
**ENVIRONMENTAL ACCOUNTING AND REPORTING : STUDY BASED ON SELECTED PHARMACEUTICAL
INDUSTRY IN GOA**

Mr.SUDESH SATYAVAN SHETKAR
RESEARCH SCHOLAR
GOA UNIVERSITY

Dr. ANTHONY RODRIGUES
ASSOCIATE PROFESSOR, DEPARTMENT OF COMMERCE,
FR.AGNEL COLLEGE OF ARTS & COMMERCE, PILAR-GOA-403203

Abstract

In the past decade, there has been a huge demand on financial and economic data about environment and natural resources. However there was an inconsistency that civilizing environmental performance is often advocated as remedying defects in a company's assessment of their own self-interest. Environmental Accounting plays a significant role in providing the needed data on surroundings to different users at all levels for various reasons. There is a rising interest in India about subjects such as environmental development, corporate social responsibility, and corporate ecological performance. They are an after-effect of the worldwide calls about the accountability of corporations in the direction of natural environment. Therefore, Greek corporations have initiated to implementing practices for better ecological performance and reporting them to the public. The current research intended to examine Goa's Pharmaceutical companies' disclosures about their performance towards the safety of natural environment. In current years, environmental pollution becomes so acute and the stakeholders' awareness to the issue becomes so serious that environmental accounting has become a solid branch of accounting. Still, concentration towards the style and acknowledgment of environmental accounting is not a generalized one. In this paper, the theoretical foundation of environmental accounting and reporting is discussed with special reference to pharmaceuticals industry. After the proper research the researcher has felt that the scenario of Environmental accounting practices has not been transformed. It is at midge of revaluation were only reputed companies making disclosure .That to extend of just to make shareholder, customer, investor, financial intuition, to convey that they are also responsible toward society and environment.

INTRODUCTION:

The 'Environment' is natural physical surrounding that is air, water, soil, land, flora, fauna, and non-renewable resources such as fossil fuels and minerals. Environmental accounting may be defined as a process of identifying and measuring the cost incurred for environmental protection and income, if any derived from natural resources and disclosing such monetary information to the stakeholders of the company with a view to fulfilling its social obligations.

Every business concern has to carry on its activities through natural resources like water, air, earth, forest, minerals, metals etc. The activities of an enterprise have its own impact, either favourable or adverse on the environment. The need of the hour is to quantify the impact of the activities of a business concern on the environment and on natural resources and translate them into monetary terms to publish the same in its financial statements.

Environment issues have emerged in recent decades as a major aspect of the discussion in the problems of economic growth and development. Such issues have taken inter alia, the form of global warming, atmospheric, soil and water pollution caused by industrial activities and the quick decline of forest areas, noise pollution and chemical wastes being dumped into oceans and rivers.

Environmental accounting or environmental issues has been highlighted recently in India's 68th independence day on 26th January 2014. When Prime Minister has urged on Red fort that micro, small and medium entrepreneurs (MSMEs) of India to manufacture goods in the country with "ZERO DEFECT" and to ensure that good have "ZERO EFFECT" on environment. That mean "We should manufacture good in such a way that they carry zero defect, which our exported good are never returned to us. We should manufacture good with zero effect that they should not have a negative impact on the environment".

This statement of prime minister shows that recent government of India is interested in environmental accounting and this statement has taken environmental accounting one more step ahead the statement has act as tea powder and sugar which is added in the boiling water, where milk is at to be added by micro, small and medium entrepreneurs'(MSMEs).

The protection of the environment can be achieved by proper planning and management of various spatial entities viz. Water resources, land, settlements, forest etc. In the most effective manner. As in many other part of the country, developmental activities and human pressure including tourism have had an adverse impact on the environment of Goa. Like other states being affected by the rapid industrialization.

Goa too now is at the stage of great concern for the environmental conservation. Several issues which need to be looked upon, include waste management, pollution of wells in villages, uncontrolled construction with little attention given to protect delicate ecosystem and many others. Though Goa aspires to be a modern state in many ways unlike some specially protected state it has been a kind of open house to welcome for new industries and other development activities. So the environmental

accounting also becomes important aspect that Goan industries need to come up with as Goa is central point for a tourist destination .That why industries in Goa need to move towards the concept of “GREEN PROFIT GREEN GOA”.

