GREEN ACCOUNTING - A NEW CHALLENGE FOR ACCOUNTING SYSTEM AND RESPONSIBILITY TOWARDS ENVIRONMENT

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ABSTRACT

Green accounting is on an expansion path. With increasing social focus on the environment, accounting fills an expectation role, to measure environmental performance. The status of environmental awareness provides a dynamic for business reporting its environmental performance. The business firm's strategy includes responding to capital and operating costs of pollution control equipment. This is caused by increasing public concerns over environmental issues. Green accounting is a management tool for the better consideration of environmental costs. Many organizations are uncertain about the outcomes of Green accounting and are therefore reluctant to implement such a tool. In order to help organizations to evaluate the need of Green accounting this research paper aims to identify real advantages of implementation of Green accounting within an economic entity. Further through its external reporting process accountability is extended to stakeholder's on the company's financial performance (which has been subject to an auditing function), enabling them to make economically useful decisions. The appearance of environmental problems impacts every area of science globally, as a result, accounting has to answer these challenges as well, one way of which is Green accounting. Recent years have witnessed rising concern for environmental degradation, which is taking place mainly in the form of pollution of various types, viz. air, water, sound, soil erosion, deforestation, etc. Even though Indian corporate comply with the rules and regulations with regard to environmental protection, till now no clear cut policies are framed and formulated at the National, State or even at the company level, for ensuring the level of compliance to environmental norms. This study was intended to find out the major environmental parameters reported by Indian Corporate as part of their Environmental reporting practice. The study also focuses on the practice and voluntary environmental reporting with regard to the environmental parameters identified. The main aim of the study is to explore the roots and the tendencies of the development of Green accounting Responsibility towards environment has become one of the most crucial areas of social responsibility.

Keywords: *Green accounting, environmental protection, Social responsibility, environmental performance, environmental accounting, environmental Reporting.*

I.INTRODUCTION

In the last few years, there has been a growing awareness of the need to discover the art of living in harmony with nature. It is also realized that the environment is not a permanent asset. Rapid industrialization, in spite of its positive effect on economic development has very seriously threatened the world's natural environmental balance. There is a growing pressure from environmentalists, government, society, customers, employees, and competitors on business firms to be environmentally accountable. Proper balancing of economic development and environment protection is gradually being recognized by all concerned. Green accounting is considered one of the important management systems to enable improvement of economic and environmental performance of a business firm. Countries like Germany, U K, Japan, USA, and Canada have issued guidelines for preparation of environmental accounting. The wind of change caused by sustainability issues is palpable in every aspect of the world. It is hard for a person to watch television or read newspapers without being informed or acknowledged with information that related with environmental issues or world sustainability. Align with this phenomenon, accounting field also moves to the new direction by trying to explore and measures the contribution of nature or environment in business process that well known as Green or Environmental Accounting. The concept of Green Accounting is raising a glimmer interest not only within the academic but also from the government, business society, social and environmental activist (Niemann&Tichkiewitch, 2009). However, the implementation of this concept in India still consider as a difficult concept due to the lack of comprehensive information for the stakeholders that raising the concern of the implementation effects and the additional cost expenditure that recognized as a unnecessary cost in the perspective of conventional accounting (Nurhayati, Brown, & Tower, 2006).. Study by Prasad (2009) in Indian context has thrown some light on availability of environmental information for decision making. In this background this study makes an attempt to explore the extent of Green accounting system practiced by Corporate in India. The availability of this information can help to further strengthen the systems to meet the challenges of improving environmental and economic performance of business firms. Green accounting is an inclusive field of accounting. It provides reports for both internal use, generating environmental information to help make management decisions on pricing, controlling overhead and capital budgeting, and external use, disclosing environmental information of interest to the public and to the financial community. While Indian companies are complying with the environmental norms, clear cut policies are yet to be introduced for ensuring the level of compliance. This study intended to find out the major environmental parameters reported by Indian corporate as part of their environmental reporting practice.

II.REVIEW OF LITERATURE

Prasad (2009), studied corporate environmental sensitivity in selected Indian companies. The objective of this study has been 1) To demonstrate the present practice of environmental accounting and reporting among Indian companies, 2) To establish environmental sensitivity of Indian company's visa-a-vis less environmental sensitivity of companies. 3) To analyze to what extent environmental sensitivity influence adoption of

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environmental accounting and reporting among Indian companies and 4) To provide a platform for further research and to stimulate Indian companies to adopt environmental accounting and reporting. The study was undertaken with two hypotheses namely H1 firms in environmentally sensitive industries are more likely to introduce environmental accounting procedures than firms in less environmentally sensitive industries and 2. Firms in environmentally sensitive industries are more likely to externally disclose environmental information than firms in less environmentally sensitive industries. The data was collected through a mailed questionnaire to the Chief of Accounting and Finance Departments of 130 Indian companies listed on BSE & NSE. The final sample included 59 firms identified as being involved in environmentally sensitive industries and 32 in less sensitive industries. In the conclusion, he has argued that ‗environmentally sensitive' firms are more likely to develop environment accounting procedure is only supported for activities that are associated with significant environment related issues for the specific industries. Where issues are of general nature it appears that these firms are no more likely to develop such accounting processes. Hence the study provides no conclusive evidence that the environmental sensitivity of the firm's operations will necessarily result in increased likelihood of the development environment accounting procedures of general environmental issues. Such a result suggests that observations as to what motivates the external reporting process may not hold true for the development of internal management practices, indicating the need for further research as to what motivates firms to develop environmental accounting, auditing and reporting.

