



A STUDY ON GREEN ACCOUNTING: CONCEPT AND ITS IMPORTANCE

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Chandramma M.***Professor, Department of Commerce, Karnatak University, Dharwad.
*Corresponding Author**ABSTRACT**

Environment protection is a major issue for all time. Still Environment damages are the rewards from the human being. As observing the environmental degradation mainly in the form of various types of pollution that is water, Air, Sound, Soil erosion and deforestation etc. For such type of degradation, establishing industries for economic development would also one of the reason. The degradation of environment not only diminishes economic productivity but also disturbs the environment, but the need of economic development and human being quality of health also essential. Therefore, the environment accounting is essential and plays an important role to make the balance between economic productivity and environment protection. Green accounting is a new system of accounting which records costs and benefits rendered by the eco system to business concern. Green accounting is also known as environmental accounting. Green accounting or environment accounting is a tool to express the damage from the business activities and the benefits derived from the natural environment. So the present would like to throw its light on the concept of green accounting and its importance in the present scenario. And also the study would try to explore more and more unknown things about green accounting or environmental accounting to create awareness about it and thereby giving emphasis on conservation and protection of environment. The present reviewed some articles written on green accounting system. The study also tries to show the importance of financial accounting, corporate social responsibility accounting and the green accounting in balanced positive achievement of environment protection and economic development.

KEYWORDS : Green accounting, Economic Development, Social Responsibility accounting,**INTRODUCTION:**

Green accounting is a new system of accounting which records costs and benefits rendered by the eco system to business concern. Green accounting is also known as environmental accounting. Green accounting also known as natural resources accounting. It is a new system of sustainable accounting, it permits the computation of income for a nation by taking into account the economic damage and depletion in the natural resource base of an economy. Environmental accounting is an authoritarian tool for comprehending the role played by the natural environment in the economy. The green accounting concept existence itself will give a message of warning regarding global warming, because continuous exploitation of environment which results environmental degradation which creates global warming and other natural calamities. So for the sake of protection and development of environment would become one of the responsibility of not only governments but also corporate world. Because corporate world is the one factor which is responsible for degradation of environment.

Green accounting was first by professor petar Wood in the 1980s into common usage. The purpose behind the Green accounting introduction in corporate world is to create awareness about the need of protection of environment and keeping environment greenery. One more moto behind the introduction of Green accounting is to mitigate the damages from the business activities environment and there by contributing to the healthy natural environment which is essential to next generation as well as for the economic development of the country.

World is in the era of development. Under the roof of development human being has been getting whatever he wants. But in this development process the entire natural environment has been damaging. The world is going behind the rapid development in the form of technological advancements, life style advancement meanwhile the

standardisation of corporate work style. Just for the sake of profit and to satisfy the customers the corporate world keeps on exploring the natural resources. So the current position of the world is all about natural disasters, natural calamities those are just because of exploitation and over usage of natural environment. The governments of respective countries as well as world organisation have been putting their effort in framing policies regarding environment protection such as environment protection act 1986, The Forest Conservation act 1980 etc., by the Indian Government. Though there is such a type of effort, there is no effective implementation of policies and acts and protection and progress of environment. Usually the companies contributing their valuable services in the name of corporate social responsibility and keeping an accounting also for that along with the financial accounts maintenance in the companies, since it is essential part to companies to take into account the cost and benefits from the natural environment along with their perpetual normal accounting statements at the end of the financial year. So that respective governing bodies in the country or state may get to know each and every companies are incurring environmental cost and getting environmental benefits and their steps towards environment

In India there has been some economy health indicators called GDP or NDP is there to express the economic condition of the country. Meantime in corporate sector also financial accounting statements reflects the financial conditions of the company. But in both these cases there is no even one single clue about quality of environment that exist in the country. Hence the present study is focusing on the new concept that is Green accounting which is the newly developed concept in the corporate world, which would link the cost and benefit that provided by the environment to the company with financial accounting statements of the company. The Green accounting is one of the crucial area in today's CSR. The environment has become a thirsting social political as well as economic issue around the globe.

