International Journal of Research Publication and Reviews

Journal homepage: www.ijrpr.com ISSN 2582-7421

An Emperical Study on The Origination, Significance and Practices of Green Accounting in India

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ABSTRACT:

Companies are incorporating environmental considerations into their business operations. The Green Accounting refers to environmental and natural resource accounting. It's a rapidly growing field that considers things like resource management and environmental impact, as well as a company's revenue and expenses. Green accounting will assist the firm in identifying resource usage and costs. For emerging countries like India, it is a dual dilemma of environmental preservation and economic development. This strategy is used to keep track of a company's costs and benefits. Green accounting and reporting are still in their infancy in India, both at the corporate and individual levels. The main goals of this research paper is to give the importance for Green Accounting in India and for reflecting natural capital and human capital externalities in India's national accounts, measuring depletion of natural resources as depreciation and the future value of natural resources as future value. India is also a part of the Paris agreement or in formal terms, Conference of Parties (CoP) protocol on combating climate change and maintaining these records will enable us to track progress comprehensively. Many MNCs have already adopted green accounting, the result of which is reflected in the fall of environmental damage caused by them. Green Accounting for India is desired, doable, realistic, and practicable, and that a start can be made with existing primary data collected by various government agencies.

Keywords: Economic development, Environmental preservation, Green Accounting, Human capital.

INTRODUCTION:

Environmental accounting, often known as green accounting, is the use of a set of accounting procedures to assess, record, and disclose the financial effects of a company's environmental initiatives. Green Accounting is extremely beneficial to the welfare economics notion. It assists us in comprehending the true environmental impact of corporations and in devising compensatory methods to give back to society. Businesses must accept responsibility for their past, current, and future environmental impact. They are responsible for the damages they cause before, during, and after the manufacturing process; by this, we mean that even environmental costs incurred as a result of product use should be accounted for. They also need to do a quantitative study of these factors so that they can compare the outcomes over time and take active actions to reduce the effects to a minimum. Despite the fact that they do not directly entail monetary costs, they have an impact on development and so must be accounted for and addressed. If a company clears a substantial portion of a forest and earns handsomely, the company's bottom line will undoubtedly rise, but the harm done to the forest will have serious consequences for the area's natural balance. As a result, we have an illusion of growth based on environmentally unsustainable corporate practises that will backfire in the long run. All firms have the basic economic goal of long-term growth and survival, which makes green accounting vitally important for them to execute.

Money is not the only factor for calculating the income or expenditure of the country. The use of natural resources is another important aspect. In order to surround ourselves with the assets and not the liabilities Green Accounting emerges. When the Economic Damages are considered with respect to the exhaustion of Natural Resources while determining the Income of the nation it is known as Green Accounting. It is the sustained level of income which is achieved without depleting the Natural Assets of the Nation. India as still in the phase of developing is focusing on various factors out of which one factor is Environmental Awareness. In order to spread Environmental Awareness what more is needed is to have a proper prove by maintaining a proper account for the environment as well. Various steps are taken by various sectors of the country to protect and promote the healthy green environment so as to protect the near future and in order to have proper records for these steps a new branch of accounting is introduced which is known as Green Accounting. Green Accounting can be replaced by many other terms such as Environmental Accounting or Resource Accounting or even as Integrated Accounting. Professor Peter wood is the one who introduced the term Environmental Accounting in 1980s. Green Accounting or Resource Accounting deals with maintaining accounting records for the well-being of the environment. It is totally a new aspect of the accounts still it’s growing due to its importance as recognised as relevant.

Anthropogenic activities have destroyed half of the world's rainforests, and there is no way of knowing how much harm has been done. They continue to clear hundreds of acres of rainforest per minute all across the world, yet the vast majority of this is not accounted for in national income. Delhi, our country's capital, has reached such dangerously high levels of air pollution that schools and offices have been forced to close for a few days. And while the situation remains dire, none of this is reflected in our country's GDP. The GDP will continue to rise, creating the impression of progress. From these instances, it is apparent that India will gain from the implementation of green accounting. In the year 1980, an economist and Professor Peter Wood invented green accounting, often known as environmental accounting. It is extremely important in today's Corporate Social Responsibility. Environmental sources and assets are accounted for in the company's accounting. It assesses a company's social, economic, and environmental effect. It is one of the systems that has emerged for long-term development. It's a new type of accounting that focuses on the environment and its well-being. It is a type of accounting that considers environmental costs while calculating an enterprise's earnings. There is a need for an updated accounting approach that takes into account the environment.