Objectives of this paper

The key objectives of this paper is to know the meaning and importance of Green accounting, and at the same time, understand the reasons behind the opposition to it, especially in the developing countries. The paper also examines the steps that could be adopted to incorporate Green Accounting in companies.

GREEN ACCOUNTING AND REPORTING PRACTICES IN INDIA

Green Accounting and reporting in India is in developing stage both at the corporate level and at the national level. The entire process of Green Accounting encompasses three distinctive phases

Physical Accounting determines the state of the resources types and extent in spatial and temporal terms. Monetary Valuation of resources - tangible and intangible in terms of its monetary aspects

Integration with Economic Accountingϖ Integration of money value of environmental resources with that of other resources

Practice – In terms of economics

It is a measure of sustainable income level that can be secured without decreasing the stock of natural assets. This requires adjustment of the System of National Accounts (SNA) in terms of stock of natural assets. In SNA, allowance is made for capital consumption or man-made capital while calculating Net Domestic Product (NDP).

Net Domestic Product (NDP) = GDP- Depreciation.

Steps to incorporating environment accounting.

It has been argued that accountability of environmental policies of a business corporate is the basic requirement for a secure future. Accounting for economic performance, and its environmental impacts, is the first step towards this goal. It, however, is not so easy. For companies that willing to incorporate environmental accounting, here while are some suggested steps.

A company before starting green accounting must clearly define its accounting goals and environmental policies.

Identify the stakeholders, the relationship that the organizations has with it and also the level of risk involved.

Identify the environmental factors involved, their mode of measurement, and cost of achieving the goals. Identify the resource efficiency and cost saving techniques by encouraging innovative ideas. Keep record of how environmental costs decline over time with continuous green accounting.The change should start from within. Every organization should constantly promote new ideas and change at an internal level.The income statement should include cost and benefits attributable to ecological factors. An additional ecological value added statement should be prepared. It should include all operational costs related to environmental management, regulatory costs, revenue generated, cost savings, grants, subsidies received and similar factors.

The balance sheet of the company should mention the intangible assets (capabilities and competencies that make up the organization's competitive advantage) and also the shadow liabilities and provisions. Most importantly, accountants must broaden their horizon and establish a dialogue with social and ecological professionals to forge a common acceptable accounting framework.

Scope of further study

This paper is fully based on secondary information collected from open sources. There is, however, a lot of scope for more research on Green accounting. The concept of Green accounting is still in its infancy and being continuously researched upon. Given the tremendous importance of the environmental issues for social welfare, future research is desired to gain more insights in to the issues raised in the study. Future research in this can be extended to empirical analysis of the figures. A comparative analysis of the environmental reporting systems of the private and public limited companies can help the diversified stakeholders in making the informed decisions. Last but not the least, a study developing ways to recognize and measure social costs and benefits can be another pioneering research area.

III.CONCLUSION

The findings of the study suggest that the disclosure of environment related information is mandatory in nature if the companies operate in environment prone segments. Besides, there should be proper accounting which determines environmental related costs, liabilities and expenditure. All companies provided only information about environmental issues, environmental expenditure and costs. But at the same time, there is also a lack of quantitative information. There should be proper accounting pronouncements from regulatory authorities.

Environment is an inseparable part of us. It is said that there are three _P‘s that should concern a business. The proprietor and/or owners are always concerned with only one of them i.e. _P‘for profits. But with greater accessibility to information, environmentalists and social activists have become more concerned with the other two _P‘s: people i.e. human beings, and planet or environment. Corporates should not endanger environmental balance but should greatly contribute towards sustainable development. Environmental accounting, as a part of social and management accounting practices, should apprise the top management of the costs involved in pollution and degradation. Besides providing information to all, environmental accountants should generate consciousness about environmental issues in the company. The time has come for corporates to prepare a firm environmental policy, take steps for pollution control, comply with the norms and mention adequate details of environmental aspects in their annual report. A well-defined environmental policy, with proper follow-ups and proper accounting, is necessary for the country. It is high time that countries across start recognizing the responsibilities of corporate both large and small in saving the earth. Hence, there is a genuine need to develop a concrete guideline for the Environmental Accounting or Green Accounting in India.

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