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Imperatives for green accounting in India

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Abstract
Green accountability is one of the key areas of corporate social responsibility today. In their business activities, companies incorporate the concept of the environmental element. Green accounting will help organizations identify the use of resources and the costs involved. This method records the costs and benefits of the ecosystem for a company. This paper present 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. The last section discusses the challenges faced in green accounting and reporting.

Keywords: Social responsibility, ecosystem, green accounting, sustainable development, accounting principles

Introduction
A Native American proverb states that “only when the last tree is cut, only when the last river is polluted, only when the last fish is caught only when they realize that they cannot eat money." Economic development without environmental considerations can seriously damage the environment, which in turn endangers the lives of present and future generations. Green accounting is a system of accounting that measures the current economic losses in the environment from renewable and non-renewable resources. By including these losses in all levels of economic accountability, all parts of the economic sectors can make informed decisions that support sustainable development on a long - term basis and help to strengthen the human rights in question. 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. Green accounting and accounting for the environment are a new challenge for the accounting system.
How green accountability is superior to conventional accountability Conventional accounting, which is the most common form of accounting, does not take into account many factors such as environmental expenditure or pollution prevention expenditure. It does not investigate the causes and effects of an environmental incident for a company or an organization. Conventional accounts do not investigate or measure the depletion of environmental resources or take account of environmental degradation.

Literature Review
Vandna (2018) in their paper titled “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.
Shavita Deshwal (2016) in her paper titled “Green accounting and practices” concluded that environmental accountability and reporting are at a bourgeois stage. Strict rules for ensuring compliance with environmental standards should be introduced.

Unless ordinary Indians are made aware of the safety of the environment, accounting development in this respect is a little doubtful.

Alka Solanki (2016) in her paper titled "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.

Dr. Preeti Malik, Dr. Alka Mittal (2015) in their paper titled "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.

Dr. Minimol M.C, Dr. Makesh K.G (2014) in their paper titled "Green Accounting and Reporting Practices among Indian Corporates" concluded that in India, environmental accounting and reporting practices are beginning to emerge. Although Indian companies comply with environmental protection rules and regulations, to date no clear cutting policies are framed and formulated at national, state or even company level to ensure compliance with environmental standards.

N Navya, Yamini Apoorva in their paper titled "Green Accounting and its Role in Developing India" observed that Environmental cost accounting provides a clear basis for management decisions, policy - making and measures to reduce these costs, which will ultimately save our environment. Although the government has made a number of efforts through special environmental acts and policies, none of them integrates environmental costs into business operations that are reflected in the GDP. Compulsory green accounting will prove to be a successful policy implementation only with joint efforts by governments and companies. Companies must aim to minimize their environmental costs and plan and reshape their products and operations in order to reduce them in future. The government must regulate the standards that must be complied with for the companies and also ensure that they are complied with.

Anil Kumar, Sai Pranitha, Kiran Kumar in their paper titled "A Study on Green Accounting and Its Practices in India" proposed that green Accounting's main purpose is to help companies understand and manage the potential quid pro quo between traditional economic objectives and environmental objectives. The green accounting countries are Norway, the Philippines, Namibia, Chile, the USA and Japan, etc. INDIA green accounting is in the development phase. It is one of the best approaches to sustainable development.

Being the contemporary issue, there is a little literature available in this regard and hence the research gap is pertinent.

Research Methodology

The study was based primarily on secondary information and information from books and published works and reports.

Objectives

- To understand the meaning of green accounting and how it is superior to conventional accounting
- To discuss the objectives of green accounting
- To analyse the benefits of green accounting
- To examine the limitations of green accounting
- To discuss the green accounting practices in India
- To interpret the challenges of green accounting.

Objectives of green accounting

- Segregation and development of all environmental flows and stocks of traditional accounts: the segregation of all flows and stocks of environmental assets allows estimates of total environmental protection expenditure. Another objective of this segregation is to identify that part of the gross domestic product which reflects the costs required to offset the negative impacts of economic growth, i.e. defensive expenditure.
- Linking physical resources accounts to environmental monetary accounts: physical resources accounts cover the total stock or reserves of natural resources and changes. There, even if the economic system does not affect those resources. Consequently, the accounts of natural resources provide the physical counterpart of the monetary and flow accounts of the Environmental Economic Accounting System. DE) (SEEA)
- Environmental cost and benefit assessment: the SEEA expands and complements the SNA (national accounting system) in terms of costing: a) the use (depletion) of natural resources in production and end demand. b) Changes in the quality of the environment due, on the one hand, to pollution and other impacts of production, consumption and natural events and, on the other, to environmental protection.
- Maintenance of tangible wealth accountability: The SEEA extends the concepts of capital not only to human but also to natural capital. The formation of capital is thus transformed into a broader concept of capital accumulation that allows the use or consumption and the discovery of environmental assets.
- Development and Measurement of Environmentally Adjusted Product and Income Indicators: Consideration of natural resource depletion costs and changes in environmental quality allows the calculation of modified macroeconomic aggregates, notably a net domestic product that is adjusted to the environment.

Benefits of Green Accounting

- Green accounting would allow governments to better assess choices without a prejudice to future generations or a prejudice to man - made assets as opposed to natural assets. In a different and holistic economic light, it would make choices such as preserving precious ecosystems rather than giving them up at throw - away prices.
- Green accounting is to adjust traditional growth measures and rethink them as sustainable growth measures. The measure of national wealth could be fair and genuine.