OBJECTIVE

1. To investigate the level of corporate environment disclosure in Goa’sPharmaceutical industry.
2. To evaluate the extent of compliance of business firms on environmental disclosures using “ISO” 14000 requirements.
3. Identifying the role of Goa Government in making companies involuntary disclosure in environmental activities.

RESEARCH METHODOLOGY

This research utilized the content analysis technique like percentage which is research method for making replicable and valid inferences form data. To operationalize the voluntary environmental disclosure variables. The study made use of primary and secondary source were based solely on the use of firms corporate website and annual report of selected pharmaceutical sector of companies in Goa and other relevant information was also collected based on personal visit to government offices like IDC, Industrial development corporation, director of industries trade and commerce, Goa state pollution control board etc and their official website.

LIMITATION OF STUDY

Small companies have been excluded from the scope of the work. Some aspects of environmental accounting like social costs and benefits, and their valuation have not been investigated because of the limited time frame and non-availability of the information on the issue. The present work has analyzed environmental information disclosure in the annual report only due to limited time frame.

LITERATURE REVIEW

Kumar p (Environmental Accounting; An Indian Panorama) examined the Indian Scenario towards environmental disclosures by taking a random sample of 6 giants of Indian corporate sector. As regards the accounting and reporting aspects of environmental protection, sample companies made policy statements in their annual reports. Such information was given in the Chairman’s report or Director Report in the form of statements. Particulars on Conservation of energy were given by all the selected companies; but no information was given on the expenses incurred, targets set and achieved in respect of natural resources .The study concluded that the environmental reporting in India was limited to little more than a sentence or two each in the annual report.

Roy (Environment Management and Audit 2000) conducted a study to examine the Indian practices in respect of environmental disclosure in Corporate annual reports .He took a sample of 55 companies including both private and public sector companies by considering the annual reports for 3 years 1987,1991,and 1996 .He observed that the common practice followed by Indian companies in both the

sectors over the years regarding environmental disclosure was to offer descriptive information and itemize the same in Director's report. A few companies disclosed information through notes, schedules and a separate social account. He found that the proportion of companies giving this information in the public sector was more than in the private sector.

Vasaladministerd (Indian Journal of accounting1998) a study on 144 companies in 1998 and found that 50 percent and 22.2 percent of the companies in the public and private sector respectively disclosed information on their environmental impact through their annual reports. Moreover the practice of preparing stand-alone environmental reports was yet to rake roots in India. A review of studies on environmental accounting reveals that there are only a few reported works on the issue. However, in India, no study seems to have been published on environmental accounting. Some of the existing surveys in different countries (e.g,surmaand Vondra,1990;Wilmhurst and Frost 1996;Stanko etal,1990) examined the existence of environmental accounting systems and policies in the corporate sectors. Most of the existing attempts on the issue were quite general in nature and did not focus on the specific issues involved in accounting for environmental information (Like expensing and Capitalization of environmental costs, depreciation of environmental assets and recognition and measurement of environmental liabilities).Majority of them did not evaluate the need for a separate conceptual framework or the standards on the issue. The factors determine the Disclosure are also not mentioned in the above papers. The 10role of accounting in improving environmental performance of an organization is also required to be understood. The present exploratory paper attempts to overcome most of the limitations of the existing works and would make a significant contribution to the existing Knowledge in the area and help in bridging the gap in the existing available Literature.

DATA ANALYSIS

The present study is exploratory in nature. It is based on secondary data. Annual Reports of Top pharmaceutical companies in Goa have been examined to analyze their environmental disclosure practices. The secondary information for analyzing the data has been obtained from various databases like company annual report, Chairman's report or Director Report and the web sites of the respective companies. An 'Index of environment disclosure' listing 15 pharmaceutical industry of Goa. Information has been used to find out the actual disclosure practices in these companies. Such as books on accounting, social responsibility reporting, environmental accounting and reporting: views and recommendations of various professionalaccounting Bodies and committees on social and environmental Reporting and articles published in this area, have been consulted in determining the items for inclusion in the index. A small survey of the annual reports has also been made for this purpose as they are considered to be the most widely used and popular mode of disclosing any relevant information .An attempt has been made to examine the places of this disclosure in the annual report, its type and length. Thus mainly the Level of environmental disclosure, extend of environmental disclosure using ISO- 14000 and role of Goa government in involuntary disclosure in environmental activities have been checked in this study.

