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Research Paper

ENVIRONMENTAL ACCOUNTING FRAMEWORK IN INDIA: CONCEPT, VIRTUES AND INHIBITORS

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ABSTRACT

Each business utilizes the resources – natural and human - available to it less all potential limitations so as to support and impart financial execution and success. As they make utilization of the natural and societal assets it is their duty to report and record for the costs forced on the environmental framework.

Late years have seen rising worry for ecological damage occurring because of expanding modern and industrial exercises. This maybe a direct result of the fact that natural debasement and pollution cause horrendous misfortunes to human wellbeing, economic productivity, and community courtesies.

In the Indian setting, business houses and industrial ventures still face the dilemma of natural bookkeeping and reporting without obvious tenets and strategies. The paper endeavors to comprehend the idea of environmental accounting, its fundamental importance to the economy and biological community and the current lawful system and gauges of environmental accounting and reporting predominant in India.

KEYWORDS: ecological damage, economy, environmental accounting, natural debasement, pollution.

1. INTRODUCTION

Environmental tragedies like Chernobyl atomic power plant fiasco in Ukraine (1986) and the Bhopal gas disaster (1984) have to an extent fortified the significance of environmental assurance in the brains of individuals. The issues, such as climate changes, global warming and melting of glaciers, soil erosion, deforestation, and pollution have significantly contributed towards expanded mindfulness about the need of preserving and protecting the environment. The business, in their part as corporate subject, is additionally cognizant about the environmental changes and the ideal use of resources. Hence, the obligation towards environment has turned out to be a standout amongst the most key aspects of corporate social responsibility.

The state and presence of environmental accounting in worldwide viewpoint is dreary. The rules

and controls with respect to environmental accounting have been issued in just a portion of the nations. Also there is an absence of standard technique for environmental accounting that can be sought after. This offer's ascend to the need to talk about the idea, benefits and the present condition of environmental accounting in the Indian context, on one hand and the variables confining its advancement and selection then again.

2. OBJECTIVES

This paper hurls light on the possibility of "Environmental Accounting". It moreover attempts to take a gander at the essentialness of environmental accounting today and its nearness in the Indian setting. In light of this, the motivation for this is to deliver the benefits of adopting environmental accounting and the main considerations restricting its progression and adoption.

3. METHODOLOGY

This paper is essentially in light of concepts and thusly, theory and testing can't be connected. In that capacity, the assessments communicated in this paper are the author's own opinions and that of some reputed authors.

4. CONCEPT OF ENVIRONMENTAL ACCOUNTING

Resources are rare in accessibility on Earth. Each type of organization makes utilization of these rare resources in different approaches to grow economically particularly industries either specifically or in a roundabout way. In doing as such, the business undertakings don't generally make ideal utilization of accessible resources, which forces a weight on the Earth and acts an impediment to the conservation of the environmental resources and ecosystem.

Environmental preservation is a noteworthy issue in today's scenario. The issue has additionally sprung up with rapid industrialization clearing route for economic and financial growth. The industrialization has left mass ecological debasement afterward. Sustainable development is the need of the hour to achieve the twin targets of economic growth and environmental preservation.

The issue of environmental obligation combined with sustainable development has delivered a developing and dynamic branch of accounting i.e. Environmental Accounting.

The issue of environmental responsibility coupled with sustainable development has brought forth an emerging and dynamic branch of accounting i.e. Environmental Accounting.

In simple words, environmental accounting makes a quantitative appraisal of expenses and advantages related with environmental preservation exercises embraced by a business venture.

Comprehensively, it includes identification, estimation and allocation of ecological costs, streamlining these expenses into business, distinguishing any environmental liabilities and conveying the same to the stakeholders as a part of financial statements. It is likewise prevalently alluded to as "green accounting" or "eco – accounting".

Green accounting is an imperative instrument for understanding the role played by the natural environment in the economy. Environmental accounting records give information which highlights both the contribution of environmental resources to financial prosperity and the costs forced by environmental pollution or resource degradation.

Environmental Accounting helps to know whether corporates have been discharging their duties towards nature or not. Fundamentally, an organization needs to satisfy some environmental obligations, for example, meeting administrative necessities, tidying up pollution and contaminants that as of now exists and legitimately discarding the hazardous material and unveiling to the stakeholders both potential and current, the sum and nature of the environmental safeguard measures taken by the management.

To accomplish these objectives environmental accounting outlines and executes the environmental managements systems, to consolidate environmental contemplations into the financial decisions, and to estimate expenses and savings of environmental tasks undertaken including detailing of methodologies.

5. SCOPE OF ENVIRONMENTAL ACCOUNTING

Assessing costs for ecological effects is infrequently simple, however it is conceivable. As a rule, a substitution cost can be resolved for both nature's services and resources. The extent of Environmental Accounting is wide. It incorporates corporate level, national level and worldwide level.

The scope of environmental accounting may be described as internal and external perspectives. The interior perspective implies funds divested by the corporates for minimization of damages to nature. It incorporates investment made into environmental friendly machinery and equipment.

