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Green Accounting for a Sustainable Economy: A Case Study of Marico Ltd

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Abstract

In an organization accounting plays vital role in determining company's financial performance. The accounting prepared by the companies is not only used by internal users like management to make potential decision of the company, but also used by the external stake holder to known the financial position and creditworthiness of the company to make investment decision. The term "Green Accounting" refers to environmental and Natural resource Accounting. Green accounting and reporting means in addition to traditional reporting, companies are disclosing the data or factors relating to resource management and environmental impact as well as a company's revenue and expenditure. This will assist the firm in identifying resource usage and costs and also it will assist the investor to take wise investment decision. Green accounting and reporting are still in their infancy in India. This paper attempts to enlighten the importance of Green accounting practice in India and also analysis the Annual Report of Marico Ltd. Further, it exhibits how Marico Ltd effectively discloses Green accounting in their Annual Report.

Keywords: Green Accounting Practices, Annual Report, Disclosure, Marico Ltd.

1. Introduction

Environmental accounting enables a precise evaluation of the costs and advantages of a company's environmental preservation efforts. It gives businesses a standardized framework for identifying and accounting for past, current, and future environmental costs to aid in managerial decision-making, management, and transparency. Our quality of life is negatively impacted by how serious environmental issues are on a global scale. At the national and international levels, actions are being done to lessen, stop, and moderate its effects on the social, economic, and political realms. A significant step for better environmental management and general corporate governance has been the creation of corporate environmental reporting (CER) in India. Conventional reporting is now obsolete due to stakeholders' increased awareness of corporate environmental performance on a global scale. Decision-makers need a new model that integrates green accounting since it has been claimed that gross domestic product overlooks the environment. Green accounting also aims to take into account the costs and benefits of environmental conservation and the loss of natural capital. This case study makes an effort to shed light on the significance of green accounting practices in India while also analyzing Marico Ltd.'s Annual Report following the firm's adoption of green accounting. Additionally, it demonstrates how Marico Ltd. discusses Green Accounting in their Annual Report effectively. Green accounting and reporting are still in their infancy in India.

2. Review of Literature

Knut H.Alfsen and Mads Greaker [1] in the paper natural resources and environmental accounting to construction of indicators for sustainable development has argued that the time has come to work on a common framework for indicators for sustainable development among countries, based on a resource or capital approach. In addition to nation indicators, it would be desirable to establish an authoritative set of global indicators for sustainable development based on the concept of national wealth. Jones M. J. [2] in his study explains that a measuring system is required to evaluate the effect of industry, yet existing accounting is insufficient for a number of reasons (e.g., monetary dependence, capitalist orientation, business focus, reliance on neoclassical economics, numerical quantification, and technical accounting practices). Thus, a new holistic accounting system that includes corporate environmental implications is required. Finally, it is stated that businesses should inform their stakeholders about their environmental accounting as part of their stewardship duty. Ahmad A [3] suggests that companies should divide their environmental costs into operating and capital costs, such as the annual operating and maintenance costs of the recycling machine and the annual operating and maintenance costs of the tree plantation. Examples of capital costs include buying a new recycling machine, planting trees, and soil remediation. Jui-Che Tu and Hsieh-Shan Huang [4] described that Green accounting involves saving resources, green products, clean production and environmental production and explored the various drivers which can be found behind the cost units as well as the numerous factors which contribute to the operational cost.

3. Purposes of the study

✓ To study the importance of Green Accounting practices in India.

✓ To review Green Accounting Practices of Marico Ltd.

✓ To analysis the Impact of Green accounting on company financial performance

4. Scope of the study

This paper is related to application and importance of Green accounting at the corporate level. The paper focuses on the green accounting conceptual framework. The period considered for the study is 2014 to 2020 annual report.

5. Research methodology

This is based on secondary data which are collected from research publications, newspaper, articles, internet blogs and international forum websites releases relating to the topic. Case study approach based on single company analysis is adopted. Data is collected from secondary source i.e official websites of the organization and analysis is based on the Annual reports and sustainability reports of Marico Ltd for the year from 2014 to 2020.

