A study on Green accounting practice in corporate sector of India: Issue and challenges

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Abstract- **Environmental accounting has been gradually introducing in India entities along with the increasing awareness of environmental and social responsibility. In recent years there has been a marked revival of interest in the areas of corporate social responsibility (CSR) and social and environmental accounting (SEA) among business, governments, public policymakers, investors, unions, environmentalists and others. In India is facing the twin problem of promoting economic development and protecting the environment. Accounting of environmental effects on economic development is pre-requisite to have a sustainable development. It is observed that many efforts have been done to develop a mechanism of incorporating environmental data with national income to compute economic development The accounting of interaction between firm and environment is a pre-requisite to find out sustainability gap in micro level. This study attempts to address the development of corporate level environmental accounting and the problems associated with that.The aim of the paper also to examine the various areas of social practices in which companies are involved. "Earth provides enough to satisfy every man's needs, but not every man's greed."**

— Mahatma Gandhi

Keywords: Environment, Accounting and reporting, environmental cost.

INTRODUCTION

Green Accounting has a short beginning in the late 1980s and is directly linked with environment sustainability. Its main focus is to place value on environmental resources that do not have a market price and incorporate these resources into the national accounts and into economic growth measure. Environmental accounting" -sometimes referred to as "green accounting", "environmental management accounting" "resource accounting" or "integrated economic and environmental accounting" - refers to modification of the System of National Accounts to incorporate the use or depletion of natural resources. Environmental Accounting Environmental accounts provide data which highlight both the contribution of natural resources to economic well-being and the costs imposed by pollution or resource degradation. The climatic change create manifold problems like global warming, glacier meltdown, soil erosion, land degradation, deforestation, loss of biodiversity and all kinds of pollution. Human influence on the nature is one of the major causes of such problems. Indiscriminate use of resource and undue influence on nature in name of development can be identified as prime causes of this climatic change. As a result, since last few decades the adverse environmental effect of economic development has become a public concern all over the world. This makes environmental accounting and disclosure system paramount important for accounting discipline. It is expected that accountant should play a proactive role to recognize effects on environment of business activity to have a control over sustainability gap. It has been noticed that environmental accounting in macro level as well as in micro level is gaining its importance. In macro level National environmental Accounting focuses on accounting of natural resources stocks & flows, environmental costs & externality costs etc. In micro level corporate environmental accounting tries to account for environmental impact on corporate activities.

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Apart from the environmentally friendly aspects, Fullerton India's CSR objectives under UDAY, unrelated to its business or employee welfare, focuses on improving the livelihood and living standards by identifying the right technical expertise and guidance for skill development and capacity building initiatives, higher income prospects through market linkages and relevant education programmes. Adoption of sustainable environmental practices by accepting and applying such globally accepted means like organic farming, green technologies and use of alternative energy programmes is the other vital element of UDAY. Environmental Perspective • Five core objectives for the environmental perspectives: – Minimize the use of raw or virgin materials – Minimize the use of hazardous materials – Minimize energy requirements for production and use of the product – Minimize the release of solid, liquid, and gaseous residues – Maximize opportunities to recycle

Sub field of Environmental accounting:
1. Global Environmental accounting
2. National Environmental accounting
3. Corporate Environmental accounting.
   3.a) Environmental management accounting.
   3.b) Environmental Financial accounting.

1. Global environmental accounting is an accounting methodology that deals areas includes energetics, ecology and economics at a worldwide level.

2. Environmental National Accounting (ENA) Environmental National Accounting focuses on natural resources stocks & flows, environmental costs & externality costs etc. Relevance of environmental accounting Environmental course are one of the most important types of course that a business enterprise incurs as they provide goods and services to their customers. In the present global scenario the environmental performance of an enterprise holds an edge over determining the success of

3. Corporate environmental accounting: This is a tool to inform the public of relevant information compiled in accordance with the environmental accounting. It can be called as corporate environmental reporting and it uses the cost and effect of its environmental conservation activities

3.a).Environmental management accounting Environmental management accounting focuses on material and energy from information as well as environmental cost information. It can be studied under the following sub classes: (i) Segment environmental accounting: This is an internal environmental accounting tool that facilitates the selection of an investment activity, or a project which is environmental friendly from among all processes of operations. It also helps in evaluating the environmental effects of the project for a certain period. (ii) Eco balance environmental accounting: This is also an internal accounting tool to support the firm for sustainable environmental management activities

3.b. Environmental Financial Accounting (EFA) Environmental financial accounting refers to the financial accounting practice with special reference to the reporting of environmental liability costs and other significant environmental costs.

ii. TYPES OF ENVIRONMENTAL ACCOUNTS

The four types of environmental accounts described below represent the latest categorization of environmental accounts by the international community

1. Natural resource asset accounts primarily focus on stocks of natural resources. Accounts contain data on opening stocks, closing stocks, and changes to stocks. Two types of changes to stocks are differentiated: changes due to economic activity (e.g., mining minerals) and changes due to natural processes (e.g., births and deaths of trees in a forest account).

a) Physical asset accounts track the physical amount of a resource. These accounts provide indicators of ecological sustainability and can be used to show the effects of policy on resource stocks.

b) Monetary asset accounts establish a monetary value for the total national wealth of a resource. These accounts can be used in conjunction with national economic accounts to determine a country's total wealth, the diversity of a country's assets, how the ownership of assets is distributed, and how vulnerable assets are to price fluctuations—which is particularly important in economies that depend heavily upon unprocessed goods.