From Environmental Accounting and reporting outward perspective, a wide range of damages are in a roundabout way because of business operation/exercises. It for the most part incorporates debasement and obliteration of natural resources either due to contamination or over-exploitation.

6. ENVIRONMENTAL ACCOUNTING AND LEGAL ENVIRONMENTAL FRAMEWORK: THE INDIAN CONTEXT

According to the Indian Constitution's "Directive principle of state policy" it is explicitly specified that it is the obligation of the state to secure and enhance the environment and to safeguard the forest and wildlife of the nation. Article 51A of the constitution expresses that it is the basic obligation of each citizen of India, to secure and enhance the natural environment including forests, lakes, waterways and wildlife.

The arrangements of the constitution are fortified by different enactments, guidelines and controls drawn up by the Government to help environmental assurance and protection.

These include Factories Act 1948; (Prevention and Control of Pollution) Act 1974; Forest (Conservation) Act 1980; Air (Prevention and Control of Pollution) Act 1981; Water Biomedical waste (Management and Handling) Rules 1998; Municipal Solid Wastes (Management and Handling) Rules, 2000; Ozone Depleting Substances (Regulation and Control) Rules 2000; Noise Pollution (Regulation and Control) (Amendment) Rules 2002; Biological Diversity Act 2002. The Environment Protection Act which came into drive in 1986 is considered to have filled many holes in the existing laws and enactments.

In India, the presence of environmental accounting and reporting is miniscule. There are no specific tenets for accounting and divulgence of environmental costs and liabilities with the exception of the Companies Act 2013 requiring the companies to uncover perspectives as to conservation of energy and environmental protection apart from their general circumstance and financial performance.

Ministry of Corporate Affairs issued National Voluntary Guidelines on Social Environmental and Economic Responsibility of the business (NVGs) in 2011 to accentuate corporate social responsibility. Principle 2 of NVGs states that "Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle." Apart from this, Principle 6 of the NVGs emphasizes that "Business should respect, protect, and make efforts to restore the environment" and lists the following core elements (National Voluntary Guidelines on social, environmental and economic responsibilities of a business, 2011):

- Businesses ought to use natural and manmade resources in an ideal and dependable way and guarantee the sustainability of assets by decreasing, reusing, recycling and overseeing waste.
- Businesses should take measures to check and forestall pollution and contamination. They ought to survey the environmental harm and bear the cost of pollution abatement with due regard to public interest.
- Businesses ought to guarantee that advantages emerging out of access and commercialization of biological and other normal resources and related customary information are shared impartially.

- Businesses ought to ceaselessly look to enhance their environmental performance by embracing cleaner production strategies, promoting use of energy efficient and environment friendly technologies and utilization of sustainable power source.
- Businesses ought to create Environment Management Systems (EMS) and alternate courses of action and procedures that assists them in forestalling, moderating and controlling environmental harms and fiascos, which might be caused because of their operations or that of an individual from its value chain.
- Businesses should report their environmental execution, including the appraisal of potential environmental dangers related with their operations, to the stakeholders in a reasonable and straightforward way.

Other than the miniscule presence, Environmental accounting and detailing in India is characterized by absence of an institutionalized technique for such accounting, absence of an accounting standard, absence of economic esteem, low perceived advantage and questionable information from ventures where it is obligatory.

Without compulsory and stringent rules in help of environmental reporting, environmental accounting practices are exceedingly sporadic and in this manner, preclude comparison of such reports in the business. Large companies and business houses mostly undertake sustainability reporting as a business grandstand, aimed at garnering publicity.

The existent lawful system identified with environmental protection and conservation is not adequately executed, consequently commanding the need of thorough reassessment and implementation of the existent laws and regulations.

7.VIRTUES OF ENVIRONMENTAL ACCOUNTING

Environmental accounting aims at giving a commonplace framework to organizations to recognize, measure and record for the past, present and future environmental costs and points of interest, thusly reassuring managerial administration, managerial decision making, managerial supervision and public disclosure and revelation. It is a convincing gadget for organizations to bestow public confidence and trust in them.

- Environmental accounting uncovers the natural resources being utilized as input sources and may uncover their shadow costs and empower its consolidation into the costs obtained by organizations.
- Environmental accounting may be profitable as it passes on to the table the dynamic linkages among industrial development, economic propel, social welfare and the fulfillment of social obligation.
- With the coming of eco-accommodating and organic and natural items, environmental accounting may fill in as an assurance to the shoppers to buy them.
- Helps the associations in accomplishing the target of feasible, sustainable development and upgrading the environmental straight forwardness.
- It aides in catering negotiations amongst nature and the organizations, and deciding along these lines their associations with the general public and environmental stakeholders.
- With the ascent of moral venturer, environmental accounting may lift the organization's eco-friendly image and may encourage even to draw in ventures from environment supportive individuals and groups.
- A powerful environmental faction's existence in the global economy acts as a hindrance to environmentally hostile associations. Environmental accounting might be adequately used to battle against negative public stance.
- Environmental accounting and reporting highlights affiliations' devotion towards change and their responsiveness towards dynamic variables.
- Environmental accounting enhances environmental execution through better administration of environmental cost and subsequently, benefits the natural and human environments.

