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## **Towards green accounting: Effective tool for sustainable development**

**Dr. Rakesh Kumar, Dr. Dev Raj Jat and Shilpi Sharma**

### **Abstract**

Worldwide environmental problems are having an adverse impact on quality of life. In order to sustain in this growing world our aim is to think about the crucial area of social responsibility and many are aware of this and are adopting this in their business with the help of Green Accounting. Accounting is discipline of measuring, communicating and interpreting the financial activity. Green accounting is a growing field that identifies resource use, measures and communicates costs of a company or the national economy actual or potential impact on the environment. For sustainable development of country, a well-defined environmental policy as well as proper follow up and proper accounting procedure is needed. This paper aim to review the need, objectives, benefits of the green accounting for the sustainable development of the new century companies.

**Keywords:** Accounting, green accounting, sustainable development

### **Introduction**

In this growing world of business and for the sustainable development the industrial and corporate houses globally are incorporating the concept of environmental element in their business operations. An account is measure that provide an assurance about the financial information Green accounting is considered as a subset of accounting that aims to incorporate both the economic and environmental information. At national level or a company level. It is a environmental accounting which incorporate environmental assets and their source and sink function into national and corporate accounts<sup>[1]</sup> the United Nations first issued a handbook on a System for integrated Environmental and Economic Accounting (SEEA) in 1993. SEEA introduces nature's environmental and economic assets and the 'environmental cost' of their degradation and depletion into the System of National Accounts (SNA) (UN, 1993). Environmentally differentiated accounting measures impact of the natural environment on a company in nominal or monetary terms. Green accounting will help the organizations to identify the resource utilization and the cost incurred on the eco system by the activities of the industries.

### **Need for Green Accounting**

A balance sheet will show a loss or a gain effectively with green accounting but this would be possible only if the internal and external costs that includes the problems like pollution of air, water, land, degradation of environment, health of workers. Savings from a new cleaner technologies that are resulting in less pollution and a for the betterment of the society by providing a better environment for work with a better health, this can also includes the substitution of raw materials or production processes. Monetary methods should be used quantify and calculate the internal and external benefits

Green or environmental accounts are the part of social responsibility and it can help in decision making, profitability. An organization needs to compare the costs preventing the environmental damage against the cost of remedial activities.

### **Forms of Green accounting**

Environmental management accounting that identifies, collect, estimate, analysis, internal reporting and use of materials and energy flow information. Environmental Financial Accounting which focuses on reporting environmental liability costs and other significant

environmental costs. Environmental National Accounting that focuses on national resources stocks and externality costs etc.

It requires the identification and monetary measurement of internal costs that directly affects the bottom line of the balance sheet. The direct costs like materials, labor that are related to product and indirect costs like depreciation, fuel etc Social and economic environmental costs must be taken into account.

Green accounting involves saving resources, green products, clean production and environmental production. This study explored the drivers behind the cost units and found that each factor contributes to the additional

production or operational cost It was investigated [2] Taiwanese enterprises that have been certified with ISO14000 for environmental management from the financial aspect. For the 108 samples, their environmental performances had significant negative effects on the return on assets, return on equity and net operating profit. Green accounting can make up the eco balance by following certain steps as shown in the Fig No.1 by taking the steps so as to identify and analysis the environmental impact and then to formulate the target action plan so as to reduce the environmental impact and selecting out the measures to reduce the impact and then evaluating the results for a eco balance

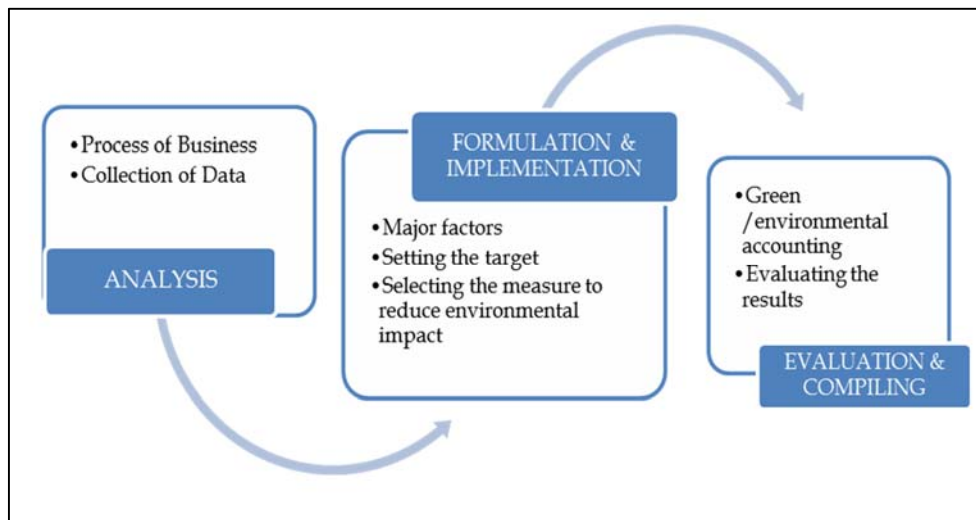


Fig 1: Green accounting making up the eco balance

Green accounting is used to increase the amount of relevant for those who need it or can use it. Relevant data depends on the scale and scope of coverage and aim to increase the sustainable development. The table No 1 summarizes some of the cases as where the Green accounting methods are found to be effective in the field of business and plays a role in sustainable development [13]. It includes the promotion of

