ENVIRONMENTAL ACCOUNTING – A TOOL TO MEASURE GREEN GROWTH

“We do not face a choice between protecting our environment and protecting our economy. We face a choice between protecting our economy by protecting our environment - or allowing environmental havoc to create economic havoc.”

- **Robert E. Rubin, Co-Chairman, Council on Foreign Relations and former U.S. Secretary of the Treasury.**

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ABSTRACT:

Green accounting is an accounting system that measures the current economic losses that are experienced by renewable and non-renewable resources in the environment. By incorporating these losses into all levels of economic accounting, all parts of the economic sectors can make informed decisions that support long term sustainable development and help strengthen human rights affected. Green accounting will help organizations to identify the resource utilization and the cost incurred on the ecosystem by the activities of the industries. Thus green accounting is a new system in accounting that records costs and benefits rendered by the ecosystem to a business concern. Green accounting or environmental accounting is a new challenge in the accounting system.

Green accounting is a management tool for better consideration of environmental costs. In organizations, accounting performs a vital role in business activities and helps management in crucial decision making, commonly referred to as a management accounting system. To help organizations to evaluate the need for Green Accounting, this research paper aims to identify the real advantages of implementation of Green Accounting within an economic entity. The present research paper concentrates on exploring the concept of green accounting, its practices, and reporting in India.

KEYWORDS:

Green Accounting, Environmental costs, Environmental Accounting, Economic, Cost

OBJECTIVES OF THE STUDY:

1. To explain the concept of Green Accounting.
2. To explain the need for Green Accounting at the corporate level.
3. To express the importance of Green Accounting.
4. To explore opportunities in Green Accounting.
5. To know what are the various forms of Environmental Accounting.
6. To explain how to implement Green Accounting.
7. To understand the recent trends of Green Accounting in Commerce and Management.
8. To understand the benefits of Green Accounting.
9. To throw light on the criticisms of Green Accounting.

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RESEARCH METHODOLOGY:

Research Type: Descriptive

Research Database: Secondary Data/Data source.

The present study is based on secondary data; and information has been derived from various websites.

INTRODUCTION – CONCEPT OF GREEN ACCOUNTING:

Green Accounting attempts to place value on environmental resources that do not have a market price. Both the Index of Sustainable Economic Welfare (ISEW) and the Economic Domestic Product (EDP) are examples of indicators of sustainable economic wellbeing. GDP is relatively a young measure of economic growth. When the GDP was developed between 1930 and 1960, environmental resources that did not have the market price were still considered as gifts of nature. GDP ignores the environment and therefore, policymakers need a revised model that incorporates Green Accounting.

Professor Peter Wood introduced the term "Environmental Accounting" for the first time in the 1980s. It is a new branch of accounting that aims at accounting for the Environment and its well-being. Green Accounting is directly linked to environmental sustainability. Its main focus is to place value on environmental resources that do not have a market price and incorporate these resources into the national accounts and economic growth measures.

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 a business or organization. The adoption of Green accounting depicts the commitment an enterprise/organization has towards the environment. It deals with 3 most important **Ps**:

People, **P**rofitability, and the **P**lanet and also more or less deals with the costs and the advantages or benefits an environment brings to a business concern.

Green accounting comprises an assessment of environmental expenditures/cost, capitalization of those environmental expenditures, and identification and measurement of environmental liabilities.

NEED FOR GREEN ACCOUNTING OR ENVIRONMENTAL ACCOUNTING AT THE CORPORATE LEVEL:

Green Accounting at the corporate level helps the management to know whether a corporate has been discharging its responsibility towards sustainable development while meeting business objectives. Green Accounting addresses the following:

1. To meet regulatory requirements.
2. To operate its factors in a way that environmental damage does not occur.
3. To promote culture and attitude of environmentally safe working amongst its employees.
4. To disclose to the shareholders, the amount and nature of the preventive measures taken by the management.
5. To ensure safe handling and disposal of hazardous wastes.

IMPORTANCE OF GREEN ACCOUNTING:

Changes in the environment have a negative bearing on not just the environment but the economy as a whole. We all are aware of the 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 environmental and climatic change.

Therefore, it is the best tool for businesses to understand and manage the potential quid pro quo between traditional economic goals and environmental goals. This type of accounting enhances the important information available for analyzing policy issues; that can be very useful when those vital pieces of information are often overlooked.

Hence, we can say that it is necessary for understanding the phrase, "Better lose the saddle than the horse". Enterprises designing their accounting system without considering environmental costs should fulfill this requirement as soon as possible.

