

Green Accounting & Reporting Practices in India – Issues and Challenges

Dr. Arpana Patel (Research Guide), Ms. Arpita Vyas (Research Scholar), B.V. Patel Institute of Commerce, Uka Tarsadia University, Bardoli

Abstract: *Green Reporting is the Global Issue now a days in all over the world including India. Responsibility towards environment has become one of the most important areas of social responsibility. Indian industries in the context of environmental protection do not have clear policies at the national or industrial level in order to ensure compliance to environmental norms. Even though Indian corporate accomplish with the rules and regulations with regard to environmental protection, till now no clear cut policies are framed and formulated at the National, State or even at the company level. This study was intended to find out the major environmental Issues and Challenges and the parameters reported by Indian Corporate as part of their Environmental reporting practices. The study also focused on the extent to which Indian Corporate practice, voluntary environmental reporting with regard to the environmental parameters identified by the Indian Government. The primary challenge of environmental reporting practices by Indian Companies, the absence of standards in identifying all that needs to be measured and deciding how it is to be measured.*

Keywords: Green Accounting, Green Reporting, Issues, Challenges, Polices

INTRODUCTION:

Accounting is a Going Concern Concept. In the past era Accounting is based only on Cash and Credit Transactions. But with the need of the continuous changes in public Interest at the Global level the new concept of Green Accounting and Reporting develop as a new area of Accounting. Government of India in 2011 had constituted an expert group under the chairmanship of Pratha Dasgupta from the Cambridge University to develop a framework for green national accounts, identification of data gaps and preparation of a road map for its implementation. In the past years the profit of the companies were depend only on the financial transactions and there is no effect of the non-financial transaction on the Profitability of the companies. Now a Days's the concepts of Green Accounting is considered as part of calculation the financial position of the companies.

In India, environmental accounting is in the initial stage at the corporate level. Environmental related disclosures are done on a periodic basis after the new economic reforms prepared by Indian Government. After adopting the new economic policy in the country measures on environmental conservation have been taken. In 2011, the Securities and Exchange Board of India mandates listed companies to report on environmental, social and governance (ESG) initiatives undertaken by them for social, environmental and economic responsibilities of business. The International Accounting Standards Board (IASB) identified and recognized the measurement of energy conservation under the name and style of Green Accounting and Reporting. The developing countries like, India is facing twin problems of protecting the environment and promoting economic development. In fact, the industrial and business activities are directly and indirectly responsible for birth of incidences like the Bhopal Chemical Leak (1984), Chernobyl disaster(1986),Tsunami in India(2004), Huddudh cyclone(2014)etc. The issue of corporate social responsibility and the sustainable industrial development has given birth to a new branch of accounting viz., Environmental Accounting, it is relatively a recent entrant in the domains of Accounting.

Thus, the Green accounting is a type of accounting that attempts to factor environmental costs into the financial results of the operations of the companies. It has been argued that gross domestic product ignores the environment and therefore policymakers need a revised model that incorporates the new concept of Green accounting and reporting practices at the Global Level.

OBJECTIVE OF THE STUDY:

1. To know the process of the Environmental Reporting Practices
2. To study the corporate accounting and reporting practices on green accounting
3. To find out the major obstacles in the sound development of these practices

REVIEW OF LITERATURE:

In the past study it was revealed that Green Accounting is desirable, feasible, realistic and practicable and that a start can be made with available primary data already being collected by various official sources of the Government of India. It was pointed out in the study that there is a dearth of focused sustainability analysis and information provided to policy makers at the National and State levels in India.

A study of 80 executives of different industries was carried out by Dr. B. B. Padhan and Dr. R. K. Bal which revealed that corporate world is fully aware of the requirements of environmental reporting. They are also aware of the environmental issues. The corporate executives have also expressed their views in favor of environmental reporting by the industries. Despite their awareness and consent over environmental reporting, the result is very poor. It is so inadequate that very little information is found in the annual reports.

V. Vijaya Laxmi and K. Syamala Devi, (February 2018) in their paper discuss the different issues and challenges regarding the Green Accounting and Reporting practices in India. It provides data that contains the contribution of natural resources to economic well being as well as the costs imposed by environmental pollution and resource degradation. Environmental accounting and reporting practices are in the nascent stage in India. Even though Indian corporates comply with the rules and regulations with regard to environmental protection, till now no clear cut policies are framed and formulated at the National, State or even at the company level, for ensuring the level of compliance to environmental norms.

Archana T A, in her paper on Green accounting and Reporting among Indian Corporates (2017) study to develop a theoretical model explaining the entire procedure of green accounting for corporate in India. Environmental accounting and reporting practices are in the nascent stage in India. Even though Indian corporate comply with the rules and regulations with regard to environmental protection, till now no clear cut policies are framed and formulated at the National, State or even at the company level, for ensuring the level of compliance to environmental norms. This study was to find out the major environmental parameters reported by Indian Corporate as part of their Environmental reporting practice. The study also focused on the extent to which Indian Corporate practice, voluntary environmental reporting with regard to different parameters of environment.

