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LEGAL FRAMEWORK OF ENVIRONMENTAL ACCOUNTING IN INDIA

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ABSTRACT

The Study Focused on the legal Framework of environmental accounting in India. The main purpose of this paper is the effect of environmental accounting on the companies. The study described the all the rules and regulations related to the environmental accounting. It also examined the why the companies are used the environmental accounting. The study analyzed environmental accounting benefit able for the companies as well as customers. The study based on descriptive nature. It also observed that the environmental accounting had positive effect on the companies.

KEYWORDS

Environmental Accounting, Regulation, Companies, Performance.

MEANING OF ENVIRONMENTAL ACCOUNTING

Environmental accounting is a subset of Accountancy proper, its target being to incorporate both economic and environmental information. It can be conducted at the corporate level or at the level of a national economy through the National Accounts of Countries. Environmental Accounting is a field that identifies resource use, measures and communicates costs of a company's or national economic impact on the environment. Costs include costs to clean up or remediate contaminated sites, environmental fines, penalties and taxes, purchase of pollution prevention technologies and waste management costs. An environmental accounting system consists of environmentally differentiated conventional accounting and ecological accounting. Environmentally differentiated accounting measures effects of the natural environment on a company in monetary terms. Ecological accounting measures the influence a company has on the environment, but in physical measurements.

DEFINITION OF ENVIRONMENTAL ACCOUNTING

"Accounting including costs to environment in decision making the practice of including the indirect costs and benefits of a product or activity". For example, its direct costs when making business decision.

SUBFIELD OF ENVIRONMENTAL ACCOUNTING

1. **Global Environment**
2. **National Environment**
3. **Corporate Environment**
 - Environmental Management Accounting
 - Environmental Financial Accounting

HISTORY OF ENVIRONMENTAL ACCOUNTING

The number of companies and other organizations solidifying their environmental approach and developing business activities that take the environment into consideration and include environmental Conservation efforts continue to increase. Efforts made in environmental accounting comprise a part of these environmentally-conscious business activities. Environmental accounting data is not only used by companies or other organizations internally, but is also made public through disclosure in environmental reports. The disclosure of environmental accounting data as one of the key elements in an environmental report enables those parties utilizing this information to get an understanding of the company's stance on environmental management and how it specifically deals with environmental issues. At the same time, a more comprehensive grasp of the companies and other organizations' environmental information can be obtained. The first environmental accounts were constructed in several European countries working independently of each other. Norway was one of the first. Influenced by the publication of Limits to Growth (Meadows et al. 1972) and a burgeoning environmental movement, Norwegian officials were concerned that their natural resources, on which their economy is relatively dependent compared with other European countries, would run out. They therefore developed accounts to track use of their forests, fisheries, energy, and land. In the 1980s, they developed accounts for air pollutant emissions, which were closely tied to the energy accounts. The energy accounts were integrated into models used for macroeconomic planning, taking into consideration the roles of resource-based sectors in economic growth.

The Netherlands was also a leader in the development and adoption of environmental accounting. Dutch interest in this area originated with the work of Roefie Hurting, who developed and sought to implement a measure of sustainable national income that would take into account the degradation and depletion of environmental assets resulting from economic activity. (3) Although his approach was not implemented at that time, his work led the national income accountants to develop the national accounts matrix including environmental accounts (NAMEA), which builds on portions of the national income accounts by adding physical data on pollutant emissions by sector. The NAMEA approach has been adopted by Eurostat, implemented in many other European countries, and integrated into the environmental accounting procedures developed under UN auspices (de Haan 1999). The Hueting approach also has since been tested in the Netherlands (Verbruggen 2000). France was a third early adopter of environmental accounting. In the 1980s, it began developing an approach termed the Comptes du patrimoine', or patrimony accounts. These involved an integrated system structured around three distinct but linked units of analysis. First, natural, cultural, and historical resources were to be measured in physical terms and their stocks and flows quantified. Second, places were