Objectives of the study:

- To understand the concept of Green Accounting.
- To study the history and development of green accounting
- To review the importance of Green Accounting System.
- To analyse the limitations of the Green Accounting.

Review of Literatures:

- **Alka Solanki (2016)**, They focused to study and analyse the available literature based on the green accounting and to understand how it has been studied and evaluated by different authors who are working on it.
- **Shavita Deshwal (2015)**, She thrown light on opinions for green accounting and reporting practices of selected companies. For opinion on Green Accounting they selected 27 manufacturing and 23 non-manufacturing companies and framed questionnaire on 15 key issues such as environmental policy, health safety and environment, energy conservation, corporate sustainability, environmental initiative, sustainability reporting, water management, waste management, renewable energy sources, environmental information system, environmental disclosure practices, environmental targets, environmental reporting indicator, environmental costs and benefits, environmental liabilities and environmental assets were considered factors for Green accounting with yes or no options. They found from the "F" test that, there is a significant difference between manufacturing and non-manufacturing companies in relation to green practices adopted.
- **Dr. Preeti Malik and Dr. Alka Mittal (2015)**, They concentrated on stages to be followed by the corporate for green accounting in India, such as identification of environmental reporting parameters, defining the environmental reporting parameters, specify the environmental reporting targets to be achieved, developing the environmental performance indicators, report the environmental performance results. They also touched the legal framework for environmental accounting in India. At the end of their study, they found that environmental accounting is in preliminary stage in India.
- **Hajnalika Van**, He aimed to explore the roots and the tendencies of the development of environmental accounting. In addition, environmental accounting will also be discussed in terms of its relevance to supplementing the traditional accounting system. One of the primary aims in the study was to explore the tendencies of the development of the environment accounting.
- **Robert Ombati et. al (2015)**, They approached the area of environment and its pollution phases. Along with that, they also focused on the issue of role of environmental accounting in balancing between environment protection and economic development. They also gave a depth theoretical foundation of environmental accounting with distinguish reference to India.

Need for the study:

The green accounting is inevitable to protect and progress the green environment. So the present study is essential to make familiar the concept green accounting and thereby creating awareness about the green accounting. The present study is also essential to review its history and development and its importance. The study will help the authors who are working on it as well as potential learners of green accounting.

Scope of the study:

The present study is focusing on the concept Green accounting and its importance. The legal framework for practice of Green accounting by Indian corporate sector.

Research Methodology:

The present study is purely based on secondary data. Many literatures have been reviewed which are published by the

authors who are working on it. Some information collected from various books, journals, articles and periodicals etc.

Limitations of the study:

The present study is not used primary data, the present study only focused on the Green Accounting in India. The present study has not come across with the primary data.

History and Development of Green Accounting:

The first environmental accounts were constructed in several European countries working independently of each other. Norway was one of the first which was adopted Green Accounting. As per the peer members of the country it was developed accounts for accounting natural resources. But the Netherlands was also a header in the development and adoption of environmental accounting. France was a third early adopter of Green Accounting in the 1980s. Another early accounting project took a very different approach in the late 1980s.

US Environmental Protection Agency (EPA) undertook the development of a set of pilot accounts for the Chesapeake Bay region of the eastern united states. Philippines, Namibia, Chile, USA, Japan are other early Green Accounts adopted countries. India's former environment minister Mr. Jairam Ramesh When in power stressed the need and importance to bring Green Accounting Practices to the forefront of accounting in India.

Environmental accounting is the identification, measurement and allocation of environmental costs, the integration of these environmental costs into business decision and subsequent communication of the information to a company's stakeholders. Identification includes a broad examination the corporate stakeholders. After companies identify the impacts on stakeholders as far as they can, they measure those impacts (cost and benefits) as precisely as possible in order to permit informed management decision making. Measurement might be quantified in physical units or monetised equivalents. After their environmental impacts are identified and measured companies develop reporting systems to inform internal and external decision makers.