2. Pollution and material physical flow accounts provide information at the industry level about the quantity of resources— energy, water, and materials—that are used in economic activities, and quantity of residuals —solid waste, air emissions, and wastewater—generated by these activities. In addition, these accounts often include data on pollution and material flows in relation to other countries, such as cross-boundary pollution but they are generally organized to show the origin (supply) and destination (use) of materials and pollution. More detailed accounts also show how inputs are transformed into other products, pollution, and waste, and they provide information on the net material accumulation to either the economy or environment (i.e., the difference between the total inputs and the total outputs of each activity).

3. Monetary and hybrid accounts separate it includes fees collected by government for resource use, such as levies on minerals, forestry, or fisheries, and funds spent on water treatment and solid waste management. There are five types of monetary and hybrid accounts:

a) Environmental protection and resource management b) Environmental goods and services industry accounts
c) Environmental and resource tax accounts') Monetary flow accounts e) Hybrid flow accounts

4. Environmentally-adjusted macroeconomic aggregates use the previous types of environmental accounts to adjust product and income accounts to assess overall environmental health and economic progress.

III. NEED FOR THE STUDY:

It helps to know whether corporation has been discharging its responsibilities towards environment or not. Basically, a company has to fulfill following environmental responsibilities. A careful assessment of the benefits and costs of environmental damages is necessary to find the safe limits of environmental degradation and the required level of development. Therefore, the need of environmental accounting has emerged. The joint workshops organized by the United Nations Environment Programme (UNEP) and the World Bank set out to examine the feasibility of physical and monetary accounting in the area of natural resources and the environment Situation in India. Environmental accounts provide data which highlight both the contribution of natural resources to economic well-being and the costs imposed by pollution or resource degradation. It provides a framework for organizing information on the status, use & value of natural resources & environmental assets.

IV.OBJECTIVES OF THE STUDY:

1. To find out the major obstacles in the corporate environmental accounting
2. To Identify & reduce negative environmental impact of conventional accounting
3. To discover the development of the corporate environmental accounting
4. To bring to light the corporate accounting and reporting practices in this regards.

V.SCOPE OF THE STUDY

The scope of Environmental Accounting is very wide. It includes corporate level, national & international level. As far as this article is concerned the emphasis is given on the corporate level accounting. From Internal point of view investment made by the corporate sector for minimization of losses to environment. It includes investment made into the environment saving equipment/devices. This type of accounting is easy as money measurement is possible. From external point of view all types of loss are indirectly due to business operation/activities. It mainly includes: Degradation and destruction like soil erosion, loss of bio diversity, air pollution, water pollution, voice pollution, and problem of solid waste, coastal & marine pollution. Depletion of nonrenewable natural resources i.e. loss emerged due to over exploitation of nonrenewable natural resources like minerals, water, gas, etc. Scope of Environmental accounting.

VI. OPERATIONAL DEFINITION:

Benchmarking A measurement of the quality of an organization's policies, products, programs, strategies, etc., and their comparison with standard measurements, or similar measurements of its peers. The objectives of benchmarking are (1) to determine what and where improvements are called for, (2) to analyze how other organizations achieve their high performance levels, and (3) to use this information to improve performance.

GREEN ACCOUNTING attempts to place value on Environmental resources that do not have a market price. Both the Index of sustainable Economic Welfare (ISEW) and the Eco Domestic Product (EDP) are examples of indicators of Sustainable economic well being.GDP are relatively young measure of economic growth.

VII. RESEARCH METHODOLOGY:

The study is purely based on the information from secondary data sources. The reason is that in our country the use of environmental accounting and reporting is rare and in most of the cases, the concept and understanding is not proactive The data is procured from published sources like the websites, data sourced from various Annual reports, journals, magazines and articles.

VIII. METHOD OF EVALUATION:-

- Natural Resource Accounts.
- Emission Accounting
- Disaggregation of Conventional National accounts
- Value Of non-marketed environmental goods and services
- Green GDP

Natural Resource Accounts Stocks of natural resources and changes in them caused by either natural processes or human use. They are of two types Physical asset account and monetary asset account Such accounts typically cover Agricultural land, Fisheries, Forests, Minerals and Petroleum, Water. Evaluation in Value of Resources when goods are sold in Market. Value of Stock/ goods that are not sold in Market i) Physical changes in Resources ii) Fluctuation in Market Price.

