International Journal of Advanced Research in Commerce, Management &Social Science (IJARCMSS)
ISSN :2581-7930, Impact Factor : 6.809, Volume 06, No. 01(I), January-March, 2023, pp 63-68

AN OVERVIEW OF ENVIRONMENTAL ACCOUNTING AND REPORTING IN INDIA

Dr. Ritu Sharma*

ABSTRACT

Globally, the environment is evolving into a far more critical economic, social, and political issue. The environment has emerged as one of the most important facets of social responsibility. Since corporate environmental externalities have grown at an alarming rate, it is imperative to implement efficient environmental protection measures. As a result, a large number of associations and organizations recognised the urgency of the situation and began to promote and preserve this cause. Today, environmental awareness and the need for accounting for it are expanding at a dangerous rate. An innovative and brand-new subfield of accounting called environmental accounting was created as a result of the concern for environmental responsibility and the development of a sustainable industrial economy. Clarifying the environmental effects brought on by the procurement and processing of materials, manufacture, sales, distribution, usage, maintenance, and disposal can help environmental accounting more precisely determine genuine costs. It can assist businesses and organizations in creating cutting-edge solutions to modify resource use, get rid of resource limitations, satisfy regulatory standards, and avert ecological problems. Green accounting, often known as environmental accounting, is a relatively young but rapidly expanding field of study that tries to account for the sustainability of the environment. The field of environmental accounting is currently emerging in India. Even while Indian businesses abide by the laws and rules pertaining to environmental preservation, no clear-cut policies have yet been established at the national, state, or even company levels to guarantee the degree of compliance with environmental standards. The goal of the current study is to provide a general review of environmental accounting and reporting in India. The report also seeks to pinpoint several environmental accounting practices in India's shortfalls and offer fixes. The study also concentrates on the key environmental criteria that Indian corporations reported as part of their environmental reporting procedure.

Keywords: *Environmental Accounting, Green Accounting.*

Introduction

Environmental resources that are a gift from nature rather than human creation are priceless natural resources for nations like India. Natural and environmental resources are directly tied to all forms of development. Economic growth without regard for the environment causes an environmental crisis and lowers the standard of living for both the present and future generations. Two significant byproducts of development are environmental damage and pollution. As a result, environmental responsibility is evolving into a grave global problem. All emerging nations, including India, are focusing on creating their "green economies" in order to promote social justice and human well-being, as well as to reduce environmental dangers and ecological shortages. Naturally, as corporate sectors around the world, particularly in India, grow concerned about environmental deterioration, more and more weight will be

* Assistant Professor (ABST), Department of Commerce, S.S.G. Pareek P.G. Girls College, Jaipur, Rajasthan, India.

placed on how environmentally friendly the results are. It has become more vital to keep track of such environmental and natural resources in the nation. Understanding how the natural environment affects the economy can be done with the help of environmental accounting. Environmental accounts offer information that highlights both the expenses associated with pollution or resource degradation as well as the value of natural resources to economic well-being. Business establishments utilize a variety of natural resources to conduct operations without interruption. The industries should concentrate on and put aside a portion of their resources for ecological balance and environmental conservation. Therefore, it is expected of corporate enterprises to take into account the use of substances that might harm the environment.

India is still in the process of developing and is concentrating on a number of factors, one of which is environmental awareness. What's more is that sufficient proof must be had by keeping a proper account of the environment in order to raise environmental awareness. There are other words that can be used in place of environmental accounting, including integrated accounting, resource accounting, and green accounting. The phrase "Environmental Accounting" was first used in the 1980s by Professor Peter Wood. Green accounting, also known as environmental accounting, focuses on keeping accounting records for the benefit of the environment. Due to its expanding relevance and importance, it is a completely new component of accounting. Green accounting refers to business accounting procedures that are capable of accounting for environmental costs, benefits, and repercussions. The term "green accounting" refers to the collection of data that connects environmental factors to financial factors of the business and has a long-term effect on the organization's economic and environmental policies.

Objectives of the Study

The objectives of the study are as follows:

- To study the idea of Environmental Accounting.
- To research the Environmental accounting practices in India.
- To comprehend the stages of environmental accounting and know about the various legislation applicable to environmental protection.

