

## A THEORETICAL PORTRAYAL OF STRUCTURAL ELEMENTS OF GREEN ACCOUNTING IN INDIA

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### **Abstract**

*The roots of green accounting are found in social accountability. Hinduism holds that the environment should be cherished and guarded just like parents. These days, businesses are integrating the idea of the environmental element into their operations and making meaningful contributions to both society and the environment to strengthen their brands, forge strong bonds with the people they serve, and create lasting value for both. This approach essentially records what is given back to the environment as well as what is received from it. Both at organizational and national levels, green accounting and reporting are still in their infancy in India. The goal of this project is to investigate the idea and foundational components of green accounting.*

### **Keywords**

*Green Accounting, Environmental Data, Structure Framework, Practices and Corporate Social Responsibility etc.*

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## **Introduction**

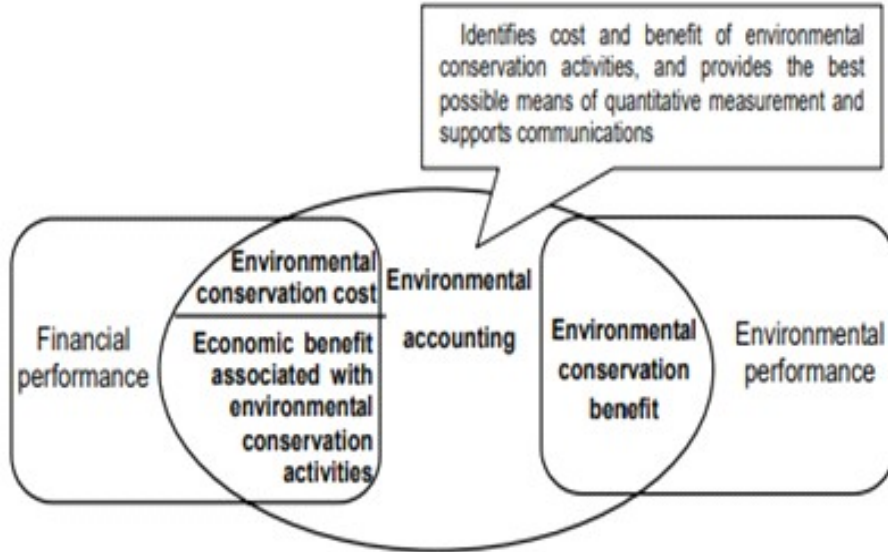
The worldwide problem that needs a global solution is environmental change. It might cause our economy to grow more slowly. It is common knowledge that changes in economic conditions have a direct impact on variances in any given firm. Therefore, it is critical for firms to understand and maintain a balance between their impact on the environment and economic objectives. Green accounting is a novel accounting system designed for this purpose. It was economist and lecturer Peter Wood who popularised the term in the 1980s. For an initial time, Mr. Jairam Ramesh, India's former Environment Minister, emphasized the necessity and significance of advancing green accounting techniques in the country. In fact, Norway was the first nation to use this approach in the 1970s.

When growth in the economy is pursued without regard for sustainability, the environment can suffer greatly, endangering the ability of future generations as well to survive. An accounting method known as "green accounting" calculates the current financial losses that come from using resources that are both sustainable and non-sustainable in the environment. Every sector of the economy can make informed decisions that promote long-term equitable growth and the relevant human rights by taking these losses into account at all levels of economic stewardship. Green accounting is a way of expansion and advancement. "System of Environmental-Economic Accounting is used in place of System of National Accounts". Moreover, developing nations like India are dealing with subtle issues related to environmental preservation and promoting economic growth. Therefore, it is essential to strike a balance between growth and environmental conservation.

This forces businesspeople to understand the difference between traditional financial goals and modern environmental objectives because green accounting protects the shift from poor sustainability to high sustainability.

## **Concept of Green Accounting**

Green accounting refers to the process of identifying, quantifying, and communicating a business's environmental conservation-related activities. This includes quantifying the financial worth of ecological preservation costs and benefits, as well as the company's financial results expressed in monetary terms. Additionally, it includes communicating the green credentials of the organization.



**Source: Environmental Accounting Guidelines 2005**

Green accounting seeks to synergize both environmental and financial expenses that ultimately determine the company’s operational outcomes. In essence, it aims to include the company’s environmental costs in its financial representation of its business operations. It also makes it possible to calculate a country’s income by accounting for economic harm and the exhaustion of the natural resources that underpin the economy.

