial accounting framework is not comprehensive enough to deal with specific environmental problems hence it is envisaged that the present work can act as a standard and /or conceptual framework on the issue.

Environmental statements prepared by a company should be verified by an auditor to increase credibility of information provided by them. Green audit also helps the company in complying with environmental norms. It is suggested to appoint a team mainly comprising of external environmental auditors to do this work.

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