Environmental Accounting or Green Accounting:

Green Accounting is the identification, collection, estimation, analysis, internal reporting and use of materials and energy flow information, environmental cost information, and other cost information for both conventional and environmental decision making within an organisation. For companies that have the goals of saving money, especially environmental costs and reducing environmental impacts Green accounting management system provides essential information for meeting those goals.

Environmental accounting or Green accounting deals with 3 most important factors such as People, Profitability and Planet. In case of People matters, if the business adopted Green accounting which will conserve the environment at the one part and on the other part that will fulfil the desires and wants of the people without environment damages and thereby contributing the protected environment to the next generation people. By fulfilling the customer demands with eco-friendly nature business earning profit also would become possible. At the last point taking huge responsibility of protection and development of environment along with their business activities would make possible to the company to sustain a healthy long living planet. Environmental costs are costs connected with the actual or potential deterioration of natural assets due to economic activities or economic units which are caused environmental deterioration by their own activities. Environmental cost classification such as direct costs, administrative costs, product design costs, Research and development costs, costs for supporting social projects out of enterprise and other costs. Net environmental benefits

are the benefits or gains in value of environmental services or other ecological properties attained by the action minus value of adverse environmental effect caused by the actions.

Forms of Green Accounting:

1. Environment Management Accounting- It is the identification, collection, estimation, analysis, internal reporting and use of material and energy flow information.
2. Environmental Financial Accounting- Focuses on reporting environmental liability costs and other significant environmental costs
3. Environmental National Accounting- It focuses on national resources stocks and externality costs etc.

Need of Green Accounting:

Practically for developing countries like India it's a twin problem about saving environmental and economic developing. As the country economy is not very strong, hence it should improve first. A study by world bank estimated the about 34,000 crores were lost by India due to environmental damage.

Reasons for use of Environmental accounting.

- To help managers to make decisions that will reduce or climate their environmental costs.
- To support the development and operation of an overall environmental management system.

The major purpose of Green Accounting it to help business understand and manage the potential something for something between traditional economics goals and environmental goals. It also increases the important information available for analysing policy issues, especially when those vital pieces of information are often overlooked. This step is for strong sustainability.

Importance of Green Accounting:

- Pollution Control
- Sustainable Development.
- Assessing, testing and reporting performance of environmental activities become easy with the help of Green Accounting.
- It would encourage the government as well as the corporate to investing in cleaner and efficient technologies
- It would help in developing greener processes and products.
- Business as corporate citizens has a moral duty to play their part in helping to reduce the harm they do to the environment.
- Improve the environmental behaviour can reduce the cost.
- Environmental centred management system.

Laws Related to Green Accounting:

Environmental protection water (Prevention and control pollution) Act, 1974

The Air (Prevention and control pollution) Act, 1981

The environment (Protection) Act, 1986

The Forest Conservation Act, 1980

Hazardous Waste (Management and Handling) Rules, 1986.

Limitations of Green Accounting:

- Social values for environmental goods and services are uncertain and change very rapidly.
- It mainly considers internal cost of the company and ignores social cost to society.
- Initial cost for its tools and application is high.

- It cannot work independently. It should be integrated with financial accounting which is not easy.
- There is no standard accounting method.
- Comparison of two firms of two different companies is not possible if system of accounting is different.
- It mainly considers the cost internal to the company and excludes cost to society.

CONCLUSION:

Finally, I would like to conclude that, India still is not in Promising stages of development when it comes to the Green accounting. So as the government of India has to make mandatory of execution of corporate social responsibility under the companies act 2013, the same kind strict legal framework should be done in compulsory adoption of Green accounting with certain conditions. This may spread a wide range of seriousness to the corporate sector towards environment conservation and protection. They should also conduct some programmes to educate corporate sector about Green accounting and its execution in the companies. A separate an audit committee should be formed in order to check and examine at a regular interval about green accounting and its implementation in business organisations.

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