

GREEN ACCOUNTING AND ITS STATUS IN INDIA

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ABSTRACT

Responsibility of an organization regarding environment is one of the most important area of its social responsibility. Now a day's most of an organization incorporate environment element in their operation activities. But still no clear cut rules or policies are framed at national level. Business organization a lot of environmental resources while conducting its business operations and it has caused numerous which are beyond repair. As time is moving on and less and less environmental resources are left, more and more significant is given to natural resources. This concept is also being adopted by the business sector and they also have certain responsibilities toward society. Green accounting is an accounting which considers environmental factors while conducting accounting process. An analysis of environmental loss and benefits are very important and green accounting plays a very important role in this sence. Green accounting is a new accounting system which presents an environmental cost and benefits rendered by an organization. This paper focus on the concept of green accounting, its importance, conceptual model for green accounting and development of green accounting in India.

KEYWORDS: *Green Accounting, Environmental Resources, Environmental Loss and Benefits.*

Introduction

As a corporate citizen, an enterprise judged by its action to the community as well as its economic and environmental performance. So many laws have been laid down to bind an origination to fulfill their social responsibility for better development of economy. The fullest possible use of human and environmental resources is a main responsibility of every business. Business organization a lot of environmental resources while conducting its business operations and it has caused numerous which are beyond repair. As time is moving on and less and less environmental resources are left, more and more significant is given to natural resources. This concept is also being adopted by the business sector and they also have certain responsibilities toward society. Green accounting is an accounting which considers environmental factors while conducting accounting process. It has various advantages and that is the reason why green accounting is gaining more recognition every day. Adoption of green accounting by a business organization shows how committed such organization is toward environmental protection. Adverse impact on environment fact has a significant impact on the overall economy which indirectly affects the business environment in which business organizations are working. Enterprises which are environmentally sustainable need to maintain account for their environmental activities to determine the true profit. They should maintain account of its environmental activities impact and its effect to determine its profit.

Review of Literature

Hecht, Joy E. (1997), explain in their study that environmental accounting is an important tool for understanding the role played by the natural environment in the economy. According to him environmental accounts provide data which highlight both the costs imposed by pollution or resource degradation and the contribution of natural resources to economic wellbeing. He also explains the meaning and matters of environmental accounting, how to get started and who is working on it.

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According to Mukesh Chauhan (2005), it is the time that government and corporate prepare a firm environmental policy, take steps for environment control, comply the related rules and regulations and enterprises should mention adequate details of environmental aspects in their annual statements. He also explains the environmental accounting forms, scope, limitations and legal framework in Indian context. He said a well-defined environmental policy as well as proper follow up and proper accounting procedure is a must for developing country. For India and other sustainable development of country he suggested framework for implementing green accounting practices.

Nasir Zameer Qureshi (2012), explain in their study that an enterprises producing the required performance reports and recognizing the multiple skills required to measure, compile and analyze the requisite data regarding the environmental component of the business strategy.

Objectives

The purpose of the study is to highlight the existing green accounting or environment accounting in India. The main objectives of this study are:

- To study the concept of Green Accounting
- To study the status of green accounting in India.

Research Methodology

This study is based on the secondary data and the sources are journals, magazines, articles and media reports.

Importance and Limitations of Green Accounting

In the majority of the countries, the economic health of the company is measured with the help of Gross Domestic Products (GDP). But in the true sense, other factors should also be considered while examination of economic health along with GDP. The main problem with a developing country is that they have to focus on both the issues i.e. GDP and conservation of resources. If GDP of the country decreases that reputation of the country in the international business market will be affected and it might also affect business relations with other countries. Green accounting helps in identification of cost and benefits raised by the company for its business environment. It tends to include environmental cost of doing business in financial results of a company. It is important to account for cost and benefits of the environment as a business environment consumes a lot of environmental resources. In certain business processes, a business organization has a very adverse impact on the environment and for the sustenance of human life, the environment is very important (Bertoni and De Rosa, 2012).

There is the various advantage of green accounting like pollution control and sustainable development. It also helps in implementation of environmental centralized product life cycle and other management systems. This help in total integration of green accounting in business. The main problem that is faced by organizations in the implementation of green accounting is that there is no prescribed standard, policy and procedure for implementation of green accounting in India. Majority of the business organization ignore this concept as there is no mandatory rule for its implementation. Valuation on assessment of the environmental impact on the business organization is also one of the most difficult tasks as this concept is very new not many organizations are adopting this concept. Also, the initial cost of implementation of green accounting is very high and only mid-size to the large organization could afford such high costs.

