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A CONCEPTUAL STUDY OF ENVIRONMENTAL ACCOUNTING IN INDIAN CONTEXT

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ABSTRACT

Environment accounting is a modern phrase for environmental and natural resource accounting. Other environmental expenses can be raised by sound decision-making and greener technologies if it is used as a resource. The primary goal of this work is to grasp the significance and importance of environmental accounting. One of the most important aspects of corporate social responsibility nowadays is social environmental responsibility. Environmental accounting is an integral part of a company's CSR strategy. While demonstrating how environmental accounting contributes to environmental sustainability is a difficult challenge for any organization, it is being attempted. Organizations must take steps to include renewable accounts at all levels of their operations. The government must take comprehensive measures to guarantee that environmental standards are not violated and that appropriate consequences are imposed. One of the most essential components in a company's social responsibility is its commitment to the globe. In light of this, the study's conceptual analysis focuses on the inadequacies of the standard accounting system and the rationale of environmental accounting on the economy and society as a whole. A limited attempt has been made to shed light on environmental awareness in developing countries such as India and to explore the challenges connected with environmental accounting implementation. Environmental accounting is becoming an increasingly essential component of the accounting agenda within the corporate sector in India, despite certain irregularities, according to the conceptual study. Finally, a conclusion has been reached, along with ideas for resolving the problem.

***KEYWORDS**: Social Environmental Responsibility, Economic Development, Environment Protection, Environmental Accounting, Environmental Sustainability.*

Introduction

The environmental disaster has recently become a global issue. The notion of sustainable development is slowly gaining traction in many countries around the world, including India, where society recognizes the importance of environmental prerequisites for economic success. Accounting is no longer limited to the historical recording of financial results; it is today considered one of society's most vital services. The environmental responsibilities of corporate sectors responsible for their commercial actions is becoming increasingly clear. Business actions have environmental and social consequences in addition to financial and production outcomes. Because environmental or natural resources are so precious, there is a pressing need to keep track of them. As a result, a new branch of accounting known as "Environmental Accounting" has evolved.

Meaning of Environmental Accounting

Environmental accounting is a relatively new and evolving topic. Environmental accounting is concerned with accounting for a company's impact on the environment. Environmental accounting aims to discover and bring to light the resources expended and costs incurred by businesses in exchange for the environment. In other words, environmental accounting aims to provide the most accurate quantitative assessment of an enterprise's expenses and advantages related to environmental preservation operations. The environment encompasses all inanimate organisms and natural forces,

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including man. The term "environment" is defined as the "sum total of all conditions and influences that affect the growth and life of an organism," including man, in the McGraw Hill Encyclopedia of Environment Science. As a result, environmental accounting refers to the measurement and dissemination of information to interested parties concerning an organization's environmental responsibility performance. It's also known as "green accounting" or "econ accounting" in some circles. Environmental accounting is the process of identifying, measuring, and communicating environmental data for the purpose of making economic decisions. In a nutshell, it records and summarizes the monetary value of environmental products and services. This field of accounting informs businesses on the costs of their products and operations, allowing them to make more informed decisions and maintain profitability.

Objective and Methodology

This work is primarily conceptual in nature. As a result, the views represented in this paper are the author's own as well as the views of a few well-known authors. The purpose of this study is to shed light on some basic and theoretical aspects of the idea of "Environmental Accounting." In light of this, the goal of this study is not to find novel solutions to the fundamental challenges in environmental accounting; rather, it should provide insights and a foundation for accountants to test and improve their present methods in terms of offering a better knowledge of the interplay between business and the natural environment. Since this is thought to be the most pressing requirement of the day, more focus is placed on environmental accounting and awareness.

Relevance of Environmental Accounting

Businesses pay a variety of costs as they supply goods and services to their customers, including environmental costs. One of the many key indicators of a company's success is its environmental performance. For the following reasons, environmental costs and performance demand management attention: (1) Many environmental expenses can be decreased or eliminated as a result of business decisions, ranging from operational and housekeeping adjustments to investments in "greener" process technology to process/product redesign. Many environmental expenses (for example, squandered raw resources) may add no value to a process, system, or product. (2) Environmental expenses (and thus potential cost savings) may be hidden or missed in overhead accounts. (3) Many businesses have realized that they can balance their environmental costs by producing cash from the sale of waste by-products, transferable pollution allowances, or clean technology licensing, for example. (4) Better environmental cost management can lead to greater environmental performance as well as considerable benefits to human health and corporate success. (5) Understanding the environmental costs and performance of processes and products can lead to more accurate product costing and pricing, as well as help organizations create future processes, products, and services that are more environmentally friendly. (6) Processes, products, and services that can be proved to be environmentally preferred can provide a competitive edge with customers. (7) Accounting for environmental expenses and performance can help a business establish and operate a comprehensive environmental management system.