5.1 Importance of Green Accounting Practices in India

Even though our country has bought various rules, regulations and acts like Water prevention act, Pollution control acts and so on which has to be enacted mandatorily by the companies to protect our environment, but there are many things which we can be found that the environment is being misused and harmed in various ways. It is necessary for every individual to understand the importance of the environment and its accountability.

➢ It helps in analyzing the benefits and environmental costs.

➢ It helps in maintaining environmental conservation in each business activity and then it becomes a powerful motive force for the structural transformation of this economic society.

5.2 Profile of company

Marico is one of India's largest buyer products organizations working in the wellbeing, excellence and health space. With its base camp in Mumbai, Marico is available in more than 25 nations across developing business sectors of Asia and Africa. It supports various brands across classes of hair care, skin health management, eatable oils, quality food varieties, cleanliness, male prepping, and texture care. In the year 2019-20, the organization created a turnover of INR 73.1 billion from the products sold in India and picked markets in Asia and Africa. Marico contacts the existences of 1 out of each 3 Indians, through its brands like Parachute, Saffola, Coco Soul, Parachute Advansed, Hair and Care, Nihar Naturals, Livon, Set Wet, Set Wet Studio X, Veggie Clean, Kaya Youth, Travel Ensure, House Secure, Mediker, Restore and Beardo. Marico has 8 processing plants in India situated at Pondicherry, Perundurai, Jalgaon, Guwahati, Baddi, Paonta Sahib and Sanand. The global shopper items portfolio adds to about 23% of the Gathering's income.

5.2 Green Accounting policy of Marico Ltd

Marico Ltd sustainability reporting aim is to provide industry-leading value with consumer preferred brands and products at the same time conserving resources, safeguarding the environment, and improving social conditions for those who need it the most.

Marico Ltd focused on six material areas (Figure 1) that extremely important to the firm.

Table 1 and Figures 2-4 shows Emission and Discharge of different Effluents by Marico Ltd.

As per Table 1 it is clearly evident that the company is reducing Energy intensity, GHG (Green House Gas) emission, Water Intensity gradually. By the year 2022, Marico Ltd has a goal to reduce energy intensity (plant operations) by 50% from FY13, reduce GHG emission intensity by 75% from FY13, and also has a continuous goal to offset 100% of water used in its own operations through catchments and conservation measures.

Figure 1: Key thrust areas of Marico Ltd.

Table 1: Emission and Discharge of different Effluents by Marico Ltd

Years	Energy Intensity (GJ/KL)	GHG emission intensity (kgCO2e/KL)	Water intensity (m3/KL)
2014-2015	2.11	104.1	1.28
2015-2016	1.79	89.7	1.16
2016-2017	1.61	81.8	1.04
2017-2018	1.74	72.0	0.92
2018-2019	1.55	73.0	0.98
2019-2020	1.48	69.7	0.94

Source:(https://www.moneycontrol.com/annual-report/marico/directors-report/m13)

Figure 2 illustrates that the production facilities of Marico Ltd. utilize a range of energy resources, including grid-supplied electricity, furnace oil, diesel, wind, solar, and biomass fuel. 2020 will see an overall increase in energy consumption of 340,152 GJ, of which 267,624 GJ will come from direct energy consumption and 72,528 GJ from indirect energy consumption. The firm has reduced energy intensity by 6 percent from the prior year and by 32 percent when compared to the base year of 2014 with respect to the 2022 energy intensity objective.

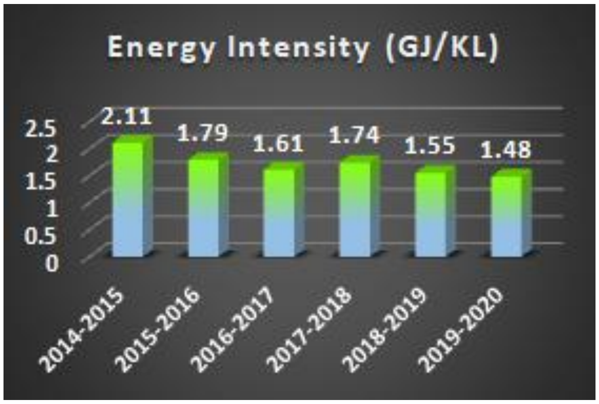

Figure 2: Energy Intensity (GJ/KL)

