

ACCEPTANCE OF GREEN ACCOUNTING IN INDIAN ECONOMY

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Abstract

Green accounting also known as environmental accounting is a new branch of accounting which is concerned with accounting for nature. Environmental costs and benefits of a concern are recorded both in monetary and non monetary terms. There are various Acts, rules and provisions which help to ascertain environmental cost and benefit, to identify that part of Gross Domestic Product (GDP) which helps to make environment related decisions and policy making. In India, green accounting is in developing stage. The union ministry of environment and forest proposed to make it mandatory to get an environmental clearance for all new projects. It is also proposed to make green accounting practices as a part of organisational Corporate Social Responsibility.

Keywords:

Green Accounting;
Corporate Social
Responsibility;
Green Gross Domestic Product;
Environmental Domestic
Product.

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1. Introduction

Green accounting, otherwise known as environmental accounting or resource accounting or integrated accounting is a new branch of accounting concerned with accounting for nature. The term green accounting was first used in 1980's by Prof. Peter Wood. In spite of merely recording income and expenses of a company, green accounting records the impacts on environment caused by business or organisation. Adoption of green accounting depicts commitment that an organisation and people have towards our ecology. Green accounting covers 3 most important p's – people, planet and profit [1]. Profit, here doesn't mean the monetary gains but the advantages or benefits an environment brings to the business concern.

Statement of the Problem

In recent years significance of green accounting is increasing because of economic development and increased environmental problems. Green accounting deals with both monetary and non monetary information, directly or indirectly influences our environment. It collects, analyse, monitor environment related activities, and record it into business balance sheet, to help an organisation's decision making. Changes in the environment have a direct negative bearing on not just ecology but on the economy as a whole. Changes in economy have a direct bearing on the business. So that GDP of a country can be affected by the environmental changes. Also, people are now conscious and aware of environmental issues. So, it is very important that every business organisation must take care of adopting green technology for sustainable development. Furthermore, green accounting identify environmental cost and gain to a concern, segregate various environmental cost and link different types of physical resources with environmental accounts monetarily.

Objectives

- To know about various environmental protection Acts in India.
- To know about acceptability of green accounting practices in India.

Scope of the study

The scope of green accounting can be explained in narrow sense and in broader sense. In narrow sense, it is the investment made by an organisation for minimising losses to environment. It includes investment made for implementing nature protecting equipments or devices and maximum possible use of eco friendly materials. This type of accounting is easy as it can be measured in monetary terms. In broader sense, the scope of green accounting covers all type of losses indirectly due to business operations such as ecological degradation and destruction due to soil erosion, air pollution, water pollution, noise pollution, marine & coastal pollution, problems caused by solid waste materials, depletion of non renewable natural resources, deforestation etc.

2. Research Method

Descriptive research. Uses Secondary data. Information collected from various websites and scholarly articles.

3. Results and Analysis**Green accounting acceptability in Indian Economy**

In India Department of environment was established in 1980, later became the Ministry of Environment and Forest (MOEF) in 1985. As per Indian Constitution, Article 51A of Directive Principles “It shall be the duty of every citizen of India, to protect and improve the natural environment including forests, lakes, rivers and wildlife and to have compassion for living creatures”. The constitutional provisions are supported by number of laws. Environment protection laws are aimed to prevent and control air, water, land pollution which is largely attributable to the growth and expansion of manufacturing industries. Environment protection laws may directly relate to environment and indirectly related to environment.