Environmental Accounting and Legal Environmental Framework

The situation in India "It is the responsibility of every Indian citizen to safeguard and improve the natural environment, including forests, lakes, rivers, and animals, and to have respect for living things," says Article 51A of the Indian Constitution. Acts, rules, and notifications such as the Factories Act 1948, the (Prevention and Control of Pollution) Act 1974, the Forest (Conservation) Act 1980, the Air (Prevention and Control of Pollution) Act 1981, the Water Biomedical Waste (Management and Handling) Rules 1998, the Municipal Solid Wastes (Management and Handling) Rules 2000, and the Ozone Depleting Substances (Management and Handling) Rules 2000 back up the constitutional provisions. In India, the Department of Environment was established in 1980 to ensure that the country's environment was healthy. It was renamed the Ministry of Environment and Forests in 1985. The Environment Protection Act of 1986, which went into effect shortly after the Bhopal Gas Disaster, is considered an umbrella statute because it fills in numerous gaps in existing legislation. According to Section 135 Companies (Corporate Social Responsibility) Rules, 2014 and Schedule VII, any company with a net worth of Rs 500 crore or more, a turnover of Rs 1000 crore or more, or a net profit of Rs 5 crore or more during the immediately preceding financial year is required to comply with the CSR provisions specified in Section 135 Companies (Corporate Social Responsibility) Rules, 2014 and Schedule VII, which prescribes mandatory provisions for compliance. The Board of Directors of the firm to which CSR refers is responsible for ensuring that the company spends at least 2% of its average net profit over the previous three financial years in accordance with its CSR plans in each financial year. One of the CSR projects is to provide environmental sustainability, ecological stability, flora and fauna security, animal welfare, agroforestry, and natural resource conservation, as well as to maintain the quality of land, air, and water.

Why we Need Environmental Accounting at Corporate Level

It is useful to know whether or not a company has been fulfilling its environmental commitments. In general, a business must meet the following environmental duties. (a) Complying with regulatory standards or exceeding them. (c) Cleaning up existing contamination and appropriately disposing of dangerous materials. (c) Disclosing to future and current investors the amount and type of the management's preventative measures (disclosure is needed if the expected liability exceeds a specific percentage, such as 10% of the company's net worth). (d) Conducting business in such a way that no environmental harm is caused. (e) Advancing a corporation with a high level of environmental consciousness. (f) Control over operational and material efficiency advantages resulting from the global market's competitiveness. (g) Maintaining control over rising raw material costs, waste management, and potential liability.

Procedure for Environmental Accounting and Major Issues and Challenges

- **Profit and Loss Account:** This account should be debited for all revenue expenses incurred for environmental protection.
- **Balance Sheet:** All environmental and natural resources consumed by the business should be considered environmental assets, and it should be the organization's responsibility to society to use these assets to their full potential and at the lowest feasible cost without jeopardizing society's interests. The balance statement should include any capital expenditures incurred by the company.
- **Budgets:** The organization should establish an environmental budget to determine the amount needed for environmental initiatives. The responsible person should double-check and confirm the amount of money spent on environmental activities.
- **Reporting:** The organization shall report on environmental actions, as well as the costs imposed by the organization on the environmental benefits provided by business organizations, as well as the benefits obtained from the environment and the costs imposed by the environment. In summary, the reporting system will satisfy a company's social responsibilities.

  The following are the most pressing difficulties and concerns in environmental accounting:

  - Determination of environmental expenses; b. Cost capitalization; c. Determination of environmental liabilities; and d. Liability measurement. Many organizations have released various guidelines on these topics from time to time, however the rules are almost advisory in nature.

