

ECONOMIC APPROACHES TO ENVIRONMENTAL SUSTAINABILITY IN INDIA

Dr. Lalit Kumar Nagora*

ABSTRACT

The various economic strategies that can be used for protecting the environment are discussed in this article. Any nation's ability to develop sustainably rests on its ability to protect its natural systems and keep the environment at an adequate level. The article explores the evolution of new ideas in sustainable development, the history of the economic concept, and how it affects environmental issues. Among the economic strategies covered are subsidies, environmental fees, emissions trading, environmental taxes, and others. The research paper additionally analyses the significance of impact assessments and environmental audits in guaranteeing the efficacy of economic strategies for environmental protection.

Keywords: *Environmental Sustainability, Economic Approaches, Environmental Audits, Environmental Protection, Subsidies.*

Introduction

Careful navigation is necessary in the complicated and frequently disputed terrain at the convergence of environmental sustainability and economic growth. Although it is obvious that protecting the environment is of utmost importance, striking a balance between environmental and economic demands has proven difficult. However, a rising corpus of research has illuminated how ecologically sustainable economic dynamics might drive results in recent years.

Understanding the relationship between the economy and the environment and identifying legislative solutions that support sustainable development are the goals of the field of environmental economics. Various economic tools, like cap-and-trade programs and carbon taxes, have been put forth to encourage eco-friendly conduct and lessen the detrimental effects of global economic expansion.

Any nation that wants to have sustainable development, national security, a good standard of living, and public health must also maintain natural systems and an appropriate level of environmental quality. Establishing and uniformly applying a state policy centered on environmental preservation and wise use of natural resources are necessary to meet these objectives.

The environmental barriers to economic growth have received little attention in classical economic theory, despite the pressing need for environmental conservation. Not until the severe escalation of environmental issues in the 1970s did economic research start to address the dominant patterns of ecological and economic development and the requirement for essentially new conceptions of development.

Concepts of world development were developed in reaction to the worldwide catastrophe of present economic development, the depletion of natural resources, and the interconnection of all ecological and economic processes on Earth.

The "man-nature" system's relationships are mostly regulated by the economic approaches, which reflects the interplay between environmental objectives and human interests. The goal of economic regulation in environmental management is to create a financial incentive to abide by environmental laws[2,6].

* Assistant Professor, Department of Economics, S.P.C. Government College, Ajmer, Rajasthan, India.

In the realm of environmental protection, the economic approaches is a multifaceted and intricate idea that encompasses different forms like taxes, payments, subsidies, financial and credit measures, and administrative forms like accounting, rationing, licensing, and environmental audits, in addition to a system of targeted reserve and funds for waste disposal. A major difficulty is ensuring coherence and uniformity in the management process and the overall operation of the entire system.

To effectively protect the environment and advance sustainable development, the economic approaches of environmental protection thus seeks to address several crucial issues, such as the planning and financing of environmental protection measures, the legal regulation of payments, and the provision of benefits to environmental management entities [2].

Economic Approaches

The following tasks are assigned to the economic mechanism of environmental protection [3, 7–10]:

- Organizing and funding environmental conservation initiatives.
- Establishing restrictions, guidelines, and payment amounts for the use of natural resources, the release of hazardous materials into the environment, the disposal of garbage, and other negative effects.
- Offering discounts on taxes, credits, and other advantages to those who use nature when they adopt resource-efficient and low-waste technology as well as unconventional energy sources, and putting other practical environmental protection measures into action.
- Payment for environmental and health harm under the prescribed process.

As a result, the goals of social and economic growth should be achieved while keeping in mind sustainability and the need to protect the environment in every nation on the planet [4, 11]. Every state's economic activity has an ongoing effect on the environment, people, different things, etc. This effect is linked to the emergence of externalities, or external effects. However, regrettably, when it comes to the environment, the majority of the effects on it are caused by unfavourable external factors like trash, biosphere pollution, landscape damage, and so forth.