**Review and Literature**

| Author(s) and Year             | Description  |
|--------------------------------|--|
| <b>Malik and Mittal (2020)</b> | According to their research " environmental accounting is still in its infancy in India, and the accounts reveal very little evidence of conformity with the Act's pertinent laws and requirements. A clear environmental strategy, along with appropriate bookkeeping and monitoring practices, are necessary for the nation's long-term growth.  |
| <b>Solanki (2022)</b>          | In her research, the author claims that overcrowding, catastrophic events, alterations in the climate, warming planet reactions, pollutants, deterioration of natural resources, depletion of the ozone layer, deforestation, extinction of species, pollution in the oceans, and several additional environmental risks severely affect India, a sizable country. Legislation and provisions must be passed and put into effect as soon as possible to preserve the nation. |

|                           |   |
|---------------------------|---|
| <b>Sadiq et.al (2023)</b> | The relationship between ESG practices and the effects of transparency on the worth of a company was examined in this research study. With 1098 assessments, the data was taken from the final financial statements of 122 companies that were listed on the Malaysian Stock Exchange between 2011 and 2019. To determine the ethnicity of ESG performance, the researchers in this study employed three auxiliary factors. The results are in line with the methodology, which shows that while ESG transparency and sensitivity lower business value, ESG strength raises it. |
|---------------------------|---|

### Research Objective

To scrutinize the structural elements of green accounting.

### Research Methodology

- **Research Design:** The study used descriptive research as its research design.
- **Data Collection Source:** All secondary sources of information included in the research study were gathered from official websites, reports, and articles. In particular, the information is taken directly from the 2005 Environmental Accounting Guidelines.

### Structural Elements of Green Accounting

The subsequent structural components make up ecological accounting as it is specified under the ecological accounting guidelines:

1. Cost of preserving the environment

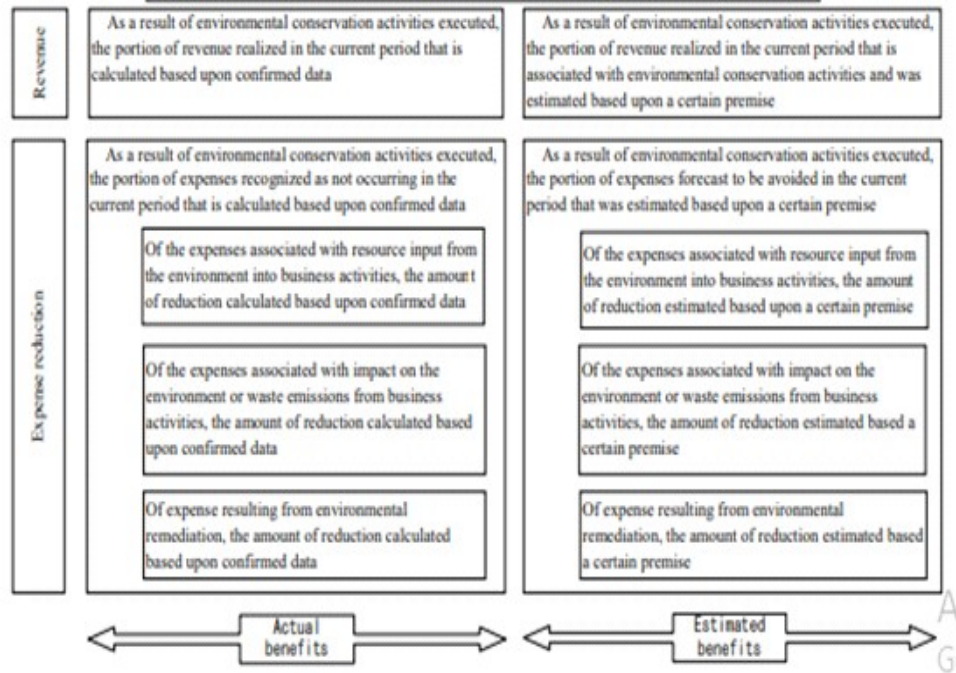
Investments and costs associated with mitigating, preventing, and/or removing negative environmental effects, restoring the environment after an occurrence, and other related activities are valued monetarily.

2. Benefits of conservation of the environment

Benefits from mitigating, preventing, and/or removing an influence on the environment, restoring the environment after an event, and other initiatives are quantified in terms of physical units.

3. The Financial Gain from Environmental Protection Initiatives

The financial advantages that a corporation receives from continuing its ecological conservation efforts are quantified.



**Source: Environmental Accounting Guidelines 2005**

### Scope of Green Accounting

Green accounting has a very broad application that spans company, national, and global scales. The focus of this discussion is company-level accounting. Included are several components: -

- (1) From an internal perspective, business sector investments are made to minimize environmental losses. Investments made in environmentally friendly equipment are included. Since it is feasible to measure cash, this method of accounting is simple.

From an external perspective, all environmental losses can be directly or indirectly attributed to company operations and activities. It primarily consists of:

- (a) Deterioration and devastation, such as erosion of soil, loss of biodiversity, noise pollution, pollution of the air and water, solid waste management, and pollutants in the coastline and underwater regions.
- (b) The depletion of natural resources that are not renewable, or loss brought about by overuse of resources that are not renewable, such as gas, water, and minerals.
- (c) Land usage and forestry.

## Conclusion

India's growth of green responsibility is still in its infancy. The majority of people on the planet are actually still unaware of the significance of "green accounting" and its terminology. Despite the fact that Indian businesses adhere to standards like corporate social responsibility, there are no explicit environmental protection rules in existence. It is hoped that eventually, with increased awareness of the topic, green accounting will become a reality and a primer for all companies. It is among the most effective strategies to use for both the expansion and improvement of the economy and for achieving sustainable growth.

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