

## ENVIRONMENTAL ACCOUNTING IN AUTOMOBILE ENTERPRISES IN INDIA: CHALLENGES AND ISSUES

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### ABSTRACT

*A very important function of environmental accounting is to bring environmental costs to the managers; therefore, motivating them to identify ways to reduce and avoid economic costs related to the environment and at the same time reduces the company's environmental impact. Considering the importance as well as potential problems of environment issues, there is a need to analysis relevant factors for future course of actions. Environmental Accounting is also called green accounting. This paper is highlighting the Challenges of Environmental Accounting Practices in India on most Automobile enterprises. The main objective of the study is to specify the environmental accounting challenges in selected Automobile enterprises in India. The paper is based on secondary information which was collected through annual reports, research reports etc. The study highlights critical challenges to implement environmental accounting in Automobile enterprises in India. The perception of officials regarding the challenges are: cost involvement, lack of skilled manpower, lack of set rules about environmental accounting, inadequate environmental accounting standard, low adoption of environmental accounting, no specific principles of environmental accounting etc. This paper is also tries to forward some recommendations to overcome the challenges. It is to be recognized that the accountants have a key role in environmental accounting and reporting.*

**Keywords:** Environment, Environmental Accounting, India, Disclosure, Environmental Management Accounting, Pollution, Deforestation, Automobile industries, Challenges, Stakeholder

## **INTRODUCTION**

As environmental accounting has become more important nowadays, investors and consumers are demanding more and more information on a company's environmental and social performance. Development of environmental accounting is comparatively sluggish in India as compared to the other nations. In the case of automobile sectors, accounting for the financial aspects of an organization's performance is a statutory requirement but accounting for environmental aspects is voluntary activity.

Environmental Accounting refers to the incorporation of environmental costs and information in to a variety of accounting practice. Environmental Accounting is the way to gather and report in a predesigned way the material use and environmental costs thereof in their operations. In fact, environmental accounts provide data which highlight both the cost and action as to environmental protection taken by the industry, the contribution of natural resources to economic well-beings and the cost imposed by pollution or resources degradation of the environment which is a precious gift of nature.

The industry workers and inhabitants of the immediate surroundings often face exposure to harmful chemicals which are more prone to health hazards caused by industrials pollutions. Hence a study on the Challenges of Environmental Accounting Practices is highly warranted issue in India. As a developing nation, the potential o

Environmental data generation and analysis is very significant because different types of pollution are being caused by different corporate sectors such as air pollution, water pollution, sound pollution, deforestation etc.

Environmental Accounting has been used increasingly day by day in the developed and developing countries and now-a-days, a good number of companies are putting their concern regarding EA and they are disclosing different environmental information in their annual reports. Though start is slow yet it seems that it will expand greatly in near future. There is a very scanty of research about the future challenges in the environmental accounting practices in developing economy like India...

## LITERATURE REVIEW

Reviews of available literature are as follows:

Boyd (1998)<sup>1</sup> in a study stressed that improved Environmental Accounting is not seen by corporate managers and environmental advocate alike as a necessary complement to improved environmental decision making within the private sector. Environmental Accounting may not necessarily lead to improvement in the quality of life for everyone. The results indicate the Environmental Accounting in the Fiji Sugar corporations focuses on legitimizing the environmentally sensitive nature of the company's operations rather than being an attempt to extend stewardship to the stakeholders that may be affected by the company's operations.

According to Gholami et al (2013)<sup>2</sup> a standard system of environmental accounting is not yet evolving in India. The authors are of the view that Environmental Accounting can face challenges of large & small, industrial, manufacturing and service sectors. Companies also face some methods problems such as water costs, activity based management, total quality management and process reengineering.

Shil and Iqbal (2005)<sup>3</sup> in their study states that Environmental Accounting emerges as a tool to prove this commitment. They also pointed out that the corporate environmental reporting and disclosure is still at an initial stage in India and it needs further development. According to them, very few companies are showing environmental related data in annual report.