Figure 3 explains that Marico Ltd has set a goal to reduce GHG emission intensity by 75% from the FY13 base year. Marico is dedicated to its low-carbon journey. Absolute GHG emissions from manufacturing operations in India in FY20 were 13,520 tCO_2, a 21% decrease over the prior year. Additionally, the GHG emission intensity (Scope 1 and 2) was 2.4 tCO_2e per unit crore of revenue, a decrease of 68 percent from the base year and 20 percent from the year before.

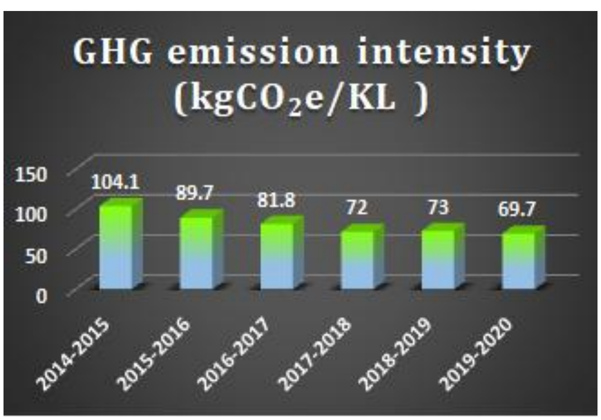

Figure 3: Green House Gas (GHG) Emission Intensity ($KgCO_2$ e/KL)

From Figure 4, it is evident that Marico Ltd used 20.3 crore liters of water in its activities in 2020, a 9 percent decrease from the previous year. The water intensity for activities in India was 35.9 kilo liters per unit crore of revenue, down 31% from 2014 and 8% from the year before. They regularly assess and put into action creative strategies to lower fresh water use in their operations. They have finished a number of initiatives to increase water consumption and efficiency throughout the course of the year, including installing eco-friendly water fixtures, building a rainwater harvesting pond, and recycling domestic sewage.

Figure 4: Water intensity m^3/KL (M^3 = Cubic Meter, KL = Kiloliter)

To analyze the impact of green accounting on the financial performance of Marico Ltd, its annual reports from 2014 to 2020 were used (Table 2) and the Return of capital employed, Return on Assets, Earnings per Share, Net Profit margin were calculated to ascertain the significant growth and it is further explained using the Figures 5-7.

Table 2: Impact of Green accounting on company financial performance

Years	Return on capital employed (%)	Return on Assets (%)	Earning per Shares (Rs.)	Net Profit margin (%)
2014-15	28.33	18.34	8.89	10.75
2015-16	34.41	21.04	5.53	10.20
2016-17	33.50	21.98	6.21	12.02
2017-18	31.04	19.95	6.32	13.72
2018-19	40.75	22.69	8.67	13.08
2019-20	45.16	20.41	7.91	15.43
2020-21	44.20	21.27	9.08	14.25

Source:(https://www.moneycontrol.com/annual-report/marico/directors-report/m13)

Capital Employed shows the entire amount of capital spent by a company or project to acquire profits. The return on capital employed is in the increasing trend from the year 2014 as shown in the figure 5 through which we can understand that there is a positive impact of green accounting on the growth of the company.

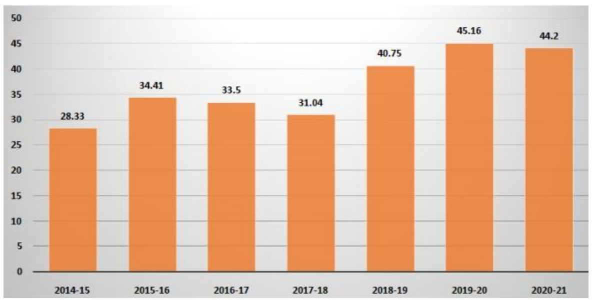

Figure 5: Return on Capital Employed (%)

Return on assets (Figure 6) shows that how much profits that a company can generate from its assets. The accompanying figure makes it abundantly clear that there is an increase in the return on assets year over year, demonstrating the company's successful performance.

