

96. Environmental Management Practice and Firm Financial Performance

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Abstract

The management process of environmental perspective and financial performance of the firm depends on pollution factor of the firm. The environmental circumstances examine the allocated of that factor which include the greenery for the sake of peaceful environment to be paid. The data is used to test the hypotheses in an industry context management perspective and firm financial performance relationship which include the 10 traded manufacturing Pakistan companies. The level of the firm financial data collected from World Bank and UN data source. The investigation of the level of the firm and industry influence variable which include the dependent variable used are return on assets and independent variable are assets turnover, market share, and sales growth. As the results there is a find that the trading and manufacturing company as a positive marginal effect on the performance in context of financial perspective and firm management point of view as an environmental practice.

Key Words: *Financial Performance*, environmental management, Sales Growth, Market Share.

1. Introduction

In this study the financial performance and environmental management practice have a relationship over the past 40 years. The research findings of these efforts should be mixed and financial performance are not clear that how these practices should affect the competitive standing and financial performance of the firm.

This research defined the initially accepted by the firm to less adverse results of economic activity and it also the effect on the natural environment (Chrismann 2000) The investment of environmental management practice consists of that technology which is stopped to pollution factor. The rating of third party shows mishaps of the environmental awards and the results shows of that study have not clear pitcher for the perspective of yielded.

The circumstances of the firm are to ensure that the environmental practice pays for the greenery. The investigation of the effect of environmental management practices on financial performance of the firm and in an industry perspective for the benefit of environmental practices evaluates how they pay for the benefit of environmental circumstances.

In industry context include the additional factor of environmental prospective can utilize the more possible ways and suggestion for the future research. This research shows the relevant literature on the performance of the firm and also the environmental management practices and the firm environmental context.

The data available for the purposes testing and the proposed hypotheses and limitation of the study shows address and finding are also discuss and suggest for the benefit of future research. Superior performance of the internal resources of the firm capability shows the resource based view of the firm. The development process of the industry can be achieve with the help of unique bundle of effective resources have the industry superior performance. The industry can be used the critical source for the benefit of competitive advantage in sense of environmental management practice of the firm.

The industry environmental practice cannot reduce the firm future cost and to produce the superior problem while shows how use the internal resources of the firm and its capability and resource based view does not

specify to develop resources the industry circumstances. This lack of resource based view creates the serious problem in the industry internal context.

2. Literature review

In this research the contribution of the resource based view for the benefit of firm financial performance can utilize the environmental management practices and the firm competitive advantages. Scotts (2004). For the perspective of management and firm take advantages to another firm has been highly effective in sense of resource based view and the relationship between the environmental management practices and the performance of the firm (Sharma and Vredenburg 1998).

To evaluate the internal factor of the firm are utilize the effective perform of the firm. The idea is generated to effective resources of the firm and its performance. The effective program of the firm to developed the differentiation of the resource of the firm is capable that are rare to the multiple resources (Wernerfelt 1998; Barney 1991; Peteraf 1993).

At an initial stage of the firm environments is to evaluate the different sources of advantages which take as an competitors can be increase the profit and it's overcome the cost of the firm for the perspective of firm environments. Environmental management cannot reduce the cost of firm (Hart and Milstein 2003; Ambac and Lanoie 2008).

There is no specify what the best resource can utilize the firm performance and create the effective program. In that situation the firm cannot utilize the best resources and it's create the serious problem of the performance of the firm. In other words, says that the internal factor of the firm can fail and affect the performance of the firm.

The internal structure of industry and its environment can impact the performance of the firm. In an industry context there the industry not only viewed the technical production system but also show the social system for the perspective of the firm performance.

Technological environments can effect to improve the efficiency of the firm and also the impact of social and culture system on the firm performance and also its environments aspect (Meyer and Rowan 1997; DiMaggio and Powell 1983). Because the profit of the firm is not only considered as the environmental management practices and not only as internal source but also the external source as well to improve their profit maximization of the firm.

Technological system for the production uses of the needed input to change the require output can waste the harmful environments in the context of natural environments. Environmental pollution is the form of economic waste can reduce the results as an available technology. In other words the implementation of technical production process is inefficient (Porter and Vender 1995). The comparison of both industry which is clean and dirty industry create the pollution of the uses of technical environmental process and the industry input and output process is inefficient and more productivity and competitive cost advantage uses the input more productivity.

3. Data

In this research data used to proposed hypotheses consists of 10 publicly traded manufacturing Pakistan firm and the data was collected from the World Bank. The level of industry collects information from UN data source.

The dependent variable in this research in the analyses of firm is return on assets which is calculated as net income to total assets. Return on assets is commonly used to measure the financial performance of the firm, reflection of the firm profitability related to the total investments instead of fund provided by creditor or owner.

Environmental management and financial performance of the firm indicate that to support the rating of validity if the variable set equal to 1 then the firm engaged the significant environmental initiative otherwise the variable set equal to zero.

The prior study included needing the number of firm and the variable of industry level to control the non focal variable and there is no specification model perception (capon at al 1990; Russo and Fouts 1997; Margolis at al 2007).

As an independent variable include the assets turnover, sales growth, and market share to calculate the firm total debt to total assets and Sales growth of 10 traded manufacturing companies. Finally assets turnover is evaluated by sales ratio to total assets and market share is calculated by the firm sale to industry sale and 3 year sale growth evaluated the industry output as reported by Pakistan 10 traded manufacturing companies.