No. of Enterprises registered		(Rs. in crores)	
Type	Units	Expected Employment Generation	Investment Proposed
Micro	3176	25784	200.03
Small	380	12077	368.84
Medium	20	1794	106.59
Total	3576	39655	675.46

SOURCE: ECONOMIC SURVEY 2012 – 13

ANALYSIS:

Level of Environmental Accounting & Reporting Disclosure of Selected Pharmaceutical Industries in Goa			
Sr. No:	Industry Disclosing Environmental & CSR Activities	Industry Disclosing Only Social Responsibility	Non Disclosure of Environmental & CSR Activities
1.	Cipla Ltd	Lupin Ltd	SandoPharmaceuticals
2.	Indoco Remedies Ltd	Ranbaxy Laboratories Ltd	Cadila Healthcare Ltd
3.	Unichem Laboratories Ltd		Choksi Laboratories Ltd
4.	Glenmark Pharmaceuticals Ltd		VergoPharma Research Pvt. Ltd
5.	Sanofi- Aventis Pharma Ltd		NeuconPharmaPvt. Ltd
6.	Merck Ltd		
7.	MarksansPvt. Ltd		
8.	Watson PharmaPvt. Ltd		
Number of Industries	08	02	05

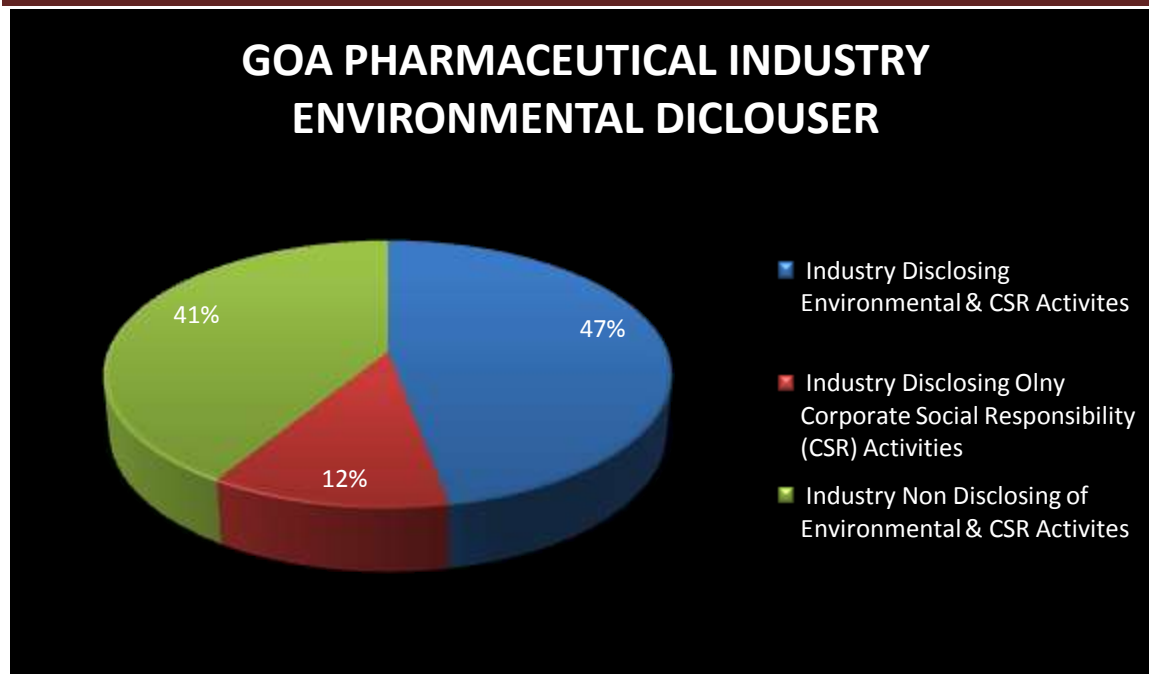
SOURCE: PRIMARY DATA.