REVIEW OF LITERATURE

Obrealova et al. (2005) the study focused on the selected problems of environmental accounting at corporate level. The study also analyzed the role of small medium scale enterprise in sustainable development. The study helpful for the companies with connected to management system. **Seethar et al. (2007)** examined the relationship between environmental accounting and environmental management system. It also assessed the sustainability of organization. The study also analyzed the organization lack of awareness and interest about environmental prevention. It concluded that the environmental accounting benefit able for the organization by taken environment corporate policies and technological development. **Stanciu et al. (2011)** the study focused on the environmental costs. It also provided important information about company financial position & performance of entities. It also described four stages of environmental accounting. **Ali et al. (2010)** examined the nature of the environmental accounting in Bangladesh. It also showed that the impact of companies activities on the environment. **Makori & Jagongo (2013)** examined the environmental accounting had ability to provide accurate information in the financial statement. The study observed that the significant relationship between the environmental accounting and profitability of selected firms listed in India. It considered data from annual reports and account of 14 randomly selected quoted companies in Bombay Stock Exchange in India. The results indicated that the positive relationship between environmental accounting net profit margin and dividend per share and negative relationship between return on capital employed. **Saymah, F and Shouboki (2013)** assessed the environmental responsibly unit of Jordan Industries Companies listed at ASE. The study had taken two hypothesis. firstly there is not significant relationship between the Jordan Industries companies with environmental accounting. **Igbal et al (2013)** examined the environmental accounting implementation and environmental performance and environmental disclosure as mediation on company value. It had taken the sample of 59 company's. It also used the sampling technique.

OBJECTIVES OF THE STUDY

- 1) To Study the Legal Framework of environmental Accounting.
- 2) To Study the environmental protection in India.

LEGAL FRAMEWORK OF ENVIRONMENTAL ACCOUNTING

In the last few years, there is growing awareness of the need to discover the art of living with nature and also realized that environment is not a permanent asset. Now a day's more attention is paid to the skills of protection of natural resources instead of earlier focused on the aspects of creation damage. The later Mrs. Indira Gandhi (1972) had rightly observed "We must predicate ourselves to the protection and wise management of our life sustaining environment Environment Protection from the Indian Constitution Perspective.

- 1) The State's responsibility with regard to environmental protection has been laid down under Article 48-A of our Constitution, which reads as follows: "The State shall endeavor to protect and improve the environment and to safeguard the forests and wildlife of the country".
- 2) Environmental protection is a fundamental duty of every citizen of this country under Article 51-A
- 3) Article 21 of the Constitution is a fundamental right which reads as follows: "No person shall be deprived of his life or personal liberty except according to procedure established by law."
- 4) Article 48-A of the Constitution comes under Directive Principles of State Policy and Article 51 A(g) of the Constitution comes under Fundamental Duties.
- 5) Of our Constitution which reads as follows: "It shall be the duty of every citizen of India to protect and improve the natural environment including forests, lakes, rivers and wildlife and to have compassion for living creatures."
- 6) The State's responsibility with regard to raising the level of nutrition and the standard of living and to improve public health has been laid down under Article 47 of the Constitution which reads as follows: "The State shall regard the raising of the level of nutrition and the standard of living of its people and the improvement of public health as among its primary duties and, in particular, the State shall endeavor to bring about prohibition of the consumption except for medicinal purposes of intoxicating drinks and of drugs which are injurious to health."

MANDATORY REQUIREMENTS - ENVIRONMENT

- **THE ELECTRICITY ACT, 2003**

This Act seeks to create a framework for the power sector development by measures conducive to the industry. Electricity Act does not explicitly deal with environmental implications of activities related to power transmission. The applicable legal provisions under this Act are as follows: Section 68(1) - sanction from the Ministry of Power (MOP) is a mandatory requirement for taking up any new project. The sanction authorizes SJVN to plan and coordinate activities to commission new projects.

- **THE FOREST (CONSERVATION) ACT, 1980**

This Act provides for the conservation of forests and regulating diversion of forestlands for non-forestry purposes. When projects fall within forestlands, prior clearance is required from relevant authorities under the Forest (Conservation) Act, 1980. State governments cannot de-reserve any forestland or authorize its use for any non-forest purposes without approval from the Central government.

- **ENVIRONMENTAL (PROTECTION) ACT, 1986**

The Environment (Protection) Act, 1986 was introduced as an umbrella legislation that provides a holistic framework for the protection and improvement to the environment. In terms of responsibilities, the Act and the associated Rules requires for obtaining environmental clearances for specific types of new / expansion projects (addressed under Environmental Impact Assessment Notification, 1994) and for submission of an environmental statement to the State Pollution Control Board annually. Environmental clearance is not applicable to hydro projects also.

