Legal Framework for Environmental Accounting in India

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ABSTRACT

Every business has an intervening accountability to make the fullest possible use of its resources both human and material. An enterprise is a corporate civilian. Like a civilian it is esteemed and judged by its actions in relation to the community of which it is a member as well as by its economic act. As far as Incorporate sector of India is concerned it is sad, but true that it has not been acting as a good civilian that’s why there are so many laws that have been made and further amended from time to time as and when required to bound the corporate sector to full their social responsibility for better development of Indian Economy.

Accountability towards environment has become one of the most essential areas of social responsibility. Recent years have witnessed rising concern for environmental dreadful conditions, which is taking place mainly in the form of pollution of various types, viz. air, water, sound, soil erosion, deforestation, etc. It is a worldwide happening. It spoils human health, reduces economic productivity and leads to loss of facilities. The developing countries like India are facing the double problem of defending the environment and promoting economic development. A tradeoff between environmental protection and development is required. A cautious assessment of the benefits and costs of environmental damages is essential to find the safe limits of environmental poverty and the required level of development. Environmental accounting wants to work as a tool to gauge the economic efficiency of environmental conservation activities and the environmental efficiency of the business activities of company as a whole. Management rarely tries to make proper arrangement to save the environment unless it is mandatory as per law as there is no direct connection between investment and benefits.

Key Words: Legal Framework, Environmental Financial Accounting, Environmental National Accounting, Corporate Environmental Accounting, Pollution, Union Ministry of Environment

INTRODUCTION

Environmental accounting, widely known as Green accounting is a type of accounting that tries to issue environmental costs into the economic results of activities. It has been tinted that gross domestic product (GDP) ignores the environment and hence decision makers require a revised model that incorporates green accounting. Efforts towards environment discretion of Indian companies are multifold. India is one among the pioneer of developing countries to practice more of voluntary green performance reporting. As a vigilant green stakeholder there is answerability on us in handing over a green future for our next generations. Global efforts on Environmental Impact Assessment (EIA) must go beyond measurement of air, water pollution etc. to ultimately enhance improved quality of life in future. Environmental friendly programs and practices like conservation of non-renewable sources’ of energy, greening, recovery and rehabilitation, a forestation, top soil management, noise abatement and vibration analysis, general aesthetic beauty etc. has resulted in better competence and enhanced environmental performance.

Reporting and voluntary environmental accounting has changed the way, how by traditional organizations tend to think on their corporate social responsibility (CSR). Compulsory reporting, how so ever severe, is nothing but a minimum prescribed reporting requirement. Corporate bodies are flourishing for socially responsible reporting. For them compulsory reporting would be just a miniscule form of representing their huge effort towards determining themselves as a socially responsible entity.²

FORMS OF ENVIRONMENTAL ACCOUNTING

Forms of environmental accounting are as follows:

(1.) Environmental Management Accounting (EMA): Environmental Management Accounting with a particular focus on material and energy flow information and environmental cost information. This type of accounting can be further classified in the following sub-systems:

(i). Segment Environmental Accounting: This is an internal tool of environmental accounting for selecting an investment action, or a project, related to environmental conservation from among all processes of operations, and to weigh up environmental effects for ascertain period.
(ii). **Eco Balance Environmental Accounting**: This is an internal tool of environmental accounting for supporting PDCA for sustainable environmental management activities.

(iii). **Corporate Environmental Accounting**: This is a tool for informing the public of significant information compiled in accordance with the Environmental Accounting.

2. **Environmental Financial Accounting (EFA)**: Environmental Financial Accounting with a particular focus on reporting environmental liability costs and other relevant environmental costs.

3. **Environmental National Accounting (ENA)**: National Level Accounting with a particular focus on natural resources stocks and flows, environmental costs and externality costs etc. Environmental Accounting at Corporate Level helps to know whether corporation has been fulfilling its responsibilities towards environment or not.