- **Directly related to environment –**

1. **The Water (Prevention and Control of Pollution) Act, 1974** – This act aims at prevention and control of water pollution on one hand and maintenance and restoration of wholesomeness of water on the other hand. This act covers land pollution also. The act has also provided for the establishment of a Central Pollution Control Board and state level pollution control Boards to exercise administrative powers and carryout the functions relating to the prevention of water pollution caused by fluent from industry, operations or processes.
 2. **The Air (Prevention and Control of pollution) Act, 1981** – This Act is aimed at prevention and control of air pollution. The Act has been amended to include noise pollution also. The Act contains provisions regarding establishment of pollution control Board at the centre and state levels. It requires that for setting up any industry which discharges or emits any poisonous, toxic or polluting matter or gas, the entrepreneur has to obtain permission from the state pollution control board and comply with the standards set up by the Board.
 3. **The Forest (Conservation) Act, 1980. Act, 1981**–An Act of the parliament of India to provide for the conservation of forests and for matters connected therewith or ancillary or incidental thereto. The Act came into force on 25 October 1980. It was further amended in 1988. This law extends to the whole of India except the State Jammu and Kashmir. It was enacted by parliament of India to control further deforestation of Forest Areas in India.
 4. **The Environment (Protection) Act, 1986** – It is a complete legislation which covers not only land, water, air and noise pollution but also use of hazardous substances. It has empowered the Central government to take whatever action may be necessary or adopt such measures as are deemed necessary or expedient for protecting and improving the quality of environment and controlling and abating environmental pollution. The Central Government has framed detailed rules for the implementation of the provisions of this Act.
- **Indirectly related to environment protection:**
1. **The Factories Act, 1948** – The Factories Act, 1948 provides for the licensing, registration and inspection of factories, in order to protect the interest of workmen, to ensure better working conditions for them and to specify health, welfare and safety measures for them. This Act prevents the employers from taking advantage of the weak bargaining position of the workmen. It also regulates the conditions of employment of young persons and females [2].

2. **Hazardous Waste (Management & Handling) Rules, 1989** – The Ministry of Environment and Forest, Government of India has notified rules on 28 July 1989 under the title Hazardous Waste (Management & Handling) Rules, 1989 to deal with various environmental aspects related with hazardous wastes. The occupier generating hazardous wastes shall take all practical steps to ensure proper handling and disposal of hazardous wastes in environment friendly manner.
3. **Public Liability Insurance Act, 1991** - This Act provide for public liability insurance for providing immediate relief to the persons affected by accident occurring while handling any hazardous substance and matters connected therewith.
4. **Motor Vehicle Act, 1988** - This Act was passed in the year 1988 by Parliament of India and regulates almost all the aspects of road transport vehicles. It provides detailed provision on licensing of the drivers and conductors, registration of motor vehicles, the provision on controlling their permits, traffic regulation, related insurance, liabilities, and penalties.
5. **Indian Fisheries Act, 1897** - The Indian Fisheries Act, 1897. The Indian Fisheries Act was enacted on 4th February, 1897. It extends to whole India except territories which immediately settled before 1st November, 1956 in part B. This Act should be read with other acts or supplement to other fisheries law.
6. **The National Environment Tribunal Act, 1995**–This Act provide for strict liability for damages arising out of any accident occurring while handling any hazardous substance and for the establishment of a National Environment Tribunal for effective disposal of cases arising from such accident, with a view to giving relief and compensation for damages to persons, property and the environment and for matters connected therewith or incidental thereto. Whereas decisions were taken at the United Nations Conference on Environment and Development held at Rio de Janeiro in June, 1992, in which India participated, calling upon the States to develop national laws regarding liability and compensation for the victims of pollution and other environmental damages. However it is considered expedient to implement the decisions of the aforesaid Conference so as far they relate to the protection of environment and payment of compensation for damage to persons, property and the environment while handling hazardous substances.

These acts, rules and provisions help to analyse and ascertain environmental costs & benefits, to identify that part of GDP and also help to make environment related decisions.

