Green Accounting In India: A Balancing Tool

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ABSTRACT
In today's worldwide economy, organizations are increasingly asked to demonstrate sound business management that includes concern for social, environmental and economical issues. The explicit cost of business has more share of the social cost with specific reference to the environment, the margin where they are operating. As a result of observing the trends and patterns of the production process well equipped with the enhanced technology, it is expected to adapt the measures which can bring harmony with the ecosystem and economy. The argument created by worldwide competition makes it essential for enterprises to continuously rationalize and advance all resources and processes. In the view of all the facts and figures it seems desirable to introduce the concept through which the cost of utilization of natural resources can be evaluated and can be put across with the quantum of the production. Green Accounting mainly focuses to bring harmony between corporate environment and natural environment. The present research article is a small attempt to discuss the rationale for introducing the green accounting concept at this hour and the policies to be followed for the application of the same in the Indian business world. Secondary data was gathered around for the purpose. A well known proverb says stitch in time save nine, as its an alarming time for the country to adapt the measures rigorously to preserve the environment along with the growth of the nation.

Keywords— Social Cost, Green accounting, Environment, Global Economy

I INTRODUCTION

Nature's play an important role in the lives of an Individual on this planet. It has endowed with resources to be utilized, not only by the existing generation but also by the generations to come in the future. The ignorance to the environment and natural resources distorts the picture of production primarily in two ways, firstly it fabricates undesirable output for example pollution and secondly it leaves out a number of impurities in the process of production. The need for full accountability of all types of inputs and outputs complicates the nation's economic and environmental policies. The loss in environmental capital, if not taken into account, will eventually reflect itself in production measurement and income. It has been understood over a period of time that a nation with marketable natural resource is better off than those without such resources. In general a balance between economic growth and care of environment and natural resources is needed in every nation , particularly, in under developed and developing countries.

The factors like GDP and GNP are there to evaluate the production in the national as well as domestic level. More likely the maintenance of proper accounts on environment and natural resources will check their depletion and degradation and ultimately protect the deficit of economic and public health. For this purpose the theory of Environmental Accounting has been introduced a way back in India. The interpretation of this accounting used in general is the term Green Accounting. The phrase green accounting has been used since the 1980s and known as a management tools. The conservative system of national accounting was first started in 1942 in the USA. Green accounting is vital tool for understanding the role played by the natural environment in the economic accounts. The cost enforced by resources degradation and pollution, describes an efforts to integrate environmental benefit along with costs into economic decision making. Specifically, Green accounting includes the integrated environmental cost with economic accounting.

To explore the concept several researchers have given their views and comments on the existence of the term and have tried to analyse the application of it critically.

Grojer & Stark (1977) contended that accounting oug ht to be a reflection of prevailing social values and cu lture, and that the purpose of accounting is to provide a description in both monetary as well as non-monetary terms of the positive and negative ef fects which human beings or groups of human beings perceive as stemming from a company's operations.'

They then explained conventional accounting as a division of their larger conception of social accounting.

Anderson et al. (1978) extended the concept to 'socia l responsibility accounting' and defined it as a systematic assessment and reporting on those parts of a company's action that have a social impact.' According to Anderson et al.(1978, p.6) social responsibility accounting describes the effect of corporate decisions on environment, on the rights of individuals and groups, the utilization of non-renewable resources and other ecological factors and maintaining public service, public safety, health and education and on several other such social concerns.' During th e 1980s, the public stature of environmentalism had i ncreased significantly also this was reflected in some authors broadening of the term 'social accounting' to 'environmental and social accounting'. Gray (1987) defined 'social and environmental accounting' as the process of communicating the environmental and social effects of organizations' economic actions to p articular interest groups in society and to society at large. As such it includes extending the accountability of business (particularly companies), beyond the conventional role of providing a financial account to the owners of capital, precisely, shareholders.

Such an extension is predicated upon the assumption thatcompanies do have wider responsibilities than si mply to make money for their shareholders.' In more recent times the political aspect of social accounting has also been noticeable in proposed definitions of social accounting. For instance, Mathews (1993, p.64) defined social res ponsibility accounting as 'voluntary disclosures of inf ormation, both qualitativeand quantitative, made by o rganizations to inform or influence a range of audienc es. The quantitative disclosures canbe in financial or non-financial terms.' Mathews' inclusion of the term s 'inform or influence' is noteworthy as it highlights t he communicative and constitutive potential of accou nting (alluded to by Linowes 1968).

