International Journal of Trend in Scientific Research and Development (IJTSRD)
Volume 5 Issue 6, September-October 2021 Available Online: www.ijtsrd.com e-ISSN: 2456 – 6470

Green Accounting in India

Dr. Sumit Trivedi

Assistant Professor, Choithram College of Professional Studies, Madhya Pradesh, India

ABSTRACT

Green accounting is a new system in accounting that records the costs and benefits provided by the ecosystem for a business concern. Green accounting or environmental accounting is a new challenge of accounting system. Environmental resources are invaluable natural resources of a county like India; there is an urgent need to maintain accounts of such resources. Economic development without environmental considerations brings about environmental crises and damages the quality of everyday life. Environmental issues have motivated the development of a distinctive branch of accounting called, "Green accounting''. Implementing Green accounting is one of the key areas of corporate social responsibility today. In their business activities, companies incorporate the concept of the environmental element. This paper presents a simple framework regarding green accounting. The present paper aims to study the objectives, benefits as well as limitations of green accounting. The paper also provides insights regarding green accounting in India.

KEYWORDS: *Green Accounting, Ecological Balance, Environmental Resources, Accounting principles*

How to cite this paper: Dr. Sumit Trivedi "Green Accounting in India" Published in International Journal of Trend in Scientific Research and Development (ijtsrd), ISSN: 2456-6470, Volume-5 | Issue-6, October 2021, pp.899-901, URL: www.ijtsrd.com/papers/ijtsrd47534.pdf

IJTSRD47534

1. INTRODUCTION:

The term Environmental accounting was used for the first time in the year 1980s by Professor Peter Wood. Environmental accounting or green accounting is a new branch of accounting that aims at accounting for the Environment and its well-being. Although it is a completely new field/branch of study and practice; it's soon gaining relevance because of its importance. In addition to merely checking a Company's profit or loss or its revenue and expenses environmental or green accounting is a growing field that focuses or provides for accounting the environmental impact, certain factors may cause to a business or organization. The adoption of Green accounting depicts the commitment an enterprise / organization has towards the environment.

Green accounting is observed as a subtype of accounting proper. Green accounting is a management tool used for a wide range of purposes, such as enhancing environmental performance, controlling costs, investing in. Green accounting is a developing field that identifies resource use, measures and communicates costs of a company or the national economy actual.

2. History of Green Accounting:-

The term Green Accounting has been announced since the 1980s and known as a management tools. The traditional System of National Account (SNA) was first implemented in the USA in 1942. The current scenario of Green Accounting and its most developed from, tenable accounting, has been receiving continues constant recognition in the academic accounting literature in the early 1990s. The concept started almost three decades ago in the early 1970s with important contributions.

3. Types of Green Accounting (Environmental Accounting):-

Green management accounting is the process of identification, collection, estimation, analysis, internal reporting and use of materials and energy flow information. This type of accounting can be further classified in the following subsystems:

A. **Segment Environmental Accounting:** This is an internal environmental accounting tool, in which one can select an investment activity, or a project, concerning to environmental conservation from among all processes of operations, and to analyses environmental effects for a certain period.

B. **Eco Balance Environmental Accounting:** This is an internal environmental accounting tool which is designed to support PDCA for sustainable environmental management activities.

C. **Corporate Environmental Accounting: This** is a tool which is aimed to inform the public about important information compiled in accordance with the Environmental Accounting. It should be called as Corporate Environmental Reporting. In this method the cost and effect (in monetary value and quantity) of its environmental conservation activities are used.

D. **Environmental Financial Accounting:** This strategy is based on reporting environmental liability costs and other significant environmental costs.

E. **Environmental National Accounting:** It focuses on national resource stoke and externality costs etc.

4. Literature Review:-

Malik, P., & Mittal, A. (2015)[2] in their paper *"A Study of Green Accounting Practices in India"* argued that environmental accounting is in the preliminary stage in India and more or less compliance with relevant rules and regulations in the Act is shown in the accounts in this regard. Unless ordinary Indians are made aware of environmental safety, the development of accounting in this respect is somewhat questionable. A well-defined environmental policy as well as proper monitoring and accounting procedures are essential for the sustainable development of the country.

Solanki. A. (2016)[3] in their Study *"A Study About Green Accounting: Its Importance And Concept"* argued that India is a large country heavily burdened by overpopulation, natural disasters, global warming reactions, climate change, pollution, natural resource depletion, ozone depletion, desertification, species decline, marine pollution and many more environmental hazards. In order to save and save the country, it is essential that laws and provisions be enacted and implemented without further loss of time. Green accountability for the green economy is an important concept in India.

