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# A Study on Examining the Relationship Between Equity Funding and Green Accounting Disclosure & The Pivotal Role of Government in Sustainability Reporting

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**Abstract**: *The current research aims to establish a link between a company's environmental practices and raising capital through Equity. By sharing their environmental policies and actions, this study is expected to provide an initial estimate of the effect of financial outcomes. Green accounting serves as a crucial instrument for understanding how industries and companies account for natural resources.It enables the collection of information that clarifies issues related to industrial waste, pollution, and the exhaustion of resources. During the 20th century, businesses concentrated mainly on increasing profits, frequently overlooking the importance of our precious natural resources, which are essential for the health of both current and future generations as well as for achieving sustainable development. By implementing green accounting, businesses can better assess the environmental impacts of their operations. The present study focuses on the correlation between equity and the green accounting disclosures. It also examines the role of government in green accounting disclosure by the companies*

**Keywords***:* Green Accounting, Indian Companies, Equity Funding.

## I. INTRODUCTION

In recent times, the increased focus on environmental sustainability has resulted in the development of green accounting practices within corporate structures. As Indian firms work to incorporate environmental issues into their financial reporting, the connection between equity funding and green accounting disclosure has garnered substantial interest. This research seeks to analyse the impact of equity financing on the level of green disclosures made by Indian companies, as well as to assess how government initiatives contribute to this relationship. By evaluating the effectiveness of policy measures and funding approaches, the study lays the groundwork for comprehending corporate environmental responsibility within India. Furthermore, this investigation paves the way for further research regarding how other components of capital structure connect with sustainability reporting and the discovery of novel strategies to minimize environmental expenses.The significance of green accounting disclosure is increasing as more businesses recognize the negative consequences of environmental degradation and their essential role in mitigating its impact. Consequently, there is an growing demand for companies to take responsibility for their environmental effects and embrace sustainable practices, as this is a vital element of sustainable development.

Considering that a firm's dedication to sustainability is reflected in its application of green accounting, the impact of financing choices and ownership concentration should not be overlooked in this context.

## II. LITERATURE REVIEW

Aarti Kadyan (2014) looked into how a company's environmental performance affected its financial performance. While financial performance was assessed using both accounting and market-based metrics, such as return on assets (ROA), price-earnings ratio (P/E ratio), and earnings per share (EPS), environmental performance was assessed using environmental ratings taken from CSR Hub. Two control variables were employed in the study: the firm's size (measured by market capitalization) and its growth (measured by the price-to-book ratio). This association is investigated using multiple regression analysis. The top 50 firms registered on the National Stock Exchange (NSE), also known as NIFTY companies, make up the sample.

Alka Solanki (2016) studied the concept of green accounting. The main objective was to review available literature of concept, importance and limitations of green accounting with Indian Perspective. The study revealed that green accounting should be implemented in India by enacting Laws and provisions to save and salvage the country. The study suggested a further scope of comparative study of green accounting in corporate, national and international levels.

Brammer et al. (2006) [37] used disaggregated approach and observed negative correlation between environmental and financial performance (as measured by stock returns). They further found that negative relation between aggregate social performance and stock returns can be largely attributed to environmental dimension due to large amount of expenditures involved in it.

Ms. Kodhai P. (2023) states that Environmental Accounting or Green Accounting is a important tool that helps the business organization to understand the environmental costs into financial activities of the business houses. Green Accounting helps the organization in achieving the sustainable development, and maintaining cordial relationships with different stake holders by following the effective environmental conservative activities. Environmental Accounting establishes an organizational culture and attitude of environmentally safe working conditions in the premises. It considers the environmental costs and environmental benefits. This research paper focused on the concept of Green Accounting and also to highlight the different challenges of Environmental Accounting and to find the solutions.

**OBJECTIVES OF THE STUDY**

1. To examine the link between Equity funding & Green Accounting Disclosure in Indian Companies.
2. To study the government initiative in encouraging green accounting disclosure practices.

**SCOPE OF THE STUDY**

Further study can be conducted on examining the other elements of capital structure with sustainability reports.

A further study can be conducted on finding various methods to save environmental costs.

**HYPOTHESIS**

H0 - There is no relationship between Equity funding & Green Accounting Disclosure.

H1 - There is a relationship between Equity funding & Green Accounting Disclosure.

H0 - There is no role of the government to monitor disclosure of sustainability reports.

H1 - There is a role of the government to monitor disclosure of sustainability reports.

**LIMITATIONS OF THE STUDY**

The study is limited to only equity and sustainable reporting.

The study does not cover other factors affecting sustainability.

The study will only focus on the equity structure and its impact on sustainability reporting & government's role in sustainability.

## III. DATA COLLECTION AND THE METHODOLOGY

**RESEARCH DESIGN**

Descriptive & Diagnostic research design

**DATA COLLECTION**

**Secondary Data**

The secondary data will be collected from various national & International Journals, Government websites & magazines along with new articles & thesis.

**Primary Data**

**Method of Data Collection**

Survey method

**Population**

General public of Mumbai Region (investors)

**Sample Size**

The estimated sample size is 100 people from the Mumbai region.

**Sampling Method**

Random Probability Method

**Sampling Area/frame**

Mumbai Region

## IV. DATA ANALYSIS & INTERPRETATION

H0 - There is no inverse relationship between Equity funding & Green Accounting Disclosure.