Manoj Goswami (2014) in his paper have analysed the problems and prospects of the application of Green accounting in Indian corporate sector. In his study with the support of certain government reports he tried to explore the various dimensions related to green accounting applications. Larry O'Connor has done a study related to research in social and environmental accounting. In his study he mentioned reviews of the researchers and have also given the future directions of the research related to environmental accounting. Dina Wahyum has increased public green awareness to encourage business to consider environmental effect of their activities along with the environmental decision making. In this paper he discussed EMA (Environmental Management Accounting) as a tool to explain in systematic way corporate environmental aspects. He has focused on EMA method to narrate corporate environmental expenditure for the betterment of environmental distracts.

Observing the reviews of the scholars and experts the present study is a small attempt to describe the basic meaning and purpose of Green accounting in Indian corporate world and its impact on overall harmonization of economics of the country and ecosystem.

II OBJECTIVE OF THE STUDY

(a) To discuss the present status of the Green Accounting in India.
(b) To understand the benefits and limitations of Green Accounting in Indian Accounting system.

III BACKGROUND OF GREEN ACCOUNTING

Over the last fifty years India has lost over half its forest. India's biodiversity is under the threat of double digit GDP fixation. GDP calculates the value of output produced within a country over a certain period of time. However, any depreciation measurements exercised, will report only for manmade capital and not the harmful impact of growth on valuable natural capital, such as biodiversity, forests, land, and water, which will result in negative effects on human health and welfare.

Climate volatility is getting higher day by day. The extensive and exhaustive use of the natural resources for the production purpose is producing propounding effect on the ecological system thus creating imbalances. The issues related to these things have been raised so long back in the international summits right from sixties. During 1968 and 1972, two international conferences were held to measure the challenges of global environment and to propose corrective action. The UN conference on human and environment (Stockholm Conference) which was held in June 1972 were considered as the pivotal event in the growth of the global environment movement. United Nations has also made an attempt by developing Integrated System of Environmental economic accounting (SEEA), a central multipurpose conceptual framework that describes accounting of interactions between the economy and environment, and the stocks and variation in the stocks of environmental assets.

The Green Indian States Trust (GIST) in 2003 released a series of environmentally adjusted accounts under the Green Accounting. As per their result, the loss of forest ecological services (i.e. ground water augmentation, soil erosion prevention, and flood control) over three years (2001-03) because of declining dense forests was evaluated at an astounding 1.1 per cent of GDP. As per GIST's latest results, the North-Eastern states continue to be most affected, particularly Mizoram and Arunachal Pradesh where the shortfall of forest ecological services is over 12 per cent of their NSDP.

Considering the status of the environmental degradation at such a fast pace civil society is increasingly demanding that business should play a proactive role in societal and environmental objectives in addition to increase in shareholder wealth. This urge has given a base to introduce the concept of green accounting system in Indian corporate accounting system. In the concept of green accounting national accounts are incorporating the value of nature's goods and services. The concept measures the amount of loss which has been done to the environment by the habitants in terms of money and its effect on national income or enterprise income to take remedial expense.

IV GREEN ACCOUNTING PROS AND ISSUES

Green life cycle begins with the consumption of the raw material, moves to manufacturing, distribution to customer used, when its being post-customer used is recycle process back to raw material again. The stress on environmental issues has generated awareness among the companies to bring out their environmental contribution as green reports. India expects to prepare a system of green national accounting in five years that would consider the environmental costs of development and the use of precious depleting natural resources in the process of producing national income.(statement by Union Minister of State for Environment and Forests Jairam Ramesh). The government is emphasizing to bring forward the system of green national accounting formally by year 2015.Observing the positive effects of the green accounting system in order to preserve the ecology, one cannot avoid the complications and issues arises by the adoption of this system. Several mathematical and systematic hitches are the real hurdles, require due recognition and consideration. To introduce this concept, firstly it requires standardization across all states in terms of publication of data related to resources. Further the calculation and evaluation of the natural assets and the losses occurred is a tedious task to do. Although countries have adopted the measures to evaluate it, still it requires the uniformity on a larger basis.

Add on to the above stated issues the major issue is to train the manpower to understand the concept of green accounting and have hands on experience to work with this. This exercise will itself consume a considerable amount of time and money. The natural resources consumption vary with the type of industries, thus it needs the separate policies and frameworks varied from industry to industry. It's a twin problem for developing country like India, where it has to save environment and perform economic development which leads to necessity green accounting. As the country's economy is not so strong, hence it should be develop first. As per the study done by World Bank, about Rs. 34,000 crores were lost by India due to environmental damage. Company like AT&T are practically implementing green accounting.

V CONCLUSION

Environmental growth and balances is of prime importance in the present scenario. Green accounting system involves twin responsibility as firstly it supports the losses and damages occurs in the environment by evaluating it in terms of money, also it has to assist the progress of production for the accomplishment of sustainable development. Presently it is at a very nascent stage having more of theoretical background then the practical one. There is an urgent need of implementing this concept practically in sporadic ways to understand its effects and later on by observing the benefits and criticalities it should be carry forward on larger scales.

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