OPPORTUNITIES IN GREEN ACCOUNTING:

Green Accounting is a career choice with a big impact. Instead of figuring out how the corporate giant of the world can make an impressive profit, a green accountant analyzes external and internal cost, then this information can be used by companies or governments to calculate carbon credits. Many private companies hire environmental accountants to evaluate the cost of cutting pollution, including adding in benefits of tax relief for following government regulation or tax credits utilizing government-approved equipment.

TYPES / FORMS OF ENVIRONMENTAL OR GREEN ACCOUNTING:

1. **Environmental Management Accounting (EMA):** Environmental Management Accounting includes both the environmental and economic information by identifying the resource usage and the expenses involved in a company's economic impact on the environment.

   EMA defines the approach that a business is expected to follow, to analyze the environmental factors and manage the workflow of the organization accordingly.
2. **Environmental Financial Accounting (EFA):** As the name suggests this type of accounting deals with the financial aspects of the business for the environment. This type of accounting is concerned with accounting for environmental transactions that have an impact or are going to impact the financial performance of an organization. The financial analysts responsible for Environmental Financial Accounting analyze the financial risks as well as profits concerning the environmental factors specific to the business.
3. **Environmental National Accounting:** This type of accounting involves national-level accounting with a focus on green costs and natural resources. With Environmental National Accounting, the environmental aspects related to a nation are integrated with the National Accounts (NA).

HOW TO IMPLEMENT GREEN ACCOUNTING?

Be it accounting or any other business, everyone is responsible for making business decisions that may help to improve environmental conditions.

Here are some ways to implement green accounting in your office:

1. **Educate Employees:** Train accountants to use eco-friendly methods to work in the office. Assign them training courses, provide them incentives for working green, and make energy management fun with interactive activities.
2. **Minimize Paper:** Try to reduce the use of paper in the office premises. Creating a completely paperless accounting process may not be practical, but the use of paper can be reduced to some

extent. Track the number of papers per employee, make printing less convenient, and request a paperless statement from the banks.

3. **Implement Green Techniques:** Use techniques in the accounting system to implement a greener solution. Create monthly green challenges, opt for eco-friendly office products, embrace renewable energy, maximize natural light, reuse, and recycle.
4. **Increase Mobilization:** Encourage accountants to lower commute emissions by biking, walking, carpooling, or working from home. Adopt cloud accounting to reduce the number of people traveling to the office and reduce the company's carbon footprint.
5. **Decrease Energy Consumption:** Reduce the energy consumption of the office, which will not only help to save the environment but also help to reduce energy bills. Use energy-saving bulbs, implement light sensors, turn down AC, and upgrade your appliances.

RECENT TRENDS OF GREEN ACCOUNTING IN COMMERCE AND MANAGEMENT:

"Green Accounting is a type of accounting that attempts to factor environmental costs into the financial results of operations." Green Accounting involves putting a volume on a country's natural resources like forests and seas. It is also known as Environmental Accounting, Environmental Reporting, and Environmental Sensitivity. Increasing danger to the environment, extinction of many species of plants and animals, depletion of the ozone layer, global warming, and use of fossil fuels emitting Greenhouse gas has become a reality. States which are considered as trusts of the environment for future generations are increasingly adopting the path of sustainable development. There is growing awareness and concern about the input of human activity on the ecosystem.

BENEFITS OF GREEN ACCOUNTING:

1. **Achieve Sustainability:** Green Accounting helps to achieve economic, environmental, and social sustainability through the value of goods and services that do not decrease over time.
2. **Cost Reduction:** Green Accounting reduces the cost associated with raw material utilities and waste.
3. **Feel-Good Factor:** Employees love to work for companies that think beyond making money.
4. **Green Accounting addresses climate change:** Green Accounting can be the foundation to make decisions relating to climate. A connection is needed between green data and economic data for economic growth.

CRITICISMS OF GREEN ACCOUNTING:

1. Green Accounting is a long term process; hence it is difficult to conclude.
2. Input is not easily obtainable for cost and benefits are not quantifiable.
3. It may be great theoretically but very poor practically as far as Environmental Reporting is concerned. The implementation of Green Accounting also becomes complicated.
4. Because of variations in data dissemination policy in most companies, this idea is hard to implement.
5. No attempt has been made to make a comparative study of factors among the Green Accounting in Corporate, National, and International Level.

CONCLUSION:

Regardless of the criticism, Green Accounting is necessary to place value on environmental resources. Green accounting is a prevalent term for environmental and natural resource accounting, which integrates environmental assets and their source and sinks functions into national and corporate accounts. The route of environmental safety and vindication of human rights violations has a long-fought legacy that has taken on many forms- conventions, institutions, court cases, and even military action. For all this work, the international community still wrestles, more than ever, with the ability to create lasting peace, as well as ensure that human dignity is preserved.

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