



CORPORATE ENVIRONMENTAL ACCOUNTING AND DISCLOSURES IN INDIA

Fahad P.¹ and Dr. Nidheesh K. B.²

¹Research Scholar, Department of Commerce, Pondicherry University, Puducherry.

²Assistant Professor, Department of Commerce, Pondicherry University, Puducherry.

ABSTRACT

Over the last few years, Pollution on environment becomes endemic and the stakeholders are considerably worried about the issue which paved the way for the growing concern about the implementation of environmental accounting. Still, there exists a lacuna in the adoption of the environmental accounting practices by the corporate as the policy makers cannot come to an accord regarding the conceptual framework of environmental accounting and reporting. Therefore, it is not mandatory for the corporate to disclose the environmental related cost and benefits except with respect to certain industries. In India, such disclosures are of voluntary nature and are guided by corporate social responsibility norms. In this paper, an attempt is made to discuss the theoretical foundation of environmental accounting and reporting practices in India. Environmental accounting and awareness have given more important as it is the need of the day.



KEYWORDS : Environmental Accounting, Environmental Policy, Environmental Reporting.

INTRODUCTION

In recent years, the adverse environmental consequence of economic progress has become a buzzword and a subject of great public concern across the globe. In the past three decades, there has been a global awakening regarding environmental issues. Countries all over the world have become more concerned to reduce emissions of harmful gases and the manufacturing processes that resulted in toxic substances. The adverse impact of economic development forced people to be aware about the effect such unsustainable developments like pollution, gas emission and take preventive actions to resist themselves such harms, it also attracted deeper studies about the environment by social researchers, particularly at the level of policy formulations.

In the era of liberalization and globalization, rapid industrialization is escalating a tremendous pressure on environment, which has a great impact on all living creatures on this earth. Due to environmental pollution ecological balance has been seriously disturbed. The organizational response to environmental conservation and protection and the role of accounting to environmental management are of huge importance. The purpose of this paper is mainly focused on the theoretical foundation of environmental accounting and reporting practices with special reference to India. The study have been taken with an overall objective of finding how environmental accounting contribute towards a better business environment for tomorrow

REVIEW OF LITERATURE

The proposed study on environmental accounting and reporting has attracted attention of academicians and researchers who have written a number of articles and papers on several aspects on this important issue. But an in-depth and comprehensive study on the performance of Indian companies on this subject is found very limited. Most of the researches and articles are found stereotyped. Sengupta (1988) attempted to examine the current trend in pollution control information disclosure of Indian and foreign companies whose operations caused pollution. He found that the information regarding their pollution control measures reported in any one of the following six places of annual reports namely Chairman's statement, President's letter to stockholders, Director's Report, notes to financial statements, social accounts and the supplements to annual reports. The information disclosed in annual reports was mostly descriptive and quantitative in nature.

The companies generally disclosed descriptive information in the Director's report. Shankaranayana (1999) in his article, attempted to discuss the importance of eco-accounting for strategic managerial decision. In this respect, eco-accounting methodology for recording and reporting through Eco Balance Sheet has been discussed and how managerial decision may be based on eco-accounting has been presented. Mazi (2000) explained the hindrances to response to environmentalism. The mechanics of environmental reporting have also been discussed in his paper titled: Environmental Accounting and Reporting- An Emerging Issue. He commented "In the absence of specific guidelines regarding its accounting and reporting, some accounting approaches devised by the UN in the SEEA have been presented, and also the treatment of different elements of environmental costs in accounts is shown. Till now, in India, neither company law nor accounting standards prescribe any accounting and disclosure techniques for environmental matters in the corporate financial statements and as a result of this only a few companies have voluntarily disclosed EI and that too only descriptive and positive information. In 2001, Ansari discussed environmental costs and liabilities with its recognition and measurement in accounting briefly. International and Indian scene of environmental accounting and reporting had been also discussed in this article. The author concluded that the corporate environmental accounting and reporting was misleading in the absence of any International and/or Indian Accounting Standard on this issue and therefore an effective corporate environmental accounting and reporting system should be introduced. The same Ghosh attempted to focus on disclosure requirements and disclosure practices of environmental information in corporate annual reports in India. She observed that the sample companies were complying with the requirements of regulatory disclosure together with voluntary environmental information in number of cases.