Conclusions and Recommendations

The existence of several paradigms from which environmental research has been created has resulted in a lack of consistency in environmental accounting expectations and intended outcomes. This is exacerbated by a lack of consistency in seeking an explanation for the reason underlying corporate environmental accounting. Even if environmental goods and services can be measured in monetary terms, significant uncertainties remain about how far society will profit from environmental accounting's consequences. Environmental goods and services have such rapidly changing social values that estimates are likely to be obsolete before they are put to use. Planning for long-term development necessitates a calculation of GNP adjusted for the environment. Most of the application of environmental accounting requires shadow pricing because we cannot establish market values, since the economic goods and services concerned are never traded or because we do not want them to be traded, but we do not want to know what they are worth**.** Despite these theoretical inconsistencies, the slogan for environmental accounting has garnered inexhaustible benefits. Environmental accounting arose from a growing world knowledge and acknowledgment of the value of natural and environmental resources. Different strategies are suggested for valuing environmental goods and services and incorporating environmental data at the national and business levels. Accountants are perplexed about how to incorporate environmental data into financial accounts, and the valuation methodologies available are similarly rife with uncertainty. Accounting and disclosure standards for environmental issues have become mandated in a number of countries. However, no such directives have been issued in many countries. There is now a pressing need to take action on a worldwide scale, particularly in terms of developing accounting and valuation procedures for environmental challenges. As in developed countries, mandatory standards might be set in each and every country to include these in the company's annual report, including environmental regulations. The dedication with which environmental accounting is being developed will almost certainly result in environmental accounting occupying a more stable and effective position in the future, since it has the potential to considerably improve the utility of economics as a decision-making instrument, particularly in setting national policy. Managerial attitudes and thinking are expected to change as a result of the application of environmental accounting. Despite the problems of environmental accounting, there is ample evidence that a large number of governments around the world have endeavored to address the new challenges and risks in a sincere manner. Economic activity should be governed by more than just the "profit motive," but also by "quality of life" and "ecological balance." As a result, the key to long-term growth is not to produce less, but to produce more effectively, with the support of a comprehensive environmental accounting system. For all types of businesses, a complete plan in connection with environmental accounting can be implemented to establish harmonization based on accounting policy. Environmental accounting, as a subset of social accounting, fosters an environmentally conscious culture in business sectors and develops and publishes environmental balance sheets, paving the path for higher corporate accountability. Many internal environmental costs are traditionally overlooked, unallocated, or unassigned to activities. Companies should properly acknowledge and control all environmental expenses, including the aforementioned charges, it is advised. By predicting and managing these costs, a company may internalize them. To improve decision-making and responsibility for environmental duties, environmental expenditures must be segregated. Every business should devote some of its resources to environmental and ecological balance. Environmental accounting necessitates an understanding of the company environment, its activities and capabilities, as well as the limits that it faces. In the lack of explicit guidelines on environmental accounting and reporting procedures, social cost is commonly regarded as a measure of the cost of the resources consumed by a business throughout its operations. It is impossible to plan and accomplish reliable and sustainable development unless thorough records for the use of natural resources, the environment, and their services are kept. Nobody can refute the socioeconomic costs of atmospheric pollution caused by the release of harmful effluent and wastes in order to promote, create, and stimulate greening around the planet. In light of evolved wisdom, it is deemed necessary to make an effort to include the impact of environmental resources into a business corporation's overall company function. Today's technology exists to reduce pollution in the environment, and it must be used to correct excessive ecological harshness and lessen the degree of environmental degradation. Most Indian corporations' current disclosure standards do not completely represent the environmental impact of their operations. When we are heading towards industrialization and globalization, there is a need and a challenge for businesses to become greener. No business can have a long-term future unless it is ecologically friendly. Companies who want to make money in the long run must think about the environment in their company strategy and policies. It is preferable to take efforts to protect them as soon as possible. Developing countries, on the other hand, can use any strategy at first, with appropriate adjustments as experience and demand grow. The Rigveda teaches that the environment should be treated as if it were a parent and cherished as if it were a kid . Environmental concerns have risen dramatically in the last two decades all across the world. The potential long-term negative consequences of uncontrolled and unregulated economic expansion necessitate environmental preservation for future generations. Here are a couple more suggestions: i. As an annexure to a Director's Report, statements demonstrating disclosures of energy and natural resource conservation, as well as expenditures paid to safeguard the environment and replace environmental degradation, may be prepared and disclosed. A good contribution could be the installation of pollution control equipment or the deployment of better technology. To ensure such disclosures, relevant revisions to the Company's Act may be adopted. ii. As companies that contribute to environmental deterioration are rated low, necessary revisions to the grading criterion may be implemented. iii. An annexure to a Director's Report may be added with the appropriate amendments to the Company's Act for the establishment of pollution criteria for industries or goods vs. the company's real pollution generation situation. iv. While attempts are being made to prepare financial statements from a national perspective, what is needed is the construction of an environmental accounting framework for deciding environmental policy at the state and national levels, where natural resource income and expenses, estimations, dedication, values, and assets must be represented in books of accounts. Accounting performs an expectation role to measure environmental performance as social awareness of the environment grows. Environmental awareness adds a new dimension to how businesses report on their environmental performance. The degree of environmental disclosures in corporate annual reports in India is unsatisfactory. Overall, the state of voluntary environmental disclosure in Indian corporations' annual reports is unsatisfactory. It's more accurately described as poor. There are various reasons for the lack of environmental data disclosure. Companies may be free of responsibility to report such information to some extent due to a lack of awareness or commitment, poor environmental performance, weak enforcement of environmental protection acts, and so on. As a result, it can be stated that the lack of standardized environmental accounting practices and disclosure techniques, both at the national and international levels, as well as their legal enforcement, demands the urgent and pressing need to formulate these techniques and practices in relation to environmental issues at both the national and worldwide levels.

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