Research Methodology

Type of Research: Descriptive/Expressive Research

The collection of data consists of a secondary method of data collection. The secondary data is collected from most of the research papers, journals and articles on the concerned topic.

Literature Review

Pramanik (2002) claims that environmental accounting entails identifying, measuring, and allocating environmental expenses, incorporating these costs into operations, identifying environmental liabilities, and communicating outcomes to stakeholders as part of the company's financial statements. According to Qureshi (2012), green accounting is a part of the corporate strategy that aims to provide the necessary performance reports and acknowledge the many abilities for measuring, gathering, and analyzing the necessary data. Stakeholder theory, legality, and eco-efficient policies have all been studied by Iqbal et al. (2013) in relation to the impact of environmental accounting application, environmental performance, and environmental disclosure. This supports the idea that environmental accounting applications have an impact on the disclosure of environmental information, the value of the company as a whole, and the impact of environmental performance on that disclosure. A project by Ramesh.L. (December 2013) looked at the environmental accounting practices in a few Indian companies and attempted to analyze the measurement, recognition, and measurement of environmental costs. The biggest drawback is how challenging it is to precisely calculate the company's environmental expenses and advantages. Consequently, their inclusion of accounts is a significant risk. This study demonstrates that most businesses are aware of environmental concerns and legal responsibilities for disclosure. However, few businesses actually do it. Furthermore, several tendencies have been noticed, such as the fact that big businesses reveal more information than little businesses. Additionally, the corporation discloses in a descriptive manner rather than using quantitative words. According to Solanki (2016), "Green Accounting" is a developing field that detects resource consumption, measures it, and communicates the environmental costs and impacts of an organization or the overall national economy. Dr. Rabindra Kumar Swain, Roji Kanungo, and Sakti Ranjan Dash (2017), makes an effort to investigate the theoretical underpinnings of corporate environmental reporting and its legal context. As GRI is a widely used standard in the corporate world, it also looks at how consistently Indian corporations disclose environmental factors. Additionally, it makes an effort to determine the degree of environmental disclosure made by representative companies in accordance with GRI principles. Dr. C. Sengottuvel (2018), Identification, measurement, allocation, and integration of environmental expenses into corporate operations are all included in environment accounting, as is the means of informing stakeholders about these costs. In this regard, it is an all-encompassing strategy to guarantee excellent corporate governance, which incorporates openness in its societal actions. Performance falls short of expectations due to a number of forms' irreverent attitudes toward environmental accounting. Ramesh and Madegoda's (2019) investigation of academics' and experts' perspectives on potential environmental accounting and practise topics. The authorities in India have only sometimes issued suggestions and guidelines. Nevertheless, the standards in place today are insufficient, necessitating a larger diversity in environmental accounting and disclosure procedures. According to N Navya and Yamini Apoorva, environmental accounting aids in decision-making, and if India effectively adopts it, it may begin expanding more quickly. Additionally, the government must make changes in this area and ensure that all rules and regulations are being met.

Environmental Accounting Practice in India

- In 1991, the first announcement relating to this green accounting was made.
- According to a proposal made by the Ministry of Environment and Forests, "Every company shall, in the Report of its Board of Directors, disclose briefly the particulars of steps taken or proposed to be taken towards the adoption of clean technologies for prevention of pollution, waste minimization, waste recycling and utilization, pollution control measures, investment in environmental protection, and impact of these measures on waste reduction, water and other resources conservation."
- To prepare environmental statements, the Union Ministry of Environment and Forests has issued a number of directives.
- Every new project in the nation must obtain environmental approval from the relevant State Government department of the environment as well as the Union Ministry of Environment and Forests. There are several regulations in this area, and before any such projects are actually implemented, they must acquire environmental and anti-pollution clearance.

  Through their accounts, it can be seen that the following information is primarily disclosed.

  - Pollution-control equipment fitted
  - Measures taken to conserve energy.
  - Best possible resource use.
  - Waste decomposition procedures.
  - Measures taken to raise the product's caliber.
  - The concerned industry is required to include information in this environmental statement on:
  - Water and raw material consumption.
  - Pollution was produced
  - How pollution control measures affect natural resource preservation.
  - The types of hazardous and solid wastes generated and the disposal techniques used
  - Environmental protection steps taken.
  - Measures taken to increase corporate sector awareness of the advantages of environmental accounting and reporting.

