

Environmental Reporting by Indian Hospitality Industry

Dr. (CA) Minaxi Rachchh¹, Dr. S.T. Gadade²

¹Dr. (CA). Minaxi Rachchh, ICLES' College of Arts, Science and Commerce, Vashi, Navi Mumbai & Member BOS – Banking and Finance, University of Mumbai, India.)

²(Principal CKTASC College, Panvel & Charmain BOS - Accountancy, University of Mumbai, India)

Abstract: Business has increased with massive technological changes, which led to a fall in the health of the natural environment. Environmental pressures have forced the organization to disclose the environmental impacts of its business activities to the interested parties in the stand-alone report or Annual Report. Environmental Impact of service industries is neglected in spite of its major share in economic development. Hence, the context for this study is Indian Hospitality Industry. The objective of the study is to analyse the status and level of environmental disclosure in Indian hospitality industry. The research method involves the exploration of the websites of a sample of companies and AR/SR/ER/CSR for 2010-11/2010/2011. The study uses the content analysis. The study indicates the presence of the 59 items information. The items of information are analysed on the basis of nature of disclosure - qualitative, quantitative, General, qualitative and quantitative, monetary disclosure and no disclosure. The sample initially included 185 companies. Following the extensive Internet search, 54 companies were found to have corporate websites. The sample of the study consists of 54 companies.

Environmental disclosure of Indian companies is more of general or qualitative. The quality and level of disclosure found to be not at a satisfactory level. Disclosure of Indian companies restricts to either mandatory or recommended information. However, there is the positive indication of the development of disclosure in Indian companies.

Keywords: Environmental impact, Hospitality Industry, Environmental disclosure, nature of disclosure.

I. Introduction

Business has increased with massive technological changes, which led to a fall in the health of the natural environment. Various movements have recognised that the deterioration of the environment is mainly because of corporate activities (UNEP, GEO 3). Considering the principles of morality and justice, the companies' disclosures should include the environmental impacts and issues. Environmental pressures have forced the organization to disclose the environmental impacts of its business activities to the interested parties. Corporate environmental reporting means a disclosure of certain environmental issues like use of environmental resources, pollution and other effects on the environment, various controlling measures adopted to prevent pollution. The disclosure depends on information need of the stakeholders.

Companies publishing the environmental information are growing in number. Companies have started accounting and reporting the environmental issues in the annual reports or by some other mediums like a stand-alone corporate environmental report (CER), a site-centered environmental statement, staff newsletter, video, CD Rom and internet sites. In many countries, the disclosure of environmental information has been made mandatory. There is no compulsory requirement to account or disclose the environmental information in India.

II. Objectives Of The Study

The level of economic development of a country also has an influence on the disclosure pattern (Haidar, 2010). It is increasingly clear that social and environmental disclosure varies country wise (Gray et al., 2001). Hence, the main objective of the study is to carry out a critical analysis of the current practice of Corporate Environmental Reporting of hospitality industry in India.

Previous studies have selected industries on the basis of environmental sensitivity. It is mainly covered by Jupe (2005), Llana et al. (2007), Monteiro & Aibar-Guzmán (2010), and Ienciu (2011).

Hospitality is one of the oldest commercial activities in the world. The Service sector constitutes a major part of Indian economy in terms of its contribution to national income. However, it also accounts for degradation of the environment. The industry contributes to emissions into the atmosphere. The hospitality industry is responsible for water waste, degradation of water quality and water pollution because of its operational activities. Impact of service industries on the environment is neglected in spite of its major share in economic development. Hence, the context for this study is Indian Hospitality Industry.

Hence the objective of the study is to analyse the status and level of environmental disclosure in Indian hospitality industry.

III. Research Methodology

The content analysis of social and environmental disclosures in annual reports was found common in empirical researches under review by Thompson (2007), Kaya & Yayla (2007), Belal & Momin (2009), Ienciu (2011). Branco & Delgado (2009) found that 68% of papers under review used content analysis. Hence, the research method involves the exploration of the websites of a sample of companies and AR/SR/ER/CSR for 2010-11/2010/2011. The study uses the content analysis. The study does not base on evaluation and numerical quantification of the information. It indicates the presence of the information. The sheet indicating 59 items is framed. The items are selected on the basis of previous studies, various guidelines and statutory requirements of various countries. 7 items are related to environmental accounting information.

