

A STUDY ON INFLUENCE OF CORPORATE ENVIRONMENTAL DISCLOSURE ON INVESTOR DECISION MAKING WITH SPECIAL REFERENCE TO THRISSUR DISTRICT

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ABSTRACT

The integration of environmental, social and governance factors into investment decision making processes has gained significant importance from the point of view of investors, regulators and corporate stakeholders. Among these factors, corporate environmental disclosure has emerged as a critical determinant of investment decisions. It reflects the growing concern about environmental impact of business activities and the need for sustainable and responsible investment practices.

Keywords: *Corporate Environmental Disclosure, Investment Practices, Corporate Stakeholders.*

Introduction

Corporate environmental disclosure involves voluntary and mandatory reporting of environmental performance metrics. This includes greenhouse gas emissions, energy consumption, waste management and water usage. This enables the investors to provide valuable insights into the environmental management practices of the companies, regulatory compliance and exposure to environmental risks and opportunities. 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. This aims to incorporate the environment related aspects or activities to financial reporting and decision making process. 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 the investors to identify the environmental risks associated with their investment and helps to reduce such risks. They can protect their investments from regulatory, reputational and operational risks related to environmental issues. It helps to provide insight into the financial performance and long term sustainability. This also helps to identify the opportunities to invest in companies with sustainable business models and innovative technologies. Investors can also encourage responsible corporate behaviour and enhance shareholder value. The environmental information can be incorporated into stock prices and investment valuations. The study also helps investors to contribute to positive environmental outcomes, social progress and economic prosperity over the long term.

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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 has been conducted on assessing the influence of corporate environmental disclosure on investment decision making process. 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 influence of corporate environmental disclosure on investment decision making process.

Objectives of the Study

- To study the perception of investors towards corporate environmental disclosure
- To assess the factors affecting investing decision on the basis of corporate environmental disclosure
- To study the importance of corporate environmental disclosure on investment decisions
- To study the influence of corporate environmental disclosure on investment decisions

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 influence of corporate Environmental Disclosure on investor decision making 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 investor decision making 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
Total	50	100

Source: Primary Data

Table 2: Gender of Respondents

Particulars	Frequency	Percentage
Male	23	46
Female	27	54
Total	50	100

Source: Primary Data

Table 3: Income of the Respondents

Income of the Respondents per Month	Frequency	Percentage
Below 1 lakh	36	72
2 lakh to 5 lakh	7	14
5 lakh to 10 lakh	4	8
Above 10 lakh	3	6
Total	50	100

Source: Primary Data

Table 4: Educational Level Classification

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

Source: Primary Data

Table 5: Investment Experience

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

Source: Primary Data

Table 6: Investment Decision Purely made on Company's Environmental Disclosures

Particulars	Frequency	Percentage
Taken decision	50	83
Do not taken decision	10	17
Total	60	100

Source: Primary Data

Table 7: Investors Awareness about Corporate Environmental Disclosure

Particulars	Frequency	Percentage
Aware	50	83
Not aware	10	17
Total	60	100

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
Total	50	100

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
Total	50	100

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
Total	50	100

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
Total	50	100

Source: Primary Data

Table 12: Factors Affecting Investment Decision**Ranking Method**

Factors	F	Very high	High	Average	Low	Very low	Total	Weighted mean	Rank
	X	5	4	3	2	1			
Opportunity Assessment	F	10	8	14	10	8	50	3.04	3 rd
	FX	50	32	42	20	8	152		
Long term sustainability	F	22	14	5	8	1	50	3.96	1 st
	FX	110	56	15	16	1	198		
Impact on brand and reputation	F	4	10	19	10	7	50	2.88	4 th
	FX	20	40	57	20	7	144		
Stake holder engagement	F	11	12	9	13	5	50	3.22	2 nd
	FX	55	48	27	26	5	161		
Regulatory compliance	F	3	6	3	9	29	50	1.9	5 th
	FX	15	24	9	18	29	95		

Table 13: Importance of Corporate Environmental Disclosure on Investment Decisions**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	
Better access to capital and are likely to invest in business with sustainable practices	F	4	19	16	9	2	50	3.28
	FX	20	76	48	18	2	164	
They consider environmental performance while making investment decision	F	13	20	12	3	2	50	3.78
	FX	65	80	36	6	2	189	
Investors assess whether company's operation align with current and future environmental legislation	F	3	16	12	13	6	50	2.94
	FX	15	64	36	26	6	147	
They assess environmental risks associated with company's operations	F	11	15	12	5	7	50	3.36
	FX	55	60	36	10	7	168	

Table 14: Influence of Corporate Environmental Disclosure on Investment Decisions
Weighted Average Score

Influence	F	Highly agree	Agree	Neutral	Disagree	Highly disagree	Total	Weighted mean
	X	5	4	3	2	1		
Environmental information disclosed by companies are reliable	F	10	13	14	8	5	50	3.30
	FX	50	52	42	16	5	165	
Companies with strong environmental performance will be financially successful in the long term	F	4	19	16	9	2	50	3.28
	FX	20	76	48	18	2	164	
Companies that provide detailed environmental disclosure are more likely to be environmentally responsible	F	13	20	12	3	2	50	3.78
	FX	65	80	36	6	2	189	
Investors can promote sustainable development and drive positive change in corporate behaviour	F	3	16	12	13	6	50	2.94
	FX	15	64	36	26	6	147	
Corporate environmental disclosure have positive impact on company's reputation and investors invest more	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 investment is long term sustainability, followed by stakeholder engagement, opportunity assessment and impact on brand and reputation respectively. The least factor affecting investment is regulatory compliance

It can be seen that the main importance of corporate environmental disclosure on investment is they consider environmental performance while making investment decision with a mean score of 3.78, the next is that they assess environmental risks associated with company's operations (3.36), the third is Environmental transparency enhance company's reputation and brand image with mean score of 3.30, fourth is that Better access to capital and are likely to invest in business with sustainable practices (3.28) and least is that Investors assess whether company's operation align with current and future environmental legislation (2.94).

It can be seen that the main influence of corporate environmental disclosure on investment is that Companies that provide detailed environmental disclosure are more likely to be environmentally responsible with a mean score of 3.78, the next is that Corporate environmental disclosure have positive impact on company's reputation and investors invest more (3.36), the third is Environmental information disclosed by companies are reliable with mean score of 3.30, fourth is that Companies with strong environmental performance will be financially successful in the long term (3.28) and least is that Investors can promote sustainable development and drive positive change in corporate behaviour (2.94).

Suggestions

- Before making investment decisions, research and analyse the environmental practices and disclosure of companies.
- Consider long term sustainability of the company before making investment decisions.
- Assess the manner in which company manages environmental risks.
- 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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