India has very little environmental or green accounting or monitoring. There are no fundamental laws governing environmental costs and obligations, with the exception of the Companies Act of 2013, which permits businesses to investigate opportunities for resource sustainability and environmental protection. The Ministry of Corporate Affairs produced National Voluntary Guidelines on Social, Environmental, and Economic Responsibilities of Business in 2011 to help corporate social responsibility develop (NVGs). Companies "must provide safe and sustainable goods and services throughout their life cycles," according to NVG Principle 2. The NVGs' Principle 6 outlines the following important components and emphasizes that "enterprise should respect, conserve, and try to reestablish the environment." Key elements are:

- Through the removal, reutilization, recycling, and waste control of garbage, organisations can allow the most effective and efficient use of natural and human capital to preserve the reuse of materials.
- Companies have a responsibility to control and prevent pollution and contamination. They ought to look at the harm done to the environment and give proper consideration to the expense of reducing pollution.
- Their environmental loss will be immediately reduced by using ecologically friendly production techniques, energy-efficient technologies, and a sustainable energy source.
- Organizations will be transparent with stakeholders about their environmental performance, including an assessment of any potential environmental risks associated with their operations.

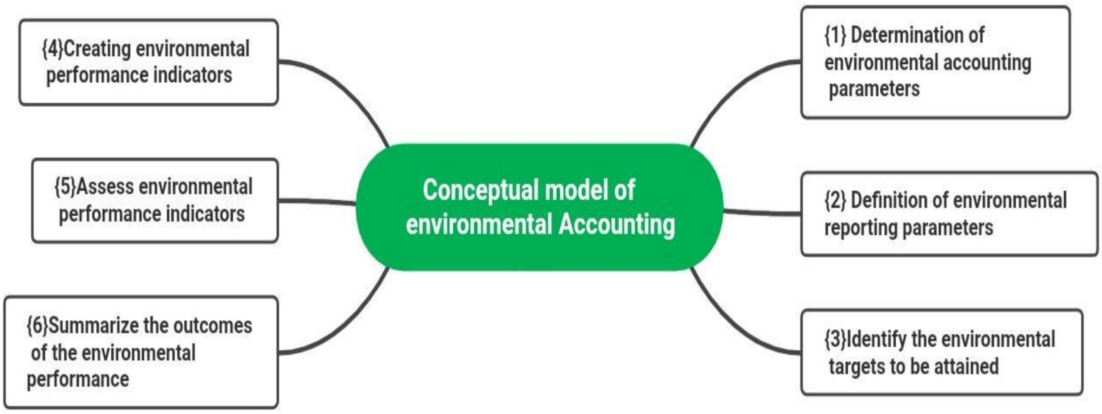
Environmental Protection Laws

According to Article 51A of the Directive Principles of the Indian Constitution, "Every citizen of India shall have the duty to safeguard and improve the natural environment, including forests, lakes, rivers, and animals, and to have compassion for living beings." Acts, rules, and notices are the legislation that support the constitutional requirements. The (Prevention and Control of Pollution) Act of 1974, the Water (Prevention and Control of Pollution) Cess Act of 1977, the Water Biomedical Waste (Management and Handling) Rules of 1998, the Air (Prevention and Control of Pollution) Act of 1981, and the Forest (Conservation) Act of 1980, The Environment (Protection) Act, 1986, Hazardous Waste (Management & Handling) Rules 1989, Municipal Solid Waste (Management and Handling) Rules 2000 etc. are significant laws that have a direct impact on green accounting.

The Indian Penal Code, the National Environment Tribunal Act 1995, the Factories Act 1948, the Public Liability Insurance Act 1991, the Motor Vehicle Act 1991, the Indian Fisheries Act 1987, the Merchant of Shipping Act 1958, the Indian Port Act, the Noise Pollution (Regulation and Control) Rules 2002 (Amendment), the Biological Diversity Act 2002, and other laws have indirect effects on green accounting (Malik & Mittal, 2015).