Vandna. (2018)[4] in their paper *"GREEN ACCOUNTING"* argued that Green accounting is the popular term for accounting for the environment and natural resources, including environmental assets and their source and functions in national and corporate accounts. Green accounting will help organizations to identify the use of resources and the costs incurred by the activities of the industries in the eco system. This green accounting system is a new accounting system that records the costs and benefits of the eco system for an enterprise. The way of protecting the environment and vindicating human rights violations has long been a legacy that has taken many forms-conventions, institutions, court cases and even military action Green accounting or environmental accounting is a new challenge for the accounting system.

5. Objective:-

- To understand the meaning of green accounting.
- To find out what are the different forms of environmental accounting.
- To discuss the objectives of green accounting
- To analyze the benefits of green accounting
- To examine the limitations of green accounting

6. Research Methodology:-

The present study is based on secondary data; books and published works and reports. Information has been derived from various websites.

7. Benefits of Green Accounting:-

- Green accounting plays a vital role in backing up rational decision-making. Consequently, it helps corporate sectors and other sector boost their public trust and confidence and is associated with receiving a fair assessment.
- Green accounting deserves the following merits:- Green accounting encourages consumers to purchase the environmentally friendly products, i.e., green products.
- Green accounting helps in making query about certain matters like availability of natural resources in a country like India.
- Green accounting gives an idea about industrial development, nation's economic progress and social welfare and fulfillment of social responsibility.
- Green accounting helps in discharging organizational accountability and increasing environmental transparency.
- Green accounting minimizes risks stemming from management of product liabilities.
- Green accounting identifies that part of the gross domestic product which exhibits the cost necessary to compensate for the negative impact of economic growth.
- Green accounting estimates the total expenditure on production or enhancement of environment.
- Green accounting helps the government use data through the changes in financial budget and by other means achieves optimal allocation of scare resources in the economy of a country.
- Green accounting only makes sustainable development possible as it helps include ecological ability of enterprise.

8. Green Accounting Limitations:-

- Green accounting is a science that is evolving and is still under study
- Due to changes in accounting methods, comparisons between two companies and two countries are not possible.
- It is not possible to accurately value every component of natural capital and human capital
- It is not possible to conclude easily, because it is a long - term process. The costs of training staff and employees are high
- Valuation techniques for environmental goods and services are inappropriate and shadow prices are only minimal valuations. This applies to both deductive and interrogative techniques.
- It primarily takes into account internal cost of the firm and ignores cost to society.
- Since costs and benefits pertaining to the environment are not smoothly measureable.
- Initial cost for its tools and application is high.
- Since it is a long-term process. Therefore, to draw a finding the aid of it is not easy.
- It cannot work independently. It should be integrated with the financial accounting, which is not easy.

9. Conclusion:-

In fact, most people in the world still do not know the term "green accounting" or its importance. India is still in the initial stage of green accountability development. Work for the development of green accounting with ongoing dedication in our country will surely lead green accounting to occupy a more stable and effective position in the near future. Because it can significantly improve the value of economics as a decision-making tool especially in determining national policy, but there are no clear practices or policies to protect the environment. Although Indian companies and companies meet requirements such as corporate social responsibility etc., it is hoped that one day green accounting will become a practice and reality for all companies, most people with a greater awareness of the subject. Now, there is a dire need to take steps globally and to devise accounting and evaluation techniques, especially in relation to environmental issues.

10. References:-

[1] Malik, P., & Mittal, A. (2015). A Study of Green Accounting Practices in India. International Journal of Commerce, Business and Management IV (6):779-787 Retrieved from http://www.iracst.org/ijcbm/papers/vol4no62015/10vol4no6.

[2] Solanki. A. (2016). A study about green accounting: its importance and concept. Abhinav National Monthly Refereed Journal of Research in Commerce & Management, V (6). Retrieved from https://abhinavjournal.com/journal/index.php/ISSN-2277-1166/article/229.

[3] Vandna. (2018). Green accounting. International Journal of Engineering Science and Computing, VIII (3):16281-16283 Retrieved from http://ijesc.org/upload/ef196212606dda1e160a7617b36f6a86.green%20 accounting.

[4] https://en.wikipedia.org/wiki/Green_economy, Retieved on: 23rd April 2018.

[5] https://en.wikipedia.org/wiki/Environmental_accounting, Retieved on: 20th September 2019.

[6] https://www.orfonline.org/expert-speak/count-your-diamonds-weigh-your-dirt imperatives-for-green-accounting-in-India.

[7] https://www.acecloudhosting.com/blog/green-accounting-the-next-big-step-for-accountants.

[8] https://thebastion.co.in/politics-and/environment/inside-indias-closet-green-accounting.

[9] https://www.wavespartnership.org/sites/waves/files/documents/Environmental%20Accounting%20-India %20Sh.%20Mathew.

[10] https://hbr.org/1994/07/the-challenge-of-going-green.

[11] http://www.ejolt.org/2013/05/green-accounting.