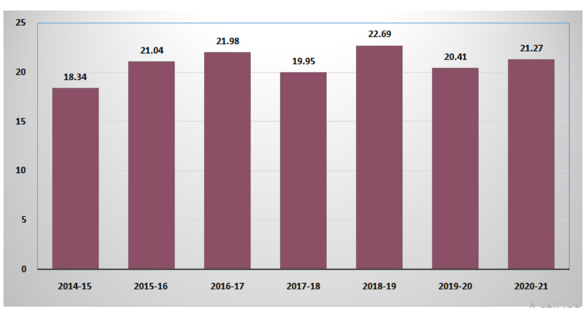

Figure 6: Return on Assets (%)

Earnings per share (EPS) is a profitability metric that measures how much of a company's earnings is distributed to each outstanding share of ordinary stock. From figure 7, we can deduce that the EPS has indeed slightly changed since 2014. The earnings paid to shareholders haven't changed significantly though.

Net margin calculates the amount of net profit as a percentage of revenue. The accompanying figure 8 demonstrates that while the profit margin hasn't changed significantly since 2014, it has been able to produce positive income.

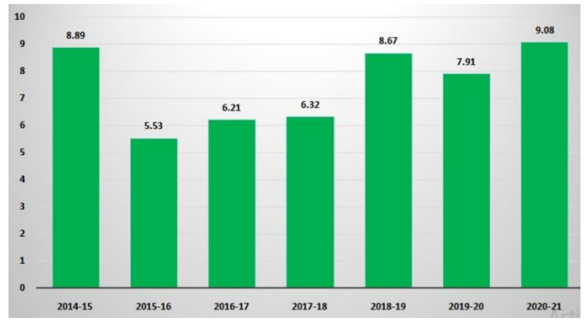

Figure 7: Earning per share (Rs.)

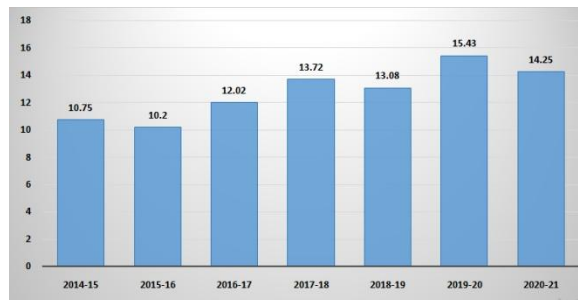

Figure 8: Net Profit Margin (%)

6. Findings & Suggestion

➢ In FY 2021 640 million liters of water conservation capacity were created, which is 3.2 times the company's water footprint in India.

➢ 31% reduction in water intensity from 2014

➢ Company used 20.3 crore liters of water in its business activities, down 9% from the previous year.

➢ The water intensity for India operations was 35.9 kiloliters per unit of revenue, down 31% from 2014 and 8% from the preceding year.

➢ 95% percent of the packaging material utilized by company is recyclable.

➢ From total energy consumption, majority of 79% energy is consumed from renewable sources.

- 68% reduction in Green House Gas (GHG) emission intensity from base year 2014.

- From 2014, company have reduced the energy intensity to 32%

- During 2020, it has completed collection and safe disposal of 7,73,000 kg of non-recyclable plastic waste.

- Green accounting disclosure had positively impacted on the financial performance of the company.

7. Conclusions

Green reporting and accounting are essential to the business. It demonstrates how businesses support the environment. In the future, it will also display the environmental costs related to air, water, and land pollution, among other things. In India, green reporting and accounting are still in their infancy. In India, there are no appropriate laws or regulations to follow and oversee green accounting. To enable progress, suitable policies and ccounting practices must be put into place. Additionally, all organizations should be required by law to use green accounting and reporting. The company's Annual Report states that Marico Ltd is dedicated to environmental preservation. It may be argued that the company's numerous environmental conservation activities have helped to set certain norms for sustainable development.

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