

Objectives and Importance of Green Accounting System in India

Prof. Piyush. M. Modi

Lecturer in Accountancy, Sheth C.D. Barfiwala College of Commerce, Surat, Gujarat, India

ABSTRACT

Environmental Changes are a global problem which requires a global solution. It has potential to slow our economic growth. The Green Accounting term was first introduced into common usage by economist and Professor Peter Wood in the 1980s. The green accounting provides information about the use, impact, status, and value of natural resources in a country. The Green accounting system is considered one of the important management systems to enable improvement of economic and environmental performance of a business firm. In this article, I am trying to explain its meaning, objectives and importance of Green Accounting System.

KEYWORDS: Green Accounting, natural resources

How to cite this paper: Prof. Piyush. M. Modi "Objectives and Importance of Green Accounting System in India" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-3 | Issue-6, October 2019, pp.593-594, URL: <https://www.ijtsrd.com/papers/ijtsrd29201.pdf>



Copyright © 2019 by author(s) and International Journal of Trend in Scientific Research and Development Journal. This is an Open Access article distributed under the terms of the Creative Commons Attribution License (CC BY 4.0) (<http://creativecommons.org/licenses/by/4.0>)



INTRODUCTION

Green accounting is branch of Accounting, tries to take into consideration the environmental costs in calculation of operating income of an enterprise. It takes into consideration not only value of natural resources but also the cost of pollution and depletion of natural resources and emphasizes more about the quality of economic growth in terms of sustainable development, government and associations to recognize not just the need to protect the environment but also to create awareness among the masses about the importance of the Environment. Just as Environmental awareness today is growing at a pace like no other; so is the need to account for the well-being of the Environment.

Corporate and Businesses Green Accounting is new branch of accounting. In addition to merely checking a company's profit or loss or its revenue and expenses environmental is a growing field that focuses for accounting the environmental impact on organization. It is concerned with accounting for environmental transactions that have an impact on the financial performance of the company. The green accounting is helpful for information about the use, impact, status, and value of natural resources in a country. It also gives an idea about expenditures on resource management and environmental protection. Introducing green accounts in SNA enables the policy-making body to analyze the relations between economics and environment cost.

It also helps to measure the magnitude in quantitative terms in different stages of production process. Therefore, we can get accurate information on how much resources are being

used and how much had exceeded the viable externality limits by different industries.

A new system of sustainable accounting, known as Green Accounting, has emerged. "It permits the computation of income for nation by taking into account the economic damage and depletion in the natural resources base of an economy.

What is a Green Accounting?

The Green accounting system is a type of accounting for understanding the role played by business firms in the economy towards the environmental safety and welfare. It provides data for contribution of business enterprises to economic wellbeing and the costs imposed in the forms of pollution or resource degradation.



A new system of sustainable accounting, known as Green Accounting, has emerged. "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."

SNA has three main defects:

- It neglects the depletion of natural capital such as farmland, forests, fishing stock, minerals, etc.,
- Environmental degradation mainly from pollution, and
- Defensive expenditures which the society incurs in facing the external effects of environmental degradation.

Green Accounting System:

The Green accounting system is a type of accounting that attempts to factor environmental costs into the financial results of operations. It has been argued that gross domestic product ignores the environment and therefore policymakers need a revised model that incorporates green accounting. The term was first brought into common usage by economist and Professor Peter Woodin in the 1980s. India's former Environment Minister Mr. Jairam Ramesh first time stressed the need and importance to bring Green Accounting practices to the forefront of accounting in India.

Objectives of the Study:

The objective of the present study is to review the following:

1. To review the importance of Green Accounting in India
2. To analyze the Concept, Need, Advantages and limitations of Green Accounting for developing India
3. To identify the stage in ICA for cost reduction.
4. To support the sustainable practice in Business.

Objectives of Green Accounting System:

Green accounting is useful for Business understands and manages the potential quid pro quo between traditional economics and environment goals. Green accounting is said to only ensure weak sustainability which is useful for a strong sustainability.

Green accounting is retarded by a variety of methodological barriers, sluggish political will and lack of data. However, this advancement is extremely important in the sustainable development policy framework of country. it is crucial to revisit the capital assessment agenda, as a part of the corporate social responsibility and R&D functions of big companies to ensure better quality of life intertwined with the environment. And, we know that changes in the economy have directly affected changes in any business, Gross domestic product of a country can be affected by the environmental and climatic change. Therefore, it is the best tool for the businesses to understand and manage the potential quid pro quo between traditional economic goals and environmental goals.

It also increases the important information available for analyzing policy issues, especially when those vital pieces of information are often overlooked. Hence, we can say that it is necessary for understanding of "better lose the saddle than horse", enterprises designing their accounting system organizations without taking environmental costs into consideration should fulfill this requirement as soon as possible.

Advantages of green accounting:

- Environmental- Centered Management system
- Sustainable development in Economy
- Pollution Control is possible through Green Accounting
- Assessing, testing and reporting performance of environmental activities become easy with the help of Green Accounting.

- Product circulation, administration form environmental prospective.
- Hence the above advantages are reasons for need of Green Accounting.

Importance of Green Accounting System:

Changes in the environment have a negative bearing on not just the Environment but on the economy as a whole. And, it is a well-known fact that changes in the economy have a direct bearing on the changes in any business. It is also important to note that the Gross domestic product of a country can be affected by the environmental and climatic change.

Therefore, it is the best tool for the businesses to understand and manage the potential quid pro quo between traditional economic goals and environmental goals. It also increases the important information available for analyzing policy issues, especially when those vital pieces of information are often overlooked. Hence, we can say that it is necessary for understanding of "better lose the saddle than horse", enterprises designing their accounting system organizations without taking environmental costs into consideration should fulfill this requirement as soon as possible.

Importance of Green Accounting For Business:

- Poor environmental behavior can give an adverse effect on an organizations image, which may lead to loss of sales as customers boycott the organizations product.
- Many governments may impose heavy fines on companies which harm the environment. companies may also have to pay large amounts to clean up any pollution for which they are responsible.
- Increasing government regulations on environmental issues such as pollution has increased the cost of compliance of the business.
- Improving environmental behavior can reduce cost.
- Business as corporate citizens has a moral duty to play their part in helping to reduce the harm they do to the environment.

Conclusion:

Green accounting is in primary stage in India and whatever shows in the accounts in this regarding is more and less of relevant rules and regulation in the act. Unless people of India are not made aware towards environment safety, development of this regard is a little bit of doubtful. The main problem is many environmental resources do not have a market price. From above discussion we can say Green accounting is necessary to place value on environmental resources.

References:

- [1] M. Bennett, P. James, Environmental-related management accounting; current practice and future trends. Greener Management International 1997; 17; 33-51.
- [2] Mukesh Chauhan (2005), Concept of Environmental Accounting and Practice in India, the Chartered Accountant November 720-726.
- [3] Abhinav National Monthly Refereed Journal of Research in Commerce and Management.
- [4] Environmental Accounting case studies: Green Accounting at AT&T.
- [5] https://en.wikipedia.org/wiki/Green_accounting.