European Economic Letters
ISSN 2323-5233
Vol 15, Issue 1 (2025)
http://eelet.org.uk

Exploring Green Accounting: An Indian Perspective

Jashanpreet Kaur Sarao
Department of Commerce,
Chandigarh School of Business, Chandigarh Group of Colleges,
Jhanjeri, Mohali – 140307, Punjab, India

ABSTRACT
"Green accounting" describes the monitoring of environmental factors and natural resources. This field, which is expanding, focuses on things like resource management, environmental effect, and the advantages and disadvantages of conducting business. Environmental principles are becoming more and more integrated into business processes. Organizations can assess their resource consumption and related expenses by using green accounting. In actuality, two issues facing a rising nation like India are fostering economic growth and environmental preservation. This approach entails keeping track of a company's earnings and costs. Green accounting and its reporting are still quite new in India, both for companies and the government. This research aims to understand the concept of green accounting.

Key Words: Economic development, Environmental impact, Green accounting, Business operations

Introduction
An environmental account, also referred to as green accounting, was created in 1980 by economist Peterwood. In today's business world, it is essential to social responsibility. In business financial reports, environmental resources and assets are included. He gauges how businesses impact the economy, society, and environment. A cutting-edge accounting technique that attempts to consider the environment and its health, it is a component of the Sustainable Development System. This type of accounting determines the organization's revenue by factoring in environmental protection expenses. An updated accounting system that incorporates environmental protection expenses must be assessed.

Using a variety of accounting techniques, environmental accounting, sometimes referred to as "green accounting," evaluates, documents, and reports the effects of a business's environmental initiatives on its bottom line. Different countries have similar definitions of green accounting, as the table illustrates.

Environmental Management Accounting directives given by International Federation of Accountants, 2005	EMA creates and implements a suitable environmental accounting framework that incorporates EMA, business reporting, and auditing in order to address both economic and environmental performance. Generally speaking, this covers methods for effective processes, life cycle accounting, environmental management, and total cost accounting.
Environmental Accounting directions by Ministry of Environment of the country Japan given in 2005	Green accounting is the process of measuring the costs and results of a business's efforts to protect the environment. Companies must build good relationships with the environment and maintain well-organized records and reports in order to carry out successful environmental initiatives. The attainment of sustainable development is the primary goal.
Environmental Protection Administration of Taiwan in 2008 Industrial Environmental Accounting Guidelines	Measurement, documentation, analysis, and interpretation completely transform and align business investments in environmental protection and improvement. The parties interested in the business are given access to the results.

Types of Environmental Accounting
Environmental accounting is the process of including environmental costs and benefits in financial and business decisions. It helps companies and governments understand their impact on nature and make eco-friendly choices. The main types of environmental accounting are:

1. Environmental Financial Accounting (EFA)
Records environmental costs in financial reports.
Helps investors and stakeholders understand the financial impact of environmental policies.
Includes costs for pollution control, waste management, and following regulations.

2. Environmental Management Accounting (EMA)
Used by businesses for internal decision-making.
Tracks environmental costs like energy use, raw materials, and waste.
Helps reduce costs, improve efficiency, and support sustainable production.

3. Environmental National Accounting (ENA)
Adds environmental costs to national economic reports (like GDP).
Measures the use of natural resources and environmental damage.
Example: The System of Environmental-Economic Accounting (SEEA) by the UN.

4. Environmental Cost Accounting (ECA)
Identifies and assigns environmental costs to products, services, or processes.
Helps determine the true cost of production, considering environmental effects.
Supports eco-friendly pricing and sustainable investments.

5. Corporate Social Responsibility (CSR) Accounting
Focuses on a company's environmental and social responsibilities.
Includes reports on sustainability, carbon emissions, and corporate transparency.
Improves a company's reputation and accountability.

6. Green Accounting
Adds environmental and ecological factors to traditional accounting.
Measures how business activities affect nature (like forests, water, and air).
Helps in making policies for long-term environmental sustainability.

Environmental Protection Laws

India has strong laws to protect the environment, focusing on conserving natural resources and reducing pollution. The Environment (Protection) Act, 1986 is a key law that gives the government the power to regulate industries, set pollution control rules, and take action against violators. The Water (Prevention and Control of Pollution) Act, 1974 and the Air (Prevention and Control of Pollution) Act, 1981 help monitor and reduce pollution in water and air. These laws led to the creation of the Central Pollution Control Board (CPCB) and State Pollution Control Boards (SPCBs) to enforce environmental rules. Similarly, the Wildlife (Protection) Act, 1972 and the Forest (Conservation) Act, 1980 help protect forests and wildlife by controlling harmful activities.