Emissions Accounting Developed by the Dutch, the National Accounting Matrix including Environmental Accounts (NAMEA) structures the accounts in amatrix, which identifies pollutant emissions by economic sector.The physical data in the NAMEA system are used to assess the impact of different growth strategies on environmental quality. The type of pollutant emission to understand the impact on domestic, Tran border, or global environments.

Disaggregation of conventional national accounts 'Sometimes data in the conventional accounts are taken apart to identify expenditures specifically related to the environment, such as those incurred to prevent or mitigate harm, To buy and install protection equipment and Pay for charges and subsidies.

Value of non marketed environmental goods and services. Whether to include the imputed value of non marketed environmental goods and services and value of these items is crucial if the accounts are to be used to assess tradeoffs between economic and environmental goals. The accounts can end up reflecting the costs of protecting the environment without in anyway reflecting the benefits.

Green GDP Developing a gross domestic product that includes the environment. Actively involved in building environmental accounts minimize its importance because environmental accounting methods are not standardized. A green GDP can draw attention to policy problems; it is not useful for figuring out how to resolve them.

IX. MAJOR ENVIRONMENTAL ISSUES

Forest and Agricultural land degradation. Resource depletion-water, minerals, forest, sand etc. Public health, Loss of biodiversity, Loss of resilience in eco-systems, Poor water supply and sanitation issues, Natural hazards like floods, annual rainfall due to deforestation and Poor agricultural practices. Civil conflicts involving natural resources---coal, forest land for cultivation. Increasing pollution have led to an increase in air pollution, shifting precipitation patterns and declining intervals of drought recurrence and Resource misdistribution.

X. USES & BENEFITS OF ENVIRONMENT ACCOUNTING:

The ability to more accurately track and manage the use and flows of energy and materials, including pollution / waste volumes, types, and fate. The ability to more accurately identify, estimates, allocates, and manage/reduce costs, particularly environmental types of costs. Improves Company Image with Stake Holder's. The lower the financial, political, and other burdens of environmental protection on government and Implementation of EMA by industry should strengthen the effectiveness of existing government policies/regulations by revealing to companies benefits resulting from those policies/regulations

Benefits

- Creation of different indicators of sustainable economic well being.
- Through Green Accounting, nations can observe their economic growth at a sustainable level.
- Firms can also decide how much of an environmental resource to use and when to use it.
- Important to the sustainability of environmental resources that do not have a market price.

XI. OPPORTUNITIES IN GREEN ACCOUNTING

Green accounting is a career choice with a big impact. Instead of figuring out how the corporate giant of the world can make impressive profit, a green accountant analyzes external and internal cost, then this information can be used by companies or government to calculate carbon credits etc. Green accounting goes beyond whistle blowing and government sponsored studies. Many private companies hire environment accounting to evaluate the cost of cutting pollution, including adding in benefits of tax relief for following government regulation or tax credits utilizing government approved equipment, more will be relief from government.

XII.CHALLANGES OF GREEN ACCOUNTING

- Existence of numerous valuation techniques and sustainability indicators.
- Not necessary for certain resources.
- Correct implementation of green accounting methods.
- It may be great theoretically, but very poor practically.
- It is long term process therefore to draw conclusion is not easy.

1. Environmental accounting lacks economic value. 2. There is no standard method of estimating the social value of environmental goods and services.3. Social value given to environmental goods and services are changing so fast that the estimates are likely to be obsolete before they are available for use. 4 There is no accounting standard for environmental accounting 5.It involves inapplicable assumptions 6.Environmental accounting is not a legal obligation except for few industries in India. 7. It lacks reliable industry data.

XIII. CONCLUSION

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.

Regardless of the criticism, green accounting is necessary to place value on environmental resources. If traditional economic growth measures included environmental resources that do not have a market price as well as environmental resource depletion, green accounting would not exist. The main problem with the GDP is that it only includes goods and services that are exchanged on the market and many environmental resources do not have a market price. For sustainable development of country, a well-defined environmental policy as well as proper follow up and proper accounting procedures a must.

XIV. SUGGESTION:

Properly planned tourism development, combined with environmental protection, produces the concept of sustainable tourism. Sustainable Tourism, including eco-tourism, green travel, environmentally and culturally responsible tourism, fair trade and ethical travel. Mentioned selective tourism forms are adopted as the concept of the present and future \ destination development It is the profitable growth of a company depends on the economic, environmental, and social sustainability of its benefactor communities. Soon, the most successful companies will be those that integrate sustainability into their core business.. Environmental Management scheme to be implemented:-1.Pollution Prevention and Cleaner Production 2.Environmental Life Cycle Assessment/Costing/Design 3.Extended Producer/Product Responsibility 4.Environmental Performance Evaluation 5.Benchmarking 6.Environmental Supply Chain Management 7.Waste & water management 8.Environmental assets and liabilities

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