The items of information are analysed on the basis of the types of disclosure as

- Monetary disclosure: Environmental information disclosed in monetary terms
- Both qualitative and quantitative disclosure: Information expressed in quantitative and qualitative terms
- Quantitative disclosure: Information expressed in quantitative terms
- Qualitative disclosure: Information expressed in qualitative terms i.e. any declarative/narrative environmental information other than financial information in nature.)
- General disclosure: A short statement or general statements showing the willingness of the company to disclose information
- No disclosure

A selection of companies indicates diverse types of companies, large, SMEs, public limited, private limited, Multi National corporations (MNCs) and Public Sector Undertaking (PSU).

The companies are selected from the list of top 100 NSE as per sales of 31/3/12, list of public sector units on BSE, MSME web site, and online database of websites bloomberg.com. The sample initially included 185 companies. Following the extensive Internet search, 54 companies were found to have corporate websites. The sample of the study consists of 54 companies.

IV. Evaluation Of The Contents- Status and Level of Environmental Disclosure of Environmental Information in Hospitality Companies

- Out of 185 companies selected, 70.81% of hospitality companies do not have a website. Less number of companies is interested in disclosing the information. The result is similar to Dutta & Bose (2008).
- 53.70 % of the companies are publishing annual reports on the website. Only 1 company publishes other reports on the website. Less number of companies providing information on other reports in India. It is revealed that the company's willingness to provide the information voluntarily does not exist in India.
- The status of the environmental information disclosure by a number of companies is mentioned in the next table.

Total	Companies disclosing at least one information		No disclosing companies	
	No.	%	No.	%
54	29	53.7	25	46.3

53.7 % of the companies disclose at least one type of information. Similar to our study, Dalmácio & Paulo (2004) found a low level of disclosure in Espírito Santo as 57.14 % of the companies disclosed either social-environmental or financial information. But, this gives the positive indication of the development of disclosure in Indian companies.

- The number of companies reporting monetary and non-monetary environmental information is stated in the table below.

Total	Monetary		Quality and Quantity		Quantity		Quality		General	
	No.	%	No.	%	No.	%	No.	%	No.	%
54	7	12.96	3	5.56	0	0	13	24.07	19	35.19

Overall general disclosure has the highest percentage, followed by quality disclosure. Environmental disclosure of Indian companies is more of general or qualitative.

12.96 % of the companies disclose environmental information in monetary terms. It shows that companies have started disclosing the environmental information in monetary terms also. However it indicates low level of disclosure based on the findings of Dalmácio & Paulo (2004).

Overall, the result indicated a low level of disclosure.

- The disclosure types of the companies for each item of information are analysed. Energy saving and conservation has disclosed by 44.44%. 25.93% of the companies disclosed CSR. 12.96% of the companies disclosed Use/depletion/exploration of new sources. Participate in voluntary environmental programs was

disclosed by 12.96% of the companies. Environmental management certification (ISO), other risk related information and Description of the measures taken to reduce emissions and wastes was disclosed by 11.11% companies. The disclosure of above item indicates that Indian companies are applying environmental management system and in line with the study of Jose & Lee (2007). 31 items (59.32%) are disclosed by the companies. But few types of information are disclosed by a good number of companies. Hence, environmental reporting is in its infancy stage in India.

- The disclosure of monetary information for each item is analysed. 9.26% of the companies report Energy consumption information in monetary terms. Energy disclosure shows highest disclosure as it is mandatory for certain types of companies. Reporting on CSR activities indicate high disclosure as is recommended in India for the listed companies. Reporting of environmental management system with ISO is also higher as it is recommended in India. It indicates companies are more intend to show the information if it is recommended or mandatory. It is analysed that environmental management accounting provides some useful environmental information to environmental management system implementation. The disclosure of monetary information is reported only for 6 items of information. Hence, environmental reporting is in its infancy stage in India.
- Regarding environmental accounting practices followed by Indian companies can be analysed. Out of 7 items, only 1 item is disclosed. Environmental expenses are disclosed by 2 companies. Jupe (2005) found that the large majority of disclosures were of nonfinancial information but few companies disclosed the environmental expenditure in the UK. On this basis, environmental financial accounting is determined to be practiced at low level in India. Environmental management accountants believe that environmentally induced costs and expenses should be reported (Gadenne & Zaman, 2002). The above analysis reveals that Indian companies provide lower level of environmental management accounting information. Hence, the result specified a low level of practice of environmental accounting in India.