Theoretical framework

Dependent variable: Return on assets

Independent variable: Assets turnover, sales growth, market share

Analyses and results

Table 1. Descriptive statistics

	ROE	AT	MS	SG
Mean	1.732715	-0.327636	2.676640	-0.168004
Median	1.673054	-0.174424	2.249905	0.000000
Maximum	5.583684	0.974560	6.359923	8.018625
Minimum	-1.771957	-4.605170	0.183987	-2.244316
Std. Dev.	1.444524	0.965868	1.756306	1.350085
Skewness	-0.109508	-1.862122	0.602568	3.707232
Kurtosis	2.970737	8.631420	2.519953	24.11339
Jarque-Bera	0.122061	113.9572	4.206995	1251.873
Probability	0.940795	0.000000	0.122029	0.000000
Sum	103.9629	-19.65818	160.5984	-10.08025
Sum Sq. Dev.	123.1123	55.04119	181.9921	107.5410
Observations	60	60	60	60

This table shows the descriptive statistics for all observation that used in this study. It shows the mean, median, maximum, minimum, standard deviation, skewness, kurtosis, kurtosis, jarque-bera, probability, sum, sumsq. dev, observation. In this descriptive statistic interest rate of highest mean 2.67 percent. Lower standard deviation value is 0.96 percent. And dependent variable mean value is 1.73 which is maximum value is 5.5 and minimum value of dependent variable is -1.77 percent. Assets turnover mean value is -0.32 and market share is 2.67 percent. Sales growth is -0.16 percent. These results show the value that has a major role to contribute on return on assets.

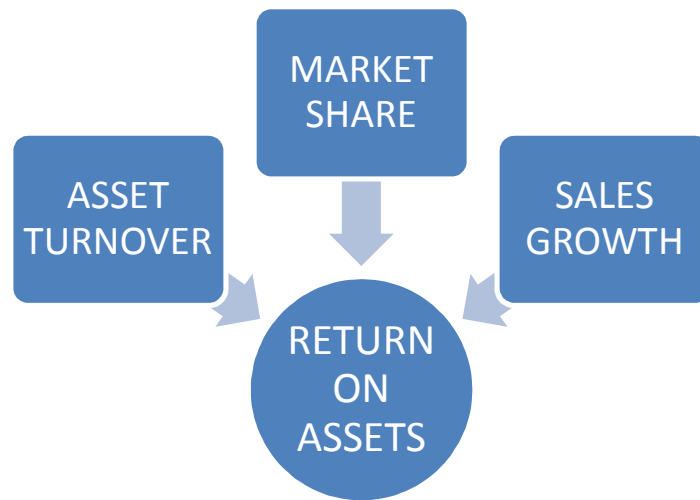


Table 2. Regression Analysis

Dependent Variable: ROE				
Method: Least Squares				
Date: 07/01/16 Time: 03:47				
Sample: 1 60				
Included observations: 60				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
AT	0.758760	0.164063	4.624794	0.0000
MS	-0.185145	0.090263	-2.051181	0.0449
SG	-0.017033	0.115017	-0.148087	0.8828
C	2.474017	0.282090	8.770313	0.0000
R-squared	0.354966	Mean dependent var	1.732715 in	
Adjusted R-squared	0.320411	S.D. dependent var	1.444524	
S.E. of regression	1.190825	Akaike info criterion	3.251511	
Sum squared resid	79.41162	Schwarz criterion	3.391134	
Log likelihood	-93.54532	Hannan-Quinn criter.	3.306125	
F-statistic	10.27237	Durbin-Watson stat	1.204707	
Prob(F-statistic)	0.000017			

In this model least square estimation model shows that dependent variable return on assets has an effective relationship with R-square with the level of almost 0.35 or 35% that explain the about that 0.32 or 32% that tell us the changing the dependent variable due to independent variable.

Table 3. Correlation Coefficients

	ROE	AT	MS	SG
ROE	1.000000	0.553603	-0.327650	-0.021738
AT	0.553603	1.000000	-0.203417	-0.029802
MS	-0.327650	-0.203417	1.000000	-0.041314
SG	-0.021738	-0.029802	-0.041314	1.000000

In this correlation between dependent variable and independent variable have the positive relationship. The dependent variable relates to the independent variable which is dependent variable is return on asset and independent variable is assets turnover, market share and sales growth have an direct relationship.

4. Discussion and future results

In this research by observing the environmental management practices and financial performance of the firm remain the poorly understanding as the results of the firm and sanding of competitive shows the nature of management practices of industry environment and firm financial performance (Mantabon at al 2007)

The pollution factor of a firm can reduce cost and argued that can to implement to burden on firm in that situation minimize the profit level of a firm and its competitiveness (Walley and whitehead 1994) but the innovated tools can be used the firm performance increase and minimize the total cost and maximize the profit of the firm (porter and ven der linde, 1995).

The question arise in this paper “does it pay to be green” under which circumstances as an firm management and financial performance(Reinhardt, 1998). The investigation of its hypotheses in which use the multiple model to determine the nature of the firm. The data of industry level the major finding of that study to which an industry pollution factor and emerge the newly establish firm in an industry context.

The finding clearly shows the complexity the idea of management practices of a firm and financial performance of the firm. This research include the two factor dimension which include the pollution factor of industry and started point of an industry and what pay to be greenery in the context of industry pollution factor and what to pay and how to pay to be green.

This study shows the initiate process and starting point method to be used of amylases of a firm. The investigation data from secondary source from world bank and the other UN data source and also the sample of the data focus on mostly large public traded manufacturing firm of Pakistan.

The finding of this research critically evaluates of the firm and also carefully adopts the environmental context. Significantly this study is consistent with (capon at al 1990). Who evaluate the financial performance of the firm. Finally performance of the firm provided the conceptual framework in the context of management practices of firm financial p performance.

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