- It will help to improve environmental performance, to control costs and to promote sustainable development.
- The government and the company would be encouraged to invest in cleaner and more efficient technologies.
- It would enable informed decisions concerning their business activities to be formed.
- It would help in greener processes and product development.

Green Accounting Limitations
- Green accounting is a science that is evolving and is still under study
- As a lot of study is required, there is no standard accounting method.
- 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
- In order to evaluate natural resources consumed, such as the decrease in forest cover, carbon gasses emitted in the air would require unbiased and true data. Official statistics can sometimes be rosy and may not reflect the true picture.
- It is not possible to conclude easily, because it is a long - term process. The costs of training staff and employees are high

Green accounting practices in India

Environmental Green Accounting is at its initial stage in India. In the context of the periodic demand for environmental disclosures from business units, the government of India made the first public announcement in 1991, immediately following the adoption of the financial reforms that liberalized the country's economic policies. The Ministry of Environment and Forestry proposed that " in the report of its Board of Directors, each company should briefly disclose the details of the steps taken or proposed to be taken to prevent pollution, minimize waste, recycle and use waste, control measures on pollution, invest in environmental protection and the impact of these measures on the conservation of water, reduction of and other resources.” In 2011, the Securities and Exchange Board of India mandates listed companies to report on environmental, social and governance (ESG) initiatives undertaken by them in accordance with the key principles set out in the National Volunteer Guidelines on Corporate Social, Environmental and Economic Responsibility. The company law 2013 stresses corporate social responsibility, which makes it compulsory for certain classes of profitable companies to spend money on social welfare activities. Companies with a net value of over Rs 500 crore or a turnover of Rs 1000 crore are required to adopt a CSR policy. It also requires companies to disclose more information in addition to the general state of affairs and financial performance of the company in terms of energy conservation and environmental protection. The Ministry of the Environment and Forestry has issued various instructions for preparing environmental statements, and it is mandatory in the country to obtain environmental clearance for all new projects concerning the Union Ministry of Environment and Forests and the corresponding State Government department of environment.

In this regard, there are various guidelines and all such projects are expected to obtain environmental and anti - pollution clearance before they are actually established. Through their accounts, it can be observed that the following information is mainly available.

1. Pollution control device type
2. Steps taken to conserve energy
3. Steps taken to optimize resource utilization
4. Steps taken to decompose waste water and waste in the production process
5. Steps taken to improve product and service quality, production process, etc. The Ministry of the Environment and Forestry issued a gazette notification on the environmental audit on 3 - 3-1992, which was amended by a notification on 22-4-1993 (India: Environment Statement, as part of the Environment Audit, Govt). India, 1993) requires the Central Pollution Control Board to submit an environmental statement. This notification applies to any person conducting an industrial operation or process requiring consent to operate under section 25 of the Water(Pollution Prevention and Control) Act 1974, section 211 of the Air(Pollution Prevention and Control) Act, 1981 or both, or authorization under the Hazardous Waste(Management and Handling) Regulations, 198, issued in accordance with the Environmental Regulations. In this environmental statement, the industry concerned is required to supply information on:

a. Water and raw material consumption
b. Pollution generated
c. Impact of pollution control measures on natural resource conservation
d. Nature of hazardous and solid waste produced and disposal practices adopted
e. Environmental protection measures taken and
f. steps taken to increase the impact of environmental accounting and reporting on the corporate sector

Challenges in green accounting and reporting

Environmental accounting is a very important issue, as economic development and environmental protection are equally important, but a contradictory issue and therefore is necessary to carefully assess the benefits and costs of environmental damage in order to find the tolerance limit of environmental degradation and the required level of development. In order to achieve this, there is a need for a proper framework that can provide guidelines on environmental costs, environmental liability, environmental assets, the capitalization of these costs and responsibility. The study of corporate reporting practices shows that corporate managers are increasingly inclined to disclose information in their annual report to inform shareholders and the general public about their efforts. It is also clear that most of the information reported by the companies on the environment is not financial. Such information is merely a description of the company's efforts. The information on the amount of money spent on these initiatives and its material impact on the financial results is largely lacking. Again, there is a wide variation in the reporting style and the theme chosen by the companies to report. This can add to the problem of non-comparability and verifiability to another dimension. It is therefore believed that such information should be linked to financial accounting information in order to be reliable. Monetary measurement of environmental costs and benefits is necessary for integration. However, all costs and environmental benefits cannot be adequately measured in the monetary unit, at least at micro – level. Internal costs, such as investments made by the corporate sector to minimize environmental losses through product development, can be developed for monetary measurement, but the costs of externalities such as degradation and destruction, such as soil erosion, biodiversity loss, air pollution, water pollution, noise pollution, solid waste problems, the depletion of non-renewable natural resources i.e. losses arose from over-exploitation of natural non - renewable resources such as minerals, water, gas, deforestation, etc. And business-created environmental assets, such as afforestation, conservation of biodiversity, conservation of water, etc., cannot be adequately measured in monetary terms. In addition, it is very difficult to decide how much loss to the environment has been caused by the establishment of a specific business unit. This impedes the complete integration of environmental accounting under the existing GAAP (Generally accepted accounting principles). However, it is possible to reveal the internal costs and benefits of environmental measures taken by a business unit and its material effects in reported profits by revealing the recognition method.

Conclusion

India is still in the nascent stages of green accountability development. In fact, the majority of the world still does not know the term "green accounting "or its significance. Although Indian companies and companies meet requirements such as corporate social responsibility, etc., no clear practices or policies for protecting the environment are in place. It is hoped that one day green accounting will become a practice and a reality for all companies with greater awareness of the subject.

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