Extent of Disclosure

The analysis shows that about 45 percent of the pharmaceutical companies have disclosed the item “broad environmental objectives’ in the year 2012- 13 and the number of companies disclosing the same has increased during 2013-14 by 10 percent approximately which is out of 15/8. where early was 15/7. Generally these objectives are given in 2-3 lines either on the front page of the annual report or in the company’s mission or vision statement. A few companies publish their environmental objectives separately in the annual report and at corporate social responsibility sections. Item ‘specific targets’ has been disclosed by less than 60 percent companies. More than 50 percent of the companies have disclosed their environmental policies in the 2013-14. Large majorities of these companies disclose these policies only to show their commitment towards environmental goals. But most of the times this information is given in a few lines only in the Directors report. The companies are mentioning ‘environmental management system (EMS) which has been increased in 2013-14 as compared to 2012-13. An important reason for this increase could be a significant growth in the number of companies obtaining ISO 14000 certificates these days. Most of the companies have only given figures of significant amount spent for environmental purposes in a particular year in Directors report. Only a few concerns have separately recognized this amount in the Profit and Loss account as green belt development or horticulture expenses. Many few companies have reported “any significant accounting or reporting policies’ or ‘extraordinary items’ in the annual report. This shows that in Goa, quantitative /financial reporting on Environmental issues is still at the infancy stage. It has been seen from the annual reports that most ISO-14000 Certified companies disclose more environmental information than the entities which don’t hold ISO-14000 Certification in Pharmaceutical industries. Mostly the Companies like Cipla Ltd, Indoco Remedies Ltd, Glenmark pharmaceuticals, Unichem Ltd. Disclose detailed information on these issues.

In general concerns belonging to medium industrial houses disclose more on the issues as compared to the micro, small companies’ Same is the case with medium companies as compared to big ones as the large companies have the capability to spend more for social causes. They can also easily bear costs involved in preparation and dissemination of this information.

In a nutshell some of the companies voluntarily disclose information on environmental policies, objectives, legal compliance and measures taken for pollution control. However, only a negligible number discloses environmental accounting information on project planning, and management and social costs.



SOURCE: PRIMARY DATA.

Type of Information Disclosed

The common practice followed by the companies regarding environment disclosure is to offer descriptive information in the annual reports. This trend is increasing over time. But the companies that disclose financial information on environmental issues do not include do not provide any item-time wise break up of expenditure or its accounting treatment in these reports. However some companies have given elaborate information through charts and tables on pollution levels or emission of pollutants. Thus, majority of companies disclose only qualitative/descriptive information on the environment in the annual report. Though a few companies have started reporting quantitative /financial figures on the issue, the information provided is generally brief and lacks specific details. Moreover there is no consistency in this kind of reporting. Disclosing

Place of environmental Disclosure

The environmental information can be disclosed at various places in the annual report like the main body of financial statements, Directors report and separate section in the report. From our analysis we found that most of the companies make environment disclosures in the Directors report only. However some companies report this information in separate environmental sections or corporate social responsibility sections in the annual report. The purpose is to provide detailed information on the issue as well as to highlight the organization's commitment towards special goals .No Company (except two) has disclosed environmental information in the main financial statements or its footnotes or in separate annexure to it. Some companies use other locations also for environment disclosure like first page of the annual report, Chairman's message and booklets attached with the annual reports. Thus majority of the

companies disclose voluntary information on environment in the Director's report, in addition to the statutorily required information in its annexure.

Length of Voluntary Environment Disclosure

Percentage of companies reporting voluntarily on the issue has increased over the period. As observed the companies, particularly ISO- 14000 certified industries, might have been pressurized by the interested stakeholders (including investors, creditors, and government) to disclose information on environment. About 40 percent of the companies have made disclosure of less than a half page in their annual reports. The length of disclosure for most companies range from 2-3 lines to a half page. However some large companies give this information in detail in the separate environmental sections.

Strength of involuntary environmental disclosure

Goa government also has framed scheme in its official gazette of June 2011. The scheme shall be called as environmental management certification, ISO-14000 scheme, 2010. It has been into force from date of publication of the official gazette of 2011 and shall remain in force upto 31st march 2015. This scheme is applicable to micro, small and medium enterprises' which obtain environmental management certification ISO- 14000 (or any other international certification of this kind) provide an excellence and become a model for others to emulate which needs to be encouraged by government. Therefore financial incentive scheme for obtaining the environmental management certification ISO-14000 is introduced. Where industries which have obtained this certificate can apply for reimbursement of the actual fees paid for the certification. The amount of incentive available for the certification under the scheme is limited to Rs. 3 lakhs. The amount of incentive will be curtailed to the extent that the unit has availed any benefit from any other similar scheme of either government of India or any other agencies.

