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GREEN ACCOUNTING: URGENT NEED OF THE MODERN WORLD

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ABSTRACT

Green or environmental accounting is a new concept of traditional accounting system. It refers to modification of the accounting system to incorporate the use or depletion of natural or environmental resources. Green accounting gives data which highlight both the contribution of environmental resources to economic development and the costs imposed by pollution or natural resource degradation. In recent years, environmental degradation and degeneration are reached its high level, because of air, water, land and sound pollution, soil erosion, deforestation, global warming etc. which leads to spoils human health, reduces economic productivity and loss of amenities. In the present scenario, environmental degradation or pollution has become major problem and environment safety issue become main concentration of almost all organizations or companies. To save and salvage the country, it is highly essential to make appropriate laws and policies in green accounting and implement the same without further loss of time. The purpose of the present paper is to study the basic concept of green accounting and analyze the available literature based on the green accounting.

KEYWORDS: *Green Accounting, CSR, Environmental Degradation, Green GDP.*

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Introduction

Green accounting, also known as environmental accounting or natural resource accounting, is a new branch of accounting that attempts to factor environmental costs into the financial results of companies. The problem with the traditional system of national accounts (SNA), which gives us the measures of Gross domestic Product (GDP) and Gross national Product (GNP) is that it does not take into its monetary account the impact of the economic processes on the environment in the form of negative or positive externalities. A new measure called green accounting helps to overcome these problems. It is an important management system of industries or business firm to enable enhancement of economic and environmental performance. The various activities of human are creating significant environmental damage which is not recovered by conventional accounting techniques. Environmental degradation and climate change have caused many natural, social and serious economic disasters. The concept of green accounting is proposed as a solution to overcome the limitations of conventional or traditional accounting. An effective green balance sheet in green accounting is prepared including all internal and external cost categories, such as land, water and air pollution; health problems for workers; environmental degradation and depletion of finite resources.

Green accounting report gives information about climate change, global warming, pollution and natural resources conservation produced by company's activities and it is useful in determining the activity cost in the area and their influence on financial performance. Green accounting report will help in business planning; motivate the employees to become responsible citizens and an important tool to

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develop social and environmental awareness among the stakeholders. There are many parameters in green accounting reports such as health safety, energy conservation, environmental initiatives, water management, waste management, sustainability reporting, renewable energy resources, environmental assets *etc*.; these parameters depends on the type, work and net worth of business firm or companies.

GDP and Green GDP

A traditional indicator of economic growth like GDP does not take the depletion of environmental resources into account. The green gross domestic product (green GDP) is an index of economic growth with the value of environmental degradation and all expenditures resulting from cleaning up pollution, avoiding further environmental damage, and health care costs of pollution-induced illnesses (E).

Green GDP = GDP – the value of environmental degradation – E

Green Accounting at International and National Level

Norway, Denmark, Finland and Australia are important countries which have the highest level of regulation of environmental policies and stringent accounting pronouncements. The System of Integrated Environmental and Economic Accounting (SEEA) of UN, 2003 aimed at integrating environment and social dimensions in the accounting framework. The green accounting concept in India is in very nascent stage. Green accounting plays an important role in the corporate social responsibility (CSR) of a firm. Responsibility towards environment has become one of the most crucial areas of social responsibility. The developing countries like India are facing the twin problem of the environment protection and enhancing economic development.

The new Companies Act of 2013 has been made by the government of India which states that Corporate Social responsibility (CSR) mandatory for (i) companies having net worth of 500 crore rps, or (ii) turnover of 1000 crore rps, or (iii) net profit of 5 crore rps. Every such company has to spend at least 2% of its average net profits of the last 3 years on CSR activities and also has to disclose CSR activities report annually. Many companies and business firms are beginning to commit themselves to carry out CSR and report annually to the board of directors. CSR is self-responsibility and regulating business model that helps a company to become socially accountable to itself, to all aspects of society including economic, social, and environmental, its stakeholders, and the public. CSR is about how organizations or companies manage the business to produce an overall positive impact on society.

There are following top companies which have incorporated CSR initiatives in their policies successfully: (1) TATA Chemicals- Investment in bio diversity, health care, safe drinking water, natural resources, climate change management leading to increase in environment sustainability and sanitary solutions; (2) Infosys- sensitive towards vigilant utilization of natural resources; (3) ITC limited- their noticeable efforts are in agriculture sector of the country; (4) TATA motors- their initiatives are centered on society and environment; (5) Bharat Petroleum Corporation Ltd.- contributes to India's development through its active participation in the energy sector; (6) Ultratech cement- CSR activities focus on education, infrastructure, environment, social welfare, and sustainable livelihood; (7) Mahindra and Mahindra-CSR programs invest in healthcare for remote areas, water conservation and disaster relief programs *etc*.

All the above initiatives of multinational brands represent active involvement in CSR. These activities and initiatives are a major driving force for collaborative growth and sustainable development at business, organizations and societal level.

Importance of Green Accounting

The importance of green accounting is increasing because of increasing of environment degradation, climate change, and economic, social and technological developments. There is a need for people of India to be made aware of towards environmental protection, safety and environmental accounting in business concern *etc*. It helps organizations and other business firm to increase their public trust and confidence and is associated with receiving a fair assessment. Green accounting gives an indication of the effectiveness of the environmental management and helps to measure the organization environmental performance. Environmental performance is an important factor in evaluating a company's success. It improves corporate profile of the companies and increases market opportunities. It helps to measure the environmental problem on the society, air, land, water and worker's health. It increases interest in limiting polluted gas emission, waste treatments, recycling and encouraging the use of renewable sources of energy.

Some Drawbacks

There are many limitations to apply green accounting in traditional accounting like existence of numerous valuation techniques and sustainability indicators; lack of standard accounting method; correct implementation of various methods; it is a long term process so to draw a conclusion with help of it is not easy; mainly considers internal cost of the company and ignores cost to society; initial cost for its tools and application is high; materials use, flow and cost information often is not tracked adequately.

Conclusion

Pollution is as a major problem in today's society. There are many cities in India which are counted as most polluted cities in the world. India is still in the transition phase in green accounting as there are no clear-cut practices or policies in place to protect the environment. The time has come for companies or business firm to take steps for pollution control, comply with the rules and mention adequate details of environmental aspects in their annual report. The government must take appropriate actions and penalties must be imposed on those organizations which are not followed rules. It is high time that a well-defined environmental policy is necessary for the country. For sustainable development, a definite environmental policy and its proper implementation is must.

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