To begin with, a top-down approach has the advantage of providing a consistent and unbiased national framework for valuing previously unaccounted for aspects of national and state wealth and output. Second, it makes the most of vast existing research that hasn't yet been brought together in a way that makes it relevant for policy analysis. As a result, we want to give a much-improved toolset based on worldwide best practise for India's policymakers to assess the economics of their policy trade-offs, allowing them and the general public to join in a more informed debate. a well-informed debate on the economic growth's long-term viability, based on national and inter-state comparisons Calculated externalities' materiality in sectors like education, health, and natural resources is particularly intriguing because these sectors are critical contributors to both sustainable development and poverty eradication. This initiative intends to re-calibrate the existing annual GSDP reports to account for changes in each state's natural capital stock (minerals, arable land, forests, and freshwater) as well as its human capital investment (education, health, and pollution control).

India has spent the last ten years re-establishing a growth dynamic that was absent during the previous quasi-socialist rule. The reform process appears to be generating growth, but it is also important to monitor and channel the forces of growth and investment to ensure that they truly improve the quality of life for current and future generations, and to manage the economy sustainably, one must also measure it through the lens of sustainability. Furthermore, there is an asymmetry between man-made and natural capital in that the former's depreciation is reflected in GDP figures, whilst the latter's is not. In this perspective, it's important to acknowledge that GDP growth is far too erratic. Externalities such as the formation and destruction of Human and Natural Capital must be properly measured because they have a substantial impact on India's long-term growth sustainability. The standard of living is a key measure of a country's economic success, and ongoing national policy adjustments are made with the ultimate goal of establishing high living standards.

An Examination of Social and Environmental Reporting Strategies, by Cormier and Irene (2001): The investigation focused on societal and environmental disclosures. It came to the conclusion that the costs and benefits of environmental disclosures had nothing to do with the relationship between environmental and social disclosures. Sustainable development and environmental accounting: The challenge to the economic and accounting profession, Gamini Herath (2005): - This study attempts to use natural resource accounting instead of gross domestic product to assess the nation's welfare, which has a number of limitations. When calculating the environmental harm, all of the challenges were taken into account. Aruna Das Gupta (2007) in their study looked at social responsibility trends in India and found that these are on the rise. Green accounting provides policymakers with real-time environmental information. Having real-time data on the most important factor implied by standard of living, namely the quality of the environment, allows policymakers to make fully informed decisions that will help India bridge the gap between being a developing country and becoming a developed country quickly and sustainably. India is slowly but steadily becoming a global hotspot for start-ups, and we recently celebrated our fiftieth birthday. This is a huge accomplishment, but it might also be harmful because as businesses expand, demand for natural resources will rise dramatically. Growth of enterprises is unavoidable for our country's progress, but it is critical to guarantee that it is sustainable in all aspects. Making this process sustainable is a huge task for our country's policymakers, and in order to succeed, policymakers and entrepreneurs must collaborate closely.

N Navya and Yamini Apoorva in their work on Green Accounting and Its Role in India's Development, found that environmental accounting aids decision-making, and that if India effectively implements it, it will be able to grow at a quicker rate. Green accounting also has a lot of uses in marketing. It's all about providing value to the customer in marketing. A consumer who purchases products from a socially responsible company will be happier than one who does not. A consumer purchasing organic vegetables, for example, will be more satisfied because he or she is aware that it was grown using environmentally friendly ways and that they may eat their vegetables without worry of chemicals. Consumer loyalty grows as a result of the deep relationships they create with them. Because a company that practises green accounting is socially responsible, it will profit from enhanced goodwill. As more people become aware of their obligations as buyers, they prefer products that have no harmful consequences for society or the environment. In marketing, the needs of customers are met as best as possible by marketers, and products are produced with the goal of delivering value to the customer in mind. When consumers demand products that have no negative environmental impact, marketers will endeavour to meet that need in order to ensure that the customers are completely satisfied. Marketers must take the initiative and educate their customers on the potential environmental impact of their products' manufacture and use, as well as what consumers may do to mitigate these effects. They must also inform them about the firm's efforts in this regard.

In India, there is a scarcity of focused sustainability analysis and data for policymakers at the national and state levels. As a result, public debate, government planning, budgetary allocation, and economic results measurement are all undertaken without a framework for long-term sustainability. High GDP growth is typically accompanied by increased investment in physical infrastructure, putting increasing strain on the country's environment and natural resources. However, there is a discrepancy between man-made and natural capital in that the former's depreciation is reflected in GDP statistics while the latter's is not. Recognizing that GDP growth is an overly limited metric of environmental progress. In India, the Central Statistical Organisation (CSO) is developing a technique to systematically incorporate natural resources into national accounts for land, water, air, and sub-soil assets in different states. The CSO approach, on the other hand, generates accounts for specific states and sectors, and their studies are currently ongoing. We employ a top-down or macroeconomic method to simulate modifications to GDP/GSDP accounts, in contrast to the CSO approach. Green accounting main goal is to assist organisations in understanding and managing the potential trade-off between traditional economic goals and environmental goals. Norway, the Philippines, Namibia, Chile, the United States, and Japan are among the countries that have adopted green accounting. In India, green accounting is still in its infancy. It is one of the most effective ways for achieving long-term development.

