

## GREEN ACCOUNTING: A STEP TOWARDS CONSERVATION OF ENVIRONMENT

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### ABSTRACT

*Environment is not a permanent asset. Rapid industrialization, in spite of its positive effect on economic development has very seriously threatened the world's natural environmental balance. It has been viewed that gross domestic product (GDP) does not involve the environment and therefore policymakers are looking for a new and revised model that involves green accounting. Green accounting can be used as a tool to reduce environmental costs by proper decision making and also by implementing greener technologies. It is also important for company/industries to implement green accounting and to keep a track on what they are receiving from the environment and what they are giving back in return. This would help in the efficient use of resources and it would also help in conservation of environment to some extent. Green accounting plays a major role in the corporate social responsibility (CSR) of a firm. The organizations must take initiative to implement green accounting and the government must take strict action if the environmental norms are not followed and also penalties must be imposed for it. The present study is based on analysis of secondary data.*

**Keywords:** Green Accounting, Corporate Social Responsibility (CSR), Gross Domestic Product (GDP).

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### Introduction

In the past few years, there has been a growing awareness of the need to discover the art of living in harmony with nature. It is also realized that the environment is not a permanent asset. Rapid industrialization, in spite of its positive effect on economic development has very seriously threatened the world's natural environmental balance. Environmental Changes are a global problem which requires a global solution. It has potential to slow our economic growth. Recently government, society, environmentalists, customers, employees and competitors are making pressure on business firms/industries to become environmental friendly. Proper balancing of economic growth and environment protection is gradually being recognized by all concerned. It has been viewed that gross domestic product (GDP) avoid the environmental cost and therefore policymakers are searching for revised model that incorporates green accounting.

The Green accounting system is a type of accounting that includes environmental costs into the financial results of operations. The term was first used by economist and Professor Peter Wood in the 1980s. It is also sometime referred to as resource accounting or environmental accounting. India's former Environment Minister Mr. Jairam Ramesh first time forcefully stated the need and importance of green accounting practices to the forefront of accounting in India. The System of Environmental-Economic Accounting (SEEA) is used in green accounting. Its prime focus is to prevent the depletion of scarce natural resources which can lead the control of environmental degradation. The green accounting has two purposes out of which one is to improve the financial environmental performance in the business and the other is to check how the operations of the organization have an effect on the environmental system. Implementation of green accounting in the management system of the organization is important for the progress of environmental and economic performance of the organization. In India it is still a difficult task to implement this type of accounting due to lack of information to stakeholders regarding the additional cost expenditure and implementation effects. Most of the companies are unaware of the outcomes and hence would not want to implement this tool.

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According to IUCN of the world conservation union, green accounting involves the modification in the system of national accounts (SNA) which incorporate the use of depletion of natural resources. The UNSTAT (United nations statistical division) have a standard format for the preparation of SNP to calculate major economic indicators like gross domestic product, gross national product, savings, trade balance, etc.

#### **Goals of Green Accounting System**

- To identify that part of the gross domestic product (GDP) this reflects the costs necessary to compensate for the negative impacts of economic growth that is the defensive expenditures.
- To established the linkage of physical resource accounts with monetary environmental accounts.
- Assessment of environmental costs and benefits of business.
- It is used to maintain of tangible resources.
- For the elaboration and measurement of indicators of environmentally adjusted product and income.

#### **Forms of Green Accounting**

- Environmental Management Accounting (EMA): this type of accounting particularly focuses on the information of material and energy flow and environmental cost. It can be further classified in the following sub- systems:
  - Segment Environmental Accounting: this type of accounting selects an investment activity or a project operated by firms which is related to environmental conservation and uses this to evaluate environmental effects for a certain period.
  - Eco Balance Environmental Accounting: It is an internal environmental accounting tool which support PDCA (plan-do-check-act) for sustainable environmental management activities.
  - Corporate Environmental Accounting: In this type of accounting relevant information's are spread in public and further compiled according to the environmental accounting. It is also called as Corporate Environmental Reporting. For this purpose the cost and effect (in quantity and monetary value) involved in environmental conservation activities are used.
- Environmental Financial Accounting (EFA): this type of accounting particularly monitors the environmental liability costs and other significant environmental costs of any firm.
- Environmental National Accounting (ENA): It is an accounting with a particular focus on natural resources stocks and flaws as well as environmental costs and externality costs.

#### **Need of Green Accounting System**

Any change in the environment will negatively affect the environment as well as the economy of country and the changes in the economy will directly affect the business. It is also observed that the Gross domestic product (GDP) of a country can be affected by the environmental and climatic change. As the studies shows that Gross Domestic product ignores environmental concerns so there is a need of Green Accounting. Green accounting is the need of the hour in the globe. Even though Indian corporate and business complies with requirements such as Social responsibility, there are no clear cut policies to protect the environment. There is a need for common people of India to be made aware of towards environmental safety and green accounting in business. For any developing country it is a big problem to save environment as well as economic development. However the economy of the country should be improved first. Thus companies are trying to repair the environmental damage with the help of green accounting Green accounting is the best tool in any business to understand and manage the potential quid pro quo between traditional economic goals and environmental goals.

#### **Legal Framework for Green Accounting in India**

However industrial licensing has been abolished for all practical purposes, environmental clearance from various government authorities has now taken the center stage. Furthermore increasing concern with the protection of the environment and taking anti-pollution measures have become major concern in the past few decades. India also set up the Central Ministry of Environment which helps in coordinating among the states and the various ministries regarding the environmental protection and anti-pollution measures. Necessary legislation has also been passed. The various laws relevant to the environmental protection are as under:

- **Laws directly related to the environmental protection**
  - Water (Prevention and Control of Pollution) Act, 1974.
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  - The Air (Prevention and Control of Pollution) Act, 1981.
  - The Forest (Conservation) Act, 1980.
  - The Environment (Protection) Act, 1986.
- **Laws indirectly related to the environmental protection**
  - Constitutional provision (Article 51A)
  - The Factories Act, 1948.
  - Hazardous Waste (Management and Handling) Rules, 1989.
  - Public Liability Insurance Act, 1991.
  - Motor Vehicle Act, 1991.
  - Indian Fisheries Act, 1987.
  - Merchant of shipping Act, 1958.
  - Indian Port Act.
  - Indian penal Code.
  - The National Environment Tribunal Act, 1995.

Besides these laws it is important that all new projects should require environment clearance. This clearance concerns both the Central Ministry of Environment and Forests and the corresponding State Governments department of environment. Guidelines have been announced and all such projects are expected to obtain environmental and anti-pollution clearance before they are actually set up. Apart from this the Central Pollution Control Board (CPCB) has also been set up. CPCB keeps constant surveillance on industrial units regarding standards of water and air pollution, if any case of violation of standard are detected CPCB issues notices to industrial units.

A Gazette Notification on Environmental Audit issued by the Ministry of Environment and Forests in 1992 (amended vide notification GSR 386 (E), date, 22-04-1993), under the Environmental (Protection) Act, 1986 has made it mandatory for all the industrial units to submit an environmental statement to the concerned State Pollution Control Boards, while seeking consent to operate under the relevant environmental norms. The environment statements enable the units to take a comprehensive look at the industrial operations, facilitate the understanding of material flows and help them to focus on areas where waste reduction and consequently saving in material cost, is possible. Indian Companies Act, 1956 requires that director's report should include environment related policies/problems and annexure details of energy consumption/energy conservation. Cost Accounting record rules made by the central government also require disclosing of monetary and quantitative values in cost accounting. The central government and state government have passed various statues to contain and control the problem of environmental pollution and ecological in balance.

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