



## Environmental Accounting Practices in Indian Industries: A Conceptual Study

Dr. Devarajappa S  
Assistant Professor  
Department of Commerce  
University College of Arts  
Tumkur University,  
Tumakuru-572103, Karnataka  
[devutta@gmail.com](mailto:devutta@gmail.com)

### ABSTRACT

The main aim of the present paper is to explore the conceptual framework of the environmental accounting in Indian Industries and their reporting practices. For this purpose, the required information has been collected through secondary data and study reveals that, the concept of environmental accounting introduces new dimensions and new problems. There is not generally accepted concept of environmental responsibility of business enterprises. Environmental accounting and reporting is still in a transitional stage and no standard norms have measuring reporting and evaluating the environmental performance of a corporate enterprise. Most of the companies in India are not still aware of environmental issues and found proper place in the Directors report for providing environmental information to their stakeholders as there is no compulsion for it

**Keywords: Environment, Accounting, Reporting, Industries**

### Introduction:

God created the environment, but environment is the creator of a business corporation. It is not only creator of Business Corporation, but also provider of Business Corporation, because it provides required resources to Business Corporation. In the present days, the role business in society is changing dramatically. An increasing in our society is that business managers are made increasingly responsible for consequential, social and environmental impacts. Some special kinds of environmental issues are as follows; Cost of air pollution, Cost of water pollution, Cost of ecological degradation due to deforestation, Cost of recreation, Cost of Gifts of nature.

Environment is a very wide term which includes everything in all its manifest forms, on the earth, beneath the earth and above the earth. The natural resources of a nation

like water air, minerals, forests etc affect the business activities of every enterprise. Similarly, the functioning activities of an enterprise has some favorable and some adverse effects on the environment. Hence there is a need for maintaining accounts of the effects of the activities of business entity on the environment and on natural resources. Environmental accounting is a faithful attempt to identify and bring to light the resources exhausted and the costs rendered reciprocally to the environment by a business corporation.

Environmental accounting is entirely a new concept. It is a method of recording environmental elements. It includes the valuation of natural resources, measuring the income there from, keeping records of the costs relating to them, estimating their quantities and providing depreciation on them. Accounting and disclosure of environmental matters have been rapidly emerging as an important dimension of corporate reporting. Of course, environmental accounting is still at an early stage of evolution and it is being groomed under the voluntary leadership of a variety of enterprises around the world. It is also helpful for measuring industrial development and social welfare and the fulfillment of social responsibilities by companies.

#### **REVIEW OF LITERATURE:**

**Neetu Prakash (2016)**, studied that, Environmental Accounting in India- A Survey of selected Indian Industries. The study is based on identification of annual reports of eighty-five Indian companies and shows that Indian Companies are disclosing environmental accounting on a voluntary basis with in a positive manner only. Finally, the study also highlights the some suggestions for the encouragement of environmental accounting in India, which concludes that, In India, there is no legal compulsion on the corporate' part to account and report for the environmental issues that's why companies are disclosing environmental matters on a voluntary basis with in a positive manner only. Thus, there is need to popularize the benefits of environmental reporting among the industrial's community.

**Bharti Manglani (2016)**; in the study on environmental accounting practices in Indian units, made an attempts to address the development of corporate level environmental accounting and the problems associated with that. The study is under taken considering the environmental accounting and reporting adopted by sample companies in India, Corporate reporting is one of important vehicle for the corporate bodies to communicate with external world. With the increases of the complexities of the business world the role of information has been gradually increasing for making economic decision. It is also recognized fact that due to increase in level of environmental awareness of stakeholders environmental reporting now becomes a part of financial reporting. But after the study of sampling units, it can be concluded that, though environment reporting has been developed in corporate reporting in India, It is found to be lack of comparability and verifiability, the basic characteristics of accounting information.

**Alok Kumar Praminik et. al (2008)**;examined the environmental accounting and reporting with special reference to India, which covers the theoretical foundation of the environmental accounting and reporting is discussed with special reference to india. Finally the paper reveals that, In India Level of environmental related disclosures in the corporate annual reports, both financial and non financial is not an encouraging level. Neither the company law or nor the accounting standards guidelines issued by the ICAI prescribed disclosing norms for environmental related matters in the corporate financial statements.

**Anita Shukla & Nidhi Vyas (2013)**; In this paper, the theoretical foundation of environmental accounting and reporting is discussed with special reference to industry like ONGC, BPCL. After the proper research the researcher has felt that the scenario of Environmental accounting practices has not been transformed. Their Environmental Policy shows that they are giving fully efforts for the better protection of environment but on the other hand the research findings doesn't shows the ecological cost , liability , and ecological expenditure .

**Muninarayannappa & Augustin Amaladas (2014)**; The study aims to discuss the significance of environmental accounting in Indian university curriculum. The data required for the study have been collected from primary and various secondary sources. This research is descriptive in nature. Understanding reliable estimates of environmental damages, upstream/downstream costs of pollution, recovery from the market(carbon credit), cost of management activities, research and development costs, costs for social programs and costs for handling environmental damage will help commerce teachers to inculcate knowledge in commerce students and the government to implement the environmental accounting in the near future in India.

