

Disclosures of the Environmental Management Accounting Practices in the Banking Sector of Bangladesh

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ABSTRACT

The disclosure of environmental management accounting (EMA) practices determine the eco-friendly business activities and helps to measure costs and benefits of environmental preservation of any organizations. The study aims to identify the disclosures status of EMA practices in the in PCBs in Bangladesh. The study also aims to examine the factors (total assets, total investment, profit after tax, ROA, ROE, and EPS) influencing disclosure of the adoption of environmental management accounting in listed PCBs in Bangladesh. This study applied quantitative research method to collect and analyze data. EMA disclosure data is collected from the annual reports of the banks and panel data is used to data analysis of the factors. The collected data is analyzed using descriptive statistics, inferential statistics, correlation, and multiple linear regression analysis. Six hypotheses are developed and tested at 5% significance level. The study concludes that the private banks disclose 71.15% information of EMA practices.

KEYWORDS

Bangladesh, Disclosures, Environmental Management Accounting (EMA), Private Commercial Banks (PCBs)

INTRODUCTION

Environmental Management Accounting (EMA) is a vast and new concept derived from the drawbacks of Environmental Accounting (Bennett et al., 2011). It has a vital role in environmental up-gradation by eco-friendly business activities in any organization. As a part of the management accounts, EMA includes the matter of internal management of environmental practices issues within the organizations and relates to gain environmental and economic performance by practicing and implementing appropriate environmental accounting and developing issues when needed (IFAC, 2005) to make the organizations globally acceptable with sustainability. It is relating to the generation and utilization of financial and non-financial information to optimize the corporate, environment, and economic performance achieving the sustainable development of a business (Bennett & James, 1998).

The information disclosure of environmental management accounting includes several issues such as environmental exposition, material management, sustainability issues, CSR services, emissions, in-house environmental management (energy, fuel, water, and paper), environmental policies and environmental laws (Frost & Seamer, 2002; IFAC, 2005; Frost and Wilmshurst, 2000; Suttipun & Stanton, 2011; Qian, 2012).

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Nowadays, the banking sector is a leading business-oriented servicing sector in the whole world. More specifically, as a part of this sector, private banks have a significant impact on economic and environmental issues in Bangladesh. They not only measure and judge their performance based on financial results but also on the advancement and development of the environmental issues of these areas as it is considered as a service activity of the banks (Islam & Arafin, 2017). If banks are failed to reform environmental management accounting practices to incorporate environmental concerns, they will - incapable to prepare financial statements (mainly, profit and loss accounts, balance sheets) properly; unable to identify various costs and reduce them; fail to identify improvement opportunities (incorrect strategies on product pricing and promotion) of them; and fail to make corporate decisions (Frost and Wilmhurst, 2000; Burnett, Hansen & Quintana, 2007).

So, there is a necessity to collect environmental performance-related data to complete the management accounting process and disclose all external EMA information to stakeholders of listed private commercial banks of Bangladesh according to the term 'Principles of Disclosure' in accounting transactions. Because the stakeholders have the right to know about the information i.e. the organization's financial conditions and market positions and its influence on Environment and community. This information helps the stakeholders to make the right investment decisions.

The first section of the study includes objectives of the study; the second section includes a literature review; the third section contains a research framework; the fourth section includes methodology; the fifth section discusses the results of the study, and the final section discusses the practical importance of the study with concluding remarks.

OBJECTIVES OF THE STUDY

The main objective of the study is to identify the status of the disclosure of EMA practices in listed private commercial Banks of Bangladesh. The study also specifies some objectives: identifying the factors that influencing disclosure of the adoption of EMA; investigating the influence of Total Assets and Total Investments on EMA Disclosure; measuring the impact of financial performance on EMA Disclosure among the listed private commercial banks in Bangladesh.

LITERATURE REVIEW

Many prominent researchers who worked on EMA disclosure issues globally recognized are included in this paper. The study notices some major areas of Environmental Management Accounting. Research of the United Nations states that EMA implementation integrates two main principles: economics and environmental sustainability that can help improving corporate decision making (UNSD, 2003). IFAC (2005) states that environmental management accounting involves some issues when reporting and auditing in organizations like lifecycle costing, full-cost accounting, benefits assessment, and strategic planning for environmental management (IFAC, 2005).

Doorasamy (2016) conducts a paper on the benefits of adopting environmental management accounting systems and showed the role of EMA in the decision-making process (Bennett, Bouma, & Wolters, 2002) to encourage cleaner production technology. EMA disclosure helps to measure the costs and benefits of the environmental preservation of any organization (Abdillahi & Manini, 2017). It not only focuses on environmental costs assessment, rather it calculates all kinds of environmental information and benefits gained by adopting EMA issues and disclosing this type of information to interested parties (ACCA, 2015). EMA includes information about environmental awareness, the public image of the company, environmental regulations compliance status, etc. (ACCA, 2015).

The first activity on the environmental issue of an organization is the implementation of environmental management accounting and disclosure of all kinds of environmental costs (Holst, 1996; Schaltegger, Hahn, Burritt, 2000; Khalid, Dixon, 2012; UNSD, 2001). Organizations that use environmental management accounting can identify and measure environmental costs

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