**LIMITATIONS OF ENVIRONMENTAL ACCOUNTING**

Limitations of Environmental Accounting are as follows:

1. There is no standard accounting method for Environmental Accounting.
2. Comparison between two countries or firms is not possible if method of accounting is different which is quite clear.
3. Input for Environmental Accounting is not easily available as costs and benefits relevant to the environment are not easily measurable.
4. Many businesses and the Government organizations even large and well managed ones don’t sufficiently track the use of energy and material or the cost of incompetent materials use, waste management and related issue. Therefore, many organizations, significantly underestimate the cost of underprivileged environment performance to their organization.
5. It mainly considers the cost internal to the concerned institutions and excludes cost to society.
6. Environmental Accounting is a long-term process. Therefore, to draw a conclusion with help of it is not simple and easy.
7. Environmental Accounting cannot work independently. It should be integrated with the financial accounting, which is also not simple and easy.
8. Environmental Accounting must be analyzed along with other aspects of accounting. It is so because costs and benefits related to the environment itself depend upon the results of the financial accounting, tax accounting, cost accounting, management accounting, national accounting, etc.
9. The user of information contained in the Environmental Accounting needs sufficient knowledge of the process of Environmental Accounting as well as rules and regulations prevailing in that country either directly or indirectly related to all environmental aspects.

**LEGAL FRAMEWORK FOR ENVIRONMENTAL ACCOUNTING IN INDIA**
While industrial licensing has been terminated for all practical purposes, environmental clearance from various Government authorities has now taken the centre stage. With increasing global worry over the protection of the environment, India too has set up a Union Ministry of Environment with the object of coordinating among the various states and the various ministries, the environmental protection and anti-pollution measures. Essential legislation has also been passed. The various laws relevant to environmental protection are as follows:

(i) Directly related to Environment Protection:
(a) Water (Prevention and Control of Pollution) Act, 1974.
(c) The Air (Prevention and Control of Pollution) Act, 1981
(d) The Forest (Conservation) Act, 1980.
(e) The Environment (Protection) Act, 1986.

(ii) Indirectly related to Environment Protection:
(a) Constitutional provision (Article 51A).
(b) The Factories Act, 1948.
(c) Hazardous Waste (Management and Handling) Rules, 1989.
(f) Indian Fisheries Act, 1987.
(g) Merchant of shipping Act, 1958.
(h) Indian Port Act.
(h) Indian Penal Code.

It is to be noted that all new projects need environment clearance. This clearance concerns both the Union Ministry of Environment and Forests and the corresponding State Govt. department of environment. Guidelines have been issued and all such projects are expected to obtain environmental and anti-pollution clearance before they are actually implemented. A Central Pollution Control Board has also been set up. Wherever cases of violating standards of water or air pollution have been come into the knowledge, show cause notices have been issued to concerned industrial units and all such units are being kept under constant examination. According to the Annual Report of the Ministry 1997-98, out of 1551 large and medium industries acknowledged in the 17 categories of extremely polluting industries, 1261 have installed the requisite pollution control facilities and 165 units are in the process of installing such facilities. 125 industrial units have been closed down.

During the year 1997-98 approximately 680 complaints regarding various types of pollution i.e. air, water, noise and soil have been received and attended to. The concern of the Ministry to protect the environment in the coastal waters and the coastal belt has led to the burden of a no-construction belt of 300 meters away from the high water tidal limit on the Indian coast line. This has affected the beach hotels and coastal resorts. Apart from the general concern for creation of the environment, the concern for the management of risky substances for the protection of the forest wealth and wild life and for preventing biological dreadful conditions have also brought about some limitations which the existing industrial units and also entrepreneurs wishing to set up new plants and factories should keep in view.4

CONCLUSION

Reporting and Environmental accounting is in beginning stage in India and whatsoever presents in the accounts in this regard is more or less conformity of significant rules and regulation in the Act. Actually, unless ordinary people of India are not made conscious towards environmental safety, development of accounting in this regard is complicated. Business houses have to get ready to make a solid environmental policy, take steps for pollution control, comply with the related rules and regulations, and reveal adequate details of environmental aspects in the annual reports. For sustainable development, a crystal-clear environmental policy as well as proper execution and appropriate accounting procedure is must.5

REFERENCES