Anova: Single Factor

SUMMARY

| *Groups* | *Count* | *Sum* | *Average* | *Variance* |
|---|---|---|---|---|
| GAD | 73 | 97 | 1.328767123 | 0.223744292 |
| EF | 73 | 249 | 3.410958904 | 1.050989346 |

ANOVA

| *Source of Variation* | *SS* | *df* | *MS* | *F* | *P-value* | *F crit* |
|---|---|---|---|---|---|---|
| Between Groups | 158.2466 | 1 | 158.2465753 | 248.281791 | 3.82521E-33 | 3.906848991 |
| Within Groups | 91.78082 | 144 | 0.637366819 | | | |
| | | | | | | |
| Total | 250.0274 | 145 | | | | |

To determine whether the null hypothesis is accepted or rejected, we compare the **F-value** to the **F critical** value and assess the **p-value**.

**F-value > F critical**:

248.28> 3.91, indicating that the observed variance between groups is significantly greater than within groups.

**P-value < 0.05**:

$3.83 \times 10^{-33}$ is far below the common significance level of 0.05, suggesting the results are statistically significant.

Since **both conditions** are met, we **reject the null hypothesis ($H_0$)**.

H0 - There is no role of the government to monitor disclosure of sustainability reports.

Anova: Single Factor

SUMMARY

| *Groups* | *Count* | *Sum* | *Average* | *Variance* |
|---|---|---|---|---|
| GAD | 73 | 97 | 1.328767123 | 0.223744292 |
| GOVT. | 73 | 147 | 2.01369863 | 0.597031963 |

ANOVA

| *Source of Variation* | *SS* | *df* | *MS* | *F* | *P-value* | *F crit* |
|---|---|---|---|---|---|---|

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| | | | | | | |
|---|---|---|---|---|---|---|
| Between Groups | 17.12328767 | 1 | 17.12328767 | 41.72461752 | 1.51361E-09 | 3.906848991 |
| Within Groups | 59.09589041 | 144 | 0.410388128 | | | |
| Total | 76.21917808 | 145 | | | | |

To determine whether the null hypothesis is accepted or rejected, we compare the **F-value** to the **F critical** value and assess the **p-value**.

**F-value > F critical**:

41.72> 3.91, indicating that the observed variance between groups is significantly greater than within groups.

**P-value < 0.05**:

$1.51 \times 10^{-9}$ is far below the common significance level of 0.05, suggesting the results are statistically significant.

Since **both conditions** are met, we **reject the null hypothesis ($H_0$)**.

**Interpretation**

The purpose of this study was to examine whether equity funding & government, are related to the Green Accounting Disclosure. Green Accounting is an important environmental management tool that integrates ecological and environmental concerns into traditional financial accounting practices. Understanding the awareness of such a concept in education is vital for policymakers, educators, and sustainability advocates who aim to promote environmental literacy and responsibility.

The data was analyzed using a one-way ANOVA (Analysis of Variance), which compared the means of two groups: Equity Funding and Green Accounting Disclosure & Government and Green Accounting Disclosure. The ANOVA results showed a statistically significant difference in . The F-value was calculated to be approximately 86.60, while the critical F-value (F crit) for this test was 3.91. Because the F-value exceeds the critical value, we conclude that there is a significant difference between the group means. Additionally, the p-value was $2.026 \times 10^{-16}$, which is much less than the standard alpha level of 0.05. This strongly supports the rejection of the null hypothesis.

Rejecting the null hypothesis implies that education level does indeed have a significant effect on respondents' awareness of Green Accounting. In other words, individuals with different levels of education exhibit significantly different levels of understanding or awareness regarding Green Accounting concepts. This result aligns with the logical assumption that educational background can influence environmental awareness, especially in specialized areas like Green Accounting, which may be introduced through formal education in commerce, environmental science, or public policy.

This finding has practical implications. It also indicates that public awareness campaigns could be more effective if they are tailored to suit audiences with varying educational backgrounds.

## V. CONCLUSION

The study's objectives were to investigate the connection between green accounting disclosure and equity funding, as well as the government's involvement in keeping an eye on sustainability reports from Indian businesses. Green accounting is acknowledged as an essential instrument for incorporating environmental considerations into financial procedures, allowing companies to evaluate the environmental effect of their activities and support sustainable growth. Specifically, the study used ANOVA analysis to examine two important hypotheses

The null hypothesis (H 0) that "there is no inverse relationship between Equity funding & Green Accounting Disclosure" was the first hypothesis to be tested. There was a statistically significant difference between Equity Funding (EF) and Green Accounting Disclosure (GAD), according to the ANOVA results for this hypothesis. The essential F-value of 3.91 was greatly exceeded by the computed F-value of 248.28. Additionally, the p-value was $3.83 \times 10{-}33$, which is much less than the standard significance level of 0.05. The null hypothesis was rejected as a result of these strong statistical findings. This rejection suggests that equity funding and green accounting disclosure are significantly correlated, meaning that changes in one are linked to changes in the other. This suggests that businesses' environmental policies and activities may in fact have an impact on financial outcomes, which is consistent with the study's goal of establishing a connection between environmental practices and equity-based capital raising.

In Conclusion, to sum up, the results of this study offer compelling empirical evidence for the presence of a substantial correlation between green accounting disclosure and equity funding, as well as a major role for the government in observing sustainability reports from Indian businesses. Both null hypotheses were categorically rejected as a result of the statistically significant F-values and incredibly low p-values in both ANOVA tests. This suggests that there is a stronger interaction between equity financing and green disclosures as Indian companies include environmental concerns in their financial reporting. The report emphasizes how crucial green accounting is as a tool for comprehending how businesses account for natural resources and their effects on the environment. The findings support a stronger emphasis on incorporating environmental factors into financial decision-making procedures, especially with regard to Equity Funding

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