1 Boyd, J.W. (1998) The Benefits of Improved Environmental Accounting: An Economic Framework to Identify Priorities. Resource for the Future, Discussion Paper 98-49, Washington DC.

2 Gholami, S., et al. (2013) Environmental Accounting (From Concept to Practice). Journal of Basic and Applied Scientific Research, Volume 3, pp 439-443.

3 Shil, N.C. and Iqbal, M. (2005) Environmental Disclosure—A India Perspective. Paper No. 7707.

Ullah et al (2014)<sup>4</sup> in their study found that 31% of the companies addressed on environmental issues in their annual reports. Textile industries disclosed very poor information regarding environmental aspects where variation of disclosure among the industries is considerably high. Hossain (2016)<sup>5</sup> in a study about disclosure of Environmental information found that only 9.97 Pharmaceuticals and Chemicals Companies disclose more information in the annual report. Only two companies disclosed maximum 18 environmental factors in their annual report out of 74 factors.

## OBJECTIVES

The main objective of this paper is to specify challenges of environmental accounting in selected automobile industries in India.

## THE SCOPE

Environmental Accounting is a new branch as well as a concept of accounting. In the present day context, everybody's concerns over environment has created a pressure on management to ensure environmental disclosure in their annual report, But most of organization reportedly is not concerned about environmental related activities.

Challenges in India

4 Ullah, H.M., Hossain, M.M. and Yakub, K.M. (2014) Environmental Disclosure Practices in Annual Report of the Listed Textile Industries in India. *Global Journal of Management and Business Research: Accounting and Auditing*, volume 14, pp 97-108

5 Hossain, M.M. (2016) Environmental Reporting Practices in Annual Report of Selected Pharmaceuticals and Chemicals Companies in India, *International Journal of Business and Management Invention*, volume 5, pp 20-28.

Environmental Accounting needs to be managed properly and adequately. This necessity has given rise to Environmental Management Accounting. Environmental management accounting is a part of environmental accounting which is the —accounting systems and techniques that provide decision-makers and management with financial and non-financial information about the firm or organization and its environment.<sup>6</sup>

Environment issue is a burning issue in the present day context due to its damage caused by natural and human activities. Its safeguard and prevention is thus a serious concern to all-society and business. Against this background, Environmental accounting and Environmental Management Accounting have become a research topic globally as well in India. Various types of challenges may come in the way to introduce and implement Environmental Accounting. It is necessary to find out challenges beforehand so as to minimize the same or overcome the same so that it can be applied properly and help achieve efficiency.

Environmental Accounting and reporting may require extra manpower and cost. Many industries, unless otherwise compelled, may not be willing to incur such costs. Thus incurring additional cost may be considered as problems in introducing EA. To what extent such cost factor is considered as challenges were thus a matter of investigation. Educated and skilled workers are vital for the efficient and effective implementation of EA. In such a context very low degree of negativeness on lack of skilled workforce is an obstacle for the environment.

Manufacturing organisation does not record correctly on the different accounts of environmental accounting. Many institutions intentionally avoid separate environmental accounts. Rules and regulations develop every organisation for smoothly run and overcome some problems. Proper set rules and regulation efficiently help implement environment accounting. Accounting has some accepted accounting standard for operating accounting practice.

6 Bouma, J.J. and Correlje, A. (2003) Institutional Changes and Environmental Management Accounting: Decentralisation and Liberalization. In: Environmental Management Accounting— Purpose and Progress, Springer, Berlin, 257-279.

But there is no well-accepted international accounting standard for environmental accounting.

There are many stakeholders exist in manufacturing organisation viz., internal and external. But unfortunately, lack of coordination with different stakeholders related to environmental issues affects proper implementation.

## CONCLUSION

Challenges of Environmental Accounting need to be managed appropriately and adequately. An attempt has been made to identify relevant problems of EA in context of India situation. Some important challenges or future problems have been identified which may draw the attention of the future policy planning for appropriate action.

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