Developed countries like US, UK, Germany, Spain and France have recognised the need for protecting environment. Now, developing countries including India give much importance to Corporate Social Responsibility (CSR) and they realised that green accounting practices is one of their Corporate Social Responsibility. 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. Understanding the need for companies to become socially responsible Government of India made CSR mandatory for companies having net worth of INR 500 crore, or companies having turnover of 1000 crore or companies having net profit of 5 crore. Companies falling in any of the above said categories have to spend at least 2% of its average net profit of last 3 years on CSR activities and also have to disclose list of CSR activities undertaken in its Board/ Directors' report. In addition, companies in India also have to disclose extent to which green technology is implemented in corporate level.

In India, first announcement regarding the concept of Green accounting was made in 1991. The Ministry of Environment and Forest has proposed to disclose steps taken or proposed to be taken for implementation of green technologies for environmental protection, investment made for protection of environment and impact of these measures on waste reduction and resource conservation. The Union Ministry of Environment and Forest also proposed to prepare environment statement. It is also mandatory to get an environmental clearance for all new projects from Union Ministry of Environment and Forest and concerned state Government Department of Environment. All new projects are expected to obtain environmental and anti pollution clearance before they actually set up. There are various guidelines in this regard. A concern should furnish following set of information:-

1. Devices installed to control pollution.
2. Steps taken for conservation of energy.
3. Utilisation of non renewable natural resources.
4. Steps taken for decomposition of waste.
5. Steps taken for improving quality of products.
6. Methods of handling hazardous waste materials etc.

In addition, the environmental statement of a concern should also contain details regarding:

- A. Water and raw materials consumption
- B. Extent of pollution generated

- C. Nature of solid and hazardous wastes produced and disposal methods.
- D. Impact of pollution control measures on environment
- E. Measures adopted for environmental protection
- F. Steps taken for recording and reporting benefits of green accounting among the corporate sector [3].

Green accounting in India is in developing stage. Countries which are successfully adopting green accounting are Norway, Philippines, Namibia, Chile, USA and Japan. Green accounting can be implemented at corporate level, if the Government of India passes an act to adopt green accounting practices mandatorily in every business organisation or same should be incorporated in Companies Act 1956. So that we can accurately ascertain GDP and national income. Government can encourage implementation of green accounting by providing tax benefits and other concessions to companies that successfully adopt green accounting practices.

The process of green accounting involves;

- A) Measuring of environmental cost, compare them with previous report and taking measures to reduce cost.
- B) Measuring of green gross domestic product – Green GDP is computed by deducting environmental costs incurred during the financial year as a consequence of economic growth from conventional GDP. It measures the loss of bio diversity and climate changes in monetary terms. It can be expressed as follows;

$$\text{Green GDP} = \text{GDP} - \text{Net Natural Capital Consumption}$$

Net natural capital consumption relates to the use or consumption of natural resources in a given eco system [4].

- C) Measuring of Green Net Domestic Product - Green NDP, or also known as Environmental Domestic Product ([EDP](#)). The green accounting formula is:

$$\text{EDP} = \text{Net Exports} + \text{C} + \text{NAp.ec} + (\text{NAnp.ec} - \text{NAnp.n})$$

Where:

EDP = Environmental Domestic Product,

C = Final Consumption,

NApec = Net Accumulation of Produced Economic Assets,

NAnp.ec = Net Accumulation of Non-produced Economic Assets,

NAnp.n = Net Accumulation of Non-produced Natural Assets [5, 6].

In India an Expert group led by IHDP scientific committee chairman Professor Partha Das Gupta, is in the process of developing a system to “Green” India’s national accounts. It plans to adjust GDP to incorporate environment cost and impact. The green accounting for Indian states project (GAISP) was first initiative of the green Indian states Trust (GIST), an NGO started in July 2004 [7]. The project used Indian national database to measure sustainable development and create green accounting at the state level. Following this, GIST calculated Green GDP total [8].

4. Conclusion

Green Accounting is an innovative practice which is successfully implemented by many countries. India also conducts number of researches in the field of environmental accounting. Many corporate in India implement green technologies and green accounting practices. Green accounting practices help to check exploitation of our eco system and this will ultimately leads to sustainable development.

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