Conceptual Model of Environmental Accounting in India

The study developed a model that specifies six factors to be included in environmental accounting in order to evaluate the organization's overall environmental efficiency. The purpose of this model is to offer a fresh perspective on the various tasks that businesses must do in order to facilitate environmental accounting and reporting. According to Minimol & Makesh (2014), there are a few stages in India's adoption of green accounting practices. They claim that the following actions are required to implement green accounting practises in India:



- **Determination of Environmental Accounting Parameters:** Organizations first determine their respective environmental reporting parameters, such as environmental policy, health, safety, and environment, energy conservation, corporate sustainability/environmental initiatives, sustainability reporting, waste management, water management, wind and renewable energy sources, environmental information system, environmental disclosure practices, environmental targets, environmental reporting indicators, and environmental costs and benefits.

- **Definition of Environmental Reporting Parameters:** Secondly, organizations describe each parameter's operational significance in detail before attempting to measure the environmental performances over the long term.
- **Identify the Environmental Targets to be Attained:** Here, try to create the environmental targets that must be attained throughout the course of both the short- and long-term.
- **Creating environmental performance indicators:** Organizations must create indicators for evaluating their environmental performance in the fourth step, including a framework for environmental policy, standards for health and safety, energy-saving techniques, waste management programmes, and water management regulations.
- **Assess Environmental Performance Indicators:** In this phase, firms must assess their actual environmental performance in relation to specified standard performance indicators. Quantitative or qualitative measurements are both acceptable. Indicators like the environmental policy framework, for instance, must be measured qualitatively, whereas waste management programmes must be measured quantitatively.
- **Summarize the outcomes of the environmental performance:** Last but not least, firms combine their financial and environmental performance to deliver the environmental influence on their financial performance.

Importance of Green Accounting For Business

Companies have realized the advantages of environmental reporting over the last ten years. There was an increase in the quantity of businesses reporting in various methods as a result. Environmental disclosure is quickly understood by early reporters to be more of a governance and strategic concern than a straightforward reporting instrument. Companies are required to comply with country-specific and worldwide reporting requirements, regardless of the reporting medium.

- Negative environmental behavior can have a negative impact on an organization's reputation, which could result in sales being lost as consumers boycott the company's goods. Several countries may levy hefty fines on businesses that cause environmental harm. Additionally, businesses may be required to spend a lot of money cleaning up any pollution for which they are at fault.
- The cost for the business to comply with rising government regulations on environmental issues like pollution has increased.
- Costs can be reduced by altering environmental behavior.
- Businesses have a moral obligation to do their part to lessen the damage they cause to the environment as good corporate citizens.

  It addresses the following three important elements:
  - People
  - Profitability
  - Planet

Additionally, it addresses the expenses and advantages or benefits that an environment offers a corporate organization.

- Sustainable development is the process of addressing present-day needs without compromising those of coming generations.
- Businesses can be aware of how and when to use their resources. They are able to cut back on waste and utility expenditures thanks to it.
- Employees even feel good about working for organizations that consider society rather than just the bottom line.
- Monitoring environmental performance as stakeholders' interest in how businesses affect the environment grows.
- Including management accountants in longer-term strategic planning for matters relating to the environment.

Conclusion

Natural resources provide us with benefits and income, but there is also a cost associated with maintaining them somewhere, leading to a dual aspect that gave rise to environmental accounting. India must decide whether to preserve the environment or simply allow it to be destroyed. The country must not choose between preserving the environment and its economy because the former will inevitably lead to the latter's development. Green accounting must be implemented; simply wanting to do so is insufficient. It is not sufficient to simply understand the value of green accounting; it also has to be put into practise. It is not enough to simply act with urgency; all necessary measures must be taken. The language of business is accounting, and through business, green accounting is the language of the environment. India is now in the early stages of environmental accounting. Companies now create a distinct firm environmental strategy, take action to reduce pollution, follow relevant laws, and adequately disclose environmental issues in annual reports. Environmental accounting and reporting face a number of difficulties, including social values in relevant assumptions, economic value, and a lack of trustworthy industrial data. Due to the fact that it includes both environmental and economic data, environmental accounting is a critical component that cannot be overlooked. Indian economy development would result from the national level adoption of green accounting.

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