

## ENVIRONMENTAL ACCOUNTING IN INDIA: STATUTORY FRAMEWORK

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Dr. Ritu Jain\*

### ABSTRACT

*The Indian business scenario in context of the environment and sustainability is plagued with the lack of clear policies at Central and industry wide level. There is ever increasing demand for regular and reliable environmental reporting in respect of resources and environment. The development in field of cleaner production and pressure from the multilateral agencies and international treaties are putting stress on the enterprise for sustainable use of resources as well as its periodic reporting. Thus a series of steps taken by the Government and some guideline to be followed voluntarily is creating a broad frame work for environment related reporting.*

**KEYWORDS:** *Environmental Accounting, Green Accounting, Environmental Reporting.*

### Introduction

The Gross Domestic Product (GDP) measures the economic activity in the region, State or country. It is often criticized for non inclusion of environmental consequences. Therefore, decision makers opted for a modified model which included accounting for environment (Green Accounting). Green Accounting, alternatively called Environmental accounting tries to infuse environmental considerations into the economic outcomes of the activities.

The stakeholders are exerting pressure on management to have insight on environmental issues and environmental performances (Bennet et al., 2003; Burritt & Schaltegger, 2010; Rodrigue et al., 2013). In search of sustainable organizations Green Accounting is increasing gaining traction (Christ and Burritt, 2015; Schaltegger & Csutora, 2012). The implementation of environmental ethics and use of Green Accounting is being recognized as advantage and branding for many enterprises (Burritt, 2005; Gunarathne & Lee, 2015; Lisi, 2015). The stakeholder's perspective is influenced by the economic, social and environmental impacts of the organization (Smith, 2014).

Environmental Accounting broadly encompass environmental impacts in terms of monetary, qualitative and physical parameters and financial implications of environmental related activities, which aids system for decision making, management reporting and accountability (Schaltegger et al., 2003). The above benchmark environmental performance strictly depends on the commitment of top management, planning process integrating environment issue with corporate goals.

### Environmental Accounting and Reporting In Indian Companies

The large industries having significant environmental aspect were required to obtain industrial licence from the government. Over the year with reduction in number of such industries requiring industrial licence, the environmental clearance started taking root for such industries.

The Ministry of Environment & Forest, Government of India came into existence in 1986, subsequent to the Bhopal accident. The Ministry notified Environment (Protection) Act 1986. First Environment Impact Assessment notification came into existence on 24<sup>th</sup> January 1994.

Apart from these various Acts, Rules and notifications, either directly or indirectly deals with the issues related with the environment, pollution, waste and sustainability. The legislations directly related with the protection of environment are:

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\* Assistant Professor, Kanoria PG Mahila Mahavidyalaya, Jaipur, Rajasthan, India.

- Water (Prevention & Control of Pollution) Act 1974
- Air (Prevention & Control of Pollution) Act 1981
- Forest (Conservation) Act 1980
- Environment (Protection ) Act 1986
- Environment Impact Assessment Notification 2006
- Other statutes containing some aspects of the Environment as applicable are:
  - Article 51 A of the Constitution of India
  - The Factories Act 1948
  - The Code of Criminal Procedure , 1973
  - The Wild life (Protection) Act 1972
  - The Motor Vehicle Act 1988
  - The Public Liability Insurance Act 1991
  - Noise Pollution (Regulation and Control) Rules, 2000
  - The National Green Tribunal Act 2010
  - The Dock Workers (Safety, Health and Welfare) Act, 1986
  - Hazardous & Other Wastes (Management & Trans-boundary Movement) rules 2016
  - E-Waste (management) Rules 2016
  - Bio-Medical Waste Management Rules 2016
  - Plastic Waste Management rules 2016
  - Construction & demolition Waste Management Rules 2016
  - The Chemical Accidents (Emergency Planning, Preparedness and Response) Rules, 1996
  - Manufacture, Storage and Import of Hazardous Chemical Rules, 1989

#### **Environmental Accounting Practices in Indian Companies**

The Environmental accounting is in infant stage in India. The disclosures related with the waste, environment is done on periodic basis. Government of India, Ministry of Environment proposed "*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 on environmental protection and impact of these measures on waste reduction, water and other resources conservation.*" This was not accepted by the various stake holders.

Subsequently the Ministry of Environment & Forest in 1992 notified that *Every person carrying on an industry, operation or process requiring consent under Water (Prevention and Control of Pollution) Act, 1974 or under the Air (Prevention and Control of Pollution) Act, 1981 or authorization under the Hazardous Wastes (Management and Handling) Rules, 1989 shall submit an environmental statement for the financial year to the concerned State Pollution Control Board.*"

Securities and Exchange Commission of India, for listed companies, mandate report on Environmental, Social and Governance initiatives from them, under its voluntary Guidelines. The disclosures related with environmental issues are not simple as it seems but are more of governance issue (Parker, 1997).

The Companies Act 2013 also asked for the commitment towards Corporate Social Responsibility from certain class of business entities. It has been made mandatory for the companies with net worth Rs 500 crores or turnover of Rs 1000 crores or net income in excess of Rs 5 crores to spend a certain portion of profit on CSR activities which also includes environment and sustainability. Act further provides that the companies are to make more disclosures on conservation of energy and environmental protection besides Company's general state of affair and financial performance.

The environment related rules with specific reference to the specific type of the wastes such as hazardous waste, bio-medical waste, electronic waste sought annual reports about the generation, utilization and disposal of these waste. However, the reporting is done but the reliability of reporting and availability of the data is putting question marks.

### Limitations in Environmental Accounting Practices in Indian Companies

Although the Environmental accounting gaining traction with nudges & pushes, however suffers due to various limitations some of which are:

- Lack of economic value to environment & its components.
- Lack of standardized methods for estimating social values of environmental goods & services
- Fast obsolescence of social value estimates of goods & services of environment.
- Lack of accounting standards for environmental accounting
- Except for a small a small number of entities, there is no legal obligation for environmental accounting
- Lack of reliable industry data.

Environmental accounting is an essential facet of environmental reporting. It delineate information related to cost incurred because of environmental pollution and resource degradation. However the challenge is the nonexistence of principles for evaluating environmental aspect.

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