In recent years, India has improved its environmental laws with new regulations and agencies. The National Green Tribunal (NGT) Act, 2010 set up a special court to handle environmental cases quickly. Other laws, such as the Biological Diversity Act, 2002, E-waste (Management) Rules, 2016, and Plastic Waste Management Rules, 2016, address modern environmental issues. These laws promote sustainability by enforcing Extended Producer Responsibility (EPR) and ensuring proper waste disposal. The government has also taken strict steps, like banning single-use plastics and strengthening Environmental Impact Assessment (EIA) regulations, to balance development with environmental protection. However, the success of these laws depends on proper enforcement and public support.

Review of Literature

Bennett and James (1997) studied how environmental management accounting (EMA) has developed and how it helps companies become more sustainable. Their research pointed out the gap between current practices and possible improvements in EMA. They suggested that companies need to combine financial and environmental reporting better to meet future needs. This important study highlights the need for businesses to align their activities with broader environmental goals.

Pramanik (2002) conducted a detailed study on environmental accounting and reporting in India, showing the need for a strong system to handle specific environmental issues. His research stressed the important role of policymakers in supporting green accounting efforts and provided useful insights into the challenges developing countries face in adopting these practices.

Gundimeda et al. (2005) studied resource valuation and environmental economics, contributing to both the theoretical and practical sides of environmental accounting. Research by TERI PRESS offered a clear view of how natural resources can be included in economic assessments. By stressing the importance of green accounting, this approach helps in addressing environmental issues more effectively.

Chauhan (2005) looked into environmental accounting in India, pointing out that it is still in its early stages but has great potential for growth. His study found that the lack of a standard approach has slowed its adoption. He also discussed how professional groups, such as chartered accountants, can help spread awareness and encourage the use of green accounting practices.

Adams and McNicholas (2006) explored sustainability reporting, accountability, and how organizational change contributes to integrating these practices into essential business operations. Their research highlighted the significance of sustainability reporting in promoting transparency and accountability, which are crucial elements of green accounting. The writers also contended that such reporting holds transformative potential to inspire significant organizational shifts toward sustainability.

Objectives of the study

- To study the inadequacies of the GDP aspect in capturing human development, well-being, and environmental sustainability.
- To examine the difficulties in incorporating environmental factors into economic decision-making.
- To assess the significance of green accounting in balancing economic growth and ecosystem preservation.
- To analyze the application of cost-benefit analysis in addressing environmental challenges through this concept of green accounting.

Research methodology

Research type: Descriptive type of study
Research Data Base: It is Secondary Data. It served as the foundation for this investigation; the information was taken from a variety of websites.

Findings

Environmental Accounting Practice in India:

1. The concept of Green accounting in India was firstly announced in 1991.
2. As per the Ministry of Environmental Forestry's proposal, "The Board of Directors or all companies were planning to adopt clean technology to minimize waste and control pollution.". The impact on waste and other resources, the use of pollution prevention, environmental protection, and the measures that must be reported must all be explained simply.
3. Guidelines for preparing the Environmental Declaration have also been released by the India’s Union Ministry of Environment and Forests.
4. Across the whole country, environmental clearance is required for all the new projects that are connected to the Union Ministry of Environment and Forests and all the relevant state environment departments.

Before being implemented, any project of this kind must receive approval for pollution control and environmental management, which involves a number of requirements. They typically reveal the following range of information in their financial statements.

A. Systems that have been put in place to control pollution. Energy-saving measures were implemented.
B. Maximizing the utilization of the resources at hand.
C. Processes for waste decomposition.
D. Attempts that are done to raise the quality of the products.

The corresponding industry needs to include information in this environmental report.

A. Use of raw materials and water resources.

B. Transaction after contamination.
C. Also, the effect of pollution prevention techniques on the conservation of all the natural resources.
D. The types of solid as well as hazardous wastes generated along with the methods used for their disposal.
E. Measures taken to protect the environment.
F. efforts made to inform business sectors about the benefits of environmental reporting and accounting.

Importance of the concept of Green Accounting for Businesses:

1. The misconduct in environment can harm an organization's reputation, potentially leading to a decrease in sales if consumers choose to stop purchasing the company's products.
2. Companies that cause damage to the environment may be significantly fined from various governments. Responsible pollution can satisfy a considerable amount of cleaning costs.
3 The cost of complying with corporate regulations has increased due to stricter government oversight on environmental concerns such as pollution.
4. Improving environmental practice can lead to reduction in costs.
5 As members of society, businesses have an ethical responsibility to mitigate the environmental damage they cause.
6. It turns to three most important elements - people, profit and the environment.