This concept of green accounting could be effectively implemented as it is not integrated into financial reporting system of business organization. Accounting and financial reporting authority in India should incorporate this concept in financial reporting framework and accounting standard issued for effective implementation. The advantages of green accounting are very significant and over the period of time, this concept will become essential for the existence of business in the environment (Farouk et.al, 2012). Green accounting helps in improving environmental performance and controlling environment cost. It encourages the corporate to investing in cleaner and efficient to improve environment and facilitates forming informed decisions related to their business activities. Green accounting helps in developing greener processes and product. On the other hand green accounting having some limitation. It is an evolving science and still under process. Lot of study is required as there is no standard accounting methods for green accounting. Due to change in method of green accounting the comparison between two companies regarding environment is not possible.

Conceptual Model for Green Accounting

This six-step model is prepared to facilitate business organization in accounting and reporting environmental factors in financial statements:

- **Identifying Parameters for Environmental Reporting:** There are various parameters of environment that affect a business organization such as health and safety, energy conservation, sustainability, waste management etc. A business organization should identify the parameters that are affected by its business operations.
- **Defining the Selected Parameter:** The parameters identified in above step should be elaborately described by the business organization and detailed format of the report should be prepared.
- **Specification of Environmental Targets:** Goals should be prepared as per long term and short term environmental goals. It is important to set these goals so prepare an effective and efficient reporting format.
- **Developments of Performance Indicators:** Indicators are the factors on the basis of which organization should assess their own business processes. These indicators can be the standard business practices or standards issued by the government of India. Any deviation from these standards should be reported each and every time.
- **Measurement of Performance Indicators:** Generally there are two types of indicators i.e. qualitative and quantitative. Both of these indicators should be assessed by business organizations to assess the business impact on the environment. For example, pollution created by the organization should be measured in qualitative terms whereas was produced in the manufacturing of products should be measured in quantitative terms.
- **Reporting of Performance Results:** It is the last stage in which reports are prepared and addressed to the regulatory authority. An organization should also include the financial impact of such processes on the basis performance indicators identified by them (Malik and Mittal, 2015).

Green Accounting in India

In India Union Ministry of Environment is coordinating between the states and the various ministries regarding anti pollution measures and the environmental protection. Various legislations are also passed in India to ensure the environmental protection. The important laws pertinent to environmental protection in India are as follows:

- Water (Prevention and Control of Pollution) Act, 1974
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- Air (Prevention and Control of Pollution) Act, 1981
- The Forest Conservation Act, 1980
- The Environment (Protection) Act, 1986
- The provision in the Constitution (Article 51A)
- The Factories Act, 1948
- Hazardous Waste (Management and Handling) Rules, 1989
- Public Liability Insurance Act, 1991
- The Motor Vehicle Act, 1991
- Indian Penal Code
- The National Environment Tribunal Act, 1995
- Indian Fisheries Act, 1987

In 2011, SEBI also mandates listed companies regarding reporting on environmental and social initiative undertaken by them, according to the key principles enunciated in the National Voluntary Guidelines on Social, Environmental and Economic Responsibilities of Business. As per the Companies Act, 2013 for certain class of profitable enterprises it is mandatory to spend some money on social welfare activities and the companies are required to give report regarding company's general state of affair and financial performance regarding conservation of energy and environment. Environmental ministry of India has instructed to provide a statement in relation to the activities that are affecting the environment but very few of such organizations are following such instruction. The main reason behind this negligence is that there is no hard and fast rule for such statement and it is prepared by the business organization on avoluntary basis (Minimol and Makesh, 2014). The organization that does prepare this statement is giving very basic information through these statements such as:

- Machines installed for pollution control in manufacturing unit.
- The general procedure adopted for conservation of natural resources and energy.

- Steps were taken by the business organization to maintain energy-saving processes for business operations.
- Steps were taken for water conservation and protection of natural water resources near the business unit.
- The manner in which natural raw material is being conserved in business operations.

These are very basic information and true cost-benefit analysis of environmental impact cannot be done with the help of such information. A research conducted by Dr. B. B. Padhan and Dr. R. K. Bal on 80 executives from different industries (Pramanik, 2002). In this research, it was observed that majority of executives are aware of green accounting and environmental issues. Still, there was very less information available in this context in their financial statements.

Conclusion

The concept of green accounting is relatively new and it is still in its development stage. Not many organizations are aware of important and advantages of this concept and they do not incorporate green accounting in their business. The impact of business organizations on the environment is huge and mostly negative. In near future, it is reasonable to expect that it will become compulsory for all businesses to adopt the concept of green accounting in financial reporting framework. In India green accounting is in preliminary stage. For environmental safety it is necessary that corporate prepare policy, rules and regulations regarding environment control and mention necessary details of environmental aspects in their annual report.

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