ENVIRONMENTAL ACCOUNTING AND REPORTING IN INDIAN PUBLIC AND PRIVATE SECTOR COMPANIES SINCE LIBERALIZATION

Abstract

Thesis
Submitted for the award of the degree of

Doctor of philosophy
In
Commerce

By
SURYA BHUSHAN TIWARI

Under the Supervision of
Dr. M. NASIR ZAMEER
(Associate Professor)

DEPARTMENT OF COMMERCE
ALIGARH MUSLIM UNIVERSITY
ALIGARH (INDIA)
ABSTRACT

The rapid growing population and economic development is leading to a number of environmental issues like uncontrolled growth of urbanization, globalization and industrialization, expansion and massive intensification of agriculture, and the devastation of forests in India. In the present world scenario, environmental pollution has become acute and the stakeholders' awareness to the issue serious that environmental accounting has become an essential branch of accounting. Environmental accounting refers to identification, measurement and disclosure of environmental costs, liabilities and contingencies in the financial records of a company for the benefit of various internal and external stakeholders. Environmental accounting basically deals with recognizing and disclosing a company's environmental costs and liabilities in financial reports. Environmental Accounting and Reporting is the emerging concept in India, although many countries in the world, either developed or developing, are practicing Environmental Accounting and Reporting. Still, attention towards the style and recognition of environmental accounting is not a generalized one. Legal authorities, standard setting bodies and other regulators have not come to a consensus
regarding the conceptual framework of environmental accounting and its disclosure. Thus, the present disclosure is not mandatory rather voluntary that has no specific style or format. With the passage of time, more guidelines are coming in customized format that may lead us to reach a common format for recognizing environment related data and disclosure thereof through financial statements.

The present work is in the form of thesis is the result of a continuous and constant attempt of reaching all relevant and significant literature available on Environmental Accounting and reporting and relevant to the contents of the thesis. Although selective in nature, an attempt has been made to cover all the aspects of the topic. It covers the various facets of Environmental Accounting and reporting in Indian public and private companies since liberalization, which has made the contents of the thesis much broader and wider. Thus, the present work concerns itself with the comparative analysis of public & private sector Indian companies and goes to examine it from various angles. In addition, focus obviously is on Environmental auditing and Environmental regulations also. The thesis comprises of five chapters. The first one is Introductory and Theoretical Frame work of study. It covers introduction and review of literature done and sheds lights on various gaps in the previous researches done in this field. In this chapter study done is divided in two sections, first environmental accounting -The international level studies, on corporate environmental disclosure practices. Second Studies on environmental accounting -The national level studies. It is seen that most of the works, the trends, policies, framework and acquisition have been investigated. Under this head, literature reviewed on Companies environmental responsibilities, policies that
addressed environmental accounting, Global Environmental Management Initiative (GEMI) showed that corporate professionals were placing a high priority on environmental accounting, environmental issues, benefits of adopting an environmental accounting system and checking existence of formal environmental policies and structures, corporate environmental disclosure practices. In second chapter, on an overview of Environmental Accounting and Reporting efforts have been made to discuss many aspects regarding Environmental Accounting and reporting. In this chapter, meaning and definition, objectives, approaches, environmental accounting related issues, identification and types of environmental costs, role and importance, emergence and growth of the conflict-resolution have been discussed. Further the functions and types of environmental accounting, the guidelines and limitations of environmental accounting and reporting are explained. In addition to this significance of present studies, scope of the study also has been discussed. Third chapter discusses about Environmental Protection in India: A Regulatory Framework has been discussed in details. This chapter refers to wide study of environment, environmental pollution. It also deals burning issues related to environment such as global warming, hazardous waste, ozone depletion, smog, air pollution, aircraft pollutants, water pollution, rain forest destruction. It covers a brief report of Environmental ministry, legislation for environmental protection in India, Activities Undertaken by NGOs and their role in pollution control and International agreements on environmental issues. The fourth Chapter entitled Environmental Accounting and Reporting in Indian Public and Private Sector Companies: - Testing of hypothesis is based on testing of hypothesis and interpretation of data. The thesis is based on quantitative and qualitative data, and the information is gathered through the questionnaire. The methodology that has been adopted in this chapter is
comparative analysis and \textbf{chi-square} ($\chi^2$) test for hypothesis testing. The following six hypotheses using chi square test have been tested in this chapter:-

1. \textbf{Significant challenges faced by business for environmental protection and management:-}

   1. Ho: There is relation between ownership and environmental challenges and its protection in Indian public and private sector companies.

   Ha: There is no relation between ownership and environmental challenges and its protection in Indian public and private sector companies.

2. \textbf{Significance of Environmental Accounting in Public and Private Sector Indian Companies:-}

   Ho: There is relation between ownership and the essentiality of environmental accounting and reporting in Indian public and private sector companies.

   Ha: There is no relation between ownership and the essentiality of environmental accounting and reporting in Indian public and private sector companies.