**Sonia Kundra (2013)**; studied Environmental Disclosure Practices by Companies in India-A Study of Nifty Companies, which provides an insight into the scenario of green initiatives in Indian Context and also discussed how they report such issues whither on annual report or on their websites or through some other measures, the sample consisted of Nifty Companies and research methodology used content analysis. Therefore, the study concluded that, going green is the new trend in modern business; companies operating in India are also series about this issue and are reporting their green practices. They make it a point that their process if could not contribute anything the environment, it should not even harm it.

#### **OBJECTIVES AND METHODOLOGY OF THE STUDY**

The main objectives of the present study are as follows;

1. To understand the concept of Environmental Accounting.
2. To know how much environmental activities are disclosed by the Indian corporate sector in their published annual reports.
3. To ensure effective and efficient management of natural resources.

Conceptual information and information required for analysis and interpretation of data are gathered by some standard books and articles. The study is mainly based on the secondary data and information collected from the disclosed annual reports and corporate sustainable reports of the respective companies.

#### **AIMS OF ENVIRONMENTAL ACCOUNTING:**

Environmental costs are one of the many different types of costs business incur as they provide goods and services to their customers. Environmental performance is one of the many important measures of business success. Environmental costs and performance deserve management attention for the following reasons:

1. Many environmental costs can be significantly reduced or eliminated as a result of business decisions, ranging from operational and housekeeping changes to investment in “greener” process technology, to redesign of process/products. Many environmental costs(e. g: wasted raw materials) may provide no added values to a process, system as product.
2. Environmental costs (and, thus potential cost savings) may be obscured in overhead accounts as otherwise overlooked.
3. Many companies have discovered that environmental costs can be offset by generating revenues through sale of waste, by products or transferable pollution allowances or licensing of clean technologies for ex.
4. Better management of environmental costs can result in improved environmental performance and significant benefits to human health as well as business success.
5. Understanding the environmental costs and performance of process and product can promote more accurate costing and pricing of products and can aid companies in the design of more environmentally preferable processes, products, and services for the future.
6. Competitive advantage with customers can result from processes, products and services that can be demonstrated to be environment tally performance.
7. Accounting for environmental costs and performance can support a company’s development and operation of an overall environmental management system such a system will soon be a necessity for companies engaged in international trade due to pending international consensus standard ISO 14001, developed by the international organization for standardization.

#### **INNOVATIVE BUSINESS RESPONSES TO ENVIRONMENTAL REGULATION**

There are several reasons why those managing business are becoming increasingly conscious of environmental issues and go a step to convert them to their own advantages.

1. For management morale to have a good environment record and the desire to earn reputation as protectors of the environment.
2. In an era of “Lean Management”, many companies are finding ways and means to cut waste wherever possible. Pollution prevention extends this concept to resources, and firms are finding that they can significantly lower their “end-of-pipe” abatement costs by not creating wastes in the first place. After all, some argue, what is pollution if not wasted resources? “Waste Not, Pollute not” is the pollution prevention mantra in American industries. “Doing it for Mother Earth examines the gains that can be realized in both compliance and profits from pollution prevention programs.
3. The Environmental Protection Act(EPA) has acknowledged the potential gains from pollution prevention as opposed to mere “end –of-pipe” compliance, and recently begun to encourage such practices through the use of voluntary programmers. A break from the traditional strategy of mandating technical abatement solutions, these programs allow industry to use its innovative ability to protect the environment while lowering costs.
4. Business people have realized the advantage of taking a proactive stance towards environmental regulation. Instead of fighting against regulations, some firms are looking beyond mere compliance and improving their environmental performance. There are a variety of innovative business strategies which involving strengthening the firms, bottom line as well as the environment.
5. Industry leaders have also realized the potential for additional benefits from pollution prevention. By incorporating principles of waste reduction into industry led voluntary programs they hope to foster positive public opinion and perhaps forestall inefficient regulations, while enhancing industry wide environment performance.
6. Products may meet regulatory standards when they leave the factory, but may yet cause environmental damage through future use. Changing regulations may create costly burdens for firms that do not examine the life time effects of their products.
7. .To keep their t consumers, who are increasingly environmentally conscious, happy companies change their strategies. There have been several instances where the consumer movement has made companies change their activities and processes from that leading to environment degradation to becoming environment friendly.
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9. Potential savings through pollution prevention measures is another step in this direction. Companies have found that reduction in the use of raw materials and energy and in the amount of toxic waste they produce, could yield savings.
10. The fear of incurring the cost of environmental damage that have risen as regulations have been tightened by governments and Courts of Law, have prompted companies to be eco-friendly.
11. In the past, environmental advocacy groups and government regulators were seen as opponents of business. Now, however, some firms are finding that they can save a lot of effort and trouble, if they work with these groups to find solutions acceptable to all stakeholders.

**CONCLUSION:**The concept of environmental accounting introduces new dimensions and new problems. There is not generally accepted concept of environmental responsibility of business enterprises. Environmental accounting and reporting is still in a transitional stage and no standard norms have measuring reporting and evaluating the environmental performance of a corporate enterprise. Most of the companies in India are not still aware of environmental issues and found proper place in the Directors report for providing environmental information to their stakeholders as there is no compulsion for it.

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