8. INHIBITIONS TO ENVIRONMENTAL ACCOUNTING

Environmental accounting in spite of the fact that may appear to be important to ensure the preservation of environment; however it experiences a few drawbacks and hindrances.

Above all else is the issue of absence of an appropriate framework in the field of environmental

accounting which can give rules on the issue of environmental cost, environmental risk, and environmental asset, capitalization of such expenses and liabilities and environmental reporting. Distinctive foundations have issued diverse rules with respect to these issues every once in a while, yet these rules are for the most part consultative in nature.

In spite of the fact that the environmental expenses and advantages might be distinguished, intricacy exists in evaluating and measuring these expenses and advantages. For instance, environmental products and assets can be quantitatively measured utilizing strategies, such as the replacement cost method, the opportunity cost method, Delphi techniques, shadow pricing method, and so forth. Each method experiences a few confinements of their own accord. In this way, picking the proper strategy for valuation of environmental costs and benefits is a profound predicament. Besides, different organizations may adopt different techniques of valuation as per their needs, characterizing the environmental accounting records and information with an absence of equivalence and verifiability.

An investigation of corporate reporting practices mirrors that there is an expanding propensity among the corporates to unveil privy information about their environmental friendly endeavors in their annual reports to shareholders and society in general. It is additionally evident that the greater part of such environmental disclosures detailed by the organizations is observed to be non-financial. Such data is minor portrayal of the endeavors made by the organization. The information regarding the magnitude of money spent for such activities and its material impact on financial outcomes is terribly absent in such data. Again there is wide variety seen in the style of reporting and topic the organizations choose to report. This can add to another facet to the issue of absence of equivalence and undeniable nature.

There is an absence of integration and interrelationship with different branches of accounting be it financial accounting, management accounting or tax accounting. The current standards of National Income Accounting still have a tendency to bar the estimation of natural resources in the computation. Integration of environmental accounting with financial accounting has been a long felt need as it might help make environmental records more equivalent and verifiable. To accomplish such integration, requires measurement of environmental expenses and advantages

in monetary terms. In any case, all cost and advantage to the environment can't be reasonably measured in the monetary units, especially at the diminutive level.

Internal costs, like investments made by the corporate division for minimization of misfortunes to nature by product improvement, process advancement can be monetarily estimated however cost of externalities like corruption and obliteration like soil erosion, loss of biodiversity, air contamination, water contamination, noise pollution, issue of solid waste, exhaustion of nonrenewable natural resources i.e. loss arising due to over-abuse of non-renewable natural resources like minerals, water, gas, deforestation and so forth and the environmental resources created by systematic afforestation, biodiversity protection, water conservation and so on can't be reasonably measured in financial terms. Further, it is difficult to estimate that how much damage has struck the environment because of the foundation of a particular business unit. This impedes in the aggregate integration of environmental accounting inside the system of existing GAAP.

Numerous organizations and the public sector undertakings even the substantial and well managed ones don't sufficiently track the utilization of energy and the materials utilized or the cost of wasteful materials utilized, waste management and related issues. Numerous organizations accordingly, significantly underestimate the cost of poor environment performance to their organization.

Also, environmental accounting experiences the issue of absence of adequate accounting period. The vast majority of the environmental effects, positive or negative, can't be comprehended in a period of one year for their estimation like in case of financial accounting. Environmental accounting is deemed to be a lengthy process and making any inference from it based on an inadequate period may prompt everlasting consequences.

Most of the stakeholders are totally ignorant of the expression environmental accounting till today. For environmental accounting and reporting to accomplish coveted outcomes, it is required that the stakeholders and the users of the information contained in the environmental accounting must have satisfactory information of the procedure of environmental accounting as well as standards and controls predominant in the nation identifying with environmental aspects.

9. CONCLUSION

Neither the Companies Act nor the accounting standards structure set up by the Institute of Chartered Accountants of India has endorsed any detailing standards for environmental perspectives. Environmental accounting is in preparatory stage in India and whatever shows in the records in such manner is pretty much consistence of important principles and direction common in the nation. Poor disclosure can be to a great extent credited to voluntary nature of the tenets and controls. Actually, unless ordinary citizens of India are not made mindful environmental security, advancement of accounting in such manner appears to be unrealistic.

Economic activity ought not to be guided by profit motive alone, but rather ought to offer stimulus to feasibility and sustainability. The way to sustainable growth and development, hence, is not to produce less but rather to produce effectively, with the assistance offered by adoption of an appropriate environmental accounting framework.

It can be reasoned that foundation of institutionalized environmental accounting practices and reporting structure at the national and the worldwide level and lawful enforcement stimulus is required to advocate the selection of the green accounting practices in the Indian and the global outlook.

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