innovation with environment standards, reviewing the corporate performance, even the full control of environmental financial information can improve the production and design processes that are detrimental to environmental protection, It is also concluded that The concepts of lowering cost, increasing sales volume and reducing pollution should be incorporated in product design

Table 1: Some of the conclusions drawn about Green Accounting

Green Accounting Evaluations	Reference
Green accounting will lead a more proactive environmental planning through the recognition and the reduction of environmental cost and, consequently, the improvement of the profitability of enterprises	[3]
The review of corporate performance on the environment and society by construction of an environmental accounting system has become the trend.	[4]
There exist a positive correlation between the environmental accounting practices and innovative production process	[5]
Environmental standards can promote innovation, lower the total product cost, and enhance product value	[6]
Green barriers can enhance the environmental performance of enterprises,	[7]
Green innovation performances of the enterprises have a positive influence on corporate Competitiveness	[8]
Full control of environmental financial information can improve the production and design processes that are detrimental to environmental protection	[9]
Modern perspectives suggest that efficient resource utilization and reduction of wastes could save cost	[10]
The concepts of lowering cost, increasing sales volume and reducing pollution should be incorporated in product design	[11]
A study concluded that found that using technological innovation to increase resource productivity could offset environmental expenditure	[12]

Environmental accounting is potentially a very valuable tool in planning, public resource management, pollution control and policy analysis. but is followed by certain limitations as there is no standard method for measurement 1.Valuation

techniques for environmental goods and services are imperfect and shadow prices are only partial valuations. 2. Social values for environmental goods and services are uncertain and change very rapidly and it consider cost internal

to the company and excludes cost to society.3.Non-economic values are also important in political processes.4Aggregation of individual preferences may not yield a meaningful net social preference. 5 Reliable industry data are not readily available.

Existing data on the costs and benefits of environmental protection measures to industry and to national economies are reviewed, as are misconceptions relating to: market prices and utility; hypothetical valuation and social values; willingness to pay or to accept compensation; private property rights in environmental goods and services; and discount rates in economic analysis.

**Benefits of Green Accounting**

It helps pollution controlling, Product circulation, administration form environmental prospective, a-centered

management system. It helps in Assessing, testing and reporting performance of environmental activities. It also incorporates the environmental sources and assets into corporate accounts. It measures environmental, social and economic impact of business. Green Computing helps to achieve economic, environmental and social sustainability through the value of goods and services that does not decrease over time. achieve Sustainability, it reduces the cost associated with raw material utilities and waste, A Good Factor Employees love to work for companies that think beyond making money. By taking few steps together as mentioned in Fig No.2 like Environmental efforts in corporate management, Production of ecofriendly products, Environmental friendly business activities and many more eco balance steps can lead to a eco balanced company



**Fig 2:** Contributing to sustainable development

Major contribution is to have a sustainable development Sustainability is a characteristics of a process or state that could be afforded to be maintained at a certain level indefinitely. Sustainability in its environmental usages, refers to the potential longevity of vital human ecological support systems, such as the planet’s climatic system, systems of agriculture, industry, forestry, and fisheries on the one hand and the increasing pressure by human communities, their consumption patterns

**Green accounting in India**

For sustainable development of country, a well-defined environmental policy as well as proper follow up and proper accounting procedure is a must. As discussed [14] there is a study developed a model which specifies six aspects to be covered in environmental accounting in order to measure the ultimate environmental performance of the organization i.e Identification of the parameters, Defining the Environmental Reporting Parameters, Specify the environmental target to be

achieved, Developing the environmental performance Indicators, Measurement of the Performance indicators, Reporting the performance results. Environmental accounting is in preliminary stage in India and whatever shows in the accounts in this regard is more or less compliance of relevant rules and regulation in the Act It is the call of the time that corporates prepare a firm environmental policy, take steps for pollution control, comply with the related rules and regulations, and mention adequate details of environmental aspects in the annual statements.

**Conclusion**

Worldwide Business agrees the benefits of Green Accounting, To increase the revenue by reducing the cost are the strategic objective and green accounting being the team background can be a effective tool for Sustainable development Regardless of the criticism, Green accounting is necessary to place value on environmental resources

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