3. \textbf{Significance of Cost of Environmental Accounting and Reporting In Indian Public & Private Sector Companies:-}

   Ho: There is relation between ownership and the cost of environmental accounting and reporting in Indian public and private sector companies.

   Ha: There is no relation between ownership and the cost of environmental accounting and reporting in Indian public and private sector companies.
4. Nature of Disclosure of Environmental Accounting and Reporting In Indian Public & Private Sector Companies:-

Ho: There is significant difference between attitude of Indian public and private sector as regards the nature of disclosure of environmental accounting and reporting.

Ha: There is no significant difference between attitude of private and public sector Indian companies as regards the nature of disclosure of environmental accounting and reporting in Indian public and private sector companies.

5. Periodicity of Reporting:-

Ho: There is relation between ownership and attitude as regards periodicity of reporting of environmental accounting and reporting in Indian public and private sector.

Ha: There is no relation between ownership and attitude as regards periodicity of reporting of environmental accounting and reporting in the Indian public and private sector companies.

6. Essentiality of Environmental Auditing For Better Environmental Accounting and Reporting In Indian Public & Private Sector Companies:-

Ho: There is significant difference between attitude of Indian public and private sector companies as regards auditing of environmental accounting and reporting.

Ha: There is no significant difference between attitude of Indian public and private sector companies as regards auditing of environmental accounting and reporting.

Fifth chapter contains Findings, conclusions and recommendations. The major conclusions are that a difference of opinion between Indian Public and Private sector
companies has been found about the significant challenges faced by them in environmental protection and management. A relation between the ownership and the significance between environmental accounting in public and private sector Indian companies has been established. It has been observed that public companies as compared to the private companies are slightly more in favour of environmental accounting and reporting. A relation between the cost of Environmental Accounting and Reporting and ownership has also been found. There is a significant difference of opinion about cost of environmental accounting and reporting in Indian public and private sector companies. Public sector companies indicated relatively a higher cost of Environmental Accounting and Reporting. There is no significant difference between attitude of public & private sector Indian companies in respect of nature of disclosure of Environmental Accounting and Reporting neither public nor private companies strongly favored either only qualitative or quantitative information. Both public & private companies have strongly favored a mixture of both the quantitative as well as the qualitative information. Public and private companies are also found to be unanimous about the periodicity of Environmental Accounting and Reporting as both of them have strongly found reporting on yearly basis to be most substantial, convenient and cost effective. A uniformity regarding environmental auditing for better environmental accounting and reporting in Indian public and private companies has been observed. Although both the public and private companies have disagreed for a mandatory environmental auditing but each of them found it to be very essential.

The most important suggestions and recommendation are as follows:-
1. The existing financial accounting framework is not comprehensive enough to deal with specific environmental problems. There is need for a separate standard and/or conceptual framework on the issue.

2. Environmental statements prepared by a company should be verified by an auditor to increase credibility of information provided by them. An audit also helps the company in compiling with environment. There is a need for appointment of a team mainly comprising of external environmental auditors to do this work.

3. In the present situation, it is necessary for public and private companies to practice environmental accounting to comply with the international trend, although implementation of environmental accounting will face many problems such as lack of available environmental performance related information, lack of experts etc.

4. The Public & private sector companies both treat the expenditure incurred towards the improvement of environmental performance as operating expenditure. They should classify the expenditure into capital and operating clearly.

5. Environmental bodies of public and private companies should develop a standard to guide the practices.

6. A separate account should be opened for environmental expenditures. It will enable measurement and reporting of environmental expenditures and environmental Performance of each company as well as the whole sector.
7. Public and private companies should show data on environmental expenditure, environmental costs charged to income in the notes to the accounts in their annual reports.

8. Companies should show fines and penalties, environmental liabilities, environmental provisions, and environmental Costs capitalized in their annual reports.

9. The Indian companies should disclose both the positive and negative impact of their activities on environment. Company which is more responsible for environmental degradation should be more environmental friendly.

10. The company should take a proper environmental policy and set aside a part of their funds for environmental promotion. It should abide by various laws and regulation to prevent and control the pollution of environment.

11. Now there is an urgent need to develop a comprehensive guideline for environmental accounting & reporting and a suitable format of environmental reporting as a device of environmental management on global basis.

12. The Environmental statements prepared by a company should be verified by an auditor to ‘increase credibility of information provided’ in then.

13. SEBI may require listed companies to disclose information on some important items like compliance with environmental laws, pending judicial proceedings arising under environmental laws and significance environmental liabilities, on prescribed form. For this purpose, a clause in the listing agreement may be inserted for strict compliance.

14. The main reasons for poor disclosure of environmental information may be its voluntary in nature. Secondly, it may be due to the lack of
wareness and commitment on the part of the company management about the social responsibility of the company. Thirdly, the poor environmental performance of the company may also bound them to non-disclosure or less disclosure. And finally, the poor enforcement of the environment protection acts is also partly responsible for freeing the companies from disclosure of such information. There is a need of enough legal compulsion with adequate fairness firstly.