Baura and Gautam analyzed environmental accounting effectiveness of twenty five companies for the period of 2001-02. The analysis showed that only forty-eight percent companies provided information concerning environment in their annual report. The corporate world was fully aware about the environmental issues and the requirements of environmental reporting. The corporate executives also expressed their positive attitude regarding environmental reporting. However, this view did not reflected in their annual reports. And most of the reporting was very poor having a little information about environmental impact, Padhan and Bal (2002). Sanjeevaiah (2002) in his paper, tried to draw attention on some specific issues on environmental accounting. He concluded "Environmental accounting would receive a substantial boost if an international consensus could be reached on methodology". Sarkar (2005) in his article depicted to highlight the effect of greenhouse gas emission on environment and focused on economic implication in the perspective of global emission level. He also observed the international agreements on greenhouse gas regulation as well as valuation approaches in the perspective of global climate change as environmental threats.

The study have been taken with an overall objective of finding how environmental accounting contribute towards a better business environment for tomorrow and To understand the developments and concepts of environmental accounting, also to Study the Need and Importance of Environmental Accounting in India. This theoretical paper studies the influence of environmental accounting in building a good business

environment using secondary data collected from the internet, newspaper, magazines and various research papers.

DEVELOPMENT AND CONCEPTS OF ENVIRONMENTAL ACCOUNTING

The main ecological records were developed in a few European nations working autonomously of each other. Norway was one of the first. Affected by the distribution of Limits to Growth (Meadows et al. 1972) and a prospering natural development, Norwegian authorities were worried that their regular assets, on which their economy is moderately reliant contrasted and other European nations, would run out. They, consequently created records to track utilization of their timberlands, fisheries, vitality, and land. In the 1980s, they created represents air toxin emanations, which were firmly fixing to the vitality accounts. The vitality records were coordinated into models utilized for macroeconomic arranging, mulling over the parts of asset based segments in monetary development. The Netherlands was additionally a pioneer in the advancement and appropriation of natural bookkeeping. Dutch enthusiasm for this zone started with the work of Roefie Hueting, who created and looked to actualize a measure of maintainable national salary that would take into record the corruption and exhaustion of natural resources coming about because of financial movement.

In spite of the fact that his approach was not executed around then, his work drove the national pay bookkeepers to build up the national records framework including ecological accounts (NAMEA), which expands on segments of the national pay accounts by including physical information on toxin outflows by segment. The NAMEA approach has been received by Eurostat, executed in numerous other European nations, and coordinated into the ecological bookkeeping strategies created. France was a third early adopter of ecological bookkeeping. In the 1980s, it started building up an approach named the Comptes du patrimoine, or patrimony accounts. These included a coordinated framework organized around three unmistakable, however connected units of examination. To start with regular, social, and chronicled assets were to be measured in physical terms and their stocks and streams measured. Second, spots were to be sorted out into geographic accounts, giving physical information about resources composed by area and by natural and land attributes. Third, individuals and foundations were to be portrayed in both physical and financial terms in specialist accounts, which were to be connected to information about how and where each specialist utilized assets. Bits of this framework were developed, especially those concentrated on woods and water, however its many-sided quality made it hard to execute completely (Hecht 2000).

Environment may be broadly understood to mean our surroundings. The environment is something that makes up our surroundings and affects our ability to live on the earth. 'Environment' refers to the sum total of conditions which surround man at a given point in space and time. Environment is a set of external conditions including land, air, water, animals and plants particularly those which affect and influence the lives and activities of living things. An environmental impact is an impact (favorable or adverse) made by the organization on the environment in the sphere of natural, social and economic aspect. Environmental impact refers to the biophysical, social and other relevant effects on the environment by the economic activities carried on by an organization. Environmental impact assessment can prevent, limit, or require liability or insurance coverage based on its likely harms on the environment.

