

Environmental Concerns and Sustainability of Profit: The Case of Fortune 500 Companies from BRIC Countries and the USA.

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A key issue in the economics of sustainability of large companies, particularly those that are matured is the fact that overtime the profitability and thus the ability to grow and prosper diminishes as diseconomies- of -scale sets in and long-run average costs increases withering the profits away. An alternative measure of sustainability of companies may be found in the return-on-asset (ROA). However, overtime if the asset base of the company is not adjusted for rapidly changing technologies, and/or the depreciation of its capital stock, profitability or the return on its asset may be seriously compromised. Environment is considered as capital (Dasgupta, Dasgupta and Heal). More precisely, environmental sustainability or put it differently, degradation of environment in general seriously impacts a society's a la firm's ability to maintain steady growth. In that vein investments in environmental upkeep, or capital structure that augment environmental quality may positively impact a firm's ability to maintain its long term profitability or return on assets.

In this paper we show by pooling a cross-section of fortune 500 firms from BRIC (Brasil, Russia,India and China) countries and the United States over past five years that firm's profitability as measured by the return on asset (ROA) depends on the environmental conditions and regulations as captured in certain environmental indices for those respective countries. By running a multiple regression analysis on an adjusted pooled data set (cross section and time series) our results show that among other things, ROA seriously depend on environmental factors. From this analysis we surmise that large or small companies irrespective of their orgin should pay more and more attention to its primary asset, Environment.

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