Even though Goa government has put the effort for making more and more companies to follow the guide line under ISO-14000. It's not fully involuntary basis because industry need to have a voluntary wheel for achieving the ISO Certification and once they achieve that then only they are liable for this scheme. That also conveys that government is just giving an encouragement to voluntary environmental disclosure rather than involuntary where some strict guide line are given and industry need to follow them.

NO. Of Entrepreneurs / industrial units assisted		(Rs in lakhs)
Name of the scheme	Number of persons/ Units assisted	Amount released
Share Capital to Local Entrepreneurs and Self Employed (CMRY)	485	852.00
Goa State Financial Incentives to the Industries for ISO Certification and Patenting Scheme, 2008	4	4.67
Goa State Employment Subsidy Scheme to Industries, 2008	8	12.29
Number of Entrepreneurs Dev.Prog.	22 (programmes)	12.60
No. of Industrial Estates covered under Rain Water Harvesting & Ground Water Recharge	3	35.66

SOURCE: ECONOMIC SURVEY 2012 – 13

RECOMMENDATION

The findings suggest that the main reason for non-disclosure of the environmental information by the 47 percent Goan pharmaceutical companies because of its voluntary nature. It is strongly recommended that environmental reporting should be made mandatory in Goa. Companies in Goa should be asked to submit the detailed environmental information to the government regarding emission of specific toxic chemicals, pollutants, effluents, damage to the environment and the community health. A clause in the listing agreement may be inserted by Goa government for environmental compliance laws. Companies should calculate and report some specific ratios indicating their environmental performance. These ratios, being relative measure may be used for comparing the performance of the companies on environmental related issues. It is recommended that professional accounting 15 bodies at national levels should develop a separate conceptual framework on Environmental accounting and reporting specifying the objectives, general assumptions, qualitative characteristics and guidelines for the companies.

CONCLUSION

The findings of the study reveals that companies are well aware of the facts that Environmental issues will affect the business and industry in the near future .They are fully convinced of the need for environmental information. and has started providing information on their celebration of world environmental day, earth day, green drive program of mass tree-plantation and award achieved by them which is based on environmental activities of the companies example Glenmark pharmaceutical ltd has provided information that they have been awarded with 14thGreenTech Environment Award- 2013 and Cipla has award with Global CSR Excellence & leadership Award 2014 for Best Corporate Social Responsibility Practices etc. Despite this awareness, there is an absence of external environmental accounting. The companies in Goa do not have a proper environmental accounting system to determine the environment related costs, benefits, assets and liabilities. Goa's Pharmaceutical companies fail to provide adequate disclosure on the environment. Without any strict accounting pronouncements from the ICAI and disclosure norms by the regulatory authorities and Government of Goa, the companies generally provide only statutorily required, qualitative, and positive information on environment. Companies also need to disclosure of negative impact of their activities carried out in their production process and in other related matter of industry. It can be concluded that there is a low level of Environmental accounting and reporting activity in Goa pharmaceutical industry sector. But the number of industry disclosing environmental activities has been seen increasing year after year. Where 10 percent increases has been seen for year 2012-13 to 2013-14. The accounting profession and the companies has yet to respond to these issues and learnt a lot in dealing with the environmental matters in the books of accounts. Goa Government role will also play very important role in future for making environmental accounting and reporting involuntary in nature. Where they have to come up with strict environmental guide line, rule and regulation which need to be made compulsory in nature so companies follow them and regulatory authorities need to be framed. Where these authorities will keep track on the industries environmental activities and fine and penalties will be given to those companies which do not follow the guideline. Regulatory authority will also provide an incentive, reward, award, and other beneficial schemes to that industry which follow the guideline which are framed by Goa Government. It can be said that Environmental Accounting and reporting in Goa's pharmaceutical company has long way to go in come brighter future. Where words of Great MAHATMA GANDHI (1869-1948) are remembered "this world is enough for everyone's needs, but not enough for everyone's greed!".

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