P. Caggti D. Viaggi G. Zanni has analyzed in their research paper the problems relating to environmental protection involving a growing number of economic and social factors. The present environment requires not only innovations concerning policy instrument but also an evolution of tools such as those for environmental accounting and assessment.

Rob Gray and Kan Bebbington. This study seeks to provide a review of current state of the art in environmental accounting research and illustrates the essence of the problem through the reporting of a new analysis of data from an international study of accounting, sustainability and transnational corporations. The authors conclude with a call for more explicit accounting research.

Nasir Zameer Qureshi et.al. (2012) in their research paper, environmental accounting and reporting: an essential component of business strategy, describes the environmental component of the business strategy, producing the required performance reports and recognizing the multiple skills required to measure, compile and analyze the requisite data. They also identified the major obstacles for environmental accounting and reporting and concluded that for sustainable development of country, a well-defined environmental policy as well as proper follow up and proper accounting procedure is a must required for all the corporate entities. Unless common people of India are not made aware about environmental damages and safety, development of accounting in this regard is really becomes difficult.

MEANING AND NEED OF GREEN ACCOUNTING & REPORTING PRACTICES:

An account is a statement or measure that provides an assurance about the financial information. Green Accounting is considered as a subset or superset of accounting proper. It aims to incorporate both the economic and environmental information. Green accounting is a growing field that identifies resource use, measures and communicates cost of a company or the national economy actual or potential impact on the environment. Green accounting is also referred to as environmental accounting which incorporate environmental assets and their source and sink function into national and corporate accounts. It is a popular term for environmental and natural resource accounting. Green Accounting permits the computation of income for a nation by taking into account the economic damage and depletion in the natural resource base of an economy. It is a measure of sustainable income level that can be secured without decreasing the stock of natural assets. This requires adjustment of the System of National Accounts (SNA) in terms of stock of natural assets.

The traditional System of National Accounting (SNA) can not accurately measure the contribution of environment and the impact of economic activities. That gives a false impression of increase in income to the decision makers and researchers while natural wealth is actually reducing.

NEED OF GREEN ACCOUNTING AND REPORTING IN CORPORATE:

Manufacturing companies all over the world have realized the significance of energy conservation - utilization and measurement of cost and benefit pertaining to total energy of all forms such as electricity, fuel, gas, lubricant oil, conventional and non-conventional energy purchased, consumed and stored. The energy conservation in the firms brought cost reduction, cost leadership and market leadership. The western developed countries including USA, UK, France, Germany, Australia, Japan and New Zealand have recognized the concept of calculated energy consumption in their manufacturing and service sectors. The International Accounting Standards Board (IASB) identified and recognized the measurement of energy conservation under the name and style of Environmental Accounting.

Climate change will affect the quality of life on earth as well as economic factors. According to the Climate Vulnerability Monitor report, the U.S. could lose 2% of its gross domestic product as a result of droughts and water shortages by 2030. Investors are

increasingly interested in corporate disclosures of greenhouse gas emissions, water and energy consumption, waste creation and recycling, and renewable energy use.

STATUS OF GREEN ACCOUNTING AND REPORTING IN INDIA:

Government of India in 2011 had constituted an expert group under the chairmanship of Shri Pratha Dasgupta from the Cambridge University to develop a framework for green national accounts, identification of data gaps and preparation of a road map for its implementation. Double-digit GDP fixation is threatening India's biodiversity and its long-term growth and security. Green accounting methods have estimated the loss of ecological wealth in India. GDP measures the value of output produced within a country over a certain time period. However, any depreciation measurements used, will account only for manmade capital and not the negative impact of growth on valuable natural capital, such as water, land, forests, biodiversity and the resulting negative effects on human health and welfare. Over the course of the last fifty years, India has lost over half its forests, 40 per cent of its mangroves and a significant part of its wetlands. At least 40 species of plants and animals have become extinct with several hundred more endangered.

Mr. Jairam Ramesh, the former environment minister, advocated greening India's national accounts by 2015 and encouraged policy makers to recognize the trade-off between pursuing high growth economic policies against the extensive impact they could have on India's natural capital. The Green Indian States Trust (GIST) which, in 2003 unleashed a series of environmentally adjusted accounts under the Green Accounting for Indian States Project. According to their results, the loss of forest ecological services over three years (2001-03) due to declining dense forests was estimated at an astounding 1.1 per cent of GDP. India expects to put in place in five years a system of green national accounting that would take into account the environmental costs of development and reflect the use of precious depletable natural resources in the process of generating national income.