The costs and benefits that an environment offers a company concern are also covered:

1. Sustainable development aims to meet present needs without harming the ability of future generations to meet their own needs.
2. Firms are able to learn when and how to use their resources. This reduces utility bills and waste disposal costs.
3. In fact, employees prefer to work for companies that prioritize social responsibility over profit.
4. As stakeholder concerns about a company's environmental impact increase, assess environmental performance.
5. Involve management in developing long-term environmental strategies.

Chapters

1. **Inadequacies of GDP in Capturing Human Development, Well-being, and Environmental Sustainability**
   - GDP focuses solely on economic transactions and market activities, failing to account for non-market aspects such as environmental degradation, resource depletion, and social well-being.
   - When GDP is used as the only indicator of economic development, it fails to consider ecological balance, inequality, health, and education, which results in inaccurate conclusions about a country's overall development.
   - Indicators such as Human Development Index or Environmental Performance Index provide a more comprehensive perspective but are underutilized in national policymaking frameworks.

2. **Complexities in Integrating Environmental Considerations into Economic Decision-Making**
   - Environmental decision-making is inherently complex due to the interdependence of natural ecosystems, limited scientific knowledge of ecosystem interactions, and the unpredictable impacts of human activity.
   - There is a need for the Policymakers to find a balance between all the short-term economic benefits and also long-term environmental sustainability, despite differing interests from stakeholders and uncertain data.
   - The absence of standard methods to measure environmental costs and benefits makes it harder to include environmental factors in economic decisions.

3. **Significance of Green Accounting in Balancing Economic Growth and Ecosystem Preservation**
   - Green accounting offers a clear way to include environmental costs in decision-making, helping policymakers balance economic growth with sustainability goals.
   - It provides a different way to measure development instead of using GDP, by focusing on the environmental impact of resource use and pollution.
   - In India, interest in environmental accounting is growing among organizations and politicians, but its use is still limited due to a lack of awareness, technical skills, and strong regulations.

4. **Application of Cost-Benefit Analysis in Addressing Environmental Challenges**
   - Cost-Benefit Analysis (CBA) is a helpful tool for evaluating development projects by comparing their financial and environmental impacts.

- Although widely used in resource management, CBA in India often underestimates important environmental benefits like biodiversity and clean air because of limited data and subjective evaluation methods.
- Green accounting can make cost-benefit analysis better by including more environmental factors and providing a clearer picture of long-term costs and benefits.

Conclusion

In conclusion, green accounting is becoming more recognized in India as an important tool for including environmental issues in business and policy decisions. While it is still in the early stages, there is growing awareness of its potential to support sustainability and account for environmental costs along with economic ones. Challenges like limited data, technical skills, and regulatory support are still obstacles to its widespread use. However, with continued efforts from both the government and businesses, green accounting can grow to play a larger role in India's move towards sustainable development. As this field grows, it is important for everyone involved to work together to overcome these challenges and ensure that environmental factors are included in economic assessments, benefiting both businesses and the environment in the long run.

References

- Adams Carol, Patty Mc Nicholas. Making a difference Sustainability reporting, accountability and organizational change. Accounting, Auditing & Accountability Journal. 2006; 20(3):382-402
- AlokKumar, Pramanik(2002).Environmental Accounting and Reporting.Soujanya Books, Delhi.
- HaripriyaGundimeda.PavanSukhdev. Pushpam Kumar. Rajiv Sinha. And SanjeevSanya (2005). TERI Press, December
- M. Bennett, P. James, Environmental-related management accounting; current practice and future trends. Greener Management International 1997; 17;33-51.
- MukeshChauhan(2005), Concept of Environmental Accounting and Practice in India, The Chartered Accountant November 720- 726
- http://www.techjini.com/blog/green-accounting/
- http://www.yourarticlelibrary.com/economics/environmental-economics/green-accounting need-objectives-problems-and-otherdetails/39675/
- https://www.fujifilmholdings.com/en/sustainability/steps/sustainability/accounting.html
- http://smallbusiness.chron.com/advantages-disadvantages-green-manufacturing-businesses 22312.html
- https://www.uniassignment.com/essay-samples/accounting/what-is-environmental-accounting-accounting-essay.php
- https://thecommercepedia.blogspot.in/2015/03/environmental-accounting-and-reporting.htm