Overall, the current economic mechanism for environmental protection is a well-organized system with well-defined "blocks-nodes". Figure 1

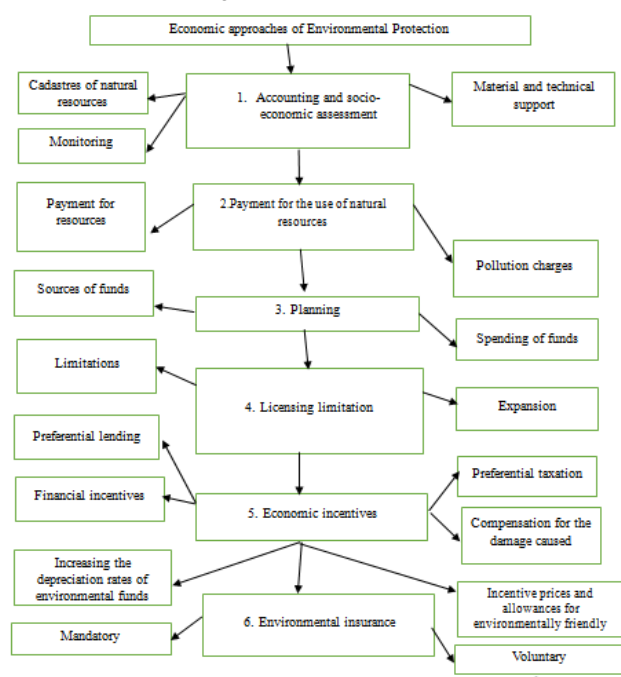


Fig. 1: Components of the economic mechanism for regulating environmental protection measures

Let's move on to the description of economic mechanisms for environmental protection. Table 1 presents the main mechanisms with a description of their actions.

Table 1: The main economic approaches for environmental protection

Economic Approaches	Description
Environmental taxes	<p>Taxes imposed on companies that pollute the environment to incentivize them to reduce emissions and promote cleaner production. There are various environmental taxes in India, such as:</p> <p>Green tax This tax, which is assessed on automobiles according to their size, is also referred to as the Environmental Compensation Charge (ECC). States have different rates, and some impose greater tariffs on cars that are driven through more polluting areas.</p> <p>Duties on imported goods Imported goods with a sizable amount of non-ecological energy are subject to these tariffs.</p> <p>Severance taxes The extraction of forestry, energy, and mineral goods is subject to these levies.</p> <p>License fees These are charged for the activities like camping, hiking, fishing, and hunting in addition to the related gear.</p> <p>Specific taxes These levies are applied to products and technology that significantly harm the environment.</p> <p>Waste disposal taxes The collection of garbage is subject to these taxes.</p> <p>Steering taxes Pollution, hazardous waste, and effluents are all subject to these charges.</p> <p>Site fee taxes The unimproved land is subject to these taxes.</p>
Emissions trading	A market-based system where companies can buy and sell permits for the right to emit pollutants. This creates a financial incentive for companies to reduce emissions as those who emit less can sell their unused permits to those who need them.
Subsidies	Financial incentives provided to companies or individuals that engage in environmentally friendly practices or use eco friendly technologies.
Environmental fees	Fees charged to companies for using natural resources or producing waste. This incentivizes companies to reduce resource use and waste generation.
Deposit-refund systems	A system where consumers pay a deposit on a product and receive a refund when they return the product for recycling. This incentivizes consumers to recycle and promotes the circular economy.
Green bonds	Bonds issued to finance environmentally sustainable projects such as renewable energy or green infrastructure.
Tradable permits	Similar to emissions trading, tradable permits are used to control pollution. However, instead of purchasing the right to emit a certain amount of pollution, companies purchase the right to extract a certain amount of natural resources.
Pollution control equipment subsidies	Subsidies provided to companies to install pollution control equipment to reduce their emissions.
Environmental audit	A review of a company's operations to identify opportunities for reducing environmental impacts and improving resource efficiency.
Environmental impact assessment	A study of the potential environmental impacts of a proposed project or development, including measures to mitigate or prevent any negative impacts.

Market-based, command-and-control, and hybrid mechanisms are the three primary categories of economic mechanisms for managing nature [12–15].

Market-based mechanisms entrust environmental protection to the market. Emissions trading, in which businesses are permitted to purchase and sell licenses for the ability to emit pollutants, is one instance of a market-based system. This mechanism's concept is to encourage emission reduction by allowing low-emission companies to sell their licenses to high-emission companies. Environmental taxes are another illustration, where businesses pay taxes according to the impact they have on the environment. Because it would save them money, the theory is that this will incentivize businesses to adopt more ecologically friendly practices.