A new global partnership to help developing countries integrate the economics of ecosystems into national accounting systems has been launched by the World Bank. According to Mr. Robert B. Zoellick, President, World Bank Group, the natural wealth of nations should be a capital asset valued in combination with its financial capital, manufactured capital and human capital. The national accounts should reflect the vital carbon storage services that forests provide and the coastal protection values that come from coral reefs and mangroves.

Green Accounting and reporting in India is in its developing stage both at the corporate level and at the national level. The entire process of Green Accounting encompasses three distinctive phases (V. Parameswaran, 2011). Which are as follows:

- Physical Accounting, Determines the state of the resources types and extent in spatial and temporal terms. Monetary Valuation
- Monetary Valuation of resources - tangible and intangible in terms of its monetary aspects
- Integration with Economic Accounting Integration of money value of environmental resource with that of other resources

In India, very few corporations provide some information regarding environmental issues. If, as per requirement of applicable law, they have to prepare and submit information relevant to environment. The Environmental Ministry has issued instructions in this regard to prepare environmental statement. It can be observed through their accounts that mainly the following types of information are given.

- What type of devices installed for pollution control
- Steps taken for energy conservation.
- Steps taken for raw material conservation
- Step taken for waste water and production process waste
- Step taken for improvement of quality of product and services, process of production, etc.

Different types of Environmental Reports as contained in the Directors Report of three Indian companies are as under.

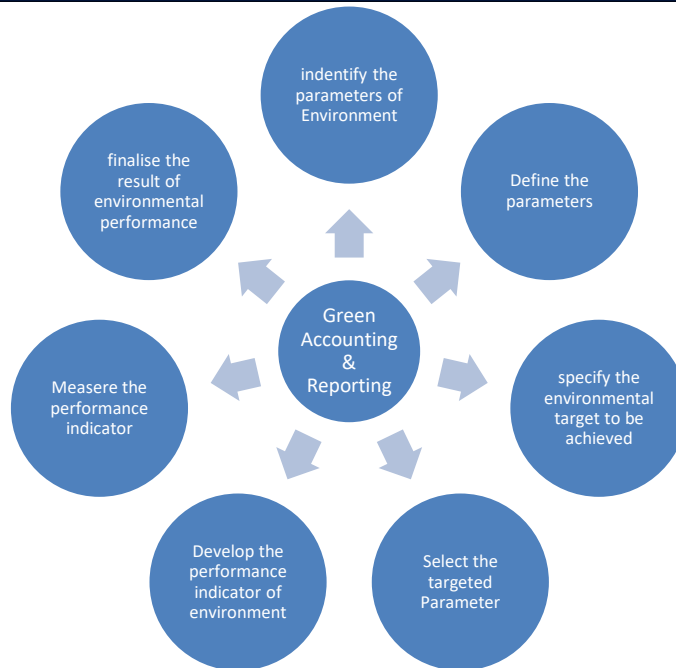
1. Asian Paints (India) Ltd, since (1993-94): Samples of treated effluents are periodically checked for compliance with standards.
2. Good lass Nerolac Paints Limited since (1993-94): The Company regularly monitors measures in force in accordance with the Pollution Control Act for the protection of environment and for ensuring industrial safety.
3. Maruti Udyogss Limited since (1993-94): Modification of the existing effluent treatment plant was undertaken to take care of additional effluents generated due to capacity expansion.

RESEARCH METHODOLOGY:

This paper is basically depends on the previous studies relating to the Green Accounting and Reporting practices used in India and Worldwide.

GREEN ACCOUNTING – THE CONCEPTUAL MODEL:

The following Green accounting model specifies the following aspects to be covered in environmental accounting in order to measure the ultimate environmental performance of the organization. This model of Green accounting present general view of the different activities to be undertaken by organizations to facilitate environmental accounting and reporting.



Issues in Focus:

1. The first and for most issue is the implantation plan for environmental accounting
2. Data augmentation by the Government agencies needs to be identified.
3. Guidelines for the data collection and methods are to be formulated.
4. Establishment of new institutions of the existing ones.
5. Capacity augmentation in terms of training and creation of manpower.
6. Collaboration need to be initiated within the country and internationally.

CONCLUSION:

Every country in the world has been trying to answer precisely those kinds of questions as they develop some of the world's first "green" accounting systems. When there is a question of natural capital accounting, we have been talking about it for 30, maybe even more years. This is something it is time to stop talking about and it is time to start implementing. The World Bank is pushing for countries at the Rio summit, commonly called Rio+20, to commit to implementing natural accounting systems alongside their gross domestic product measurements. Environmental Accounting is in primary stage in India because of the less compliance in the rules and regulations. It is the call of the time that corporate have to prepare a firm environmental policy and comply with the rules and regulations. For sustainable development of the country, a well define environmental policy as well as proper follow up and proper accounting procedure is must.

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