NEED FOR ENVIRONMENTAL ACCOUNTING

Ecological costs are one of the wide range of sorts of costs, organizations cause as they give merchandise and ventures to their clients. Natural execution is one of the numerous essential measures of business achievement. Natural expenses and execution merit administration consideration for the accompanying reasons.

- Numerous natural expenses can be altogether decreased or dispensed with as an aftereffect of business choices, running from operational and housekeeping changes, to interest in "greener" process

innovation, to overhaul of procedures/items. Numerous ecological costs (e.g., squandered crude materials) may give no additional esteem to a procedure, framework, or item.

- Environmental costs (and, thus, potential cost savings) may be obscured in overhead accounts or Overlooked otherwise
- Many organizations have found that natural expenses can be counterbalanced by creating incomes through offer of waste, by-items or transferable contamination recompenses, or permitting of clean innovations, for instance.
- Better management of environmental costs can result in improved environmental performance and significant benefits to human health as well as business success.
- Understanding the ecological expenses and execution of procedures and items can advance more exact costing and estimating of items and can help organizations in the outline of all the more naturally best procedures, items, and administrations for the future.
- Competitive advantage with customers can result from processes, products, and services that can be demonstrated to be environmentally preferable.

ROLE OF ENVIRONMENTAL ACCOUNTING AND REPORTING

Conventional accounting fails to include environment related costs into account and thereby provides inappropriate information for decision making. The limitations of this conventional method are:

Firstly, this method fails to identify location and size of environmental cost generated from corporate activities as this cost is treated as indirect cost. In conventional accounting environmental cost is not properly measured and subsequently the decisions taken by the management on the basis of this information is not appropriate one. Environmental costs and benefits may be over looked or hidden in overhead accounts. Product pricing is also made on the basis of this distorted information.

Secondly, conventional accounting rules involve a serious risk of not internalizing external cost for instance air, water, or soil pollutions by production activities are not reflected in production cost. However, environmental externality of an enterprise is ultimately converted into future environmental liability and risk due to the stringent international and domestic environmental regulations.

Thirdly, conventional accounting system fails to satisfy the different stakeholders need for information on environmental activity and performance of an enterprise. Considering the above limitations environmental issues need to be integrated into corporate accounting for better results. Accounting for environmental costs and benefits ensures the attainment of environmental sustainability objective and at the same time it can also support the more efficient use of resources and boost productivity as well as bottom line profitability. Environmental accounting is one of the core tools of environmental management. It is an efficient tool for improvement of economic and environmental performance of an enterprise. It helps in improving efficient communication and relationship with various stakeholders. The need for environmental accounting can be discussed as follows:

- Environmental accounting supplies useful environment related information for different internal and external stakeholders for their decision making purpose. A better project appraisal and investment analysis is possible by inclusion of potential environmental costs in conventional accounts.
- A better management of environmental cost is possible.
- Significant reduction or elimination of environmental costs is Possible through environmental thinking. Reduction of costs is also possible through energy and resource conservation by adopting proper accounting method.
- Enterprises may be able to exploit a competitive advantage as customers may prefer environmentally friendly products and services. Competitive advantage may be also enjoyed by minimizing environmental impacts through improved design of products, packages, and processes.
- It helps management for better strategic decision making like continuing or abandoning a particular product or process.

CONCLUSION

Environmental accounting is the association of several disciplines like economics, Accounting, Philosophy, Psychology and Management. At present the practice of Environmental accounting are partial, so a revolutionary change is needed in the area of environmental accounting and reporting which makes both losses and gains to the environment. For that Technological advancement must be used for developing credible valuation procedure for environment. It is the role of economist, Accountant and other discipline to invent new measurement technique .Voluntary Environmental reporting must be systematized and to become mandatory for all business concern. Ethical issues also needed to be incorporated in accounting procedure.

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