V. Conclusions

Environmental disclosure of Indian companies is more of general or qualitative. The quality and level of disclosure found to be not at a satisfactory level. The practicing of environmental accounting by Indian companies is at low level. Few Indian companies are applying environmental management system. Disclosure of Indian companies restricts to Energy, CSR and technology, as they are either mandatory or recommended in India. On the basis of findings, it is realized that voluntary reporting may not work in India.

However, there is the positive indication of the development of disclosure in Indian companies. Companies have started disclosing the environmental information in monetary terms also.

References

- [1]. Belal, A. R., & Momin, M. (2009). Corporate Social Reporting (CSR) in Emerging Economies: A Review and Future Direction. 1st South American Congress on Social and Environmental Accounting Research – CSEAR. Brazil.
- [2]. Branco, M. C., & Delgado, C. (2009). Research on social and environmental accounting in Southern European countries. *REVISTA ESPAÑOLA DE FINANCIACIÓN Y CONTABILIDAD* , XXXVIII (144), 663-675.
- [3]. Dalmácio, Z., & De Paulo, F. M. (2004). Accounting Disclosure: Publication of Social/Environmental and Financial Aspects in Accounting Statements. *Brazilian Business Review* , 1 (2), 74-88.
- [4]. Dutta, P., & Bose, S. (2008). Corporate Environmental Reporting on the Internet in Bangladesh: An Exploratory Study. *International Review of Business Research Papers* , 4 (3), 138-150.
- [5]. Gadenne, D., & Zaman, M. (2002). Strategic Environmental Management Accounting: An Exploratory Study Of Current Corporate Practice And Strategic Intent. *Journal of Environmental Assessment Policy and Management* , 4 (2), 123-150.
- [6]. Haider, M. B. (2010). An Overview of Corporate Social and Environmental Reporting (CSER) in Developing Countries. An Overview of Corporate Social and EnviroIssues in Social and Environmental Accounting , 4 (1), 3-17.
- [7]. Ienciu, I. (2011). Evaluation of Environmental Reporting for Companies Listed on The London Stock Exchange. *Economic Science Series, Annals of the University of Oradea* , 1 (2), 536-543.
- [8]. Jose, A., & Lee, S. M. (2007). Environmental Reporting of Global Corporations: A Content Analysis based on Website Disclosures. *Journal of Business Ethics* , 72, 307-321.
- [9]. Jupe, R. (2005). Working Paper No. 91: Disclosures in Corporate Environmental Reports: A Test of Legitimacy Theory. Kent Business School.
- [10]. Kaya, U., & Yayla, H. (2007). Remembering Thirty-five Years of Social Accounting: A Review of the Literature and the Practice. *MPRA (Munich Personal RePEc Archive)* , 3 (12), 1-25.
- [11]. Llana, F., Moneva, J. M., & Hernandez, B. (2007). Environmental Disclosures and Compulsory Accounting Standards: the Case of Spanish Annual Reports. *Business Strategy and the Environment* , 16, 50-63.
- [12]. Monteiro, S. M., & Aibar-Guzmán, B. (2010). Determinants of Environmental Disclosure in the Annual Reports of Large Companies Operating in Portugal. *Corporate Social Responsibility and Environmental Management* , 17, 185-204.
- [13]. Thomson, I. (2007). Mapping the terrain of sustainability accounting. (J. Unerman, J. Bebbington, & B. O'Dwyer, Eds.) Retrieved May 14, 2011, from <http://books.google.co.in/books?id=9LmngNM3DmMC&printsec=frontcover&dq=Sustainability%09Accounting%09and+accountability&hl=en&sa=X&ei=BPh3T6zUB4nZrQfz8sy9DQ&ved=0CD8Q6AEwAA#v=onepage&q=Sustainability%09Accounting%09and%20accountability&f=false>
- [14]. UNEP. (2002). *Global Environmental Outlook 3*. London, UK: Earthscan Publications Ltd. Retrieved April 10, 2010, from <http://www.unep.org/geo/GEO3/english/pdfs/prelims.pdf>: www.unep.org