OBJECTIVES

To highlight the importance of Green Accounting to focuses on the effective and efficient use of natural resources that do not affect nature negatively and offers people with precise economic effects and to analyse environmental costs and benefits.

ENVIRONMENTAL ACCOUNTING PRACTICES IN INDIA

1. The first public disclosure on green accounting was made in 1991.
2. According to the Ministry of Environment and Forests, "Every company shall, in the Report of its Board of Directors, disclose briefly the particulars of steps taken or proposed to be taken toward the adoption of clean technologies for pollution prevention, waste minimization, waste recycling and utilisation, pollution control measures, investment in environmental protection, and impact on the environment."
3. The Union Ministry of Environment and Forests has issued a number of directives on the preparation of environmental statements.
4. In the country, all new projects must obtain environmental permission from both the Union Ministry of Environment and Forests and the relevant State Government department of environment.

Green Accounting it is a beginning to recognise that protecting the environment and its biodiversity along with its ecosystems is an extremely critical national priority. Understanding the need for companies to become morally and socially responsible, the government of India made Corporate Social Responsibility (CSR) mandatory in New Companies Act 2013 for companies in three categories:

a) Companies having Net worth of Rs. 500 Crore or more,
b) Companies having Turnover of INR 1000 Crore and
c) Companies having Net Profit of Rs. 5 Crore or more.

Every such company which falls in any category shown above has to spend at least 2% of its average net profits of last 3 years on CSR activities and also has to disclose in Board/Director’s Report. In addition to this every company in India also have to disclose particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo. There are several criteria in this regard, and all such projects are required to get environmental and anti-pollution approval before they can be implemented.

1. Environmental management accounting: the identification, analysis, and use of two categories of data
   A. **Physical data:** which focuses on the physical use of limited resources and the amount of waste produced?
   B. **Monetary data:** data on expenses, incomes, and savings related to the environment.
2. Environmental financial accounting (EFA) is used to account for transactions that have an impact on a company's financial performance.
3. Environmental national accounting: This is a type of national accounting that is used to account for natural resources and environmental costs.

Throughout, we can see how accounting for environmental costs serves as a visible foundation for managerial decisions, policy formulation, and cost-cutting initiatives that will ultimately help conserve our environment. Despite the government's efforts to protect the environment through special acts and laws, none of them include environmental costs into commercial operations, which are reflected in our GDP. As a result, green accounting provides a more accurate picture of current development. Only if governments and businesses work together will mandatory green accounting show to be a successful policy implementation. Businesses must strive to decrease their current environmental expenses while also planning and redesigning their products and operations to lower future costs. The government must control the corporate standards that must be followed, as well as ensure that they are followed. Businesses may perceive the costs of revamping their products and operations to be prohibitively expensive in the short term, but they will aid the company's long-term survival and growth. Redesigning products and processes may entail activities such as incorporating new technology, adjusting input, and altering product design, among others.

It is clear from the accounts that primarily disclose the following information.

- The types of pollution-control systems that have been deployed
- Energy conservation measures done.
- Optimal resource usage.
- Waste decomposition procedures.
- Measures performed to improve the product's quality

The relevant industry must include information on:

- Water and raw material use in this environmental statement.
- Pollution produced
- The impact of pollution control strategies on natural resource conservation.
- The types of hazardous and solid wastes generated, as well as the methods used to dispose of them
- Environmental protection measures taken
- Steps done to increase business awareness of the benefits of environmental accounting and reporting.

CONCLUSION

Green Accounting is a unique opportunity for India to remain ahead in order to build a new India that is neither developing nor developed. Green Accounting arouses interest since it is not only a benefit or revenue that we receive from natural resources, but it also involves someone paying for the environment, resulting in a dual perspective. India must choose between saving our environment and allowing it to be destroyed, not between protecting our environment and our economy, because environmental conservation would inevitably lead to our country's progress. It is not enough to be willing to adopt Green Accounting; it must be implemented. It is not enough to understand the relevance of Green Accounting; it must also be implemented in the workplace. It is not enough to feel compelled to act; everything must be put into action as well. Green accounting is the language of the environment through business. Accounting is the language of business. Green accounting is an important feature that should not be overlooked because it encompasses both environmental and economic data. Green accounting would help the Indian economy grow if it were implemented at the national level.

SUGGESTIONS

Awareness must be spread about the concept and need of green accounting to the general public as well. Maintaining green accounting records must be made mandatory for all organisation and government must take strict actions against it. Annual reports must also carry the information regarding the environmental accounts. A proper accounting framework must be developed for the purpose of green accounting.

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