- **AIR (PREVENTION AND CONTROL OF POLLUTION) ACT 1981**

The objective of this Act is to provide for the prevention, control and abatement of air pollution, for the establishment, with a view to carrying out the aforesaid purposes, of Boards, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith. Decisions were taken at the United Nations Conference on the Human Environment held in Stockholm in June 1972, in which India participated, to take appropriate steps for the preservation of the natural resources of the earth which, among other things, includes the preservation of the quality of air and control of air pollution. Therefore it is considered necessary to implement the decisions foresaid in so far as they relate to the preservation of the quality of air and control of air pollution.

- **WATER (PREVENTION & CONTROL) ACT 1974**

The objectives of the Water (Prevention and Control of Pollution) Act are to provide for the Prevention and Control of Water Pollution and the maintenance or restoration of the wholesomeness of water for the establishment, with a view to carrying out the purposes aforesaid, of Boards for the prevention and control of water pollution, for conferring on and assigning to such Boards powers and functions relating thereto and for matters connected therewith.

- **WILDLIFE PROTECTION ACT, 1972**

According to the Wildlife Protection Act, 1972 "wildlife" includes any animal, bees, butterflies, crustacean, fish and moths; and aquatic or land vegetation which forms part of any habitat. In accordance with Wildlife (Protection) Amendment Act, 2002 "no alteration of boundaries / National Park / Sanctuary shall be made by the State Govt. except on recommendation of the National Board for Wildlife (NBWL)".

- **THE BIOLOGICAL DIVERSITY ACT, 2002**

The Ministry of Environment and Forests has enacted the Biological Diversity Act, 2002 under the United Nations Convention on Biological Diversity signed at Rio de Janeiro on the 5th day of June, 1992 of which India is also a party. This Act is to "provide for the conservation of biological diversity, sustainable use of its components, and fair and equitable sharing of the benefits arising out of the use of biological resources, knowledge and for matters connected therewith or incidental thereto."

- **HAZARDOUS WASTES (MANAGEMENT AND HANDLING) AMENDMENT RULES, 2003**

These Rules classify used mineral oil as hazardous waste under the Hazardous Waste (Management & Handling) Rules, 2003 that requires proper handling and disposal. Organization will seek authorization for disposal of hazardous waste from concerned State Pollution Control Boards (SPCB) as and when required Other Environment – Related Laws

- **THE SHORE NUISANCE (BOMBAY AND KOLABA) ACT, 1853**

This is the earliest Act on the statute book concerning control of water pollution in India.

- **THE SERAIS ACT, 1867**

The Act enjoined upon a keeper of Serai or an inn to keep a certain quality of water fit for consumption by “persons and animals use it” to the satisfaction of the District magistrate or his nominees. Failure for maintaining the standard entailed a liability of rupees twenty.

- **THE NORTH INDIA CANAL AND DRAINAGE ACT, 1873**

Certain offences have been listed under the Act contained in Section 70.

- **OBSTRUCTION IN FAIRWAYS ACT, 1881**

Section 8 of the Act empowered the Central Government to make Rules to regulate or prohibit the throwing of rubbish in any fairway leading to a port causing or likely to give rise to a bank or shoal.

- **INDIAN EASEMENTS ACT, 1882**

Illustrations (f), (h) and (j) of Section 7 of the Act deal with pollution of waters.

- **THE INDIAN FISHERIES ACT, 1897**

The Indian Fisheries Act, 1897 contains seven sections. Section 5 of the Act prohibits destruction of fish by poisoning waters.

- **THE INDIAN FOREST ACT, 1927**

Section 26(l) of the Act makes it punishable if any person, who, in contravention of the rules made by the State Government, poisons water of a forest area. The State Government has been empowered under Section 32(f) to make rules relating to poisoning of water in forests.

- **THE DAMODAR VALLEY CORPORATION ACT, 1948**

The Act _government the Corporation to make regulations with the previous sanction of the Central Government for preventing “pollution of water”.

- **THE FACTORIES ACT, 1948**

Factories Act, 1948 is social welfare legislation intend to secure health, safety and welfare of the workers employed in factories. However, some of the provisions of this Act are concerned with prevention of water pollution.

- **THE MINES ACT, 1952**

Chapter V of the Act deals with provisions regarding health and Safety of the employees. Section 19(l) Government upon arrangement for the quality of water for drinking purposes.

- **THE RIVER BOARDS ACT, 1956**

The Act provides for the creation of River Boards for regulation and development of interstate rivers and river valleys. One of the functions of the Board is to advise to the Government concerned on “prevention of pollution of the waters of the interstate rivers”.