Government rules known as command-and-control mechanisms are used to limit the environmental impact of businesses. A cap on the quantity of pollutants a business is permitted to emit is one example. Companies are subject to fines and other penalties if they do not comply with the government-imposed restriction. The mandate to employ specific equipment or technologies in order to lessen environmental effect is another example. Market-based and command-and-control systems are combined in mixed mechanisms. A government might, for instance, impose a cap on the quantity of pollutants that a business is permitted to emit, but it might also let businesses exchange licenses for the ability to emit. This combination allows businesses to control their environmental effect while maintaining flexibility [6].

In conclusion, command-and-control mechanisms employ laws to directly govern environmental damage, whereas market-based mechanisms rely on the market to incentivize businesses to lessen their environmental impact. Combining the two strategies, mixed mechanisms give businesses flexibility while controlling their environmental impact.

Tools for Environmental and Economic Regulation

The effects of human activity on the environment can be controlled by a variety of economic and environmental regulatory instruments. The two primary types of these tools are legal and financial. Subsidies, grants, taxes, and fees are examples of financial instruments. The purpose of taxes and fees is to deter certain actions that harm the environment, including pollution. Conversely, incentives and subsidies are meant to encourage actions that benefit the environment, such switching to renewable energy sources [7].

Permits, licenses, and guidelines are examples of legal tools. To manage the effects of human activity on the environment, regulations are implemented. Companies that are permitted to engage in specific activities, like mining or construction, are granted permits and licenses, which are meant to make sure that these activities are conducted in a way that has the least possible negative environmental impact.

To educate individuals about the effects of their actions on the environment and motivate them to adopt more environmentally friendly behaviours, other tactics include education and public awareness campaigns. Measurement of the effects of human activity on the environment and identification of opportunities for improvement can also be accomplished through environmental audits and assessments [3, 5].

To summarize, the instruments utilized for environmental and economic regulation encompass monetary instruments like taxes and subsidies, legal instruments like permits and regulations, and other resources like public awareness and education campaigns, environmental audits, and assessments. It is feasible to control the effects of human activity on the environment and support sustainable economic growth by utilizing these technologies strategically and cooperatively.

Furthermore, three types of instruments of economic and environmental regulation can be distinguished:

Incentive measures, Coercive measures, and Compensatory measures:

- **Incentive measures**, sometimes referred to as the "carrot method," comprise the following: preferential taxation of environmentally friendly products, preferential lending and project subsidies, subsidies for buying environmentally friendly equipment, accelerated depreciation of environmentally friendly equipment, and bonuses based on environmental activity outcomes
- **Coercive measures**, also known as the "whip method," which include taxes on "non-ecological" products, payments for natural resources, pollutant emissions, waste disposal, fines for breaking environmental laws, and a reduction in subsidies for industries that are not environmentally friendly or nature-intensive.
- **Compensatory Strategies** include establishing environmental funds, environmental insurance, and making up for damages incurred.

Conclusion

The efficacy of economic regulation of environmental protection is impeded by multiple problems. One of the primary issues is the ineffectiveness of environmental policy implementation caused by the lack of cooperation across various regulatory authorities. The public's and businesses' lack of knowledge and comprehension of the significance of environmental protection is another problem.

More education and awareness initiatives to raise eco-consciousness are required, as well as improved coordination and collaboration between regulatory organizations and stakeholders, to address these issues. Creating a single, centralized organization with the power to efficiently implement and oversee regulations pertaining to the environment is one way to solve the problem.

Introducing financial incentives to promote ecologically sustainable behaviour, such as taxes and subsidies, is an additional option. For example, providing tax incentives to corporations who invest in environmentally friendly technologies and levying fines on those who disobey environmental laws. Effective environmental protection regulation can also be achieved by supporting the growth of eco-friendly companies through public-private partnerships and by giving financial assistance to small and medium-sized businesses that implement sustainable practices.

To achieve efficient economic regulation of environmental protection, a complete strategy comprising financial incentives, awareness-raising initiatives, and well-coordinated regulation and enforcement is required.

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