# Chapter 45
# Environmental Accounting for Industrial Growth and Sustainable Development in India:
## An Overview and Theoretical Framework

**Archana Singh**
*Symbiosis International University, India*

**Nehajoan Panackal**
*Symbiosis International University, India*

**Bhama Venkataramani**
*Symbiosis International University, India*

## ABSTRACT

*Environmental accounting is an important function that provides industry with a means to incorporate information with business decision making and business operations. This chapter evaluates the extent to which the process of environmental accounting can be applied as a solid foundation for industrial growth and sustainability. Having an environmental accounting system in place allows the industry to better manage environmental costs and to discover new opportunities to minimize environmental costs through environmental thinking to the industrial sector. Researchers have adopted systematic literature review as a methodology to generate strong knowledge base for the study. In this paper, the theoretical foundation of environmental accounting and reporting is discussed with reference to India. The insights gained will shed light on positive outcomes of adopting environmental accounting for sustainability and manufacturing management in the industrial sector of India.*

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## 1. INTRODUCTION

There is a growing concern towards lack of adequate measures to ensure sustainability in our society. Environmental business management has focused its attention on how and why existing firms can become greener. The field of green management has begun to broaden its arena and recently there has been a growing recognition of the importance of several factors impacting green management such as linking sustainability and innovation, the role of small and medium enterprises in innovating products and processes keeping sustainability in mind. The importance of sustainability in strategic business development and green practices in industries is must. For an industry to have a positive environmental influence, real improvement can be created only if the production processes, products and services are environment friendly. Environment is the aggregation of the eco system of living organisms and the non living components like air, water, soil, etc. around us which together affects the livelihood of men and animals on earth. Natural Capital Accounting (NCA) is the measurement and valuation of natures benefits in terms of ecosystems, goods and services-like fresh water, flood control and forest products-to be incorporated into a general standard format consistent with conventional national accounts. (http://www.conservation.org/projects/pages/valuing-and Accounting-for-Natural-Capital)

Natural capital accounting (NCA) gives insights on how economic development depends on natural resources both for production as well as for absorption of effluents and pollution. This information will help policy makers while charting the development plan.

A native American proverb states that, "Only when the last tree is cut, only when the last river is polluted, only when the last fish is caught only then they will realize that we cannot eat money." In this background, it is not only imperative that we are aware of the importance of and need for sustainable development but it is also a requirement to bring on record and report to the stakeholders the extent of environment friendly measures or otherwise adopted and practiced by the organisation. Environmental accounting thus plays an important role in this regard and is now gaining importance in the reporting function of an organisation.

In the early 1970's, Norway's ministry of environment initiated the first natural resource accounting system which was later followed by other countries. In India environmental accounting is optional. Since the 1990's, Europe has been focusing on sustainable accounting indicating that the accounting profession has a significant role to play through environment sustainability reporting. Accounting for social economic and environmental aspects and reporting the same for decision making of internal and external stakeholders is facilitated through financial statements A customized format for identifying and recording environment related data can be created for disclosure. Business is an integral part of society and such disclosure shows the responsibility and commitment of the entities. Many researchers have discussed environmental accounting with reference to India and it is noted that awareness and adoption of environmental accounting is not a choice but a necessity. Since the new economic policy 1991 was implemented in India, the intensity of global competition has increased. Eco auditing is essentially related to Green accounting (Jasch, 2001). Green accounting is concerned with the appropriate analysis and reporting of environmental issues of an organization.

The present civilization is involved in various economic and non-economic activities which generates waste with potential constituents. Responsibility towards the environment is one of the crucial areas of social responsibility. Environmental pollution is a worldwide phenomenon and we must not forget that the earth's environment has been handed to us by the previous generations and nature. Wealth is enough to satisfy everyone's need but not their greed. Therefore environment protection is a critical issue in the

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