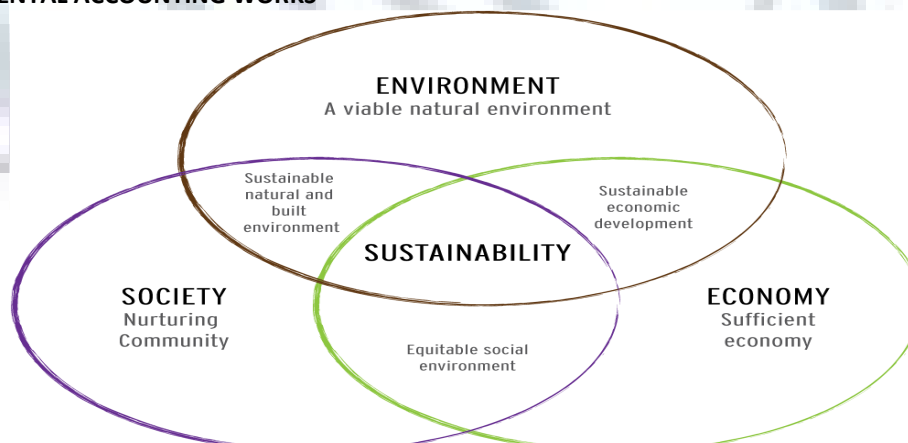
- **THE MERCHANT SHIPPING ACT, 1958**

The International Convention for the Prevention of Pollution of the Sea by Oil, 1954 is the first treaty for the reduction of oil pollution of the sea. In order to give effect to this Convention, the Merchant Shipping Act regulates and controls the discharge of oil or oil mixture by an Indian tanker or ship within any of the prohibited zones or by a foreign tanker or other ship within the prohibited zone adjoining the territories of India. Further, there is a prohibition for discharging any oil anywhere at sea from an Indian ship.

WHY SHOULD COMPANIES USE ENVIRONMENTAL ACCOUNTING?

Companies and managers usually believe that environmental costs are not significant to the operation of their businesses. However, often it does not occur to them that some production costs have an environmental component. For instance, the purchase price of raw materials: the unused portion that is emitted in a waste is not usually considered an environmentally related cost. These costs tend to be much higher than initial estimates (when estimates are even performed) and should be control end and minimized by the introduction of effective cleaner production initiatives whenever possible. By identifying and controlling environmental costs, EMA systems can help environmental managers justify these cleaner production projects, and identify new ways of saving money and improving environmental performance at the same time. 74 UNDS: Improving Government’s Role in the Promotion of Environmental Managerial Accounting, United Nations, New York, 2000, p. 39. When Hidden, it is impossible to know what share of the costs is related to any particular product or process or is actually environmental Polluting products will appear more profitable than they actually are because some of their production costs are hidden, and they may be sold under priced. Cleaner products that bear some of the environmental costs of more polluting products (through the overhead), may have their profitability underestimated and be over priced. Since product prices influence demand, the perceived lower price of polluting products maintains their demand and encourages companies to continue their production, perhaps even over that of a less polluting product. Finally, implementing environmental accounting will multiply the benefits gained from other environmental management tools. Besides the cleaner production assessment, EMA is very useful for example in evaluating the significance of environmental aspects and impacts and prioritizing potential action plans during the implementation and operation an environmental management system (EMS). EMA also relies significantly on physical environmental information. It therefore requires a close cooperation between the environmental manager and the management accountant and results in an increased awareness of each other's concerns and needs. As a tool, EMA can be used for sound product, process or investment project decision-making. Thus, an EMA information system will enable businesses to better evaluate the economic impacts of the environmental performance of their businesses.

HOW TO ENVIRONMENTAL ACCOUNTING WORKS



RESEARCH METHODOLOGY

This study is descriptive and exploratory in nature. A descriptive research is a type of conclusive research that has as its major objective the description of something- usually market characteristics or functions. Descriptive Research assumes that the researcher has much prior knowledge about the problem situation. It is characterized by the prior formulation of specific hypotheses. Thus, the information needed is clearly defined. It is preplanned and structured. The present study is purely theoretical in nature and based on the findings of other researchers.

CONCLUSION

Environmental accounting is a subset of Accountancy proper, its target being to incorporate both economic and environmental information. This study is benefit able for the customers. Environmental accounting has wide area. Environmental accounting is helpful for the companies as well as investors, government and others parties. In this paper we explained much environmental protection Act in India. Environmental Accounting also analyzed the company financial position .

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